

லார்கீல லார்கீல

ஆண்டு அறிக்கை

Annual Report

2012



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இலங்கை அரசு மருந்தகக் கூட்டுத்தாபனம்
State Pharmaceuticals Corporation of Sri Lanka



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YOUR HEALTH IS OUR CONCERN



OUR VISION

Contribute to Sri Lanka emerging as healthier and vibrant 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 reasonable prices, while promoting the usage of generic drugs.

OUR GOALS

Services to the people is foremost

Quality and safety

Integrity never to be compromised

Reliable partner and effective team player

Passion for performance excellence

Innovation, the lifeblood

OUR SLOGAN

Your health is our concern

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

FINANCIAL HIGHLIGHTS

DESCRIPTION	2012 Rs: ' 000 '	VARIATION (%)	2011 Rs: ' 000 '	2010 Rs: ' 000 '
Revenue - SPC	5,001,673	4.07	4,806,170	4,197,759
Supplies to DHS	16,608,492	32.14	12,569,290	10,968,571
Total Revenue	21,610,165	24.37	17,375,460	15,166,330
Gross Trading Profit - SPC	991,541	(4.98)	1,043,453	995,371
Gross Surplus - DHS	1,193,214	52.83	780,735	688,145
Gross Surplus	2,184,756	19.77	1,824,188	1,683,516
Other Income	15,105	(34.98)	23,231	20,414
Administrative Expenses	(654,910)	(6.66)	(614,019)	(605,475)
Other Operating Expenses	(745,230)	(51.28)	(492,631)	(285,777)
Finance Cost	(17)	99.54	(3,661)	(17,734)
Overdraft Interest	(339,035)	19.13	(419,235)	(315,070)
Finance Income	3,944	(3.85)	4,102	3,900
Profit Before Tax	464,612	44.30	321,975	483,774
Treasury Levy	-	-	15,000	60,000
Taxation	205,282	(10.15)	228,473	0
Total Comprehensive Income	245,048	172.80	89,827	179,867
Retained Earnings	3,622,539	7.26	3,377,491	3,287,664
Contributed Capital & Reserve	125,117	-	125,117	125,116
Non Current Assets	1,709,018	6.45	1,605,438	1,561,496
Current Assets	13,269,595	52.13	8,722,712	7,881,607
Non Current Liabilities	124,558	18.53	105,082	113,350
Current Liabilities	11,106,399	65.26	6,720,460	5,916,973
Net Current Assets	2,163,196	8.04	2,002,252	1,964,634
RATIOS				
Gross Profit Ratio (%) - SPC	19.82%		21.71%	23.71%
Gross Profit Ratio (%) - DHS	7.18%		6.21%	6.27%
Gross Surplus to Sales (%)	10.1%		10.5%	11.1%
Return on Capital Employed (%)	21.3%		21.1%	23.8%
Interest Cover (times)	2.4		1.8	2.4
Equity to total Assets (times)	1:4		1:2.9	1:2.8
Turnover to Capital Employed (time)	5.7:1		4.9:1	4.4:1
Current Ratio (time)	1.19:1		1.31:1	1.33:1
Liquidity Ratio (time)	1.02:1		0.86:1	0.7:1
Stock Turnover Ratio -SPC (time)	3.57		3.79	3.65
OTHER INFORMATION				
Number of Employees	785		755	747
Earning per Employee (Rs.)	591.9		426.5	647.6
Sales per Employee (Rs.)	27,529		23,014	20,303

CORPORATE SOCIAL RESPONSIBILITY



State Pharmaceutical Corporation firmly believes in contributing actively to improve lives and create healthier world.

In the past four decades, SPC has come a long way in evolving novel ways to deliver health care at doorsteps of the needy communities.



During 2012, SPC sponsored a health camp organized by the Seva Vanitha unit in Mannar on 29.09.2012 for around two thousand people in the area. It was conducted at Sawariyapuram Vidyalaya – Silawathura.



Essential food item packs worth Rs. 252,750/- consisting of Sugar, Dhal, Flour & Salmon were distributed among the needy at the health camp. Drugs were also donated for the health camp.

For year 2012, drugs donations worth Rs. 957,683/- were made to various health camps held all over the island.



Awareness programs were conducted on the “Rational use of Medicine” to adults to increase their knowledge in using western medicine. One programme was conducted at the army hospital while the other was conducted at Kurunegala to the teachers of the district. These programmes gave the participants a rare opportunity ask questions from professional in the pharmaceutical field about medicine usage.

BOARD OF DIRECTORS AND CORPORATE INFORMATION

BOARD OF DIRECTORS

Professor S D Jayaratne - Chairman

Professor S D Jayaratne is a Specialist Doctor in General Medicine, by profession. He is a professor in Medicine at the Department of Medicine, University Of Sri Jayawardanapura, an Honorary Consultant Physician, Colombo South Teaching Hospital and a Visiting Consultant Physician at the Police Hospital, Colombo.

He was a Director of the State Pharmaceuticals Corporation of Sri Lanka since December 2005 which office he held till 13th may 2010. He was appointed the Chairman of the State Pharmaceuticals Corporation of Sri Lanka with effect from 14th may 2010. At present he also functions as the Chairman/Managing Director of the State Pharmaceuticals Manufacturing Corporation.

Mr. R L Dharmathilleke - Managing Director

Mr. R L Dharmathilleke is an hotelier with more than 26 years local and foreign experience in hotel management and tourism industry, holding a Diploma in Catering and Hotel Management from Clare mount Hotel School.

He served as the Working Director of State Pharmaceuticals Corporation for one year prior to his appointment as the Managing Director from May 2010. He is also a member of the Board of Directors of the State Pharmaceuticals Manufacturing Corporation. Mr. Dharmathilleke is Justice of Peace (All Island)

Mr. Mervin Gunasena - Director

Mr. Mervin Gunasena holds L.L.B (Bachelor of Law) degree, M.A (Sociology) and He is an experienced lawyer and Attorney – at Law at Colombo and Matara Bars. He has at various times served on a number of Statutory Bodies including as executive Director of Central Engineering Consultancy Bureau, as Deputy General Manager (Operation) - Social Security Board, Director General of Central Environment Authority and as the Chairman of Agriculture and Agrarian Insurance Board.

Mr. S.M.N Lalith Senanayake - Director

Mr. Lalith Senanayake is a fellow of the Institute of Chartered Accountants of Sri Lanka. He holds Special Degree in Public Administration -University of Sri Jayawardanapura, Higher National Diploma in Management Studies - The Open University of Sri Lanka. Mr. Senanayake was appointed as a Director of SPC in May 2010. He presently functions as Director of Financial Consultants & Allied Services (pvt) Ltd and Central Engineering Consultancy Bureau. He is senior partner of Tudor V Perera & Co, Chartered Accountants.

He has at various times served on the Boards of a number of Statutory Bodies and Corporations including State Timber Corporation, Ceylon Fertilizer Company Limited, and Paddy Marketing Board.

Professor Ranjanie Gamage - Director

Visiting Professor, Post Graduate Institute of Medicine, University of Colombo and Senior Consultant Neurologist attached to the Institute of Neurology, National Hospital of Sri Lanka. She is the founder President of the Association of Sri Lankan Neurologists, President of the Sri Lanka League against Epilepsy and Chairperson of the Epilepsy Task Force. She is a Council Member of the Sri Lanka Medical Council and Member of National Education Commission.

Mr. H. M. Ajith Chandra - Director

A senior member of the Sri Lanka Accountants Service having more than 28 years experience, currently working as the Additional Director General of the Department of Treasury Operations of the Ministry of Finance and Planning. Mr. Ajith Chandra held the position of the Director Finance and Administration in Public Enterprises Reform Commission of Sri Lanka. He has functioned as the Finance Manager of the Improving Relevance and Quality of Undergraduate Education Project funded by the World Bank during 2003-2006. He has served as the Chief Accountant of the Ministry of Policy Planning & Implementation. Mr. Ajith Chandra has vast experience in the field of Public Financial Management, Procurement Management and Local Government Financial Management.

Mr. Ajith Chandra graduated from University of Sri Jayawardanapura and he has obtained his Postgraduate Degree on Business Administration (MBA) from the Postgraduate Institute of Management. He has represented Sri Lanka in international conferences on Project Finance, Treasury Management and Debt Management conducted by UNDP, SAARC and ADB, respectively.

Mr. Ajith Chandra is a visiting consultant of SLIDA, PGIM and Sri Lanka Foundation in the field of Financial Management, Procurement Management and Project Management and he is a fellow Member of the Association of Public Accountants of Sri Lanka and an Associate Member of AAT Sri Lanka.

Dr. Palitha Mahipala - Director

Dr. P.G. Mahipala is the Director General of Health Services. He is board certified as a specialist in medical administration by the Post Graduate Institute of Medicine. Dr. Mahipala holds degree of Master in Community Medicine, Master in Business Administration, Doctor of Medicine in Medical Administration and Post Graduate Diploma in Economic Development & Public Management. He is also the board member in the director boards of Water Supply & Drainage Board, State Pharmaceuticals Manufacturing Corporation, Vijaya Kumarathunga Hospital, Sri Jayawardanapura Hospital, Sri Lanka Transport Medical Board, and National Authority on Tobacco & Alcohol.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Prof. S.D Jayaratne	Chairman
Mr. R.L. Dharmatilleke	Managing Director
Dr. P.G. Maheepala	Director
Prof. Ranjanie Gamage	Director
Mr. Mervin Gunasena	Director
Mr. Lalith Senanayake	Director
Mr. H.M. Ajith Chandra	Director

MANAGEMENT TEAM

Mr. K M D R Dassanayake	General Manager
Mr. M P Kuruppu	D G M (Marketing)
Mr. N.Mahinda Gamage	D G M (Finance)
Mrs.W.A.S.D.K. Perera	D G M (Technical, Laboratory & Production)
Mr. H.G.W.Dharmasena	D G M (Human Resources & Administration)
Mrs. P.K.S.S.Kulasuriya	Actg. D G M (Procurement & Imports)

SENIOR MANAGEMENT

Mrs. S.M.A.D.S.H Sammandapperuma	Management Accountant
Mrs. P.D. Gunasekara	Accountant
Mrs. P. Dassanayake	Manager - Imports
Mrs. K. G. C. Shanthimala	Manager – Technical
Mr. U. Lokusuriya	Internal Auditor
Mrs. P. K. Wijeratne	Manager - Quality Assurance Laboratory
Mr. D. P. Ajith Liyanage	Manager - Management Information Systems
Mrs. C. K. Jayawardana	Manager - Imports
Mr. M. A. V. I. Kumarasiri	Field Manager (Monitoring of Distribution Systems)
Mr. W. U. Samaranyake	Manager - Osu Sala, Colombo 7
Mr. P.K.R. Fernando	Manager Wharf
Miss. C.S.Withanage	Manager Sales
Mrs. H.H.Piyadigama	Accountant
Mrs. D.N.Devasurendra	Accountant
Mrs. P.A.U.Wijewardana	Legal Officer & Secretary to the Board
Mr. P.M.B.R.Somathilaka	Manager – Production
Mrs. M.W.Pushpa Jennet	Manager – Human Resources
Mrs. A.H. Alwis	Manager – Post Delivery Operation
Mr. S.L de S. Jeewakaratna	Manager – Sales
Miss. N.K.A.P. Gunathilake	Manager – Promotion & Publicity (From 08.05.2012)
Mr. G. D. J. Pushpakumara	Manager – Stores & Inventory Control (From 10.05.2012)
Mr. W.A.S. Wickramarachchi	Manager – Research & New Project (From 03.12.2012)
Mr. A.P. Hapangama	Accountant (From 10.04.2012)
Mrs. M.B. Jayawardana	Manager – Stores & Inventory Control (From 10.04.2012)
Mr. H.D.N.R. Gunasekara	Manager – Osusala, Colombo 04. (From 02.08.2012)
Mr. D.J. Peiris	Manager – Osusala, Panadura. (From 02.08.2012)
Mr. D.R. Kuruppumullage	Manager - Osusala, Colombo 01. (From 02.08.2012)

AUDIT COMMITTEE

Mr. H.M. Ajith Chandra	Chairman
Prof. Ranjani Gamage	Director
Mr. Mervin Gunasena	Director
Mr. Lalith Senanayake	Director

AUDITORS

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

BANKERS

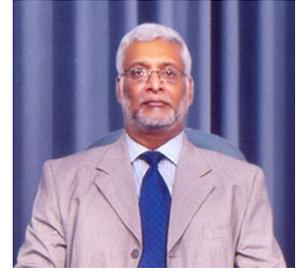
Bank of Ceylon	Corporate Branch, Bank of Ceylon Mawatha, Colombo 1.
People's Bank	International Division, P O Box 437, ANCL. Bldg. D R Wijewardana Mawatha, Colombo 10.
Standard Chartered Bank	P O Box 112, 37 York Street, Colombo 1.
Commercial Bank of Ceylon Ltd.	City Office, 98 York Street, Colombo 1.

REGISTERED OFFICE

No.75 Sir Baron Jayatillake Mawatha, Colombo 1.

DATE OF INCORPORATION

September 21, 1971



REPORT OF THE CHAIRMAN

2012 has been a very busy as well as a successful year for the State Pharmaceuticals Corporation. The demand for pharmaceuticals and surgical devices has continued to increase. DHS supplies were over 16 billion Rupees which was 4 billion Rupees over the year 2011. Our sales in the private retail trade have also increased from 4.8 billion Rupees to 5.1 billion Rupees. We have opened 3 new Osu Salas during the same year and added 4 new distributors and 8 new Franchise dealers.

Procurement of pharmaceuticals is an exacting, complex process as safety, efficacy and quality of medicinal drugs are of paramount importance. We have been continually striving to improve this process and the State Pharmaceuticals Corporation, for the first time, has decided to pre-qualify its suppliers. This would almost certainly improve the quality of products procured by State Pharmaceuticals Corporation. Hon. Minister of Health, with Ministry and SPC officials, visited India and met important officials including Hon. Minister of Health in India with the objective of improving relations between drug authorities in India and Sri Lanka. This has resulted in significant improvement in cooperation between Indian Drug Authorities and the State Pharmaceuticals Corporation. State Pharmaceuticals Corporation would like to thank the Hon. Minister for this initiative.

I would like to thank the Hon. Minister of Health, Hon. Deputy Minister of Health, Secretary to the Ministry of Health and other officials for their support and guidance during the year 2012. Our gratitude is also extended to the Director, Medical Supplies Division and other officials. I would like to thank personally our Board of Directors, the management and all employees of the Corporation for their dedication and commitment towards achieving our goals and objectives. I would also like to extend my thanks to the suppliers, distributors and Franchise holders and general public for their confidence in SPC and their drugs. I fervently hope that the name of SPC would remain in the hearts and minds of all people of Sri Lanka as the leading supplier of quality, efficacious, cost effective drugs and related products.

A handwritten signature in blue ink, appearing to be 'S D Jayaratne', written over a light blue background.

Professor S D Jayaratne

CHAIRMAN

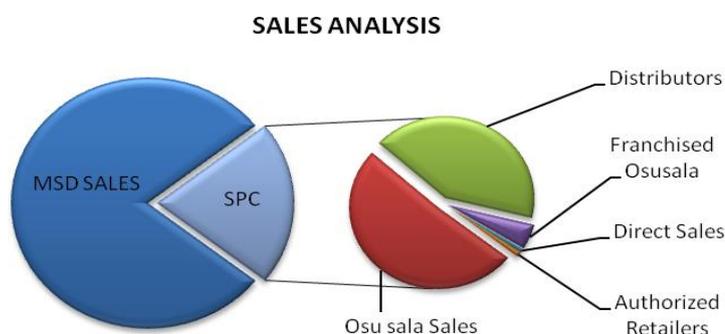


MANAGING DIRECTOR'S FINANCIAL REVIEW

It's with pleasure that I am presenting the Managing Director's Report of the Corporation's performance for the year 2012. During the period under review, State Pharmaceuticals Corporation recorded highest ever turnover of Rs. 21,610 million which is 24% increase against the previous year. This increase was mainly due to the increase in supplies made to the Medical Supplies Division of the Ministry of Health.

SPC is the sole importer of Healthcare items to 'Medical Supplies Division' to ensure continuous supply of quality assured Pharmaceuticals and Healthcare items to the Government Hospitals. SPC also imports and sell in the open market through its large and strong distribution network, covering the entire island including the North and East.

FINANCIAL PERFORMANCE



The Turnover from the open market operations, has recorded as Rs.5,002 million during the year 2012. It is an increase of 4 % when compares with the turnover of Rs.4,806 million recorded in 2011. The increase in sales was mainly due to the expansion of distribution network. During the year 2012, The Corporation has appointed 08 new franchised osusala outlets and 04 distributors in order to expand the areas where SPC is currently not operating. With the view of strengthening the Rajya Osusala network, SPC established Rajya Osuslala Outlets in Ragama and Tangalle during the year 2012. At the end of the year, there were altogether 28 Rajya Osusala Outlets, 188 Franchised Osusala Outlets, 52 Distributors and 12 Authorized Retailers are in operation for open market sales.

SPC has recorded a Profit before Tax of Rs.464.6 million during 2012. This is an increase of 44 % as against the previous year figure of Rs.321.9 million. This increase in profit was mainly due to the improvement in sales coupled with controlling expenditure and reimbursement of overdraft interest by the Treasury.

During the year under review, healthcare items to the tune of Rs.16,608 million had been supplied to the Medical Supplies Division, which is a 32% increase against the Rs. 12,569 million in 2011.

The Corporation received Rs. 248 million from the General Treasury in lieu of OD interest paid from August to December 2012, as against MSD supplies. As a result of this, over draft interest paid has reduced to Rs 339 million, which is 20%, decrease as against the year 2011.



SALES & TRADE PROMOTIONS

During the year 2012, SPC sponsored number of medical related events covering the entire Island, with a view to updating the awareness of medicals practitioners and general public about SPC drugs.

As a tribute to the founder Chairman of SPC Professor Senaka Bibile, we are continuing with the "Senaka Bibile Commemoration Scholarship Program" to the Medical Students who have obtained best results in the Pharmacology, in each of the six Medical Faculties of the Universities in Sri Lanka. SPC organized the "Professor Senaka Bibile Oration Quiz Competition" among the School children to educate them about SPC drugs. Apart from the above, promotional campaigns were conducted in both electronic and print media programmes like "Suwapiyasa" & "Subarathi"

TECHNICAL & LABORATORY

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

HUMAN RESOURCES DEVELOPMENT

At the end of the year under review total workforce stood at 941, out of this 785 are permanent employees & balance are trainees. Our committed and motivated workforce was the key contributory factor to the success of the Corporation. In order to provide them with a career path within the organization, and to improve their skills, 172 employees were sent for local training programs, and 4 employees were sent for foreign training programs. All staff welfare benefits that were prevailing in the Corporation prior to 2012 were continued during the year 2012.

ACKNOWLEDGEMENT

I take this opportunity to thank our management team and the staff in all categories for their dedicated service rendered to the Corporation, to achieve the growth and profit that has been recorded.

R.L. Dharmatilleke

R.L. Dharmatilleke
MANAGING DIRECTOR

REPORT OF THE DIRECTORS

The directors of the State Pharmaceuticals Corporation present herewith the audited financial statements for the year ended 31 December 2012.

The Financial Statements of the Corporation was submitted to the Auditor General on 29th February 2013 in accordance with the Circular No PED/11 of 5th June 2003, issued by the Director General of the Department of Public Enterprises in the General Treasury.

FORMATION

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

ACCOUNTING POLICIES

During the year, the Corporation adopted Sri Lanka Accounting Standards (SLFRS/ LKAS)as issued by the Institute of Chartered Accountants of Sri Lanka. Refer note 27 for the information as how the Corporation adopted SLFRS/LKAS.

RESULTS

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

REVIEW OF BUSINESS

The state of affairs of the Corporation as at 31 December 2012 is set out in the Balance Sheet and assessment of the Corporation during the financial year is given in the Managing Director's Report.

PROPERTY, PLANT & EQUIPMENT

Property, Plant and Equipment is stated at cost net of accumulated depreciation. The movements in Property, Plant & Equipment during the year are set out in Note 12 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 Jeevaneer, 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 2012 were as follows,

Prof. S.D. Jayaratne	- Chairman
Mr. R.L. Dharmatilleke	- Managing Director
Dr. P.G. Maheepala	- Director
Mr. H.M. Ajith Chandra	- Director
Prof. Ranjani Gamage	- Director
Mr. Mervin Gunasena	- Director
Mr. Lalith Senanayake	- Director

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE/INTERNAL CONTROL

The Corporation has put in place systems and procedures to ensure the implementation of sound corporate governance principles. The Audit Committee report is given in page No11.

EMPLOYMENT

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

STATUTORY PAYMENTS

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

ENVIRONMENTAL PROTECTON

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

CONTRIBUTION TO THE GOVERNMENT

The Corporation has paid Rs 238.4 million by the way of Income tax and deemed dividend tax to the Government of Sri Lanka.

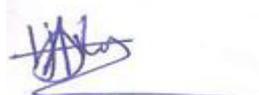
POST BALANCE SHEET EVENTS

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

AUDITORS

Auditor General carried out the Audit of the Financial Statement of the State Pharmaceuticals Corporation of Sri Lanka for the financial year ended 31st December 2012.

By Order of the Board,



.....
Anuradha Wijayawardana
Legal Officer /Secretary to the Board

AUDIT COMMITTEE REPORT

CONSTITUTION OF THE AUDIT COMMITTEE

The Audit Committee consists of four Non-Executive Directors of the Board. The Director who represents the General Treasury would function as Chairman of the Committee. During the Financial year ended 31st December 2012, the followings were the members of the Audit Committee.

Mr.H.M Ajith Chandra - Chairman of the Committee
Mr. Mervin Gunasena
Prof. Ranjanie Gamage
Mr. Lalith Senanayake

The Chairman, Managing Director, General Manager and Deputy General Manager (Finance) participate the Committee Meetings as Observers. Deputy General Manager (Human Resources and Administration), Deputy General Manager (Marketing), Deputy General Manager (Technical) and Deputy General Manager (Procurement & Imports) attend the Committee Meetings by invitation. Internal Auditor functions as Secretary to the Committee.

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.

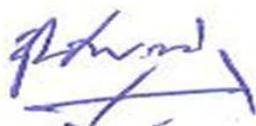
1. Review and evaluate the internal control systems and recommend modifications where necessary.
2. Review and approve Internal Audit Plan for the year 2012.
3. Review Internal Auditor's reports, covering the nature of the issues and monitor management's responsiveness to the findings and recommendations of the Internal Auditor.
4. Review External Auditors Audit Queries and the matters raised by them in the reports in terms of section 13(7) (a) and 14 (2) (c) of the Finance Act No. 38 of 1971.
5. Review of implementation of recommendations of the Committee of Public Enterprises (COPE).

INTERNAL AUDIT DIVISION

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

MEETINGS

During the year 2012, Six Audit Committee meetings were held. The Committee has submitted its comments on the identified deficiencies to the Management. Accordingly, the remedial measures have been taken to rectify the identified deficiencies.



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Sgd/H.M Ajith Chandra
Chairman, Audit Committee

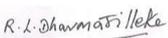
STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2012

	NOTE	2012 RS.	2012 RS.	2011 RS.	2011 RS.
ASSETS					
Non- Current Assets					
Property Plant and Equipment	12	1,667,811,536		1,564,603,189	
Leasehold Land - Ratmalana		10,680,000		10,840,000	
Capital Work in Progress		15,578,367		16,193,567	
Other non Current Assets		14,948,350		13,800,775	
			1,709,018,254		1,605,437,531
Current Assets					
Inventories	13	1,079,938,789		887,455,903	
Stock in Transit	14	886,881,626		2,086,268,827	
Trade & Other Receivables	15	11,062,836,871		5,123,702,453	
Prepayments	16	23,578,839		24,478,862	
Cash in Hand and at Bank	17	216,358,949		600,806,882	
			13,269,595,075		8,722,712,928
Total Assets			14,978,613,328		10,328,150,459
EQUITY AND LIABILITIES					
Contributed Capital		59,055,258		59,055,258	
Retained Earnings		3,622,539,288		3,377,491,107	
General Reserves		66,061,447		66,061,447	
			3,747,655,993		3,502,607,812
Non- Current Liabilities					
Retirement Benefit Obligation	18	94,248,566		74,894,076	
Deferred Tax Liability	19	30,309,522		30,188,279	
			124,558,088		105,082,355
Current Liabilities					
Trade and Other Payables	20	3,016,958,649		1,784,155,464	
Income tax Payable		191,439,643		219,331,798	
Deferred Income		1,291,826		317,625	
Current Financial Liabilities	21	7,896,709,130		4,716,655,405	
			11,106,399,247		6,720,460,292
Total Equity & Liabilities			14,978,613,328		10,328,150,459

The accounting policies and notes on pages 18 to 45 form an integral part of the financial statements.



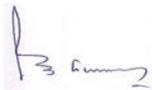
PROF.S.D. JAYARATNE
CHAIRMAN



R.L. DHARMATILLEKE
MANAGING DIRECTOR



K.M.D.R.DASANAYAKE
GENERAL MANAGER



MAHINDA GAMAGI
D.G.M. - FINANCE

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Contributed Capital RS.	Adv. Received for Share Capital RS.	General Reserves RS.	Accumulated Profit RS.	Total RS.
Balance as at 31st December 2010	35,042,000	24,013,258	66,061,447	3,287,663,198	3,412,779,903
Balance as at 01st January 2011	35,042,000	24,013,258	66,061,447	3,287,663,198	3,412,779,903
Treasury levy paid				(15,000,000)	(15,000,000)
Gain/ losses on defined benefit plan				11,325,057	11,325,057
Net Profit for the year				93,502,852	93,502,852
Balance as at 31st December 2011	35,042,000	24,013,258	66,061,447	3,377,491,107	3,502,607,812
Balance as at 01st January 2012	35,042,000	24,013,258	66,061,447	3,377,491,107	3,502,607,812
Gain/ losses on defined benefit plan				(14,281,409)	(14,281,409)
Net Profit for the year				259,329,589	259,329,589
Balance as at 31st December 2012	35,042,000	24,013,258	66,061,447	3,622,539,288	3,747,655,993

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2012

	Note	SPC OPERATIONS	DHS OPERATIONS	TOTAL OPERATIONS 2012	TOTAL OPERATIONS 2011
Income	3	5,001,672,742	16,608,492,451	21,610,165,194	17,375,459,642
Less					
Direct Expenses - MSD	4		15,415,278,195	15,415,278,195	11,788,555,087
Cost of Sales - SPC	5	3,959,568,211		3,959,568,211	3,726,917,368
Cost of Production - ORS	6	50,563,135		50,563,135	35,798,972
Gross Profit/ Surplus		991,541,396	1,193,214,256	2,184,755,652	1,824,188,215
Add.					
Other Operating Income	7	15,104,844		15,104,844	23,230,881
Less					
Administrative Expenses	8	431,862,360	223,047,683	654,910,043	614,019,155
Other Operating Expenses	9	183,385,789	561,844,238	745,230,027	492,631,005
Operating Profit		391,398,091	408,322,336	799,720,426	740,768,935
Less					
Finance Expenses	10	17,022	339,035,117	339,052,139	422,895,753
Add.					
Finance Income (Staff Loan)		3,943,725	-	3,943,725	4,102,392
Profit Before Tax		395,324,794	69,287,218	464,612,012	321,975,574
Less					
Income Tax Expenses	11	174,668,819	30,613,604	205,282,423	228,472,722
Profit After Tax		220,655,975	38,673,614	259,329,589	93,502,852
Other Comprehensive Income:					
Gain/ Losses on defined benefit plan		(6,283,820)	(7,997,589)	(14,281,409)	11,325,057
Treasury Levy /Dividend Paid		-	-	-	(15,000,000)
Total comprehensive income for the year		214,372,155	30,676,025	245,048,180	89,827,909

* Finance expenses of Rs 339 million stated above is after setting off interest reimbursement of Rs. 247.6 million from the General Treasury.

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2012

	OSU SALA TRADING COL.07 RS	OSU SALA TRADING COL.04 RS.	OSU SALA TRADING COL.01 RS.	OSU SALA TRADING KANDY RS.	OSU SALA TRADING NUGEGODA RS.	OSU SALA TRADING AVISS. RS.	OSU SALA TRADING RATNAPURA RS.	OSU SALA TRADING MINU. RS.	OSU SALA TRADING PANADURA RS.	OSU SALA TRADING GALLE RS.	OSU SALA TRADING MATARA RS.	OSU SALA TRADING KURUNEGALA RS.	OSU SALA TRADING AMPARA RS.	OSU SALA TRADING HAMBANTOTA RS.
SALES	557,432,351	298,226,353	85,249,396	147,855,885	62,311,879	36,494,631	68,865,487	27,149,221	57,124,189	91,045,043	61,400,139	82,192,761	22,799,717	32,038,794
TOTAL SALES & TRANSFERS	557,432,351	298,226,353	85,249,396	147,855,885	62,311,879	36,494,631	68,865,487	27,149,221	57,124,189	91,045,043	61,400,139	82,192,761	22,799,717	32,038,794
COST OF SALES & TRANSFERS	471,511,225	264,879,403	72,212,463	122,736,788	50,970,356	29,897,348	58,586,508	21,335,441	46,015,853	77,965,634	49,139,786	66,493,359	18,077,405	26,420,776
GROSS PROFIT ON SALES & TRANSFERS	85,921,126	33,346,950	13,036,933	25,119,097	11,341,523	6,597,282	10,278,978	5,813,779	11,108,336	13,079,409	12,260,353	15,699,402	4,722,311	5,618,018
ADMINISTRATIVE EXPENSES														
Personnel Expenses	26,928,078	11,949,337	5,480,812	9,378,561	7,223,932	4,701,617	7,671,441	3,540,366	6,515,668	9,035,875	6,819,720	5,620,504	3,205,579	3,614,198
Travelling Expenses	25,324	2,066	3,442	4,822	1,787	22,208	15,758	7,948	5,846	2,345	10,460	3,132	1,887	2,741
Supplies & Requisites	544,562	101,018	95,820	171,690	53,612	94,499	156,705	29,568	152,051	131,371	134,822	131,474	78,527	70,603
Repairs & Maintenance	644,882	97,316	70,641	125,948	52,282	33,821	165,462	16,459	109,780	110,784	89,166	99,814	58,793	92,351
Transportation, Communication Utilities & Other Services	9,635,743	3,519,260	1,823,278	3,509,586	3,078,086	2,040,669	2,753,656	1,534,145	2,251,423	3,332,779	2,599,746	2,596,276	1,457,758	1,808,562
OTHER OPERATING EXPENSES														
Selling & Distribution Expenses	898,083	165,902	216,440	707,765	332,841	106,318	272,865	134,160	236,287	292,803	431,357	363,449	194,512	205,920
TOTAL OVERHEADS	38,676,673	15,834,899	7,690,433	13,898,372	10,742,540	6,999,133	11,035,887	5,262,645	9,271,055	12,905,958	10,085,271	8,814,649	4,997,056	5,794,375
NET PROFIT/(LOSS)	47,244,453	17,512,051	5,346,500	11,220,725	598,982	(401,851)	(756,909)	551,134	1,837,281	173,450	2,175,082	6,884,754	(274,745)	(176,357)

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2012

	OSU SALA TRADING MEEGODA RS	OSU SALA TRADING A'PURA RS.	OSU SALA TRADING MAHARAGAMA RS.	OSU SALA TRADING J, PURA RS.	OSU SALA TRADING KARAPITTIYA RS.	OSU SALA TRADING NEGOMBO RS.	OSU SALA TRADING BADULLA- CWE RS.	OSU SALA TRADING DIYATHALAWA RS.	OSU SALA TRADING JAFFNA RS.	OSU SALA TRADING POLONNARUWA RS.	SATHOSA OUTLETS RATMALANA RS	SATHOSA OUTLETS PILIYANDALA RS	SATHOSA OUTLETS KALUTARA RS	REGIONAL STORES KANDY RS.	OSUSALA TOTAL TRADING ACTIVITIES RS.
SALES	3,720,549	46,425,433	70,587,654	132,582,906	61,401,894	58,523,648	39,500,527	14,500,936	13,867,660	7,335,286	8,884,249	5,938,176	4,100,008	88,309,374	2,185,864,145
B.T.T	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL SALES & TRANSFERS	3,720,549	46,425,433	70,587,654	132,582,906	61,401,894	58,523,648	39,500,527	14,500,936	13,867,660	7,335,286	8,884,249	5,938,176	4,100,008	88,309,374	2,185,864,145
COST OF SALES & TRANSFERS	2,916,293	37,662,613	57,420,269	109,779,557	52,520,378	48,611,233	31,803,131	11,399,573	10,815,214	5,166,766	7,269,670	4,738,996	3,382,391	61,187,211	1,820,915,642
GROSS PROFIT ON SALES & TRANSFERS	804,256	8,762,820	13,167,385	22,803,349	8,881,516	9,912,415	7,697,396	3,101,362	3,052,446	2,168,520	1,614,579	1,199,180	717,617	27,122,163	364,948,503
ADMINISTRATIVE EXPENSES															
Personnel Expenses	872,109	3,335,202	5,703,417	11,118,621	6,876,762	4,501,751	3,998,686	2,241,881	2,743,392	1,101,328	1,077,600	993,749	1,138,858	2,893,004	160,282,049
Travelling Expenses	250	1,400	214	1,150	3,790	11,030	6,343	19,393	210,085	-	738	3,610	200	9,432	377,401
Supplies & Requisites	21,545	162,781	380,323	173,327	133,847	133,947	106,465	165,711	5,974	75,924	1,834	1,431	3,937	35,620	3,348,990
Repairs & Maintenance	75	51,507	97,076	36,875	102,576	166,196	129,893	8,773	25,629	100,403	3,322	12,595	7,904	53,479	2,563,803
Transportation, Communication Utilities & Other Services	248,428	2,566,605	2,327,360	3,077,231	2,241,427	2,765,808	2,383,371	363,063	4,176,105	1,036,307	108,710	136,222	93,758	1,742,645	65,208,009
OTHER OPERATING EXPENSES															
Selling & Distribution Expenses	120,258	267,623	241,919	568,547	411,637	226,527	142,097	126,508	33,474	181,972	18,752	74,288	96,880	65,259	7,134,443
TOTAL OVERHEADS	1,262,665	6,385,120	8,750,310	14,975,751	9,770,039	7,805,259	6,766,856	2,925,330	7,194,660	2,495,934	1,210,957	1,221,896	1,341,538	4,799,438	238,914,696
NET PROFIT/(LOSS)	(458,409)	2,377,701	4,417,076	7,827,598	(888,523)	2,107,156	930,540	176,032	(4,142,214)	(327,414)	403,623	(22,716)	(623,921)	22,322,725	126,033,807

Income Statement – Rajya Osusalas

During the year under review, Discount on Transfers from main Stores to ROS outlets has increased from 9% to 13%. As a result, Osusala profitability increased by 4%. However, it is not affected the overall profitability of the Corporation.

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2012

	2012	2011
	Rs.	Restated Rs.
Cash flow from operating activities		
Net profit before taxation,	464,612,012	321,975,574
Adjustments for:		
Depreciation	32,438,191	27,663,472
Gratuity provision for the year	13,396,159	11,191,815
Land lease amortisation - Ratmalana	160,000	160,000
Profit on disposal of fixed assets	-	(2,682,498)
lease amortisation	(1,147,575)	(321,518)
Unrealized profit	(3,257,373)	2,679,004
Provision for bad debts	263,926,011	113,667,421
Stock losses	56,338	212,629
Provision for damaged & outdated stock - SPC	22,939,226	-
Provision for damaged & outdated stock DHS	47,472,817	114,252,765
Interest expenses	339,035,117	419,235,181
Operating profit before working capital changes	1,179,630,923	1,008,033,846
Increase/Decrease in trade and other receivable	(6,197,661,919)	(1,782,647,729)
Increase/Decrease in deposit & prepayments	900,023	(1,894,302)
Increase/Decrease in inventories	(212,221,076)	(20,647,299)
Increase/Decrease in Goods in Transit	1,151,914,384	664,558,004
Increase/Decrease in trade payables	1,232,803,185	232,753,919
Increase/Decrease in work in progress	615,200	(15,628,606.00)
Deferred Income	974,201	(1,240,969)
Cash generated from operations	(2,843,045,079)	83,286,864
Income tax paid	(238,451,841)	(238,404,225)
Gratuity paid	(8,323,079)	(12,923,183)
Interest paid	(339,035,117)	(419,235,181)
Treasury levy/ dividend paid	-	(15,000,000)
Cash flow before extraordinary items	(585,810,037)	(685,562,590)
Net cash from operating activities	(3,428,855,116)	(602,275,726)
Cash flow from investing activities		
Purchase of property, plant and equipments	(135,646,541)	(55,815,022)
Disposal of fixed assets	-	2,682,498
Net cash used in investing activities	(135,646,541)	(53,132,524)
Net increase in cash and cash equivalents	(3,564,501,657)	(655,408,250)
Cash and cash equivalents at beginning of period	(4,115,848,523)	(3,460,440,273)
Cash and cash equivalents at end of period (Note A)	(7,680,350,180)	(4,115,848,523)

Note A : Cash and cash equivalents

	2012	2011
	Rs.	Rs.
Cash in hand & at bank	185,894,745	575,436,414
Treasury bill investment	30,464,204	25,370,468
Bank overdraft	(7,896,709,130)	(4,716,655,405)
	(7,680,350,180)	(4,115,848,523)

ACCOUNTING POLICIES

1. CORPORATE INFORMATION

1.1 General

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

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

1.2 Principal Activities

The main functions are,

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

2. BASIS OF PREPARATION

2.1 Basis of preparation and adoption of SLAS (SLFRS and LKAS) effective for the financial period beginning on or after 01 January 2012

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

For all periods up to and including the year ended 31 December 2011, the Corporation prepared its financial statements in accordance with SLASs effective up to 31 December 2011. These financial statements for the year 31 December 2012 are the first the Corporation has prepared in accordance with Sri Lanka Accounting Standards effective for the periods beginning on or after 01 January 2012. Refer note 7 for explanation of the transition.

Subject to certain transition elections and exceptions disclosed in Note 7, the Corporation has consistently applied the accounting policies used in preparation of its opening SLFRS statement of financial position at 01 January 2010 through all periods presented, as if these policies had always been in effect.

2.2 Basis of Measurement

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1.1 Significant Accounting Policies

The following are the significant accounting policies used by the Corporation in preparing these financial statements.

3.1.2 Property Plant and Equipment

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

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

3.1.2.1 Lease hold property

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

3.1.3 Depreciation

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

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

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

3.1.4 Capital work in progress

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

3.1.5 Intangible assets

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

3.1.6 Impairment of non financial assets

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

3.1.7 Taxation

3.1.7.1 Current taxation

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

Accordingly, provision for taxation is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provision of the Inland Revenue Act No: 38 of 2000 and the Amendments thereto, the rates specified in the act. Provision for the current year taxation made according to the accounting profit subject to the rate specified by act.

3.1.7.2 Deferred taxation

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

3.2.1 Inventories

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

Measurement of inventories

3.2.2 Cost of Inventories

Raw Materials - ORS

Cost of purchases together with any incidental expenses.

Work In progress

Raw material cost and variable manufacturing expenses in full.

Finished Goods

Raw material cost and variable manufacturing expenses in full.

3.2.3 Cash & Cash Equivalents

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

3.2.4 Research costs

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

4. LIABILITIES AND PROVISIONS

4.1 Retirement Benefit Obligations

4.1.1 Defined benefit plan – Retirement Gratuity

The Corporation is liable to pay Gratuity in terms of the Payment of Gratuity Act No.12 of 1983. The liability for gratuity to an employee arises only on completion of five years of continued service with the Corporation. In order to meet this liability, a provision is carried forward in the Balance Sheet. The resulting difference between the brought forward provision at the beginning of a year and the carried forward provision at the end of the year is dealt with in the Income Statement.

The principal assumptions used in the calculations are as follows.

Expected Annual Average Salary Increment Rate	-	7.15%
Discount Rate / Interest Rate	-	11.69%
Staff Turnover Factor	-	2.74%

The liability is not externally funded. The item is grouped under Non-Current Liabilities in the Balance Sheet.

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

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

Employees' Provident Fund

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

Employees' Trust Fund

The Corporation contributes 3% on gross salary to the Employees' Trust Fund.

5. INCOME STATEMENT

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

5.1.1 Revenue Recognition

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

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

Sale of goods

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

Other Income

Other income is recognized on an accrual basis.

Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Claims Receivable from Suppliers

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

5.1.2 Expenses

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

5.1.3 Financial Expenses

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

5.1.4 Allocation between overheads

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

	<u>DHS</u>	<u>SPC</u>
(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	100%	-

6. FINANCIAL INSTRUMENTS- INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

6.1 Financial Assets

6.1.1 Initial Recognition and Measurement

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

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

The Corporation financial Assets include cash and short term Treasury bill investment, trade and other receivable, staff loans and other receivables.

6.1.2 Subsequent Measurement

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

6.1.2.1 Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The Corporation did not have any financial assets at fair value through profit or loss during the years ended 31st December 2012 and 2011.

6.1.2.2 Loans and Receivables

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

6.1.2.3 Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to-maturity when the Corporation has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised as finance cost in the income statement in finance cost.

6.1.2.4 Available-for-Sale Financial Investments

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

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

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

For a financial assets reclassified out of the available for sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the assets are subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement. The Corporation did not have any available for –sale financial investments during the years ended 31 December 2012 and 2011.

6.1.2.5 Derecognition

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

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

6.1.2.6 Impairment of Financial Assets

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

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

Currently the Corporation identifies a specific provision for trade receivables.

6.1.2.7 Financial Assets Carried at Amortized Cost

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

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

The Corporation is performed specific impairment for each debtor categories and collective impairment for different categories of general debtors

6.2 Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of SLAS (SLFRS/LKAS) 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Corporation determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs. The Corporation's financial liabilities include trade and other payables, bank overdrafts.

Subsequent measurement

The measurement of financial liabilities is at the amortised cost.

Derecognition

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

7. FIRST- TIME ADOPTION OF SLAS (SLFRS/LKAS)

These financial statements, for the year ended 31 December 2012, are the first the Corporation has prepared in accordance with SLAS comprising SLFRS/LKAS. For the periods up to and including year ended 31 December 2011, the Corporation prepared its financial statements in accordance with previous Sri Lanka Accounting Standards.

Accordingly, the corporation has prepared financial statements which comply with SLAS comprising SLFRS/LKAS applicable for the periods beginning on or after 01 January 2012, together with the comparative period data as at and for the year ended 31 December 2011, as described in the accounting policies.

In preparing these financial statements, the Corporation's opening statement of financial position was prepared as at 1 January 2011, the Corporation's date of transition to SLAS comprising SLFRS/LKAS. This note explains the principle adjustments made by the Corporation in restating its SLAS statement of financial position as at 01 January 2011 and its previously published SLAS financial statements as at and for the year ended 31 December 2011.

Exemptions Applied

SLFRS 1 First-Time Adoption of Sri Lanka Accounting Standards allows first-time adopters certain exemptions from the retrospective application of certain SLAS (SLFRS/LKAS).

The Corporation has applied the following exemption:

Certain Property Plant & Equipment were carried in the statement of financial position prepared in accordance with the previous SLAS on revaluation model. The Corporation elected to regard revaluations done on dates given in Note below as deemed cost at the date of the revaluation since they were broadly comparable to Fair value.

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2012

NOTE 3

INCOME	2012	2012	2011	2011
Revenue - SPC		RS.	RS.	RS.
Bulk trading	2,027,462,772		2,091,099,161	
ORS sales	63,867,890		49,330,484	
Osusala sales	2,185,864,145		1,974,823,472	
Transfer to Retail Shops	718,441,193		678,794,365	
Provision for Unrealized Profit	(3,257,373)		2,679,004	
Credit Insurance	1,506,345		4,457,344	
Special Order Imports	630,730		4,985,668	
Claims Received from Suppliers	7,157,040			
		5,001,672,742		4,806,169,497
Revenue - DHS				
Import supplies	14,195,545,611		10,710,183,106	
Local supplies	2,401,917,605		1,738,393,445	
CPU supplies	1,008,563		74,208,925	
Claims Received from Suppliers	10,020,672		46,504,669	
		16,608,492,451		12,569,290,145
Total Revenue		21,610,165,194		17,375,459,642

COST OF SALES / DIRECT EXPENSES

NOTE 04

DIRECT EXPENSES - DHS	2012	2012	2011	2011
	RS.	RS.	RS.	RS.
Revenue		16,608,492,451		12,569,290,145
DIRECT COST				
C & F value of DHS supplies	12,844,532,712		11,121,910,544	
Custom duties & taxes	703,433,976		647,413,989	
Cost of local supplies	2,361,043,561		1,769,517,093	
CPU purchases to DHS	-		72,753,848	
		15,909,010,249		13,611,595,473
Clearing charges (Bank charges, Stamp fee , Com	147,463,703		150,204,476	
Landing charges	26,730,376		25,879,325	
Import licenses fee	18,265,097		17,449,752	
		192,459,176		193,533,553
Less:				
Stock in transit		686,191,229		2,016,573,939
Direct expenses/ Cost of sales		15,415,278,195		11,788,555,087
Gross profit/surplus		1,193,214,256		780,735,058

NOTE 05

COST OF SALES -SPC	BULK TRADING	OSUSALA TRADING	TOTAL TRADING SPC-2012	TOTAL TRADING SPC-2011 restated
	RS.	RS.	RS.	RS.
Stock In trade at the beginning of the year	538,445,634	342,729,364	881,174,998	866,745,819
Add :				
Imported drugs	1,479,670,408		1,479,670,408	1,335,472,125
Raw material consumed			-	-
Consumables for the laboratory	802,381		802,381	1,047,753
Local purchases (SPC tenders)	302,296,729		302,296,729	284,968,946
Laboratory testing chg.			-	-
C.P.U - Purchases	485,662,165		485,662,165	493,679,136
Local purchases (Osusalas)		1,189,782,058	1,189,782,058	963,339,881
Transfers		718,441,193	718,441,193	678,794,365
TOTAL STOCK AVAILABLE FOR SALES	2,806,877,316	2,250,952,615	5,057,829,932	4,624,048,026
Less :				
Stock In trade at end of the year	668,224,747	430,036,973	1,098,261,721	897,130,658
COST OF SALES & TRANSFERS	2,138,652,569	1,820,915,642	3,959,568,211	3,726,917,368
TOTAL TRADING				
Sales less: Discount	2,027,462,772	2,185,864,145	4,213,326,917	4,806,169,497
COST OF SALES	1,420,211,376	1,820,915,642	3,241,127,018	3,036,581,829
GROSS TRADING PROFIT	607,251,397	364,948,503	972,199,900	1,769,587,668

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE -05A

COST OF SALES	OSU SALA TRADING COL 7	OSU SALA TRADING COL.04	OSU SALA TRADING COL .01	OSU SALA TRADING KANDY	OSU SALA TRADING NUGEGODA	OSU SALA TRADING AVISS.	OSU SALA TRADING RATNA.	OSU SALA TRADING MINU.	OSU SALA TRADING PANADURA	OSU SALA TRADING GALLE	OSU SALA TRADING MATARA	OSUSALA TRADING KURUNEGALA	OSU SALA TRADING AMPARA	OSUSALA TRADING HAMBANTOTA
	RS	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS	RS	RS
STOCK IN TRADE -														
AT THE BEGINNING OF THE YEAR	61,333,272	27,881,991	13,618,331	24,996,332	10,216,540	8,594,699	16,448,347	5,917,252	8,008,967	21,783,668	11,789,615	19,733,171	6,809,655	7,279,009
Imported drugs									-	-	-	-	-	-
Local purchases	368,573,469	234,099,177	49,877,424	79,634,849	27,474,204	12,642,658	34,066,746	8,618,388	28,808,644	47,192,917	27,700,879	35,003,636	4,459,421	16,480,577
Transfers	118,057,982	36,519,800	26,990,991	52,380,750	26,339,198	18,589,094	25,610,813	13,535,038	20,737,065	31,490,593	23,654,882	36,314,588	12,956,797	12,232,645
STOCKS AVAILABLE FOR SALE	547,964,724	298,500,968	90,486,747	157,011,931	64,029,942	39,826,451	76,125,905	28,070,678	57,554,676	100,467,178	63,145,377	91,051,396	24,225,874	35,992,232
Stock in trade at year end	76,453,499	33,621,565	18,274,284	34,275,144	13,059,586	9,929,103	17,539,397	6,735,237	11,538,823	22,501,543	14,005,590	24,558,037	6,148,468	9,571,455
COST OF SALES & TRANSFERS	471,511,225	264,879,403	72,212,463	122,736,788	50,970,356	29,897,348	58,586,508	21,335,441	46,015,853	77,965,634	49,139,786	66,493,359	18,077,405	26,420,776
TOTAL TRADING														
Sales less Discount	557,432,351	298,226,353	85,249,396	147,855,885	62,311,879	36,494,631	68,865,487	27,149,221	57,124,189	91,045,043	61,400,139	82,192,761	22,799,717	32,038,794
B T T	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	557,432,351	298,226,353	85,249,396	147,855,885	62,311,879	36,494,631	68,865,487	27,149,221	57,124,189	91,045,043	61,400,139	82,192,761	22,799,717	32,038,794
Less														
Cost of sales	471,511,225	264,879,403	72,212,463	122,736,788	50,970,356	29,897,348	58,586,508	21,335,441	46,015,853	77,965,634	49,139,786	66,493,359	18,077,405	26,420,776
GROSS TRADING PROFIT	85,921,126	33,346,950	13,036,933	25,119,097	11,341,523	6,597,282	10,278,978	5,813,779	11,108,336	13,079,409	12,260,353	15,699,402	4,722,311	5,618,018

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
INCOME STATEMENT OF OSUSALA OPERATIONS FOR THE YEAR ENDED 31 DECEMBER 2012

NOTE -05A

COST OF SALES	OSUSALA TRADING MEEGODA	OSUSALA TRADING A'PURA	OSUSALA TRADING MAHARAGAMA	OSUSALA TRADING J,PURA	OSUSALA TRADING KARAPITIYA	OSU SALA TRADING NEGOMBO	OSU SALA TRADING BADULLA-CWE	OSU SALA TRADING DIYATHALAWA	OSU SALA TRADING JAFFNA	OSU SALA TRADING POLONNARUWA	SATHOSA OUTLETS RATMALANA	SATHOSA OUTLETS PILYANDALA	SATHOSA OUTLETS KALUTARA	REGIONAL STORES KANDY	OSUSALA TOTAL TRADING ACTIVITIES
	RS	RS	RS	RS	RS	RS	RS	RS	RS	RS	RS	RS	RS	RS	RS
STOCK IN TRADE -															
AT THE BEGINNING OF THE	772,341	11,617,946	18,556,555	19,121,248	17,331,808	9,824,943	7,739,336	2,709,756	3,112,059	-	1,131,015	1,327,752	1,197,540	3,876,214	342,729,364
Imported drugs															
Local purchases	687,743	20,381,257	35,018,924	71,404,578	29,634,033	25,717,609	13,968,199	2,865,467	2,854,425	6,037,075	3,004,954	2,542,481	1,031,346	980.00	1,189,782,058
Transfers	2,031,274	19,092,498	23,448,209	45,716,547	24,437,933	24,822,415	19,139,111	9,586,875	11,170,486	8,694,024	5,039,863	2,433,780	2,042,385	65,375,555	718,441,193
STOCK AVAILABLE FOR SALE	3,491,358	51,091,701	77,023,688	136,242,372	71,403,775	60,364,966	40,846,647	15,162,098	17,136,970	14,731,099	9,175,832	6,304,014	4,271,271	69,252,748	2,250,952,615
Stock In trade at year end	575,065	13,429,088	19,603,419	26,462,815	18,883,397	11,753,733	9,043,516	3,762,524	6,321,756	9,564,334	1,906,162	1,565,018	888,880	8,065,537	430,036,973
COST OF SALES & TRANSFERS	2,916,293	37,662,613	57,420,269	109,779,557	52,520,378	48,611,233	31,803,131	11,399,573	10,815,214	5,166,766	7,269,670	4,738,996	3,382,391	61,187,211	1,820,915,642
TOTAL TRADING															
Sales less Discount	3,720,549	46,425,433	70,587,654	132,582,906	61,401,894	58,523,648	39,500,527	14,500,936	13,867,660	7,335,286	8,884,249	5,938,176	4,100,008	88,309,374	2,185,864,145
B T T	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less															
Cost of sales	2,916,293	37,662,613	57,420,269	109,779,557	52,520,378	48,611,233	31,803,131	11,399,573	10,815,214	5,166,766	7,269,670	4,738,996	3,382,391	61,187,211	1,820,915,642
GROSS TRADING PROFIT	804,256	8,762,820	13,167,385	22,803,349	8,881,516	9,912,415	7,697,396	3,101,362	3,052,446	2,168,520	1,614,579	1,199,180	717,617	27,122,163	364,948,503

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2012

COST OF MANUFACTURING GLUCOSE, JEEWANEE AND BB CREAM

NOTE 06

	2012	2012 RS	2011 RS	2011 RS
Opening stock of raw materials		1,622,578		595,984
Add: purchases of raw materials		21,651,980		11,911,803
		23,274,558		12,507,786
Less: closing stock of raw materials		1,259,183		990,252
Cost of raw materials consumed		22,015,375		11,517,534
Manufacturing cost				
Salaries & wages	7,742,813		7,492,697	
Overtime.	1,891,889		1,579,122	
Uniforms.	131,642		169,829	
Insurance for staff	128,013		104,982	
Provident fund (EPF & ETF).	649,068		625,604	
Annual bonus	165,328		150,750	
Attendance bonus	284,000		301,900	
Annual incentive bonus	354,699		708,200	
Staff welfare	719,633		700,533	
Medical expenses	352,417		354,688	
Power	2,901,010		2,075,360	
Depreciation	1,604,398		948,978	
Repairs & maintenance	183,476		226,101	
Packing materials used	8,823,586		6,908,103	
		25,931,972		22,346,847
Wastage		-		-
Production costs of goods		47,947,346		33,864,381

ORS TRADING	2012 RS	2012 RS	2011 RS	2011 RS
Sales less: Discount		63,867,890		49,330,484
Opening stock (finished goods)	4,093,626		3,652,333	
add:				
Production cost of goods	47,947,346		33,864,381	
	52,040,972		37,516,714	
less:				
Closing stock (finished goods)	1,477,837		1,717,742	
Cost of sale		50,563,135		35,798,972
Gross profit		13,304,755		13,531,513

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2012

OTHER OPERATING INCOME**NOTE - 07**

	2012	2011
	RS.	RS.
Parking fees	201,600	168,000
Sales of tender forms.	5,818,596	8,523,407
Rent received	-	771,600
Treasury bill interest	2,628,142	1,123,126
Scrap sales	604,546	60,050
Fund management income (Money Market)	-	14,504
Miscellaneous income	1,520,596	703,809
Commission on E Channeling	400	6,330
Holiday bungalow income	764,525	657,850
Pre qualification charges	-	1,748,760
Sample testing income	-	1,151,984
Bad debt recoveries	1,072,728	4,877,625
Supplier Convention	1,146,803	-
Int. on returned cheques/ delays	1,346,907	741,338
Profit on disposal of fixed assets	-	2,682,498
	15,104,844	23,230,881

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2012

ADMINISTRATIVE EXPENSES

NOTE 8

(A) Administrative Expenses	SPC TRADING			TOTAL	TOTAL	TOTAL	TOTAL
	OSUSALAS	O.R.S.	BULK	TRADING SPC	TRADING DHS	TRADING 2012	TRADING 2011
	RS.	RS.	RS.	RS.	RS	RS.	RS.
PERSONNEL EMOLUMENTS							
Salaries, Wages & Allowances.	115,174,591	-	77,820,741	192,995,331	99,044,579	292,039,911	267,887,869
Overtime.	17,023,875	-	6,742,456	23,766,331	4,494,970	28,261,301	27,449,063
Staff training expenses.	-	-	870,564	870,564	1,107,990	1,978,554	1,501,994
Uniforms.	1,675,907	-	665,883	2,341,790	847,487	3,189,277	3,148,598
Insurance for staff	2,739,256	-	2,481,643	5,220,899	3,158,455	8,379,355	8,363,131
Provident fund (EPF & ETF).	9,869,932	-	6,243,108	16,113,040	7,945,774	24,058,814	22,532,797
Annual bonus	2,001,855	-	1,358,122	3,359,977	1,728,519	5,088,496	4,999,798
Monthly attendance bonus.	4,728,276	-	3,133,631	7,861,907	3,988,257	11,850,164	11,052,375
Sports club	-	-	875,146	875,146	1,113,822	1,988,969	685,413
Annual per inc. bonus.	4,359,552	-	3,393,482	7,753,034	4,318,977	12,072,011	24,654,683
Gratuity.	-	-	5,894,310	5,894,310	7,501,849	13,396,159	11,058,573
Land/ Housing loan interest	2,708,805	220,416	2,055,109	4,984,330	2,615,594	7,599,924	5,370,162
Vehicle hiring charges	-	-	345,000	345,000	345,000	690,000	281,710
P.A.Y.E.	-	-	382,915	382,915	487,346	870,261	2,776,773
SPC Anniversary payment	-	-	1,448,696	1,448,696	1,843,794	3,292,490	1,453,326
Death gratuity	-	-	170,228	170,228	216,653	386,881	250,632
	160,282,049	220,416	113,881,032	274,383,497	140,759,068	415,142,565	393,466,896
TRAVELING EXPENSES							
Overseas travelling expenses- directors.	-	-	-	-	-	-	-
Local travelling expenses - directors.	-	-	-	-	-	-	77,140
Overseas travelling expenses- others.	-	-	392,173	392,173	43,575	435,748	136,690
Local travelling expenses - others.	377,401	-	3,784,375	4,161,776	420,486	4,582,262	3,732,398
	377,401	-	4,176,548	4,553,949	464,061	5,018,010	3,946,228
SUPPLIES & REQUISITES							
Printing & stationery.	3,348,990	83,238	3,926,058	7,358,286	1,308,686	8,666,972	11,869,542
Board meeting expenses.	-	-	195,228	195,228	65,076	260,304	196,113
Entertainment - others.	-	-	204,017	204,017	68,006	272,022	258,631
Repairs to motor vehicles.	-	-	5,337,820	5,337,820	1,779,273	7,117,093	5,745,491
Fuel & lubricants.	-	-	8,921,741	8,921,741	2,973,914	11,895,655	8,163,230
License fees of motor vehicles.	-	-	115,866	115,866	38,622	154,488	139,422
	3,348,990	83,238	18,700,729	22,132,957	6,233,576	28,366,533	26,372,429
REPAIRS & MAINTENANCE							
Buildings.	947,601	-	2,690,501	3,638,102	2,690,501	6,328,603	8,848,424
Furniture, fittings & equipment	1,451,603	-	2,005,712	3,457,315	2,005,712	5,463,027	4,714,871
Computer	164,599	-	4,065,802	4,230,401	4,065,802	8,296,202	6,127,707
	2,563,803	-	8,762,014	11,325,818	8,762,014	20,087,832	19,691,002
TRANSPORTATION, COMMUNICATIONS, UTILITIES & OTHER SERVICES							
Rent.	10,849,550	-	210,000	11,059,550	210,000	11,269,550	8,391,467
Lease rent	764,143	-	160,000	924,143	-	924,143	1,720,516
Right for use land	-	-	-	-	-	-	-
Rates & taxes.	439,014	13,500	490,331	942,846	490,331	1,433,177	1,464,474
Water bills	853,415	68,569	474,066	1,396,049	474,066	1,870,115	2,098,869
Electricity.	13,101,803	-	8,888,385	21,990,188	8,888,385	30,878,573	22,518,880
Postage, Telegrams & Telephones.	2,072,257	37,789	4,752,911	6,862,957	4,752,911	11,615,868	9,359,662
Trade subscriptions, Periodicals & Publications.	257,403	-	129,157	386,559	129,157	515,716	668,813
Professional charges.	-	-	2,251,700	2,251,700	2,251,700	4,503,400	1,289,879
Insurance.	-	-	1,122,736	1,122,736	1,122,736	2,245,472	1,795,269
Press notification.	-	-	3,478,307	3,478,307	8,116,049	11,594,356	17,418,252
Security services.	11,097,237	264,515	3,172,420	14,534,171	3,172,420	17,706,592	16,394,184
Depreciation	8,939,631	-	10,947,083	19,886,714	10,947,083	30,833,797	26,714,494
License fees for drugs.	210,560	-	300,150	510,710	2,701,347	3,212,057	2,885,738
Import license fees	-	-	-	-	-	-	-
Sundry expenses.	75,421	811	575,299	651,532	270,729	922,261	589,053
Directors fees.	-	-	273,375	273,375	273,375	546,750	348,750
Audit fees.	-	-	338,480	338,480	338,480	676,960	1,298,776
Tender board meeting expenses.	-	-	2,084,750	2,084,750	4,864,418	6,949,168	8,574,600
Staff welfare.	12,057,756	-	9,783,768	21,841,524	12,452,068	34,293,593	31,485,089
Staff medical expenses.	4,489,818	-	2,979,605	7,469,423	3,792,225	11,261,648	10,624,191
Donations	-	-	172,376	172,376	-	172,376	2,071,042
TB fair valuation	-	-	45,454	45,454	-	45,454	41,793
Holiday bungalow expenses	-	-	1,242,594	1,242,594	1,581,483	2,824,077	2,788,811
	65,208,009	385,183	53,872,947	119,466,139	66,828,963	186,295,102	170,542,600
TOTAL ADMINISTRATIVE EXPENSES	231,780,253	688,837	199,393,271	431,862,360	223,047,683	654,910,043	614,019,155

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2012

NOTE - 08A

OSUSALA -OVERHEADS	OSU SALA TRADING COL.07 RS.	OSU SALA TRADING COL.04 RS.	OSU SALA TRADING COL.01 RS.	OSU SALA TRADING KANDY RS.	OSU SALA TRADING NUGEGODA RS.	OSU SALA TRADING AVISS. RS.	OSU SALA TRADING RAT. RS.	OSU SALA TRADING MINU. RS.	OSU SALA TRADING PANADURA RS.	OSU SALA TRADING GALLE RS.	OSU SALA TRADING MATARA RS.	OSU SALA TRADING KURUNE. RS.	OSU SALA TRADING AMPARA RS.	OSU SALA TRADING H, TOTA RS.
A. ADMINISTRATIVE Ex PERSONNEL EMOLUMENTS														
Salaries, Wages & Allowances.	18,896,409	8,150,367	4,015,725	6,265,955	5,040,314	3,480,944	5,619,689	2,636,858	4,775,549	6,748,325	5,121,296	3,881,952	2,232,998	2,816,411
Overtime.	3,076,037	1,645,422	299,052	1,268,569	781,097	460,432	695,672	397,494	613,278	713,447	456,705	565,562	536,206	274,997
Uniforms.	274,855	129,639	65,086	97,591	63,070	46,012	84,601	37,481	67,684	96,729	71,932	67,641	31,924	44,496
Insurance for staff	548,996	258,998	194,840	372,412	264,275	31,914	165,847	-	133,893	26,240	188,272	25,992	2,250	15,750
Provident fund (E.P.F & E.T.F)	1,583,452	698,488	364,121	557,349	433,273	303,329	480,915	235,981	420,670	608,139	440,447	334,295	192,324	243,859
Annual bonus	359,553	142,500	63,703	112,500	68,055	63,548	98,250	36,630	82,500	120,000	78,000	82,500	35,882	45,000
Annual per inc. bonus.	748,995	327,328	174,633	280,457	147,845	128,671	234,191	72,462	201,590	296,490	186,165	201,075	63,896	98,585
Housing loan interest	633,681	297,995	158,352	105,628	219,102	34,268	47,175	11,760	21,903	110,749	65,264	273,286	-	-
Attendance bonus	806,100	298,600	145,300	318,100	206,900	152,500	245,100	111,700	198,600	315,756	211,640	188,200	110,100	75,100
	26,928,078	11,949,337	5,480,812	9,378,561	7,223,932	4,701,617	7,671,441	3,540,366	6,515,668	9,035,875	6,819,720	5,620,504	3,205,579	3,614,198
TRAVELLING EXPENSES														
Local travelling expenses	25,324	2,066	3,442	4,822	1,787	22,208	15,758	7,948	5,846	2,345	10,460	3,132	1,887	2,741
	25,324	2,066	3,442	4,822	1,787	22,208	15,758	7,948	5,846	2,345	10,460	3,132	1,887	2,741
SUPPLIES & REQUISITES														
Printing & stationery.	544,562	101,018	95,820	171,690	53,612	94,499	156,705	29,568	152,051	131,371	134,822	131,474	78,527	70,603
	544,562	101,018	95,820	171,690	53,612	94,499	156,705	29,568	152,051	131,371	134,822	131,474	78,527	70,603
REPAIRS & MAINTENANCE														
Buildings.	332,345	84,890	23,906	13,806	4,784	14,280	107,323	4,550	16,201	38,040	27,439	22,847	15,493	11,202
Furniture, fittings & equipment	166,493	12,426	46,735	110,392	47,498	19,542	58,139	11,909	90,779	72,745	58,227	76,967	43,301	78,148
Computer	146,044	-	-	1,750	-	-	-	-	2,800	-	3,500	-	-	3,000
	644,882	97,316	70,641	125,948	52,282	33,821	165,462	16,459	109,780	110,784	89,166	99,814	58,793	92,351
TRANSPORTATION, COMMUNICATION														
UTILITIES & OTHER SERVICES														
Rent.	-	-	-	-	982,000	254,610	-	448,784	645,000	480,000	480,000	802,200	-	566,000
Lease rent	-	-	-	225,000	294,333	-	35,719	-	-	-	-	-	-	-
Rates & taxes.	235,620	83,160	71,379	31,316	5,000	-	-	-	2,500	-	7,758	-	325	-
Water bills	84,237	74,597	168,926	43,497	34,518	26,250	60,811	12,202	24,839	13,417	17,981	34,035	43,876	8,982
Electricity.	3,269,711	911,561	232,800	769,767	231,456	196,266	791,635	115,565	480,727	646,458	649,825	410,223	410,264	356,357
Postage, Telegrams & Telephones.	222,175	157,055	46,519	38,416	114,277	41,075	122,342	27,655	43,437	189,981	40,907	85,007	39,643	69,134
Depreciation	1,162,703	639,745	386,612	513,678	207,896	264,463	653,829	17,912	199,134	464,039	125,205	88,919	439,821	205,695
Trade subscriptions, Periodicals & Publications.	40,255	13,228	-	12,550	13,470	12,800	11,630	7,310	11,610	11,020	10,390	14,760	-	5,440
Security services.	1,874,249	626,112	217,384	757,660	535,153	750,830	215,489	537,151	218,473	538,238	538,238	538,238	219,921	218,560
License fees for drugs.	11,200	11,200	13,440	11,200	11,200	11,200	11,200	-	-	11,200	11,200	11,200	-	11,200
Sundry expenses.	6,522	2,451	1,844	6,662	70	1,474	2,681	225	834	36,241	5,056	535	645	2,739
Staff welfare.	1,958,613	685,979	490,839	848,343	449,805	348,385	613,259	277,334	426,768	687,417	523,027	476,120	217,012	274,715
Staff medical expenses.	770,459	314,172	193,534	251,498	198,907	133,316	235,062	90,007	198,100	254,769	190,159	135,039	86,250	89,741
	9,635,743	3,519,260	1,823,278	3,509,586	3,078,086	2,040,669	2,753,656	1,534,145	2,251,423	3,332,779	2,599,746	2,596,276	1,457,758	1,808,562
TOTAL ADMINISTRATIVE COS	37,778,590	15,668,997	7,473,993	13,190,606	10,409,699	6,892,815	10,763,022	5,128,485	9,034,768	12,613,155	9,653,914	8,451,200	4,802,544	5,588,455

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2012

NOTE - 08A

OSUSALA -OVERHEADS	OSU SALA TRADING MEEGODA	OSU SALA TRADING A,PURA	OSU SALA TRADING MAHARAGAMA	OSU SALA TRADING J,PURA	OSU SALA TRADING KARAPITTYA	OSU SALA TRADING NEGOMBO	OSU SALA TRADING BADULLA-CWE	OSU SALA TRADING DIYATHALAWA	OSU SALA TRADING JAFFNA	OSU SALA TRADING POLONNARUWA	SATHOSA OUTLET RATMALANA	SATHOSA OUTLET PILYANDALA	SATHOSA OUTLET KALUTARA	REGIONAL STORES KANDY	OSUSALA TOTAL TRADING ACTIVITIES
	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS	RS.
A. ADMINISTRATIVE COST															
PERSONNEL EMOLUMENTS															
Salaries, Wages & Allowances.	718,152	2,633,355	4,097,373	8,131,915	4,857,883	3,259,502	2,905,594	1,631,480	1,974,568	666,865	722,068	826,607	911,617	2,154,822	115,174,591
Overtime.	7,844	367,181	569,196	1,256,933	687,580	564,684	444,243	267,529	425,319	209,844	102,801	40,982	74,256	221,513	17,023,875
Uniforms.	7,394	14,729	60,611	124,230	78,466	45,004	39,292	15,362	34,186	2,400	8,299	11,480	9,449	46,262	1,675,907
Insurance for staff	-	2,810	138,811	56,108	160,130	53,390	33,995	11,194	-	-	53,139	-	-	-	2,739,256
Provident fund (E.P.F & E.T.F)	54,370	212,495	354,687	686,585	422,761	265,169	243,542	143,312	156,226	56,400	54,244	65,975	77,512	180,012	9,869,932
Annual bonus	15,000	-	75,000	151,673	82,500	52,500	52,500	37,500	23,216	40,425	11,670	15,000	18,750	37,500	2,001,855
Annual per inc. bonus.	31,350	(4,568)	163,495	308,935	179,870	106,064	76,025	51,290	36,890	86,095	58,440	705	17,974	84,604	4,359,552
Housing loan interest	-	-	101,845	145,342	232,571	18,837	85,084	30,915	-	-	42,039	-	-	73,009	2,708,805
Attendance bonus	38,000	109,200	142,400	256,900	175,000	136,600	118,411	53,300	92,988	39,300	24,900	33,000	29,300	95,282	4,728,276
	872,109	3,335,202	5,703,417	11,118,621	6,876,762	4,501,751	3,998,686	2,241,881	2,743,392	1,101,328	1,077,600	993,749	1,138,858	2,893,004	160,282,049
TRAVELLING EXPENSES															
Local travelling expenses	250	1,400	214	1,150	3,790	11,030	6,343	19,393	210,085	-	738	3,610	200	9,432	377,401
	250	1,400	214	1,150	3,790	11,030	6,343	19,393	210,085	-	738	3,610	200	9,432	377,401
SUPPLIES & REQUISITES															
Printing & stationery.	21,545	162,781	380,323	173,327	133,847	133,947	106,465	165,711	5,974	75,924	1,834	1,431	3,937	35,620	3,348,990
	21,545	162,781	380,323	173,327	133,847	133,947	106,465	165,711	5,974	75,924	1,834	1,431	3,937	35,620	3,348,990
REPAIRS & MAINTENANCE															
Buildings.	75	4,584	29,060	5,462	28,613	40,573	21,986	4,713	9,423	71,610	2,722	4,113	1,537	6,022	947,601
Furniture, fittings & equipment	-	46,923	68,016	31,413	73,963	125,623	107,907	4,060	16,206	28,793	600	977	6,367	47,458	1,451,603
Computer	-	-	-	-	-	-	-	-	-	-	-	7,505	-	-	164,599
	75	51,507	97,076	36,875	102,576	166,196	129,893	8,773	25,629	100,403	3,322	12,595	7,904	53,479	2,563,803
TRANSPORTATION, COMMUNICATION UTILITIES & OTHER SERVICES															
Rent.	36,000	881,500	740,000	1,020,000	279,996	720,000	-	-	1,950,000	-	-	-	-	563,460	10,849,550
Lease rent	-	-	-	-	-	-	209,091	-	-	-	-	-	-	-	764,143
Right for use land	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rates & taxes.	-	-	-	-	1,957	-	-	-	-	-	-	-	-	-	439,014
Water bills	-	15,857	44,496	-	20,133	54,386	23,625	4,240	-	6,093	-	392	-	36,028	853,415
Electricity.	55,748	546,441	455,215	56,602	627,051	580,978	385,806	85,873	504,914	171,616	-	-	-	158,943	13,101,803
Postage, Telegrams & Telephones.	23,646	51,967	119,008	41,284	54,356	142,494	150,548	31,124	103,308	19,378	90	30,236	4,040	63,154	2,072,257
Depreciation	65,201	297,542	102,313	265,205	257,245	501,680	665,264	9,886	734,226	498,170	17,291	16,397	15,115	124,445	8,939,631
Trade subscriptions, Periodicals & Publications.	-	12,320	16,540	18,750	13,480	5,320	7,620	-	8,740	-	-	-	-	10,170	257,403
Security services.	-	223,810	212,868	538,238	236,940	210,373	538,238	-	537,513	275,324	-	-	-	538,238	11,097,237
License fees for drugs.	-	11,200	11,200	11,200	11,200	11,200	-	11,200	-	11,200	-	-	-	6,720	210,560
Sundry expenses.	265	505	967	560	-	1,753	1,815	975	435	-	-	-	70	100	75,421
Staff welfare.	48,822	417,734	447,901	777,630	564,623	422,086	294,991	154,094	273,897	54,525	57,093	59,197	44,533	163,011	12,057,756
Staff medical expenses.	18,745	107,730	176,853	347,762	174,447	115,538	106,374	65,671	63,071	-	34,237	30,000	30,000	78,377	4,489,818
	248,428	2,566,605	2,327,360	3,077,231	2,241,427	2,765,808	2,383,371	363,063	4,176,105	1,036,307	108,710	136,222	93,758	1,742,645	65,208,009
TOTAL ADMINISTRATIVE COST	1,142,408	6,117,496	8,508,391	14,407,204	9,358,402	7,578,731	6,624,758	2,798,822	7,161,186	2,313,962	1,192,205	1,147,608	1,244,657	4,734,180	231,780,253

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2012

OTHER OPERATING EXPENSES

NOTE - 09

(b) Other Operating expenses	SPC TRADING			TOTAL	TOTAL	TOTAL	TOTAL
	OSUSALAS	O.R.S.	BULK	TRADING	TRADING	TRADING	TRADING
	RS.	RS.	RS.	SPC	DHS	2012	2011
				RS.	RS.	RS.	RS.
SELLING & DISTRIBUTION EXPENSES							
Sales promotion expenses.	-	-	54,457,379	54,457,379	-	54,457,379	46,492,651
Prescriber	-	-	2,873,039	2,873,039	-	2,873,039	1,272,539
Commission for sales rep's.	-	-	-	-	-	-	-
Transport charges.	-	-	8,286,338	8,286,338	-	8,286,338	8,233,735
Provision for bad debts	-	-	6,025,743	6,025,743	257,900,268	263,926,011	113,667,421
Discount on osusala sales	-	-	1,580,438	1,580,438	-	1,580,438	1,387,745
Additional discounts	-	-	73,697,432	73,697,432	-	73,697,432	68,484,917
Value Added Tax	-	-	643,001	643,001	9,425,565	10,068,566	8,774,055
NBT paid	-	-	-	-	5,911,147	5,911,147	20,988,154
Dealers convention	-	-	1,837,025	1,837,025	-	1,837,025	986,962
Stock losses	-	-	56,338	56,338	-	56,338	212,629
Pro. for outdated & damaged drugs	2,080,273	-	20,858,953	22,939,226	-	22,939,226	4,317,399
Pro. for outdated & damaged drugs - DHS	-	-	-	-	47,472,817	47,472,817	109,935,365
Stamp fee	-	-	248,257	248,257	-	248,257	161,112
Setting up expenses	-	-	452,023	452,023	-	452,023	826,898
Storage charges	-	-	-	-	2,096,632	2,096,632	2,219,796
Foreign exchange gain/loss	-	-	4,145,565	4,145,565	238,475,353	242,620,918	97,018,481
Cost of destruction	-	-	-	-	-	-	360,792
Supplier convention	-	-	-	-	-	-	134,292
Sundry packing materials.	5,054,170	-	786,953	5,841,123	-	5,841,123	6,295,712
TOTAL DISTRIBUTION COST	7,134,443	-	175,948,485	183,082,928	561,281,783	744,364,711	491,770,655
Drugs for testing	-	-	905	905	1,680	2,585	45,972
Testing charges for samples	-	-	270,695	270,695	502,720	773,415	735,568
Drugs for sample	-	-	31,260	31,260	58,055	89,316	78,810
TOTAL RESEARCH & DEVELOPMENT	-	-	302,861	302,861	562,455	865,316	860,350

OTHER OPERATING EXPENSES - RAJYA OSUSALA

NOTE - 09A

OSUSALA -OVERHEADS	OSU SALA TRADING Col.07 RS.	OSU SALA TRADING Col.04 RS.	OSU SALA TRADING Col.01 RS.	OSU SALA TRADING KANDY RS.	OSU SALA TRADING NUGEGODA RS.	OSU SALA TRADING AVISS. RS.	OSU SALA TRADING RAT. RS.	OSU SALA TRADING MINU. RS.
(B) OTHER OPEATING EX.								
SELLING & DISTRIBUTION EXPENSES								
Transport charges.	-	-	-	-	-	-	-	-
Stock losses	-	-	-	-	-	-	-	-
Stock shortages	-	-	-	-	-	-	-	-
Outdated & damages	149,995	102,225	66,114	146,114	41,055	39,996	45,212	22,740
Sundry packing materials.	748,088	63,677	150,325	561,651	291,786	66,322	227,653	111,420
	898,083	165,902	216,440	707,765	332,841	106,318	272,865	134,160

OSUSALA -OVERHEADS	OSU SALA TRADING PANADURA RS.	OSU SALA TRADING GALLE RS.	OSU SALA TRADING MATARA RS.	OSU SALA TRADING KURUNE. RS.	OSU SALA TRADING AMPARA RS.	OSU SALA TRADING H, TOTA RS.	OSU SALA TRADING MEEGODA RS.	OSU SALA TRADING A,PURA RS.
(B) OTHER OPEATING EX.								
SELLING & DISTRIBUTION EXPENSES								
Transport charges.	-	-	-	-	-	-	-	-
Stock losses	-	-	-	-	-	-	-	-
Stock shortages	-	-	-	-	-	-	-	-
Outdated & damages	37,373	75,455	37,877	214,065	57,777	125,685	5,100	199,261
Sundry packing materials.	198,913	217,348	393,479	149,384	136,735	80,234	115,157	68,362
	236,287	292,803	431,357	363,449	194,512	205,920	120,258	267,623

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2012

OTHER OPERATING EXPENSES - RAJYA OSUSALA

NOTE - 09A

OSUSALA -OVERHEADS	OSU SALA	OSU SALA					
	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING
	MAHARAGAMA	J.PURA	KARAPITIYA	NEGOMBO	BADULLA-CWE	DIYATHALAWA	JAFFNA
(B) OTHER OPEATING EX.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
SELLING & DISTRIBUTION EXPENSES							
Transport charges.	-	-	-	-	-	-	-
Stock losses	-	-	-	-	-	-	-
Stock shortages	-	-	-	-	-	-	-
Outdated & damages	39,550	235,361	96,019	18,609	69,086	34,732	26,632
Sundry packing materials.	202,369	333,186	315,618	207,918	73,012	91,776	6,843
	241,919	568,547	411,637	226,527	142,097	126,508	33,474

NOTE - 09A

	OSU SALA	SATHOSA	SATHOSA	SATHOSA	REGIONAL	OSUSALA
	TRADING	OUTLET	OUTLET	OUTLET	STORES	TOTAL TRADING
	POLONNARUWA	RATMALANA	PILIYANDALA	KALUTARA	KANDY	ACTIVITIES
(B) OTHER OPEATING EX.	RS.	RS.	RS.	RS.	RS	RS.
SELLING & DISTRIBUTION EXPENSES						
Transport charges.	-	-	-	-	-	-
Stock losses	-	-	-	-	-	-
Stock shortages	-	-	-	-	-	-
Outdated & damages	-	-	50,730	89,378	54,132	2,080,273
Sundry packing materials.	181,972	18,752	23,558	7,502	11,127	5,054,170
	181,972	18,752	74,288	96,880	65,259	7,134,443

FINANCE EXPENSES

NOTE - 10

(e) Finance expenses	SPC TRADING			TOTAL	TOTAL	TOTAL	TOTAL
	OSUSALAS	O.R.S.	BULK	TRADING	TRADING	TRADING	TRADING
				SPC	DHS	2012	2011
Interest on bank bills	-	-	-	-	-	-	-
O/D Interest	-	-	-	-	339,035,117	339,035,117	419,235,181
Debit tax	-	-	-	-	-	-	3,660,572
Bank charges	-	-	17,022	17,022	-	17,022	-
Cash loss at Osusala Negombo	-	-	-	-	-	-	-
TOTAL FINANCE COST	-	-	17,022	17,022	339,035,117	339,052,139	422,895,753
TOTAL OVERHEADS	238,914,696	688,837	375,661,638	615,265,171	1,123,927,038	1,739,192,209	1,529,545,914

MAJOR COMPONENT OF TAX EXPENSES

NOTE 11

	2012	2011
	RS	RS
Current tax expenses	255,490,669	223,683,728
Adj.		
Deferred tax Income/Expenses relating to the origination and -reversal of temporary differences	121,243	4,788,994
Tax expenses	205,282,423	228,472,722

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2012
PROPERTY, PLANT AND EQUIPMENT

NOTE 12

	Freehold land	Buildings	Motor Vehicles	Delivery Cycles	Furniture & Fittings	Equipments	Plant & Machinery	Computers	Library Books	Total
COST OF VALUATION										
At 1 January 2011	1,199,639,630	238,525,785	100,295,529	45,013	20,283,749	113,509,983	10,144,146	71,320,879	5,357,740	1,759,122,454
Additions	-	10,739,549	11,924,400	-	1,447,211	12,795,118	1,724,800	17,060,428	123,518	55,815,024
Disposals	-	-	(3,878,168)	-	-	-	-	-	-	(3,878,168)
At 31 December 2011	1,199,639,630	249,265,335	108,341,753	45,013	21,730,960	126,305,098	11,868,939	88,381,307	5,481,256	1,811,059,291
Additions	-	73,567,338	32,107,000	-	10,439,463	8,182,371	215,000	10,958,891	176,475	135,646,541
Disposals	-	-	-	-	-	-	-	-	-	-
At 31 December 2012	1,199,639,630	322,832,673	140,448,753	45,013	32,170,423	134,487,469	12,083,939	99,340,198	5,657,731	1,946,705,828
DEPRECIATION & IMPAIRMENT										
At 1 January 2011	-	17,211,415	43,375,522	33,455	11,358,190	87,033,003	7,250,871	51,761,995	4,646,346	222,670,797
Depreciation charge for the year	-	5,102,575	3,073,868	3,464	1,331,440	8,290,333	433,527	8,988,702	439,561	27,663,470
Disposals	-	-	(3,878,166)	-	-	-	-	-	-	(3,878,166)
At 31 December 2011	-	22,313,990	42,571,224	36,919	12,689,630	95,323,337	7,684,401	60,750,697	5,085,906	246,456,101
Depreciation charge for the year	-	6,525,253	3,681,595	2,808	2,484,544	7,144,427	588,244	11,712,927	298,390	32,438,191
Disposals	-	-	-	-	-	-	-	-	-	-
At 31 December 2012	-	28,839,243	46,252,819	39,727	15,174,174	102,467,764	8,272,645	72,463,624	5,384,296	278,894,292

NET BOOK VALUE

At 31 December 2012	1,199,639,630	293,993,428	94,195,942	5,287	16,996,249	32,019,706	3,811,301	26,876,574	273,436	1,667,811,536
At 31 December 2011	1,199,639,630	226,951,345	65,770,529	8,094	9,041,330	30,981,761	4,184,538	27,630,610	395,350	1,564,603,189
At 1 January 2011	1,199,639,630	221,314,370	56,920,007	11,558	8,925,559	26,476,979	2,893,275	19,558,884	711,394	1,536,451,657

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2012

INVENTORIES

NOTE 13

STOCK AS AT 31ST DECEMBER	2012 RS.	2012 RS.	2011 RS.	2011 RS.
BULK STORES				
Trading Stock in Hand	668,224,747		560,761,426	
Stock Excesses	-		9,715	
Stock Shortages	-		5,562	
	668,224,747		560,765,578	
LESS				
Provision for Damaged & Outdated Stock	120,376,238		103,717,363	
Additional Provision for unmarketable	-		-	
		547,848,510		457,048,215
OSU SALA - COLOMBO 7				
Trading Stock	76,483,601		61,364,874	
Stock Excesses	410,659		209,783	
Stock Shortages	440,761		305,958	
	76,453,499		61,268,698	
LESS				
Provision for Damaged & Outdated Stock	192,256		112,196	
Provision for Unrealized Profit	2,593,640		2,135,938	
		73,667,603		59,020,564
OSU SALA - COLOMBO 4				
Trading Stock	33,621,565		28,062,905	
Stock Excesses	-		-	
Stock Shortages	-		-	
	33,621,565		28,062,905	
LESS				
Provision for Damaged & Outdated Stock	134,128		258,997	
Provision for Unrealized Profit	1,164,445		960,851	
		32,322,991		26,843,057
OSU SALA - COLOMBO 1				
Trading Stock	18,053,438		13,544,218	
Stock Excesses	272,432		191,446	
Stock Shortages	51,586		28,363	
	18,274,284		13,707,300	
LESS				
Provision for Damaged & Outdated Stock	93,768		116,623	
Provision for Unrealized Profit	421,472		654,993	
		17,759,043		12,935,684
OSU SALA - KANDY				
Trading Stock	34,384,870		25,046,520	
Stock Excesses	192,847		69,915	
Stock Shortages	302,572		70,175	
	34,275,144		25,046,261	
LESS				
Provision for Damaged & Outdated Stock	525,954		431,361	
Provision for Unrealized Profit	1,755,159		1,008,721	
		31,994,030		23,606,178
OSU SALA - NUGEGODA				
Trading Stock	13,059,586		10,232,176	
Stock Excesses	-		27	
Stock Shortages	-		-	
	13,059,586		10,232,203	
LESS				
Provision for Damaged & Outdated Stock	38,274		12,883	
Provision for Unrealized Profit	584,624		543,723	
		12,436,689		9,675,598
OSU SALA - AVISSAWELLA				
Trading Stock	9,929,376		8,636,643	
Stock Excesses	-		-	
Stock Shortages	273		114	
	9,929,103		8,636,529	
LESS				
Provision for Damaged & Outdated Stock	70,807		72,641	
Provision for Unrealized Profit	613,952		594,886	
		9,244,343		7,969,002

**STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2012**

NOTE 13

STOCK AS AT 31ST DECEMBER	2012 RS.	2012 RS.	2011 RS.	2011 RS.
OSU SALA - RATHNAPURA				
Trading Stock	17,539,397		16,475,803	
LESS				
Provision for Damaged & Outdated Stock	78,230		60,475	
Provision for Unrealized Profit	857,594		770,589	
		16,603,573		15,644,740
OSU SALA - MINUWANGODA				
Trading Stock	6,735,237		5,927,077	
LESS				
Provision for Damaged & Outdated Stock	54,613		41,698	
Provision for Unrealized Profit	433,830		491,957	
		6,246,793		5,393,422
OSU SALA - PANADURA				
Trading Stock	11,539,161		8,038,916	
Stock Excesses	27,678		29,137	
Stock Shortages	28,016		42,954	
	11,538,823		8,025,100	
LESS				
Provision for Damaged & Outdated Stock	98,134		76,894	
Provision for Unrealized Profit	379,386		327,185	
		11,061,303		7,621,021
OSU SALA - GALLE				
Trading Stock	22,501,543		21,853,466	
Stock Excesses	-		91	
Stock Shortages	-		-	
	22,501,543		21,853,557	
LESS				
Provision for Damaged & Outdated Stock	309,198		303,631	
Provision for Unrealized Profit	1,167,058		854,634	
		21,025,288		20,695,291
OSU SALA - MATARA				
Trading Stock	14,026,674		12,090,181	
Stock Excesses	57,465		38,479	
Stock Shortages	78,549		294,416	
	14,005,590		11,834,243	
LESS				
Provision for Damaged & Outdated Stock	154,621		161,372	
Provision for Unrealized Profit	593,980		696,756	
		13,256,989		10,976,115
OSU SALA - KURUNEGALA				
Trading Stock	24,585,946		20,002,053	
Stock Excesses	101,909		166,874	
Stock Shortages	129,818		109,308	
	24,558,037		20,059,620	
LESS				
Provision for Damaged & Outdated Stock	595,824		702,347	
Provision for Unrealized Profit	1,180,180		1,133,600	
		22,782,033		18,223,672
OSU SALA - AMPARA				
Trading Stock	6,148,468		6,878,326	
LESS				
Provision for Damaged & Outdated Stock	435,822		446,715	
Provision for Unrealized Profit	494,981		536,595	
		5,217,665		5,895,015

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2012

NOTE 13

STOCK AS AT 31ST DECEMBER	2012 RS.	2012 RS.	2011 RS.	2011 RS.
OSU SALA - HAMBANTOTA				
Trading Stock	9,600,001		7,380,271	
Stock Excesses	29,644		22,123	
Stock Shortages	58,190		40,296	
LESS	9,571,455		7,362,098	
Provision for Damaged & Outdated Stock	155,658		113,062	
Provision for Unrealized Profit	303,673		337,426	
		9,112,124		6,911,610
OSU SALA - MEEGODA				
Trading Stock	575,065		775,372	
LESS				
Provision for Damaged & Outdated Stock	8,365		6,296	
Provision for Unrealized Profit	37,269		69,291	
		529,432		699,785
OSU SALA - ANURADHAPURA				
Trading Stock	13,355,295		11,781,977	
Stock Excesses	156,023		84,462	
Stock Shortages	82,230		182,965	
LESS	13,429,088		11,683,474	
Provision for Damaged & Outdated Stock	582,807		449,074	
Provision for Unrealized Profit	657,526		630,945	
		12,188,755		10,603,456
OSU SALA - MAHARAGAMA				
Trading Stock	19,603,419		18,573,843	
LESS				
Provision for Damaged & Outdated Stock	66,351		47,274	
Provision for Unrealized Profit	945,634		947,599	
		18,591,433		17,578,969
OSU SALA - JAYAWARDANAPURA				
Trading Stock	26,462,815		18,946,666	
LESS				
Provision for Damaged & Outdated Stock	376,707		182,605	
Provision for Unrealized Profit	1,242,937		803,418	
		24,843,170		17,960,643
OSU SALA - KARAPITIYA				
Trading Stock	18,866,151		17,403,043	
Stock Excesses	67,654		34,446	
Stock Shortages	50,409		32,020	
	18,883,397		17,405,469	
LESS				
Provision for Damaged & Outdated Stock	117,829		95,472	
Provision for Unrealized Profit	862,124		826,917	
		17,903,443		16,483,081
OSU SALA - NEGOMBO				
Trading Stock	11,710,839		9,831,198	
Stock Excesses	109,751		75,138	
Stock Shortages	66,857		90,492	
	11,753,733		9,815,845	
LESS				
Provision for Damaged & Outdated Stock	18,609		30,559	
Provision for Unrealized Profit	570,611		464,597	
		11,164,513		9,320,689
OSU SALA - BADULLA - CWE				
Trading Stock	9,031,582		5,346,680	
Stock Excesses	64,228		24,938	
Stock Shortages	52,294		29,195	
	9,043,516		5,342,422	
LESS				
Provision for Damaged & Outdated Stock	69,086		19,904	
Provision for Unrealized Profit	521,494		356,543	
		8,452,936		4,965,975

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2012

NOTE 13

STOCK AS AT 31ST DECEMBER	2012 RS.	2012 RS.	2011 RS.	2011 RS.
OSU SALA -DIYATHALAWA				
Trading Stock	3,762,524		2,609,732	
Stock Excesses	-		-	
Stock Shortages	-		-	
	3,762,524		2,609,732	
LESS				
Provision for Damaged & Outdated Stock	34,550		26,000	
Provision for Unrealized Profit	286,700		232,577	
		3,441,274		2,351,155
OSU SALA -JAFFNA				
Trading Stock	6,324,237		3,112,059	
Stock Excesses	9,449		-	
Stock Shortages	11,930		-	
	6,321,756		3,112,059	
LESS				
Provision for Damaged & Outdated Stock	26,632		-	
Provision for Unrealized Profit	449,724		-	
		5,845,400		3,112,059
OSU SALA -POLONNARUWA				
Trading Stock	9,564,334		-	
Stock Excesses	-		-	
Stock Shortages	-		-	
	9,564,334		-	
LESS				
Provision for Damaged & Outdated Stock	-		-	
Provision for Unrealized Profit	451,609		-	
		9,112,724		-
SATHOSA OUTLETS - RATMALANA				
Trading Stock	1,906,162		1,143,520	
Stock Excesses	-		-	
Stock Shortages	-		-	
	1,906,162		1,143,520	
LESS				
Provision for Damaged & Outdated Stock	-		12,505	
Provision for Unrealized Profit	143,491		75,126	
		1,762,671		1,055,889
SATHOSA OUTLETS - PILIYANDALA				
Trading Stock	1,565,018		1,373,117	
Stock Excesses	-		-	
Stock Shortages	-		-	
	1,565,018		1,373,117	
LESS				
Provision for Damaged & Outdated Stock	50,730		45,364	
Provision for Unrealized Profit	62,930		51,175	
		1,451,358		1,276,577
SATHOSA OUTLETS - KALUTARA				
Trading Stock	888,880		1,301,033	
Stock Excesses	-		-	
Stock Shortages	-		-	
	888,880		1,301,033	
LESS				
Provision for Damaged & Outdated Stock	89,378		103,493	
Provision for Unrealized Profit	75,408		75,151	
		724,093		1,122,389

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2012

NOTE 13

STOCK AS AT 31ST DECEMBER	2012 RS.	2012 RS.	2011 RS.	2011 RS.
REGIONAL STORES - KANDY				
Trading Stock	8,065,537		4,043,984	
LESS				
Provision for Damaged & Outdated Stock	19,565		133,204	
Provision for Unrealized Profit	394,137		407,003	
		7,651,835		3,503,777
ORS UNIT				
Finished Products	1,237,507		1,717,742	
Raw Materials	1,259,183		990,252	
Chemical & Others	240,330	2,737,020	-	2,707,994
		956,979,035		781,201,626
SUNDRY STOCKS				
Printing Stationery	10,417,332		8,013,547	
Packing Materials	8,216,889		5,491,379	
Miscellaneous Stocks	2,207,058		2,055,186	
		20,841,279		15,560,112
DISPUTED ITEMS				
Un salable stocks		102,118,475		90,694,165
Inventories SPC		1,079,938,789		887,455,903

STOCKS IN TRANSIT

NOTE 14

	2012 RS.	2012 RS.	2011 RS.	2011 restated RS.
DHS				
Goods - in - transit	686,191,229		1,920,834,278	
Disputed Items - DHS				
Balance as at 31.12.2012	189,893,482		175,092,481	
Less:-				
Provision for unsalable stock	141,121,163		109,935,365	
	48,772,320		65,157,115	
Goods in Transit - DHS		734,963,549		1,985,991,393
Goods in Transit - SPC		151,918,076		100,277,434
		886,881,626		2,086,268,827

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2012

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TRADE AND OTHER RECEIVABLES

NOTE - 15

	2012	2011
	RS.	RS.
Total Dues From DHS	10,820,710,490	4,922,790,897
Trade Debtors	547,804,109	456,523,456
Staff Loans	52,629,509	44,744,591
Other Staff Advances	1,243,776	1,211,179
Deposits and Advances	2,890,113	115,196
Other Receivables & Recoverable	209,226,771	21,802,605
less	11,634,504,768	5,447,187,924
Provision for bad & doubtful debts	571,667,896	323,485,471
	11,062,836,871	5,123,702,453

DEBTORS ANALYSIS

NOTE 15A

	2012	2011
	RS.	RS.
TOTAL DUES FROM DHS		
Local Purchase on DHS Tenders	20,485,348	35,730,435
DHS Turnover Tax & Custom Duty	68,493,952	68,493,952
Purchase Clearing - DHS	246,819,445	227,804,966
Clearance of Tsunami Cargo - DHS	6,138	6,138
Agency Commission	(90,000)	4,387,970
Department of Health Services	10,484,995,608	4,586,367,437
	10,820,710,490	4,922,790,897
TRADE DEBTORS		
Distributors	218,842,411	230,355,689
Sales Representatives	564,258	585,995
Private Sector Organizations	4,166,849	4,246,001
Forces	191,074,558	102,319,370
Franchise Osusalas	25,773,269	23,695,833
Authorized retailer	5,158,440	4,950,139
Hospitals- Government	67,639,386	59,718,442
Hospitals- Private	5,224,477	3,781,843
Sundry Debtors - Osusala	-	163,655
Government Dept. & Corporations	28,996,358	26,455,106
Other Debtors	364,104	251,385
	547,804,109	456,523,456
STAFF LOANS	52,629,509	44,744,591
OTHER STAFF ADVANCES		
Cycle Loans	73,854	78,287
Festival Advance	997,995	952,995
Seva Vanitha	171,927	177,977
Cash Shortage (Minuwangoda)	-	1,920
	1,243,776	1,211,179
DEPOSITS AND ADVANCES		
General Advance	42,840	115,196
Marginal Deposit -DHS	2,847,274	-
	2,890,113	115,196
OTHER RECEIVABLES & RECOVERABLE		
General Treasury - OD Int Reimbursement	247,606,586	-
Sundry Debtors	6,054,371	5,365,478
Claims Receivable from Suppliers	-	8,008,878
Economic Service Charges	49,905,593	40,433,112
Insurance Claim Receivables	10,055,770	8,708,926
VAT Recoverable	(104,443,277)	(41,523,889)
With holding VAT control	24,300	-
Withholding Tax	23,428	810,100
	209,226,771	21,802,605
TOTAL DEBTORS AND OTHER RECEIVABLES	11,634,504,768	5,447,187,924

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2012

PREPAYMENTS

NOTE - 16

	2012	2011
	RS.	RS.
Pre- Payments	6,005,296	3,479,316
Employee Security Investments	430,836	433,366
Deposits - Postal Franking Machine	468,165	668,165
Pre paid Staff Expenses	4,084,422	8,943,031
Advance Payments to Port Authority	1,802,683	962,710
Miscellaneous Deposits	2,172,333	1,902,013
Container Deposits - SPC	1,362,000	1,114,558
Container Deposits - DHS	7,253,102	6,975,702
	23,578,839	24,478,862

CASH IN HAND AND AT BANK

NOTE 17

		2012	2011
		RS.	RS.
People's Bank	A/C 90210892	58,385,853	92,140,782
People's Bank	A/C 90210934	17,047,540	37,048,662
Bank of Ceylon	A/C -1438	68,387,946	226,595,031
Bank of Ceylon	A/C -1425	38,353,816	216,802,205
Standard Chartered Bank	A/C 1171968 01	3,368,108	2,529,556
People's Bank - Homagama	A/C 0190376	34,512	27,395
Commercial bank	A/C -50401	27,558	-
Treasury Bill Inv. - Credit Insurance Scheme		23,306,859	20,091,734
- Supplier Convention		7,157,346	5,278,733
Petty Cash Impress - Control		289,412	292,783
		216,358,949	600,806,882

DEFERRED LIABILITIES

NOTE 18

EMPLOYEE RETIREMENT GRATUITY	2012	2011
	RS.	RS
		Restated
Gratuity opening balance	74,894,076	87,950,502
Gratuity charges for the year	13,396,159	11,191,815
Actuarial Gain /Loss	14,281,409	(11,325,057)
Benefit paid/ payables during the year	(8,323,079)	(12,923,183)
	94,248,566	74,894,076

The principal actuarial assumptions used were as follows,

Discount %	11.69%	9.31%
Future salary increase % (average)	7.15%	3.54%
Retiring age	60 Years	60 Years

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2012

The amounts recognized in the Income Statement are as follows,

NOTE 18 A

	2012	2011
	RS.	RS.
Current service cost	5,435,271	4,106,239
Interest charges for the year	7,960,888	7,124,145
Actuarial gain/loss charged		(171,811)
Gratuity include in the staff cost	13,396,159	11,058,573
Actuarial gain/loss - OCI	14,281,409	(11,325,057)
Total	27,677,568	(266,484)

DEFERRED TAX ASSETS/ LIABILITIES

NOTE 19

	2012	2011
	Rs	Rs
Differed tax liability	62,273,999	57,436,156
Differed tax Assets	(31,964,477)	(27,247,877)
Opening SLFRS Deferred Tax Liability	30,309,522	30,188,279

TRADE AND OTHER PAYABLES

NOTE 20

	Total	Total
	2012	2011
	RS	RS
Accrued charges & provision	147,925,808	172,185,220
Creditors control	550,151,404	524,841,202
Special order advance	2,036,497	6,520,085
Security deposits	496,123	446,123
Salaries control	1,302,947	1,121,043
Bank bills payable - SPC	155,813,563	72,340,965
Bank bills payable - DHS	2,111,347,300	979,550,882
Interest on cash security deposits	17,852	8,608
Tender deposits	1,703,875	1,483,175
Loans & other recoveries (staff)	4,468,397	3,817,205
Credit insurance scheme		258,071
Welfare fund	532,329	598,045
Cash Deposit in lieu of Bank Guaranty	3,008,434	-
Nation Building Tax	38,179,678	20,988,154
E Channeling control A/c	(25,556)	(3,315)
	3,016,958,649	1,784,155,464

CURRENT FINANCIAL LIABILITIES

NOTE 21

	Total	Total
	2012	2011
	RS	RS
Bank of Ceylon A/C -1435	5,358,702,399	3,218,178,937
Bank of Ceylon A/C -70556680	4,006,200	5,795,005
People's bank A/C -90210929	2,437,725,770	1,438,373,543
Commercial bank A/C -50401	-	314,447
Commercial bank A/C -10263	544,204	391,630
Commercial bank A/C 150701	95,730,556	53,601,843
	7,896,709,130	4,716,655,405

**STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 2012**

NOTE -22

CAPITAL

There is no change in the Authorized Capital during the year ended 31st December 2012

CONTRIBUTED CAPITAL

Contributed Capital is made up by government grants amounting to Rs 59,055,258 as at 31 Dec 2012.

NOTE -23

LIABILITIES AND PROVISIONS

The following legal cases are pending as of 31st December 2012, 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.

23.1. Contingent liabilities

23.1.1 The Corporation is a defendant in four Cases where legal actions instituted by stakeholders of entities involved, claiming Rs 769,825 with legal interest. These cases are being contested by the corporation and no provision has been made in the financial statements.

23.1.2 Kayak Sugi Pharma (pvt) Ltd

This case has been filed by Kayak Sugi Pharma (pvt) Ltd against SPC and others for infringement of fundamental rights at the tender awarding process.

23.1.3 SAS Pharmaceuticals - Case No. 7078 M

This Case has been filed against S A S Enterprises, one of Distributors who has defaulted in settling claim of Rs 769,825.00 due to the Corporation.

23.1.4 Rainn kumar - HC ARB 111/98

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

23.1.5 Arbitration – Pure Pharma Ltd vs SPC

Base on the quality failure reports procurement committee has cancelled the balance quantity of 310,000 packs of Paracetamol ordered from M/S Pure Pharma (pvt) Ltd. Pure Pharma has been referred the above matter for arbitration and the arbitration was fixed.

23.2 The corporation is a plaintiff in one Case claiming Rs 3,863,609.77 with legal interest for the damages.

23.2.1 Osusala – Negombo - Case No.B2666/10

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

23.2.2 Financial Commitments

Document credit established for purchases of pharmaceuticals as at 31.12.2012 amounts to Rs. 3.635m

NOTE -24

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.

	<u>2012</u>
SPC	Rs. 547,804,109
DHS	Rs. 10,820,710,490

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

Liquidity risk

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

Year ended 31 December 2012: (Rs)		Maturity
Interest-bearing loans and borrowings	7,896,709,130	OD – Payable on demand
Trade and other payables	3,341,090,562	Usually 03 months
Year ended 31 December 2011: (Rs)		
Interest-bearing loans and borrowings	4,716,655,405	OD – Payable on demand
Trade and other payables	1,784,155,464	Usually 03 months
As at 1 January 2011: (Rs)		
Interest-bearing loans and borrowings	4,131,544,335	OD – Payable on demand
Trade and other payables	1,551,401,545	Usually 03 months
	2012	2011
	Rs	Rs.
Interest-bearing loans and borrowings	7,896,709,130	4,716,655,405
Trade and other payables	3,341,090,562	1,784,155,464

Less: cash and short-term deposits	(216,526,000)	600,806,882
Net debt	1,106,257,402	5,900,003,987
Equity		
Capital and net debt	14,757,052,781	9,521,356,362
Gearing ratio	32.71%	52.72%

NOTE -25**RELATED PARTY TRANSACTIONS****25.1 Transactions with State and State Controlled Entities**

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

Nature of the Transaction	2012	2011
Transactions:	RS	RS
Sales	17,173,940,334	13,063,393,453
Outstanding Balances:		
Receivable from Medical Supplies Division	10,820,710,490	4,922,790,897
Receivable from Forces	191,074,558	102,319,370
Receivable from Government hospitals	67,639,386	59,718,442
Receivable from Other Government Institutions	28,996,358	26,455,106

24.2 Key Management Compensation

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

	2012	2011
	RS	RS
Short term employment benefits	2,695,316	1,183,192

NOTE -26**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.

STATE PHARMACEUTICALS COOPERATION
STATEMENT OF FINANCIAL POSITION

NOTE 27

	NOTE	As at 01st January 2011		
		(Date of transition to SLFRS/LKAS)		
		As per SLFRS/LKAS RS.	Remeasurements RS.	As per SLAS RS.
ASSETS				
Non-current assets				
Property, plant and equipment	A	1,536,451,657	889,851,258	646,600,399
Leasehold land - Ratmalana	A	11,000,000	11,000,000	-
Capital work in progress	B	564,961	(2,200,000)	2,764,961
Other non current assets	B	13,479,257	874,266	12,604,991
Deferred tax assets	C	-	(13,510,356)	13,510,356
		1,561,495,875	886,015,168	675,480,707
Current assets				
Inventories	D	874,017,636	(105,296,784)	979,314,420
Goods in transit	E	2,860,762,197	108,157,355	2,752,604,842
Trade and other receivables	F	3,453,354,349	(110,662,011)	3,564,016,360
Prepayments	G	22,368,916	9,312,830	13,056,086
Cash in hand and at bank	H	671,104,056	(31,895)	671,135,951
		7,881,607,155	(98,520,504)	7,980,127,659
Total assets		9,443,103,030	787,494,664	8,655,608,366
EQUITY AND LIABILITIES				
Stated capital		59,055,258	-	59,055,258
Retained Earnings		3,287,663,211	1,235,739,291	2,051,923,920
Revaluation reserve		-	(467,073,828)	467,073,828
General reserve		66,061,447	-	66,061,447
Total equity		3,412,779,916	768,665,463	2,644,114,453
Non-current liabilities				
Employee benefit liabilities	L	87,950,502	-	87,950,502
Deferred tax liability	I	25,399,285	25,399,285	-
		113,349,787	25,399,285	87,950,502
Current liabilities				
Trade and other payables	J	1,551,401,545	(8,128,678)	1,559,530,223
Income tax payable		232,468,854	-	232,468,854
Deferred income	K	1,558,594	1,558,594	-
Current Financial Liabilities		4,131,544,335	-	4,131,544,335
		5,916,973,327	(6,570,084)	5,923,543,412
Total equity and liabilities		9,443,103,030	787,494,664	8,655,608,366

STATE PHARMACEUTICALS COOPERATION
STATEMENT OF FINANCIAL POSITION

NOTE 27

	NOTE	As at 01st January 2011		
		(Date of transition to SLFRS/LKAS)		
		As per SLFRS/LKAS RS.	Remeasurements RS.	As per SLAS RS.
ASSETS				
Non-current assets				
Property, plant and equipment	A	1,564,603,189	898,767,613	665,835,576
Leasehold land - Ratmalana	A	10,840,000	10,840,000	-
Capital work in progress	B	16,193,567	(2,200,000)	18,393,567
Other non current assets	B	13,800,775	874,266	12,926,509
Deferred tax assets	C		(1,694,576)	1,694,576
		1,605,437,531	906,587,303	698,850,228
Current assets				
Inventories	D	887,455,903	(105,408,611)	992,864,514
Goods in transit	E	2,086,268,828	107,729,164	1,978,539,664
Trade and other receivables	F	5,123,702,453	(110,346,535)	5,234,048,988
Prepayments	G	24,478,862	8,943,031	15,535,831
Cash in hand and at bank	H	600,806,882	(73,688)	600,880,570
		8,722,712,928	(99,156,639)	8,821,869,567
Total assets		10,328,150,459	807,430,664	9,520,719,795
EQUITY AND LIABILITIES				
Stated capital		59,055,258	-	59,055,258
Retained Earnings		3,377,491,107	1,155,963,149	2,221,527,958
Revaluation reserve		-	(467,073,828)	467,073,828
General reserve		66,061,447	-	66,061,447
Total equity		3,502,607,812	688,889,321	2,813,718,491
Non-current liabilities				
Employee benefit liabilities	L	74,894,076	(11,191,816)	86,085,892
Deferred tax liability	I	30,188,279	30,188,279	-
		105,082,355	18,996,463	86,085,892
Current liabilities				
Trade and other payables	J	1,784,155,464	99,227,255	1,684,928,209
Income tax payable		219,331,798	-	219,331,798
Deferred income	K	317,625	317,625	
Current Financial Liabilities		4,716,655,405	-	4,716,655,405
		6,720,460,292	99,544,880	6,620,915,412
Total equity and liabilities		10,328,150,459	807,430,664	9,520,719,795

A, A - Property, plant and equipment, Leasehold land

Property, Plant and Equipment other than equipments, furniture, computers, delivery cycles and library books were carried in the statement of financial position prepared in accordance with previous SLAS on the basis of valuations performed on the following dates.

Land and buildings	- 31.12.2012
Motor vehicles	- 01.02.2012
Plant and machinery	- 31.12.2012

The Corporation has elected to regard those values as deemed cost as at the date of the revaluation since they were broadly comparable to fair value. At the date of transition to SLAS (SLFRS/LKAS), the following adjustments have been made to Property, Plant and Equipment.

	2010	2011
Component accounting adjustments	692,452	9,608,807
Revaluation reserve adjustment	900,158,806	900,158,806
Classification for finance lease	<u>(11,000,000)</u>	<u>(11,000,000)</u>
	<u>887,851,258</u>	<u>898,767,613</u>

Further, the Corporation amortizes the leasehold land throughout the remaining useful life of the asset. (Rs 160,000 in each year)

B – Capital work in progress, Other non current Assets

During the year 2010 capital WIP of Rs 2,200,000 was transferred to deferred expenditure.

C, I– Deferred tax Asset/ Deferred tax liability

Deferred tax liability of Rs 25,399,285 was created as at 31 Dec 2010 (Rs 30,188,279) as at 31st Dec 2011) due to the SLAS (SLFRS/LKAS) changes made to the financial statements.

D, E – Inventories and Goods in Transit

Under previous SLAS, the Corporation accounted for Goods in Transit (GIT) amounting to Rs 105,296,784/- in (Rs 100,277,434/- in 2011). Under SLAS (SLFRS/LKAS), the Corporation has designated to transfer those values to Goods transit. Also GIT increased by Rs 2,860,571/- (Rs 7,451,730/- in 2011) due to not recognition of foreign payables on the date of transfer of risk and rewards of Inventory.

F, G - Trade and other receivables & Prepayments

Under previous SLAS, the Corporation accounted the staff loans given below market rates at cost. Under SLAS (SLFRS/LKAS), the Corporation has fair valued such loans on transition date resulting in the recognition of prepaid staff cost of Rs. 9,312,830 as at 31-Dec-2010 (Rs 8,943,031 in 2011 after amortizing Rs 358,158 to income statement).

H – Cash in hand and at bank

Under previous SLAS, the Corporation accounted for investments in Treasury bills at cost. Under SLAS (SLFRS/LKAS), the Corporation has classified such investments as Held – To - Maturity investments. At the date of transition to SLAS (SLFRS/LKAS), Rs. 31,895/- fair value difference (Rs. 73,688/- in 2011) has been charged to income statement.

J, K - Trade and other payables and deferred income

Under previous SLAS, the Corporation accounted the credit insurance fund as a liability in the balance Sheet. However as the receipt of premium income from distributors does not result in a liability to the Corporation to third parties, Rs 12,260,198 (Rs 3,216,375 in 2011) was reversed to retained earnings. Rs 1,558,598 (Rs 317,625 in 2011) was recognized as deferred income. Also Rs 4,131,520 was adjusted as foreign exchange differences arising from the purchases (Rs 5,869,979 in 2011). VAT and NBT payable in 2011 amounts to Rs 104,702,329

L - Employee benefit liabilities

The Corporation recognized total actuarial difference of Rs 11,325,057/- in the income statement for the year ended 31 December 2011.

STATE PHARMACEUTICALS COOPERATION OF SRI LANKA
Explanatory notes First time adoption of SLFRS
INCOME STATEMENT

NOTE 28

	NOTE	2011 As per SLFRS/LKAS RS.	Remeasurements RS.	2011 As per SLAS RS.
Revenue	M	17,375,459,642	58,626,684	17,316,832,958
Cost of sales	N	(15,551,271,427)	(88,856,732)	(15,462,414,695)
Gross profit		1,824,188,215		1,854,418,263
Other operating income	O	23,230,881	(58,308,774)	81,539,655
Administrative expenses	P	(614,019,155)	8,623,128	(622,642,283)
Other operating expenses	Q	(492,631,005)	(22,314,670)	(470,316,335)
Operating profit		740,768,936		842,999,299
Finance expenses		(422,895,753)		(422,895,753)
Finance income	R	4,102,392	4,102,392	-
Profit before tax		321,975,575		420,103,546
Tax expense	S	(228,472,722)	7,026,786	(235,499,508)
Profit for the period		93,502,853		184,604,038

RECONCILIATION OF INCOME STATEMENT**M – Revenue**

Under previous SLAS, the Corporation accounted Provision for Unrealized Profit, Special Order Imports and Claims Received from Suppliers as other operating income. Under SLAS (SLFRS/LKAS), these amounts (Rs 54,169,340 in 2011) were classified as revenue and Rs 4,457,344 was transferred from credit insurance fund to revenue. (Refer. K)

N – Cost of sales

Error correction of value added tax paid amounting to Rs 88,856,732 was charged to cost of sales during the year.

O, R – Other operating income and Finance Income

Rs 54,169,340 was transferred to revenue under SLAS (SLFRS/LKAS) (Refer M) and the interest income on staff loans (Rs 4,102,392) were classified separately under finance income. Balance Rs 41,793 was due to the fair valuation of treasury bills.

P - Administrative expenses

Under previous SLAS, the Corporation accounted depreciation on a standard percentage without considering the remaining useful life. Under SLAS (SLFRS/LKAS), the depreciation reduction resulting from component accounting and reassessment of residual life was Rs 8,916,370. Also Rs 133,242 was recorded in income statement being the gratuity charged to income statement and Rs 160,000 was charged as the amortization for leasehold land.

Q - Other operating expenses

Under SLAS (SLFRS/LKAS) Rs 22,314,670 has identified as additional NBT charge payable where it was not accounted under the previous SLAS.

S – Tax expense

Rs 7,026,786/- , which was the difference between the provision made and the SLAS (SLFRS/LKAS) provision was adjusted through income statement.



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கணக்காய்வாளர் தலைமை அறிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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 No. }

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 திகதி } 09 April 2014
 Date }

The Chairman
 State Pharmaceuticals Corporation of Sri Lanka

Report of the Auditor General on the Financial Statements of the State Pharmaceuticals Corporation of Sri Lanka for the year ended 31 December 2012 in terms of Section 14(2)(c) of the Finance Act. No. 38 of 1971.

The audit of financial statements of the State Pharmaceuticals Corporation of Sri Lanka for the year ended 31 December 2012 comprising the statement of financial position as at 31 December 2012 and the income statement, statement of changes in equity and cash flow statement, for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 29 of the State Industrial Corporations Act, No. 48 of 1957. My comments and observations which I consider should be published with the Annual Report of the Corporation in terms of Section 14(2)(c) of the Finance Act, appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act, was furnished to the Chairman of the Corporation on 26 August 2013.

1:2 Management's Responsibility for the Financial Statements

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

අංක 306/72 පොල්දූව පාර,
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දුරකථනය }
 தொலைபேசி } 2887220
 Telephone. }

இல. 306/72, பொல்துவ வீதி,
 புத்தரமுல்லை இலங்கை

ෆැක්ස් අංකය }
 பக்ஸ் இல } 2887223
 Fax No. }

No.306/72, Polduwa Road,
 Battaramulla, Sri Lanka

ඉලෙක්ට්‍රොනික් තැපෑල }
 #- மெயில் } oaggov@slt.net.lk
 E-mail. }

1:3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

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

1:4 Basis for Qualified Audit Opinion

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

2. Financial Statements

2:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the State Pharmaceuticals Corporation of Sri Lanka as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2:2 Comments on Financial Statements

2:2:1 Accounting Policies

Even though provision for bad and doubtful debts at 100 per cent had been made for the debtors balances of the Medical Supplies Division older than 05 years and the debtors balances older than 01 year of the other trade debtors except the Medical Supplies Division, those provisions had not been disclosed in the financial statements.

2:2 Accounting Deficiencies

The following observations are made.

- (a) As the Debit Advices amounting to Rs.156,164,310 and Rs.1,953,152 relating to the drugs and surgical equipment supplied to the Director General of Health Services from the year 2006 to the year 2011 and the year under review respectively had not been brought to account, the debtors and the retained profit as at the end of the year under review had been understated by Rs.158,117,462.
- (b) The drugs and surgical equipment valued at Rs.686,191,229 sold to the Director General of Health Services from the year 2007 to the year 2012 had been shown as stocks in transit.
- (c) Out of the drugs and surgical equipment valued at Rs.189,893,482 rejected by the Medical Supplies Division, drugs and surgical equipment valued at Rs.132,212,356 had become unfit for sale. As provision of Rs.141,121,163 had been made in that connection, an over-provision of Rs.8,908,807 had been made.

2:2:3 Accounts Receivable and Payable

The following observations are made.

- (a) Out of 49 distributors, 16 distributors selected on a decision of the Board of Directors had been allowed additional credit facilities of 75 per cent over the approved credit limit. The total credit provided in the year amounted to Rs.127 million. In addition, credit facilities exceeding the approved credit limit amounting to Rs.13.6 million had been allowed to 10 distributors which included 05 distributors who had obtained additional credit facilities and 05 distributors who had obtained approved credit facilities.

- (b) Out of the 80 Agencies, 08 institutions selected according to the above decision of the Board of Directors had been allowed additional credit facilities of 75 per cent and the total amount so allowed amounted to Rs.4.2 million. In addition, 09 institutions which included 02 of the 08 institutions that obtained additional credit facilities and seven institutions that had obtained approved credit facilities had been provided credit facilities amounting to Rs.1.2 million exceeding those limits.
- (c) Credit facilities exceeding the approved limits had been allowed for 22 clients in the sale of drugs through OsuSala outlets and such facilities allowed amounted to Rs.2.5 million.
- (d) According to the financial statements presented, out of the total trade debtors amounting to Rs.11,369 million as at 31 December 2012, a sum of Rs.11,108 million related to the Government and Semi-Government Institutions. That represented 97.8 per cent of the total trade debtors. A sum of RS.10,821 million out of the trade debtors relate to the supplies made to the Director General of Health Services and that represented 95.2 per cent of the total trade debtors.
- (e) Out of the sum of Rs.10,821 million receivable from the Director of Medical Supplies, debtors balance older than one year amounted to Rs.2,177 million and the debtors balance older than 05 years amounted to Rs.552 million.
- (f) The total debtors balance older than one year receivable from the private institutions amounted to Rs.10 million and the debtors balance older than 05 years totalled to Rs.0.8 million.

2:2:4 Lack of Evidence for Audit

The evidence indicated against the following items of account had not been furnished to audit.

Particulars	Value Rs.	Evidence not made available to audit
Debtors	2,048,012,299	Letters of Confirmation of Balances
Creditors	264,771,252	Letters of Confirmation of Balances

2:2:5 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non-compliances were observed during the course of audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
(a) Public Finance Circular No. PF/PE/6 of 31 January 2000	Contrary to the circular instructions, the Pay As Your Earn Tax in respect of the preceding years and the year under review had been paid from the Fund of the Corporation. A sum of Rs.870,261 had been paid as the Pay As Your Earn Tax from the Corporation Fund during the year under review. The Pay As Your Earn Tax up to April 2013 had been paid with the approval of the Board of Directors. The Chairman informed me that the matter was discussed with the Trade Union over a long period and that it had been decided to recover the tax from the employees with effect from May 2013.
(b) National Procurement Agency Circular No. 9 of 01 March 2006.	
(i) Section 2.9.1	The Chairman and Members of the Major Procurement Committee had been paid allowances at the rates of Rs.17,500 and Rs.15,000 respectively and the Chairman and the Members of the Minor Procurement Committee had been paid allowances at the rate of Rs.12,500 and Rs.10,000 respectively during the year under review. Accordingly the Chairman and the members of the Procurement Committees had been overpaid Procurement Committee Allowances totaling Rs.3,981,750 during the year under review in terms of the letter No. SH/65/2007 dated 19 July 2010.
(ii) Section 2.9.1	Certain meetings of the Procurement Committee for which allowances had been obtained had been held during office hours.

(c) Public Enterprises Department
Circular No. PED/12 of 02 June
2003.

i. Section 6.5.1

Even though the Draft Annual Report should be furnished to the Auditor General within 60 days after the close of the financial year as specified in the Circular, it had not been so done.

ii. Section 6.5.3

Even though the Annual Report should be tabled in Parliament within 150 days after the close of the financial year, the Annual Report for the year 2011 had not been tabled in Parliament.

(d) Public Enterprises Department
Circular No. PED/ 57 of 11
February 2011

Contrary to the circular provisions the Corporation had paid Rs.13,800,000 in the year under review to non-Governmental institutions as grants and sponsorships payments.

2:2:6 Transactions of Contentious Nature

The Corporation had written off from books debtors balances amounting to Rs.14,670,857 in accordance with the decision of the Board of Directors No. BP/61/12 of 30 March 2012. The debtors balance written off included a sum of Rs.4,237,061 recoverable from the Medical Supplies Division, a sum of Rs.9,612,367 receivable from other 32 Government institutions and a sum of Rs.821,428 receivable from 38 private customers. It was also revealed that 06 private debtors out of the 71 debtors are not customers of the Corporation any more.

3. Financial Review

3:1 Financial Results

According to the financial statements presented, the operations of the Corporation for the year ended 31 December 2012 had resulted in a pre-tax net profit of Rs.464,612,012 and that as compared with the pre-tax net profit Rs.321,975,574 for the preceding year

indicated an increase of Rs.142,636,438. The Corporation had earned an operating profit of Rs.799,720,426 for the year under review before charging the finance expenditure of Rs.339,052,139. That as compared with the operating profit before charging finance expenditure for the preceding year amounting to Rs.740,768,935 indicated an increase of Rs.58,951,491 in the operating profit.

3:2 Review of Financial Results

Significant data relating to the financial results of the Corporation together with the corresponding data for the preceding year are given below.

	<u>Year 2012</u>	<u>Year 2011</u>
	Rs.million	Rs.million
Turnover	21,610.2	17,375.5
Cost of Sales/ Direct Expenditure	19,425.4	15,551.3
Gross Profit	2,184.8	1,824.2
Operating Profit	799.7	740.8
Finance Income	3.9	4.1
Finance Expenditure	339.1	422.9
Net Profit (Pre-tax)	464.6	322.0
Tax Expenditure	205.3	228.5
Net Profit (after tax)	245.0	89.8
Gross Profit Ratio-Percentage	10.1	10.5
Net Profit Ratio – Percentage	1.1	0.5
Stock Turnover Ratio-Turns	7.9	4.6
Stock Turnover Ratio – Days	47	79
Debtors Turnover Ratio – Turns	2.6	3.9
Debtors Turnover Ratio – Days	140	94
Creditors Turnover Ratio Turns	36	28
Creditors Turnover Ratio – Days	10	13

The following observations are made.

- (a) As compared with the Gross Profit and Net Profit Ratios of the preceding year indicated a decrease of the Gross Profit Ratio and an increase of the Net Profit Ratio for the year under review.

- (b) The reconciliation of the Stock Turnover Ratio for the year under review with the Stock Turnover Ratio for the year 2011 indicated an increase of 3.3 in the turns while the Stock Turnover Time had decreased by 32 days.
- (c) The Debtors Turnover Ratio for the year under review had decreased by 1.3 while the debit collection time had increased by 46 days. The debt recovery process of the Corporation was not effective and that had directly affected the cash flow of the Corporation.
- (d) Reconciliation of the Creditors Turnover Ratio for the year under review with the Creditors Turnover Ratio of the preceding year indicated as increase of 8 turns and credit payment time had decreased by 03 days. As such there was a delay in the settlement of debts by the Corporation due to weaknesses in the cash flow of the Corporation.
- (e) A high gearing situation in the Corporation during the year under review while 70 per cent of the total loan capital had been represented by the Bank Overdraft. The Bank overdraft as at 31 December 2012 amounted to Rs.7,896.7 million and indicated an increase of 67 per cent over the preceding year.

3:3 Operating Review

3:3:1 Osusala Operations

	2012	2011	2010	2009	2008
Number of Osusala Outlets in Operation	28	25	25	23	21
Turnover (Rs. Millions)	2,185.9	1,974.8	1,840.2	1,691.4	1,398.2
Purchases - Local (Rs. Millions)	1,189.8	963.3	918.7	791.7	609.7
- Imported (Rs. Millions)	718.4	678.8	683.7	677.7	594.6
Profit earned (Rs. Millions)	134.1	102.6	96.6	97.4	44.2
Number of Loss making Osusala Outlets	10	09	06	04	10
Loss incurred (Rs. Millions)	8.1	7.2	7.02	3.8	9.16

The following observations are made in connection with the operation of the Osusala Outlets.

- (a) 28 Osusala outlets of the Corporation had been in operation in the year 2012 and out of that, the 05 Osusala outlets at Jaffna, Polonnaruwa, Piliyandala, Kalutara and Ratmalana commenced sales in the year under review and 02 Osusala outlets

operating in the preceding year had ceased their sales transactions in the year under review.

- (b) Out of the 28 Osusala outlets in operation in the year under review, 18 had earned profits while 10 had incurred losses. Such loss amounted to Rs.8.1 million. The Osusala Outlets at Avissawella, Ampara and Meegoda continued to incur losses from the year 2010.
- (c) Out of the 05 Osusala outlets that commenced sales in the year under review, 04 Osusala Outlets, except the Osusala at Ratmalana had incurred losses. The losses of the 04 Osusala outlets amounted to Rs.5.1 million.
- (d) Karapitiya Osusala that had earned a profit in the preceding year had incurred a loss in the year under review. The profits earned by the Osusala outlets at Kandy, Galle and Diyatalawa in the year under review had been less than that of the preceding year. The Sales of the Osusala Outlets at Meegoda, Negombo and Diyatalawa in the year under review as compared with the preceding year indicated a decrease.
- (e) The local purchase of drugs by 18 Osusala outlets other than those at Avissawella, Minuwangoda, Kurunegala, Ampara, Badulla – Sathosa, Diyatalawa, Jaffna, Rathmalana, Polonnaruwa and Kalutara had been at a higher level and the total value of drugs and surgical material purchased during the year under review for the Osusala outlets amounted to Rs.1,908.2 million and a sum of Rs.1,189.2 million or 62 per cent represented local purchases. Accordingly, the Co-operation had shown a trend towards the sale of locally purchased drugs in preference to the imported drugs.
- (f) Generally the Government Osusala outlets sell about 1,600 categories of drugs and out of that the turnover of about 150 drugs is very high. A very high shortage of drugs sold by 22 of in 28 Osusala outlets in operation in the year under review was observed. Details appear below.

Osusala	Shortage of Drugs in each Month (According to Category of Drugs)	
	Minimum (Items of Drugs)	Maximum (Items of Drugs)
Ampara	25	90
Anuradhapura	20	120
Awissawella	50	104

Badulla	10	28
Colombo 01	30	103
Colombo 04	20	59
Colombo 07	31	69
Galle	07	10
Hambantota	31	60
Jaffna	59	84
Jayawardanapura	08	10
Kandy	65	160
Karapitiya	15	55
Kurunegala	20	60
Maharagama	15	30
Matara	15	35
Minuwangoda	17	29
Negombo	23	40
Nugegoda	30	44
Panadura	25	45
Polonnaruwa	30	82
Ratnapura	35	60

The following observations are made in connection with the shortage of drugs at the Osusala Outlets.

- i. Shortage of drugs existed in every month throughout the year at all Osusala outlets except the Osusala outlets at Jaffna, Jayawardanapura, Maharagama, Nugegoda and Polonnaruwa. The highest ranges of shortage of drugs existed from 10 to 60 at 14 Osusala outlets, 60 to 120 at 07 Osusala outlets and over 120 at 01 Osusala outlet. The lowest ranges existed from 10 to 30 at 16 Osusala outlets, 30 to 60 at 05 Osusala outlets and over 60 at 01 Osusala.
- ii. The average monthly shortage of in the year 2012 at the Main Drugs Store at Ratmalana had been 125 categories of drugs. The minimum shortage for the year had been 100 categories of drugs and maximum shortage had been 158 categories of drugs.

3:3:2 Procurement

The following observations are made.

(a) Purchase of F/Lumber Discectomy Surgical Equipment Sets

- i. The registration certificate obtained for the items in the Surgical equipment set obtained from the Cosmetics, Drugs and Devices Authority (CDDA) had expired before the issue of the indent to the supplier on 07 January 2011 and action had not been taken for the renewal of registration even by the time of clearing the goods from the port. Nevertheless, a letter of no objection for the purchase had been obtained for the Medical Technology and Supplies Division of the Ministry of Health.
- ii. The surgical equipment which should have been supplied to the Medical Supplies Division in February 2008 had been supplied in June 2011 after a delay of 03 years and 04 months.

Those equipment sets had been rejected by the Medical Supplies Division due to incorrect labels, lack of SR Numbers and the Invoice Numbers and the defects in the Invoices. Even though the goods had been supplied again in November 2013 after rectification of the defects, a period exceeding 05 years had elapsed by that time.

(b) Purchase of 24 million Tablets of Ibuprofen 200 mg Drug

The following observations are made.

- i. At the time of issuing the Indent No.SPC/P1/369/11 dated 11 August 2011 to the supplier for the purchase of the above drug, the Registration Certificate No. PR-041003 issued by the Cosmetics, Drugs and Devices Authority had already expired. Nevertheless, the certificate had been renewed on 16 September 2011. The Chairman informed me that the Local Agent had obtained it from the Cosmetics, Drugs and Devices Authority on 16 September 2011 and that it had been made valid for 05 years with effect from 04 August 2011.

- ii. Out of the 12 million tablets purchased, 4.6 million tablets had been sold and the balance 7.4 million tablets had discoloured and unfit for sale by January 2012. The cost of that amounted to about Rs.2.79 million.
 - iii. Even though the Import Manager had informed the Technology Division that the stock supplied had satisfied the specifications, the Manager of the Quality Control Laboratory had, by his letter dated 23 January 2012, informed the Deputy General Manager, Technology and Laboratory that drug had failed the quality tests. As such the basis on which the Import Manager certified that the drugs had satisfied the specifications was not disclosed to audit.
 - iv. Out of the quantity of tablets supplied 41 per cent, that is, 4,952 packs of 1,000 tablets each had been sold by the time of identifying that the drug had failed the quality tests on 23 January 2012.
 - v. Even though the supplier had agreed to supply new tablets in place of 7.248 million quality failed tablets value at Rs.2,972,382 between a period of 45 to 60 days, action had not been taken up to date to obtain that quantity of tablets.
- (c) Surgical Equipment Costing Rs.1,347,696 deprived of to the Corporation (Indent No. DHS/SUS/19/361A/2009)
-

The following observation is made.

Even though 13 cartons containing 6 items of surgical equipment valued at Rs.1,347,696 (US\$ 11,654.20) had been received at Sri Lanka Ports Authority in July 2010 from the supplier, the Corporation had not been able to clear the surgical equipment as the Bill of Lading and the Invoice relating thereto had been in the name of the Local Agent. As Sri Lanka Customs had recommended the destruction of the equipment a loss of Rs.1,194,946 had been caused to the Corporation. According to the Minutes of the Board of Directors No. BP/4/12 of 20 January 2012, Sri Lanka Ports Authority had sold the equipment. As such it was observed that the correct information on that stock had not been presented to the Board of Directors.

- (d) Purchase of 61,200 valves of Clarithromycin powder of reconstitution for intravenous Infusion 500 mg
-

The following observations are made.

- i. On a request of the Medical Supplies Division, 30,000 valves had been imported and handed over to the Medical Supplies Division on 02 May 2011 and the Medical Supplies Division had, by letter dated 24 May 2011, informed the Corporation that a test check of the stocks revealed the existence of damaged valves.
 - ii. Nevertheless, action had been taken on 31 May 2011 to amend the Letter of Credit increasing the amounting to Rs.9,250,386 (US\$ 167,400) for the import of the balance stock to Sri Lanka. Out of that stock 16,200 units and 15,000 units had been cleared from the Port on 30 July 2011 and 05 September 2011 respectively.
 - iii. According to the letter dated 02 November 2011, National Drugs Quality Control Authority had informed that the subsequent stock of 16,200 valves and the 15,000 valves in the stores should be removed from use. But action had not been taken up to date for the recovery from the supplier a sum of US\$ 11,384 out of the total of US\$ 98,066 receivable by the Corporation.
 - iv. Action had not been taken for the recovery of 10 per cent retention money on the Letter of Credit amounting to Rs.1,840,440.
- (e) Purchase of Cannulated Screw Surgical Equipment
(Indent No. DHS/SU/221/825B/08)
-

The following observations are made on the above purchase supplied in several instances.

- i. The above stock of surgical equipment valued at Rs.5,723,492 which should have been supplied in January 2008 according to the Indent No. MSD/SC/052/08/5 dated 11 July 2007 of the Medical Supplies Division had been handed over to the Medical Supplies Division on 07 May 2010 after a delay of 2 years and 9 months.

According to paragraphs 20 and 21 of the bid documents samples should be checked in two instances in the procurement process. Nevertheless, any sample checks done in the import of the surgical equipment was not revealed to audit.

- ii. The Medical Supplies Division had rejected the 7,250 units valued at Rs.1,338,398 (US\$ 11,760.97) imported under Invoice No. 4633 of 10 March 2010 due to incomplete Invoice and the non-indication of the date of expiry. In addition, the letter dated 27 January 2012 revealed that according to a check of the stock of equipment carried out by a Doctor, the equipment had failed the quality tests. The stock had been retained idle in the stores up to date.

The value of the Debit Note No. 000339/2012 of 10 December 2012 amounting to Rs.1,393,189 (US\$12,242.44) relating to the 7,250 units of Invoice No. 4633 rejected by the Medical Supplies Division and the short supply of 16 units out of the stock imported under Invoice No. 4650 and taken over by the Medical Supplies Division had not been settled.

(f) Purchase of Gentamicin Injection BP 80 mg/2ml (Indent No. SPC/P1/509/10)

The following observations are made.

- i. Even though 240,000 units of Gentamicin Injection BP 80mg/2ml which is identified as a fast selling drug in the Osusala Outlets of the Corporation should have been supplied in 3 stages of 80,000 units in March, July and November 2010, the periods of supply of that amount had been altered by a newspaper advertisement on 08 November 2009.
- ii. Out of the 06 suppliers responded only one supplier had produced samples and that sample as well had failed the quality according to the quality report.
- iii. According to paragraph 20.1 of the bid documents, all suppliers should produce samples with the bids and according to paragraph 20.4 it is a compulsory requirement and if not produced, the bid should be cancelled. But the bid had been awarded to one supplier on the condition of pre-shipment testing of samples. The bid had been cancelled as the samples had failed the quality tests in two instances.

- iv. According to the Indent No. SPC/P1/509/10 issued to the selected supplier the period of supply had been changed to the first 100,000 units as urgent and the second and third as advised. Accordingly, the Indent issued by the Stock Control Division indicating the stock requirement period after checking the stocks had been changed in 04 instances without adducing any reason.
- v. According to paragraph 2.3 of the Guidelines for Procurement of Pharmaceuticals, the registration of the suppliers with the Cosmetics, Drugs and Devices Authority should remain valid at least for a period of 06 months after the import of drugs and surgical equipment. Nevertheless, the registration of the supplier had expired on 28 April 2011, that is, before the stock of drugs was received by the store of the Corporation. A letter of no objection had been received in lieu thereof.
- vi. This stock of drugs had been out of stock in the stores of the Corporation during the period August 2010 to May 2011 and as such the Corporation had failed to satisfy the customer demand for this drug.
- vii. According to the Quality Report No. 578/4R1A1-40 dated 07 September 2011 the stock had failed the sample quality tests carried out after the receipt of 100,000 units of drugs by the store due to the lack of alkalinity and PH value and by that time 15,360 units of this stock had been sold.
- viii. The Debit Note No. 000029 dated 27 February 2012 issued by the Corporation for loss of Rs.682,456 resulting from the quality failed balance stock of 84,640 units had not been settled up to date. This loss had been caused due to the import of drugs based on the pre-shipment sample test report despite the fact that the drugs supplied by the supplier in two previous instances referred to above had failed the quality tests.

(g) Purchase of Motor Vehicles

The following observations are made.

- i. Bids had been invited from registered suppliers for the purchase of two lorries and 05 suppliers had forwarded bids. The bids of the first and second lowest bids had been rejected and the purchase had been made at

Rs.7,000,000 from the supplier who forwarded the third lower bid. As such the Corporation had to make an overpayment of Rs.1,480,800 due to the rejection of the lowest bid.

- ii. According to paragraph 09 of the Technical Report 90 per cent of the full value on the receipt of the 2 motor vehicles and 7.5 per cent after 03 months should be paid and the balance 2.5 per cent should be retained as retention money and paid after one year. Nevertheless, the total value amounting to Rs.13,240,800 had been paid to the supplier even before the expiry of one month after the receipt of the lorries.

3:3:3 Deemed Dividend Tax Payable

The deemed dividend tax payable by the Corporation on the profit after tax of Rs.259,329,589 had not been paid by the Corporation. As such the risk of payment of the deemed dividend tax not paid exists. The Corporation could not pay the deemed dividend tax in the year under review due to the unfavourable liquidity position of the Corporation. Out of the deemed dividend tax a sum of Rs.25 million had been paid in August 2013. The Chairman informed the audit that the deemed dividend tax payable for the year 2013 will be paid in December of this year.

3:3:4 Management Inefficiencies

The following observations are made.

- (a) Even though a sum of Rs.122 million had been approved in the year 2010 for the construction of laboratory facilities in the premises of the Osusala situated in Colombo 07, no action on the construction except obtaining the approval for the construction, had been done even by December 2012.
- (b) Even though the size of the Central Venous Catheter Double Lumen Adult Set – 149* 18G Lumens and 7Fr* 16cm purchased under Indent No. DHS/SWW/3/32L/08-09 as specified by the Medical Supplies Division and the size of the items shown in the price list furnished by the supplier differed from each other, the Corporation had given the order to the supplier.
 - i. Even though the Medical Supplies Division had ordered the surgical equipment with a shelf life period of 03 years the Corporation had failed

to supply the surgical equipment sets with shelf life of 03 years to the Medical Supplies Division in all three instances.

- ii. The Medical Supplies Division had rejected the 5,000 units valued at Rs.5,726,434 imported in the third instance. Even though those were retained in a rented store even one year after the expiry of the shelf life, the Corporation had failed to recover the loss from the supplier.
- (c) The refundable container deposits amounting to Rs.6,310,000 made for the containers hired for the transport of drugs and surgical equipments from the port to the stores of Corporation/ Medical Supplies Division had not been recovered.
- (d) According to the Decision No. 672 of the Board of Directors taken at the Board meeting held on 10 August 2012, container deposits totaling Rs.603,000 comprising Rs.359,500 due to unavailability of documents with the Corporation, Rs.153,500 due to the change of addresses of the Shipping Agents and Rs.90,000 due to the ceasing of the activities of the Shipping Agents, had been written off.
- (e) The value of insurance indemnity for the damaged drugs amounted to Rs.10,055,770 and the details appear below.

Year	Value
-----	-----
	Rs.
2003-2005	552,256
2006	395,042
2007	526,248
2008	1,352,978
2009	1,004,189
2010	2,949,313
2011	1,183,562
2012	2,092,182

	10,055,770
	=====

The following observations are made in this connection.

- i. The Corporation had not taken adequate courses of action for the recovery of indemnity amounting to Rs.3,830,713 receivable in respect of the years 2003 to 2009.

- ii. A uniform basis had not been adopted by the Wharfs Division and the Accounting Division of the Corporation in the computation of the value of damaged drugs. The computation of the insurance indemnity receivable on a particular stock of damaged drugs computed by the Accounting Division and the Wharfs Division at Rs.9,919,753 and Rs.9,669,879 respectively can be cited as an example.
- iii. Out of the value of a damaged stock computed by the Wharf Division amounting to Rs.9,669,879, insurance indemnity had been claimed only for a sum of Rs.2,226,330 while indemnity amounting to Rs.1,339,731 had been received.

3:3:5 Operating Inefficiencies

Drugs and surgical consumables had been stored in a store procured on rent and the following observations are made.

(a) Physical Security

Out of the entire stores building an area of 4,000 square feet had been procured on rent at Rs.100,000 per month for the storage of drugs and surgical consumables while the balance portion of the store had been used as the service area of a private company. As any person could gain access to the drugs store over the 15 feet tall wall separating the service section it was observed that the security of the stores was not adequate.

(b) Security of Quality

The drugs rejected by the Medical Supplies Division and the drugs and surgical equipment rejected due to problems relating to labels as well had been stored in the same store. As such stocks are kept in storage in a very warm and dusty premises, the risk of impairing of the quality and standard of the drugs existed.

3:3:6 Uneconomic Transactions

The Bank overdraft of Rs.4,716.7 million in the year 2011 had increased to Rs.7,896.7 million in the year 2012 and the Bank Overdraft interest paid thereon in the years 2011 and 2012 amounted to Rs.422.9 million and Rs.339.1 million respectively. Out of the Bank overdraft interest paid in the year 2012 the Treasury had agreed to return the interest paid from June to December 2012 amounting to Rs.247.6 million. The interest from January to May 2012 amounting to Rs.91.4 million had been written off to the profit of the Corporation.

3:3:7 Identified Losses

The following observations are made.

- (a) The Medical Supplies Division had rejected drugs and surgical consumables valued at Rs.189,893,482 due to the following reasons.

Particulars	Value Rs.
Not Conforming to Specifications	85,418,284
Quality Failure	28,966,714
Damaged Packings, Delayed Receipt and rejection due to complaints	37,671,366
Expiry or nearing expiry of shelf life	23,175,946
Label Defects	<u>14,661,172</u>
	<u>189,893,482</u>

- (b) Out of the drugs imported from the year 1996 to the year 2011 for sale by the Corporation, drugs valued at Rs.80,563,867 and drugs imported in the year 2012 valued at Rs.21,554,608 had become unsaleable and as such a loss Rs.102,118,475 had been incurred by the Corporation. The value of that stock according to the report on the physical stock verification amounted to Rs.111,341,885 and the reasons for the difference of Rs.9,223,410 had not been revealed.

3:3:8 Human Resources Management

The following observations are made.

- (a) Vacancies as at the end of the year under review had been 105 and comprised 26 vacancies in the Executive Grades, 66 vacancies in the Non-executive Grades and 13 vacancies in the Minor Employee Grades.
- (b) Six officers of the Corporation had been appointed to act in posts for periods ranging from 01 year to 07 years contrary to the Circular No. 124 dated 24 October 1997 of the Ministry of Finance and Planning. In addition, there were delays of 04 years in making appointments to 03 permanent posts.

4. Accountability and Good Governance

4:1 Corporate Plan

Even though Corporate Plan for the period from the years 2007 to 2011 had been prepared in terms of the Public Enterprises Circular No. PED/12 of 02 June 2003, Corporate Plans had not been prepared for the years 2008 , 2009, 2010, 2011 and 2012. As such the Corporate Plan had not been made use of as an instrument of management for the achievement of the goals and targets of the Corporation.

4:2 Action Plan

The following observations are made.

- (a) According to the Public Enterprises Circular No. PED/12 of 02 June 2003, the managers responsible for the achievement of the goals and targets should be clearly stated in the Action Plan. But the managers responsible for the activities of the Action Plan except for a few, had not been included in the Action Plan prepared.
- (b) The Action Plan prepared for the year 2012 as an extension of the Corporate Plan for the years 2007 to 2011 included 08 activities for execution in the year 2012. Nevertheless the Corporation had failed to achieve 04 of those goals, that

is, the establishment of a Management Information System, Promotion of Laboratory Facilities, Improvement of the condition of Osusala Outlets and establishment of Osusala Outlets in selected areas, in the year under review.

4:3 Budgetary Control

Significant variances were observed between the budget and the actual income and expenditure for the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control. Such variances in 23 items ranged between 18 per cent to 148 per cent.

5. Systems and Controls

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

- (a) Procurement Process
- (b) Stock Control
- (c) Accounting
- (d) Accounts Receivable and Payable
- (e) Taxes
- (f) Human Resources Management
- (g) Compliance with Laws, Rules and Regulations
- (h) Osusal Operations
- (i) Corporate Plan and Action Plan
- (j) Budget

H.A.S. Samaraweera
Auditor General

-/dk.

Auditor General
Auditor General's Department
Independence Square
Colombo 7

I wish to mention the explanations of the State Pharmaceuticals Corporation to the issues raised in the draft of the audit report of the Auditor General on the Financial Statements of the State Pharmaceuticals Corporation for the year ended 31 December 2012 in terms of section 14 (2) (C) of the Finance Act.No.38 of 1971.

2.2 Comments on Financial Statements

2.2.1 Accounting policies

Accordingly, impairment of Financial Assets has been done according to the new accounting standards LKAS 39 and LKAS 32. This has been stated correctly under accounting Policy Nos. 6.1.2.6 and 6.1.2.7.

2.2.2 Accounting Deficiencies

- (a) This issue has been settled in the year 2013 by incorporating the debit note concerned in the accounts.
- (b) The transit stock concerned has been cleared in the year 2013 by sending the debit notes for drugs and surgical equipment supplied to health services and entering it in accounts.
- (c) The stocks worth Rs. 189,893,482 mentioned are disputed stocks. 100% provision has been made with regard to what can be identified clearly as stocks that we cannot re-supply to the Government Medical Stores, out of the stocks concerned.

2.2.3 Account Receivable and Payable

- (a) The Corporation has issued drugs for credit facilities exceeding the existing limits by 75% to identified distributors who transact with us reliably as a promotional move confined to December 2012 subject to the approval of the Board of Directors. Their credit balances have all been recovered fully within the repayment period allowed to them.
- (b) The facility as stated in 2.2.4 (a) had been granted to franchises also, and this facility has also been recovered within the specified time.
- (c) Directives have been issued to managers of Osusala outlets not to issue drugs for credit exceeding the credit limit.
- (d) In the debtor balances, the balances of debt from state agencies comprise the supplies to Director of Health Services, government armed forces and the Police, government hospitals and state agencies whereas the leading institution in obtaining drugs for those institutions is the State Pharmaceuticals Corporation. Therefore, our Corporation has to continue to supply drugs on credit basis. There are shortfalls in repayment of credit within the specified period due to the financial conditions prevailing in government institutions occurring from time to time. Therefore, those debtor percentages have increased.
- (e) Around 76 % of our total income from operations is through supplies to the Director of Health Services and every year, and the amount repaid by them is lower than the amount due as value of the surgical equipment and drugs provided to them on credit. Therefore, the debtor balance shows an increase every year. As a result, the debtor balance existing for Director of Health Services takes a high stake in the total debtor balance.
- (f) Out of the debt standing due for more than one year from private debtors, an amount of Rs. 9,670,225.00 is from Southern Pharmaceuticals and Lloyd Pharmaceuticals. The matter has been referred to the Legal Division for taking the necessary legal action in order to recover this amount. Out of the remainder, a sum of Rs. 65,223.87 has been recovered and a sum of Rs. 64,641.49 was written off in the year 2013, while a further sum of Rs. 288,767.40 is through dishonoured cheques. Action is being taken to recover the remaining Rs. 294,102.24.

Out of the private debtors standing for more than 05 years, a sum of Rs. 769,826.00 is from S.A.S. Pharmaceuticals, against whom a case has been filed for recovery, which is still heard at the court of law. Letters of demand have been sent to relevant institutions for the recovery of the remaining Rs. 54,738.00.

2.2.4 Lack of Evidence for audit

- (a) Letters were sent to all debtors demanding the confirmation of the balance of debt, and the Audit Division has been provided with the data sheets certifying that these were sent.

- (b) Although we had posted the letters demanding the suppliers to confirm the balances, most customers have not confirmed balances. Arrangements have been made to send letters demanding confirmation of balances through the Government Audit Division starting from year 2013.

2.2.5 Non-Compliance with Rules, Regulations and Management Decisions

(a) Making of PAYE payments out of the funds of the Corporation

Discussions were held with the trade unions and action has been taken to collect PAYE tax from the salaries of workers.

(b) Making Payments for Procurement Committees I and II

We agree with the observation that meetings of the Procurement Committee should be held outside the normal working hours. The portion of the procurement committee allowance paid in excess of the average proportion from the salaries has been calculated and recovered from the officers concerned. In making payments to the Chairman and the Members of the Procurement committees, the relevant payments have been made with the approval of the Secretary to the Ministry according to the provisions of the Procurement Guidelines, taking into account the functions assigned and the duties performed.

(c) Submitting Financial Reports within 60 Days PED 12 Paragraph No. 6.5.1

The draft Financial Report of the State Pharmaceuticals Corporation was submitted to the Auditor General on 4 March.

However, since all institutions in Sri Lanka should prepare their accounts according to the International Accounting Standards with effect from the year 2012, the Corporation engaged the audit firm named E & Y as an accounts consultant firm, and after they had presented the final adjustments, the final report submitted for audit on 11 July 2013.

PED 12 Paragraph No. 6.5.3

Although the Annual Report for the year 2011 was sent to the Ministry of Health, a report on medium-term measures was requested for tabling in Parliament. This was also incorporated and the report was finally tabled in Parliament on 22 August 2012.

- (d) All the grants and sponsorship allowances made by the Corporation during the year under review were done with the approval of the Chairman and the approval of the Board of Directors of the State Pharmaceuticals Corporation.

2.2.6 Questionable Transactions

92 % of the amount of Rs. 10,433,795.00 written off in the year 2013 are with regard to sales to government institutions for credit. These amounts ultimately had to be written off as payment was omitted by them despite continual requests made to the institutions concerned in writing and at discussions for a number of years. Out of the Rs. 821,428.00 that had been due from 38 private sector customers and was written off, a sum of Rs. 245,141.00 had incurred due to the arbitrary granting of credit on the part of one Manager. Action was being taken to recover the sum from the Manager concerned, when he died and as a result, it was not possible to recover the amount. This writing off involved 15 customers of the private sector. It has not been possible to recover from 9 out of the remaining 23 customers from whom payment is due, for reasons such as closure of the firms, change of management or death of the debtor.

3.3.2 Procurements

(a) Purchasing of the Set of Surgical Instruments Styled “Instrument set F/Lumber Disectomy” (Indent No. DHS/RSS/348/1290A/08)

- I. Out of the suppliers who had submitted quotations for the tender, only the selected suppliers had obtained registration. We had informed the local agent to renew registration for this order and they had in turn informed us that they had already submitted applications to the CDDA for renewal and were expecting the renewed certificate of registration.

As the registration certificate had expired, the CDDA was informed of the situation and a 'No-Objection Letter' was obtained from the Director – Medical Technology and Supplies. Therefore, it was the 'No-Objection Letter' (No Objection Letter – NOL - dated 27.01.2011) issued by the Institute of Medical Technology and Supplies that was used for getting the set of surgical instruments released from the Ports. This is the usual practice in the absence of an alternative in such circumstances. This letter is as valid as the registration for this purpose.

- II. The Corporation does not follow a method referred to as direct payments in such circumstances and the Bank has made the payments concerned according to the accepted methodology called 'Documents against Payment' after inspecting the relevant letters and the Invoice sent by the supplier. As the whole stock has been delivered to the Medical Supplies Division by now, there is no need for recovery.

This tender has been delayed due to procedural delays and confusion that arose with regard to the tender. The cited shortcomings shown have been rectified and the stock has been delivered again to the Medical Supplies Division.

(b) Purchasing of 24 Million Units of Ibuprofen 200 mg tablets.

- I. Correct
- II. The Technology Laboratory reported discoloration, colour differences, irregular surfaces etc on tablets in 10 batches of this item on 13 February 2012. Accordingly, the rest of the stock has not been obtained.

It was identified on 23 January 2012 that the drugs have failed in quality and the item was immediately removed from use on 25 January 2012 with the Chairman's approval. Accordingly, the drug was removed from use within 02 days from its turn down. The supplier has repaid 10 % of the value in cash and agreed to cover the remainder with a new stock.

- III. The Imports Manager had not given such a certification. However, the Technology Division has certified that the specifications match according to the documents. What has transpired is not something that can be unveiled from the documents.
- IV. * The issuing of the drug was stopped within two days from the emergence of the facts pertaining to the situation.
- V. A delay has occurred in obtaining a replacement supply since it takes some time to obtain pre-shipment samples before obtaining the supplies. The procedural requirements have been completed by now and the supplier has been informed to supply the consignment.

(c) Corporation Losing Surgical Instruments Worth Rs. 1,347,696.00 (Indent No. DHS/SUS/19/361A/2009)

Agree.

The amount paid to the supplier was US \$ 11,654,20 and a debit note for US \$ 11,654,20 was sent to the local agent since the money was paid to the supplier based on the assurance given by the local agent. As, however, the amount has not been disbursed to us so far, a sum of Rs. 152,750.00 has been recovered through the amount payable for the supplies delivered to the Corporation by the local agent CAB Enterprises under indent LP/DHS/RSS/10/331A/2012 and Invoice No. 9664, and the matter has been referred to the Legal Division for the recovery of the remainder.

The Board of Directors was informed according to the information that had been reported to the Corporation by that time. It means that information was presented to the Board of Directors based on the information which the Wharf Manager had received from the Shipping Agent by 15 August 2011 and although the local agent had on our request presented to us the notice issued for the auctioning of goods in August 2012, the date on the notice was actually 26 April 2011. It had been mentioned that action would be taken to sell or destroy the consignment of goods unless a measure is taken within 07 days. Accordingly, the information given to the Board of Directors through the leaflet presented was what the Corporation had been in possession by that time.

(d) Purchasing of 60,000 vials of Clarithromycin powder for reconstitution for intravenous infusion 500mg (Indent No. DHS/MG/177/11)

- i. After handing over to the Medical Supplies Division the first imported consignment of 30,000 vials on the order for this item, the Medical Supplies Division, having observed that the consignment contained some broken vials, requested that a Committee be appointed to look into this matter. After 07 days from the letter of this request, i.e. on 30 May 2011, the Medical Supplies Division informed the Corporation to inspect the whole consignment and resupply only the damaged number of vials free of charge.

- ii. This situation is not one of quality failure of the drug but of one breakage of vials, which are the immediate packaging that contains the drug. At the time of amending the Letter of Credit (31 May 2011), it had not been reported that the drug had sustained a quality failure or had been removed from use. Since there had neither been a serious position (quality failure or removal from use) with regard to the drug that warranted suspension of importation into Sri Lanka imposed on the remaining consignment, nor notification on the part of the Medical Supplies Division or any other authority to suspend the importation from the supplier concerned, the remaining consignment was imported into Sri Lanka.
- iii. The NDQAL gave its observation that Batch No. EB 02229 of the **Clarithromycin IV 500mg** injection of this supplier should be removed from use on 30 June 2011 and by that time, the Medical Supplies Division had continuously informed the Corporation to take steps to get new stock free of charge to replace the stocks concerned. Although it may seem that some loss has been caused to the Corporation due to the non-acceptance of the second and third consignments in this fashion by the Medical Supplies Division, two debit notes bearing references 002/2013 and 353/2012 (amended) have been presented to the supplier for the recovery of US \$ 84,182.81 and US \$ 13,883.04 respectively. The supplier has already paid fully the debit note 002/2013 and the supplier has been advised to pay US \$ 7,518.96 for the debit note 353/2012 (amended).

In addition, a quality failure in the drug constituents of this item has not been reported while the reason for its removal from use is the weakness of its initial packaging. Meanwhile, since the Medical Supplies Division continuously asked for new stocks to replace the rejected stocks, it was more important to obtain new stocks than recovering the loss caused to the Corporation through securing repayment, and it is an obvious fact that the financial loss caused to the Corporation is automatically recovered. However, on 5 April 2012 it was informed that the item should not be resupplied free of charge from this supplier, in accordance with the recommendation of the Director – Medical Technology Chemicals and Supplies. The process recovering payment from the supplier was commenced only thereafter.

The Procurement committee was informed of the recommendation of the Director – Medical Supplies and Technology and action was taken to recover the value of the rejected stocks concerned from the supplier. Although the action for the recovery of money had been delayed since the file had been obtained for audit purposes as soon as the instructions had been issued, I wish to inform that a sum of US \$ 90,546.89 has already been recovered and the amount due to be recovered is only US \$ 7518.96.

- iv. The withholding of 10% has been properly done. It has not been possible to recover through it as the 60-day withholding period had elapsed by the time the quality failure was reported.

Further, I wish to inform that the Corporation had acted from the initial stage of the problem to ensure that a situation of disruption of the curative services for patients due to non-availability of the drug does not arise as it is an essential one, as was informed continually by the Medical Supplies Division.

(e) Purchasing of Canulated Screw Surgical Instruments
(Indent No. **DHS/SU/221/825B/08**)

- i. This complex order is one placed for the importation of 129 items. More than seven suppliers had submitted quotations for the order and it is inevitable that shortlisting activities took longer than usual. Further, even after the supplier had been decided upon, the Medical Supplies Division by its letter dated 20 July 2009 cancelled 33 of the 129 items. When the items had been cancelled, the procurement committee should have been informed of it. This has also taken some time. Although the indent had been issued on 11 September 2009, the Letter of Credit was issued only in November, after considering the financial circumstances before placing an order exceeding 5 million rupees due to the financial difficulties existing in the Corporation at that time. In addition, some time was also lost in resolving the issues raised by the supplier with regard to the conditions of payment of the Letter of Credit.

The initial evaluation activities of this tender was performed by the Specialist Orthopedic Surgeon Dr. Upali Banagala and the selection of suppliers was done using the criteria of lowest prices and the registration certificate from the Drugs Control Authority. (A Specialist Doctor from the relevant field inspects samples during the process leading to the registration.) It was a different supplier that had submitted samples for all the items pertaining to the above tender and since the prices he had quoted were of higher values compared to the prices of the recommended supplier (GST Corporation – India), no sample inspection was done for the above selection. The evaluator provides his recommendations in this manner based on his experience and knowledge.

* Further, No inspection of samples had occurred as there had been no recommendation for an inspection of samples.

- ii. As the shelf life of this item is three years, items had been retained with the expectation that the supplier would correct the import documents in response to our notice.

Out of the US \$ 13,284.04, which is the value of the debit sheet No. 00339/2012 issued in respect of 16 units in short supply, US \$ 1,041.60 was recovered from the supplier on 15 February 2013. Therefore, the value of the remainder that needs to be recovered is US \$ 12,242.44 at present. If the supplier does not pay this amount, action will be taken to blacklist him.

(f) Purchasing of Gentamicin Injection BP 80mg/2ml

Indent No. SPC/PI/509/10)

- i. Tenders had to be called afresh due to the rejection of pre-shipment samples from the supplier selected from the first tender.
- ii. Agreed
- iii. The Procurement Committee had awarded the tender subject to a pre-shipment sample inspection, having taken into consideration the need for the drug, existing stock status and other considerations. I wish to inform that the inspection of pre-shipment samples was done on two occasions from the same batch and second concerned was performed on the request of the supplier. Further, action was taken to recover its cost from the supplier. It was correct to issue a Letter of Credit for the first 80,000 units. It means that suppliers do not start their production operations without a Letter of Credit and here, a Letter of Credit was issued in order to enforce the contract. However, the Letter of Credit has been instrumented subject to the condition that pre-shipment sample inspection should be conducted. Since the goods were not obtained, the Letter of Credit had not been activated. The relevant charges have also been recovered from the supplier.
- iv. The facts mentioned are correct. Action was taken to import 100,000 units as the first consignment in order to lessen the intense shortage prevailing in the market at that time. The failure to determine the timeframe for the importation of the remaining consignment was because of the failure in samples of this drug on previous occasions, and the need to avoid difficulties and prevent the loss that might be caused if a quality failure ever occurs in the first consignment.
- v. By 14 December 2010, the date on which the indent was issued, the registration of the drug concerned was still valid for a further 4 ½ months. However the supplier had delivered the order after the expiry of the registration. A special permission was obtained from the Drug Control Authority to clear this consignment on grounds that the drug concerned is an low-priced essential antibiotic drug and there had been a shortage existing since 2009
- vi. Out of the suppliers that supplied the drug to the market, A Baur and Company had imported the drug at US \$ 1.40 per vial and the other supplier was Vital Health Care, India, whose order was cancelled due to failure in tender samples previously. In addition, the first tender was cancelled because none of the other bidders had met the minimum qualifications required and a suitable supplier had to be found by calling fresh tenders.
- vii. Agreed.
- viii. The Drug Control Authority has revoked all the registrations of the supplier concerned by now. The matter has been referred to the Legal Division for taking legal action as payments on debit notes have been defaulted.

(g) Purchasing of Lorries

- i. The studying of all the tender documents obtained for the purchasing of 2 lorries with refrigerators and its associated evaluations and recommendations necessary were done by a Mechanical Engineer with specialist knowledge on vehicles from the Colombo Municipal Council and the other members of the Technical Evaluation Committee. Recommendations have been made to purchase the two vehicles from the Sathosa Motors, who submitted the third lowest bid, according to an agreement reached after the evaluation made by all of them.
- ii. According to the tender document of the Sathosa Motors, 50 % of the value has to be paid together with the order. The order was placed for the purchase of two lorries on 15 June 2012 but the payment of 50 % of the value according to the tender document was not done on that occasion and the total amount was instead settled by the cheque dated 26 July 2013 upon the delivery of the vehicles at the Corporation.

3.3.3 Dividends Payable on Profit Margins

As the financial liquidity of the Corporation did not remain at a healthy level, it has not been possible to pay dividends for the year 2012. However, 50 million rupees has been paid as dividends in the year 2013.

3.3.4 Management Inefficiencies

- (a) The Laboratory Building in Colombo 7 is under construction. Work is scheduled to be completed by February 2015.

(b) Central Venous Catheter

Under reference SR 521454 in the order bearing reference MSD/SC/003/08 by the Medical Supplies Division, the catheter concerned is referred to as A Double Lumen Catheter with 14Gx18G Lumes and size 7Fx16cm length and the supplier's bid mentions CV-702/167Fr Double Lumen Adult Set with Length 16cm (16G/16G). Here, the Corporation selected the supplier concerned because the selected supplier had submitted quotations for this item, quoted the lowest price out of all bidders, and happened to be the previous supplier.

- I. The indent **DHS/SWW/3/32L/08-09** had been issued to the supplier on 14 August 2007 and the receipts are mentioned in it as follows:

5000 items	-	January 2008
4000 items	-	May 2008
5000 items	-	January 2009
4000 items	-	May 2009

According to the normal procedure, production commences as soon as a supplier receives an indent. Although the indent had been given in 2007, it was only possible to provide the Letter of Credit for the consignment of 5000 items in January 2008 and the delivery of consignment had also been expected by that same time (January 2008). However, the expiry date mentioned on the first consignment of 5000 items was 31.10.2010 and the consignment was delivered to the Medical Supplies Division in February 2008. Although the Medical Supplies Division had demanded a shelf life of 3 years, the remaining shelf life of the 5000 items of the first consignment was 2 years and 8 months. The shelf life was short by 4 months. This situation arose because of the delay of the Letter of Credit. That had been an inevitable cause.

- II. The supplier has refused to pay the loss of Rs. 6,977,816.38, the reason cited being the Medical Supplies Division accepting the first and second previous consignments when they were delivered with a lower shelf life (less than 36 months).

Although the matter was brought up by the Corporation at the discussion held on 7 August 2013 with the Medical Supplies Division and the Deputy Director General (Laboratory Services) regarding Re-Accepting Rejected Drugs but the recommendation given on that occasion was to recover the payment from the supplier as the consignment had fallen short of the required shelf life.

As the supplier omits to pay, the matter has been referred to the Legal Division for taking legal action.

(c) What has been mentioned is the balance of the container deposit account at the end of the year. A sum of nearly 3.0 million rupees has been recovered by now and action is being taken to recover the remainder of the deposits.

(d) With the approval of the Board of Directors, the container deposits unable to be recovered for reasons such as misplacement of documents, change of addresses of shipping agents and termination of operation of shipping lines have been written off.

(e) Securing Insurance Claims

i. I will take action to secure the insurance claims that have not been settled so far for various reasons and to write off the remainder with the approval of the Board of Directors.

II and III – As separate reports are kept for different requirements that are there in the two areas, there may be differences between the two values. These do not occur always and the Accounts Division reconciles them from time to time and make the relevant adjustments.

3.3.5 Operational Inefficiencies

a. Physical Security

The security mesh cover has been readjusted by now.

b. Security of the Quality

The drugs and surgical instruments rejected by the Medical Supplies Division for various reasons have had to be temporarily sheltered in this warehouse. In addition, rejected drugs are not kept in stores for long periods but rehabilitated quickly and resent to the Medical Supplies Division. However, delays do occur here for various practical reasons. In order to overcome this situation, a Committee chaired by the Deputy Director General of Health Services and comprised of representatives from our Corporation and the Medical Supplies Division has been appointed with the intervention of Health Secretary. This Committee meets once a week and makes quick decisions on temporarily rejected items with the consent

of all the parties. Further a system has been introduced where samples of labels are obtained beforehand and approval is given before shipment in order to avoid problematic situations caused due to incompatibility of labels. Construction of the new warehouse complex has commenced in order to secure better stores facilities and action has also been taken to obtain several warehouses for rent as a temporary remedy.

3.3.6 Uneconomical Transactions

I agree with the Statement.

3.3.7 Identified Losses

(a) Unsaleable Drugs

i. The Medical Supplies Division rejects some items due to deficiencies in their containers and the items themselves at times. The Corporation takes such items into their custody and the items that can be rectified are submitted to the supplier or his agent for rectification, after which they are handed back to the Medical Supplies Division. Money is recovered for items whose deficiencies cannot be remedied. We have to keep all the consignments in our possession until this process is over.

ii. Drugs that cannot be Sold

According to the Stock Verification Report

Unsaleable items - Main Stores	Value (Rs.)
Total as per the Audit Report	111,341,885.00
Unsaleable items – (for the year 2012)	(21,554,608.00)
Journal Voucher No. 485 – (year 2012)	6,654,317.00
Total	96,441,594.00
Items copied again	(3,325,212.00)
Items not incorporated in the allocations	(419,080.00)
Items that were destroyed but still included in the list	(3,126,745.02)
Items removed from the list in 2013 but still included in accounts	<u>2,454,583.68</u>
	<u>92,025,140.66</u>

This value has been deducted from the 2011 list.

According to the Final Accounts

Ledger Balance (except the year 2012)	102,118,474.00
Local purchases – Osusala (Value not destroyed)	1,897,750.69
Total	100,220,724.31
Items destroyed in the year 2008	<u>(5,241,768.10)</u>
	<u>94,978,956.21</u>

As it is not possible to identify whether this value is included in the allocations, it has not been deducted from the ledger value. As such, the difference between the value cited in Financial Statements and in Stock Verification Reports is Rs. 2,953,815.55. It is accepted that items worth Rs. 62,591.00 out of unsaleable drugs have been affected and this has occurred because of the internal operational activities conducted routinely.

At the same time, items worth Rs. 6,092,800.00 had expired and necessary steps have been taken to recover a value of Rs. 3,4j3,985.48 out of it. The Import Division is taking the necessary steps to recover compensation for the poor quality drugs.

3.3.8 Human Resources Management

a. The filling of vacancies has been delayed for practical reasons. Most of them have been filled in the year 2013.

b. This state of affairs had emerged in the absence of an alternative to carry on the affairs of the Corporation due to practical difficulties that arose with regard to the filling of vacancies.

4. Transparency in Accounting and Good Governance

4.1 Combined Plan

A combined plan for the years 2007 – 2011 and separate Action Plans for the years 2008, 2009, 2010 and 2011 have been prepared.

Further, a separate Action Plan was prepared for the year 2012, too, as an extension of the 2007-2011 plan and has been subjected to progress review.

4.2 Action Plan

- (a) Managers who hold the respective responsibilities have been clearly mentioned in the Action Plan prepared for the year 2012. In addition, the names of the heads of Departments to whom the overall responsibility is assigned are also included.
- (b) The Laboratory building in Colombo 7 is being constructed. Work is expected to be completed by February 2015.

In establishing the Management Information System, problems relating to human resources necessary for it had arisen. The process has been expedited by recruiting a Project Manageress under a special approval.

In addition to the areas identified by the Action Plan, other priorities surfaced on later occasions and as such, Jaffna, Polonnaruwa and Tangalle were identified in the year 2012. Accordingly, steps have been taken with regard to 3 Osusala outlets pertaining to three places identified according to the priorities although they are not the same places that had been stipulated.

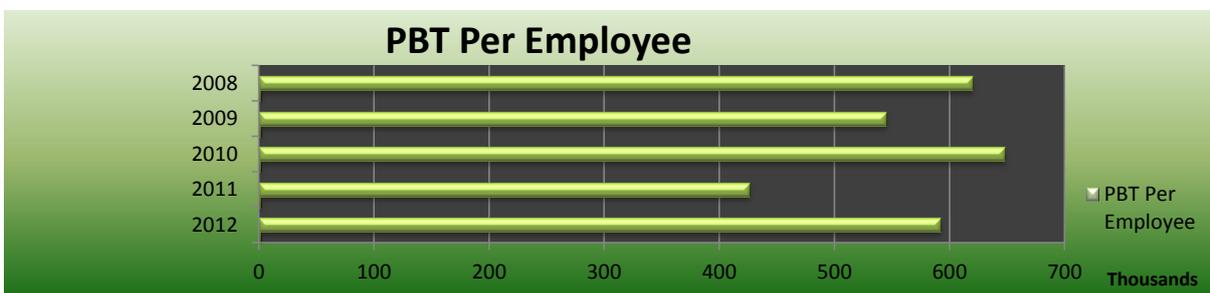
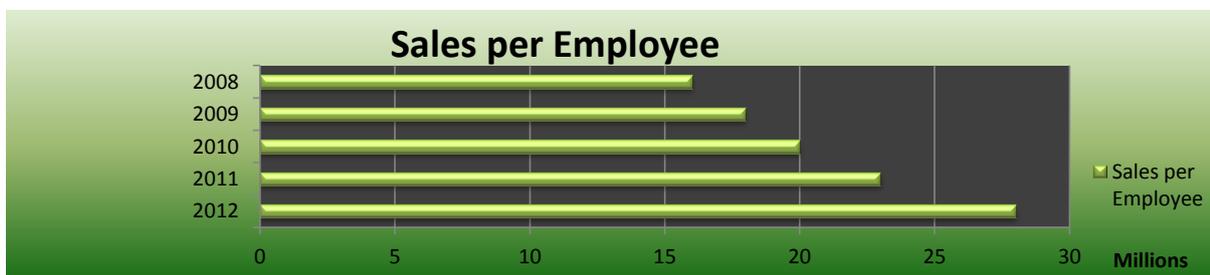
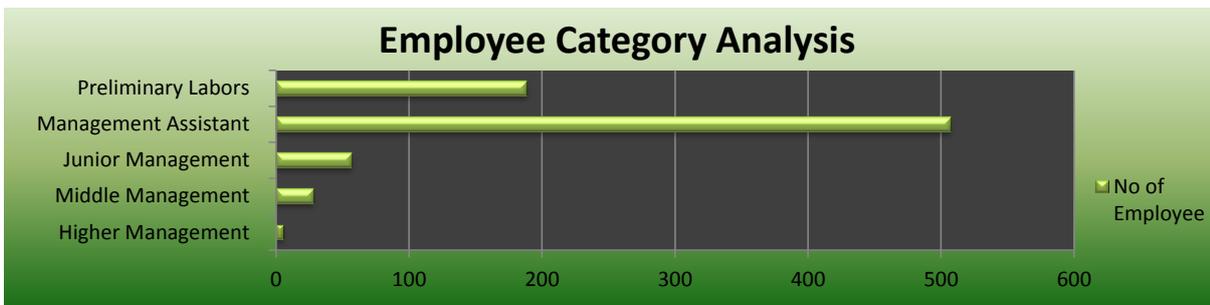
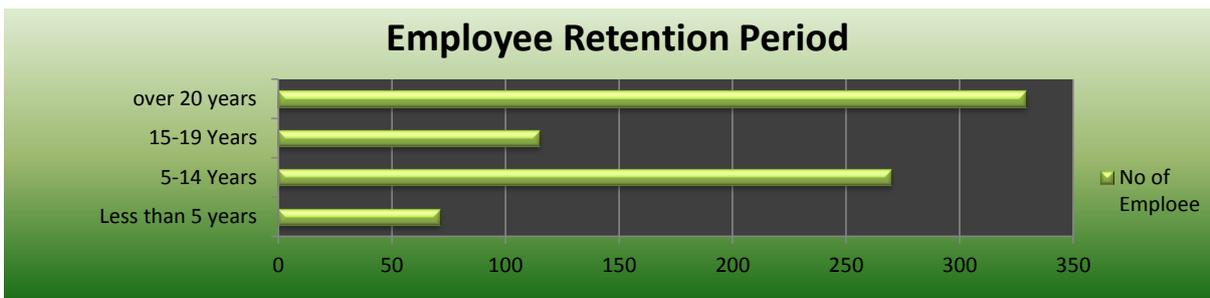
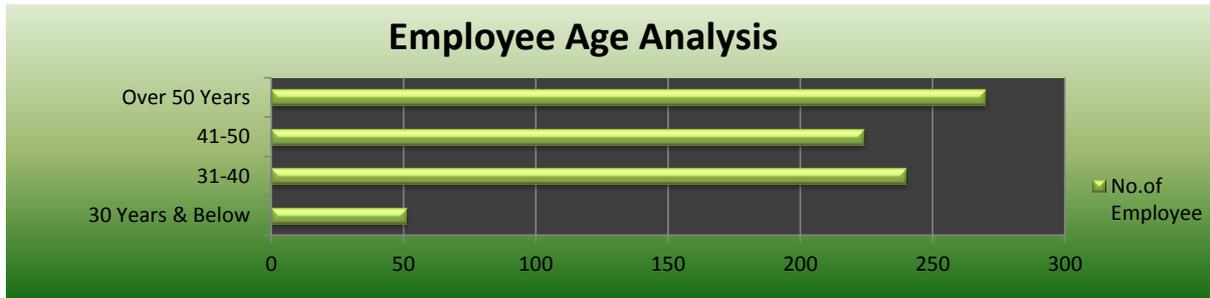
4.3 Budgetary Control

Differences were experienced in budgeted incomes and real incomes due to trade and economic conditions that prevailed in the year 2011. However, monthly account reports conduct an analysis on budgeted incomes and real incomes and remedial measures are followed after investigating the reasons for variations.



Chairman
State Pharmaceuticals Corporation of Sri Lanka

**STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
HUMAN RESOURCES ANALYSIS**



STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
TEN YEAR SUMMARY

Description	2012 RS.'000'	2011 RS.'000'	2010 RS.'000'	2009 RS.'000'	2008 RS.'000'	2007 RS.'000'	2006 RS.'000'	2005 RS.'000'	2004 RS.'000'	2003 RS.'000'
Turnover - SPC	5,001,673	4,806,170	4,197,759	4,015,962	3,547,367	3,092,189	2,923,148	2,666,453	2,717,888	2,455,950
Turnover - DHS	16,608,492	12,569,290	10,968,571	9,990,429	9,306,330	8,815,971	5,616,899	5,360,046	4,067,138	4,770,693
Total Turnover	21,610,165	17,375,460	15,166,330	14,006,391	12,853,697	11,908,160	8,540,047	8,026,499	6,785,026	7,226,643
Gross Trading Profit - SPC	991,541	1,043,453	995,371	894,232	822,024	699,794	682,256	576,728	455,574	354,216
Gross Surplus - DHS	1,193,214	780,735	688,145	622,071	576,308	578,091	389,533	407,187	281,257	405,943
Gross Surplus	2,184,755	1,824,188	1,683,516	1,516,303	1,398,332	1,277,885	1,071,789	983,915	736,831	760,159
Other Income	15,105	23,231	20,414	18,107	22,638	14,177	10,025	12,264	5,807	10,381
Administrative Expenses	(654,910)	(614,019)	(605,475)	(573,322)	(535,428)	(483,452)	(434,075)	(348,910)	(295,837)	(242,214)
Other Operating Expenses	(745,230)	(492,631)	(285,777)	(203,520)	(218,987)	(111,390)	(56,397)	(92,470)	(36,099)	(81,463)
Unrecoverable Service Charges							(78,638)			
Operating Profit	799,720	740,769	812,678	757,568	666,555	697,220	512,704	554,799	410,702	446,863
Finance Cost	(17)	(3,661)	(17,734)	(8,841)	(7,982)	(7,480)	(6,397)	(5,390)	(5,893)	(6,526)
Overdraft Interest	(339,035)	(419,235)	(315,070)	(350,841)	(212,285)	(273,273)	(121,876)	(119,311)	(57,851)	(110,454)
Total Overheads	(1,739,192)	(1,529,546)	(1,224,056)	(1,136,524)	(974,682)	(875,595)	(618,745)	(566,081)	(395,680)	(440,657)
Finance Income	3,944	4,102	3,900	3,302	2,856	2,127	1,432	1,285	1,385	1,287
Profit before Tax	464,612	321,975	483,774	401,188	449,144	418,594	385,863	431,383	348,343	331,170
Taxation	205,282	228,473	243,907	144,883	209,487	232,013	206,427	218,168	165,000	160,000
Extra - Ordinary Items							(25)			
Net Profit for the period	259,330	93,502	239,867	256,305	239,657	186,581	179,411	213,215	183,343	171,170
Treasury Levy		(15,000)	(60,000)	(25,000)	(25,000)					
Defined benefits plan	(14,281)	11,325								
Total comprehensive Income	245,049	89,827	179,867	231,305	214,657	186,581	179,411	213,215	183,343	171,170
Contributed Capital & Reserves	3,747,656	3,502,607	3,412,780	2,418,452	2,217,690	1,960,458	1,744,855	1,591,225	1,136,262	929,838
Current Assets										
Inventories - SPC	1,079,939	887,456	874,018	652,167	833,303	726,578	603,455	486,592	418,393	420,418
Goods in Transit - DHS	734,963	1,985,991	2,755,465	1,105,247	1,780,891	710,240				
-SPC	151,918	100,277	105,297	125,515	170,905	23,596	57,127	31,776	34,472	18,608
Trade and other receivables	11,062,837	5,123,702	3,453,354	2,139,755	2,036,168	1,991,061	2,764,958	2,586,782	1,681,518	2,444,615
Deposits & Prepayments	23,579	24,479	22,369	11,564	12,367	6,928	7,512	8,341	7,613	16,485
Cash in Hand & at Bank	216,359	600,807	671,104	263,769	250,660	480,787	192,511	349,191	145,023	73,082
Total Current Assets	13,269,595	8,722,712	7,881,607	4,298,017	5,084,294	3,939,190	3,625,563	3,462,682	2,287,019	2,973,208
Current Liabilities										
Trade and other Payables	3,016,959	1,784,156	1,551,401	739,514	544,979	645,448	667,851	456,014	383,839	647,897
Income tax payables	191,440	219,332	232,469	200,169	225,239	252,090	211,415	163,569	119,958	131,363
Deferred Income	1,292	318	1,559							
Current Financial Liabilities	7,896,709	4,716,655	4,131,544	1,458,538	2,596,234	1,588,509	1,476,648	1,756,156	844,561	1,467,289
Total Current Liabilities	11,106,400	6,720,461	5,916,973	2,398,221	3,366,452	2,486,047	2,355,914	2,375,739	1,348,358	2,246,549
Non Current Assets	1,709,018	1,605,438	1,561,496	639,231	595,014	593,907	554,604	556,363	247,424	234,417
Non Current Liabilities	124,558	105,082	113,350	120,575	95,166	86,592	79,398	52,081	49,823	31,238
Net Assets	3,747,655	3,502,607	3,412,780	2,418,452	2,217,690	1,960,458	1,744,855	1,591,225	1,136,262	929,838
RATIOS										
Gross Profit Ratio - SPC (%)	19.8	21.7	23.7	22.3	23.2	22.6	23.3	21.6	16.8	14.4
Gross Profit Ratio - DHS (%)	7.2	6.2	6.3	6.2	6.2	6.6	6.9	7.6	6.9	8.5
Gross Surplus to Sales (%)	10.1	10.5	11.1	10.8	10.9	10.7	12.6	12.3	10.9	10.5
Assets Turnover (times)	1:1.4	1:1.7	1:1.6	1:2.8	1:2.2	1:2.6	1:2.0	1:2.0	1:2.6	1:2.2
Annual Sales Growth (%)	24.37	14.57	8.28	8.97	7.94	39.44	6.40	18.30	-6.11	7.19
Current Ratio (times)	1.19:1	1.31:1	1.33:1	1.79:1	1.51:1	1.58:1	1.54:1	1.46:1	1.7:1	1.32:1
Liquidity Ratio (times)	1.02:1	0.86:1	0.7:1	1:1	0.68:1	0.99:1	1.26:1	1.24:1	1.36:1	1.13:1
Interest Cover (times)	2.4	1.8	2.4	2.1	3.0	2.5	4.0	4.4	6.4	3.8
Stock Turnover Ratio (times)SPC	3.57	3.83	2.4	3.5	3.11	3.39	3.92	4.45	5.07	5.11

SALES NETWORK

HEAD OFFICE

State Pharmaceuticals Corporation of Sri Lanka

75, Sir Baron Jayatillake Mawatha,

Colombo 1, Sri Lanka

Telephone: 2320356 – 9 Fax: 2447118 Website: www.spc.lk Email: spc@spc.lk

SALES UNIT

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

STORES

109, Kandawala Estate,
Ratmalana.
Tel.2634318 Fax: 2636715

ORS UNIT

109, Kandawala Estate,
Ratmalana.
Tel.2622334

KANDY STORES

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

RAJYA OSU SALA OUTLETS

Osu Sala - Colombo 7

255, Dharmapala Mw:
Colombo 7.
Tel.2694716, 2672293

Osu Sala - Nugegoda

145A/1,
S de S Jayasinghe Mw:
Nugegoda.
Tel.2856641

Osu Sala - Panadura

159, M.P.C.S Bldg,
Galle Road,
Pananadura.
Tel.038-2234767

New Osu Sala - Badulla

CWE Building,
Bandarawela Road,
Badulla.
Tel.055 2229837

Osu Sala - Colombo 4

85, Galle Road,
Colombo 4.
Tel.2587128

Osu Sala - Hambantota

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

Osu Sala - Ampara

Temple Junction,
D S Senanayaka Mw:
Ampara.
Tel.063-2223088

Osu Sala - Matara

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

Osu Sala - Colombo 1

75,Sir Baron Jayatillake
Mw: Colombo 1.
Tel.2328046

Osu Sala - Avissawella

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

Osu Sala - Galle

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

Osu Sala - Kandy

14A Lamagara Mw:
Kandy.
Tel.081-2225175

Osu Sala - Ratnapura

32 Nanda Ellawala Mw:
Ratnapura.
Tel.045-2223014

Osu Sala - Minuwangoda

24. Old Town hall Bldg,
Colombo Road,
Minuwangoda.
Tel.2295120

Osu Sala - Meegoda

Economic Centre,
Colombo Road,
Meegoda.
Tel.2831920

Osu Sala – Kurunegala

28. Weerathunga Bldg.
Buddhaloka Mawatha.
Kurunegala.
Tel.037-2230840

Osu Sala - Anuradhapura

Bank Street,
Anuradhapura.
Tel.025-2222181

Osu Sala – Maharagama

71/9 Alwis Building
Old Road, Maharagama.
Tel.2745640

Osu Sala – Ja'pura

Sri Jayawardhanapura
General Hospital,
Sri Jayawardhanapura.
Tel.2779414

Osu Sala – Karapitiya

132. Cancer Hospital Rd,
Maitipe, 1st Lane,
Karapitiya.
Tel.091 2226947

Osu Sala – Diyathalawa

Main Street,
Diyathalawa.
Tel.055- 3551624

Osu Sala – Negombo

134, Colombo Road,
Negombo.
Tel.031- 2228599

Osu Sala – Jaffna

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

Osu Sala – Polonnaruwa

Hospital Junction,
Kaduruwela Road,
Polonnaruwa.
Tel. 027- 2225465

Osu Sala – Tangalla

No.8,Indipokunugoda Road,
Tangalla.
Tel. 047-2241221

Osu Sala – Ragama

No.61A, Mahabage Road,
Ragama.
Tel. 2955219

MARKETING & SALES DEPARTMENT

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