

ANNUAL REPORT 2019



STATE PHARMACEUTICALS CORPORATION OF SRILANKA

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YOUR HEALTH IS OUR CONCERN



OUR VISION

To become the prime partner in developing a healthier Nation

OUR MISSION

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

OUR GOALS

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

OUR SLOGAN

Your health is our concern

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

FINANCIAL HIGHLIGHTS

DESCRIPTION	2019 Rs: ' 000 '	2018 Rs: ' 000 '	Variation (%)	2017 Rs: ' 000 '
Revenue - SPC	8,924,850	7,458,320	19.7	6,593,401
Supplies to DHS	42,959,659	31,436,986	36.7	25,970,290
Total Revenue	51,884,510	38,895,306	33.4	32,563,691
Gross Trading Profit SPC	2,279,155	1,772,559	28.6	1,680,368
Gross Surplus DHS	2,717,507	2,125,052	27.9	1,887,026
Gross Surplus	4,996,662	3,897,611	28.2	3,567,394
Other Income	91,441	73,072	25.1	53,004
Administrative Expenses	(1,619,555)	(1,532,484)	(5.7)	(1,288,184)
Other Operating Expenses	(971,096)	(691,968)	(40.3)	(741,459)
Finance Cost	(10,763)	(1,512)	(611.8)	(1,295)
Overdraft Interest	(317,470)	(67,405)	(371.0)	(35,199)
Finance Income	6,875	7,436	(7.5)	5,765
Profit Before Tax	2,176,094	1,684,750	29.2	1,560,026
Defined Benefit Plan	(1,926)	30,453	(106.3)	(59,575)
Taxation	(512,224)	(756,823)	32.3	(470,595)
Total Comprehensive Income	1,661,944	958,380	73.4	1,029,856
Treasury Levy/Dividend paid	-	-	-	(222,000)
Retained Earnings	10,431,211	8,769,268	19.0	6,792,893
Contributed Capital & Reserve	125,117	125,117	-	125,117
Non Current Assets	2,277,480	2,225,336	2.3	2,222,544
Current Assets	31,550,527	20,442,691	54.3	10,699,807
Non Current Liabilities	294,459	271,308	(8.5)	264,651
Current Liabilities	22,977,220	13,502,334	(70.2)	5,696,481
Net Current Assets	8,573,307	6,940,357	23.5	5,003,326
Ratios				
Gross Profit Ratio (%) SPC	25.5	23.8		25.5
Gross Profit Ratio (%) DHS	6.3	6.8		7.3
Gross Surplus to Sales (%)	9.6	10.1		11.0
Return on Capital Employed (%)	23.0	19.1		22.2
Interest Cover (times)	7.9	26.0		45.3
Equity to total Assets (times)	1:3.2	1:2.5		1:1.9
Turnover to Capital Employed (time)	4.8:1	4.2:1		4.5:1
Current Ratio (time)	1:1.3	1:1.5		1:1.8
Liquidity Ratio (time)	1:1.2	1:1.3		1:1.56
Stock Turnover Ratio -SPC (time)	2.35	2.45		2.58
OTHER INFORMATION				
Number of Employees	971	931		909
Earning per Employee (Rs.)	2,241	1,810		1,716
Sales per Employee (Rs.)	53,434	41,778		35,824

Board of Directors & Corporate Information

Board of Directors

Dr. Prasanna Gunasena - Chairman (From 19.12.2019)

Dr Prasanna Gunasena is an eminent Consultant Neurosurgeon. He holds an MS and MBBS Degree from the University of Colombo. He is also an FRCS (Royal College of Edinburgh) and Spine Fellow of the University of Toronto. He is a Founder Member of the Neurosurgeons' Association of Sri Lanka and also a Member of the Sri Lanka College of Surgeons. He counts nearly 25 years in Government and Private Medical Service.

Mr. Lalith Jayakody -Managing Director (From 16.01.2020)

Mr. Lalith Jayakody has more than 4 decades of experience in the banking sector where he specialized in finance, auditing, and operational management. He is a Passed Finalist of the Institute of Chartered Accountants of Sri Lanka and the Institute of Bankers of Sri Lanka. He was the Finance Officer of Peoples Bank and has also worked as the Senior Deputy General Manager of Sampath Bank PLC and Chief Finance Officer and Acting Chief Executive Officer of Pan Asia Bank PLC. He was also a director of Sampath Center Limited.

He has excellent knowledge and skills in Auditing, Strategic Planning, Asset and Liability Management, Finance and Tax Operations coupled with strong business acumen. He has undergone extensive Financial Management Studies at the National University of Singapore (NUS).

Dr. B.G.N Ratnasena

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

Dr. A.K.S.B. de Alwis

Dr Sunil De Alwis has obtained his first degree from Lvov, State Medical Institute of Republic of Ukraine (former Soviet Union) in 1987. He joined the Government Medical Service of Sri Lanka in 1989. Dr De Alwis has obtained his Master degree in Community Medicine (1996) and, Doctorate in Medical Administration (2006) from Post Graduate Institute of Medicine University of Colombo.

Dr. De Alwis has also served as a Director of Provincial General Hospital, Rathnapura and later as Provincial Director of North Western Province for more than eight years.

In 2009 he was appointed as Director of the National Programme for Tuberculosis Control and Chest Diseases and promoted to Deputy Director General of Health Services for Education, Training and Research in the Ministry of Health in 2012. Dr Sunil De Alwis is serving as the Additional Secretary of Medical Services of the Ministry of Health, Nutrition and Indigenous Medicine since July 2018.

Dr De Alwis has obtained several awards as an appreciation from Sri Lankan and International agencies for his contribution to the health service, including National awards for productivity on several occasions and award from Asia Pacific Action Alliance on Human Resources for Health (AAAHA) in 2018.

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

CORPORATE INFORMATION

Board of Directors

Dr M.H.M. Rumie	Chairman	(From 04.01.2019 to 20.11.2019)
Mr Sarath Liyanage	Chairman	(Till 02.01.2019)
Dr M.Y.K. Wilfred	Managing Director	(From 04.01.2019 to 20.11.2019)
Dr M.H.M. Rumie	Managing Director	(Till 03.01.2019)
Dr A.K.S.B De Alwis	Director	
Dr B.G.N.Ratnasena	Director	
Dr H.S.R.Perera	Director	(From 20.01.2019 to 28.02.2019)
Mr A.K. Seneviratne	Director	(Till 28.10.2019)
Mr W.M.C. Jayathissa	Director	(From 27.05.2019 to 28.10.2019)
Mr H.A.T.R.de Silva	Director	(From 27.05.2019 to 28.10.2019)

Audit Committee

Mr A.K. Senaviratne	Chairman	(Till 28.10.2019)
Dr B.G.N Rathnasena	Director	
Mr W.M.C. Jayathissa	Director	(Till 28.10.2019)

Auditors

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

Bankers

Bank of Ceylon

Corporate Branch, Bank of Ceylon Mawatha, Colombo 1.

People's Bank

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

Standard Chartered Bank

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

Commercial Bank of Ceylon Ltd.

City Office, 98 York Street, Colombo 1.

Registered Office

No.75 Sir Baron Jayatillake Mawatha, Colombo 1.

Date of Incorporation

September 22, 1971

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA MANAGEMENT TEAM



Mr. K M D R Dassanayake - General Manager

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



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

Mrs. Suranganie Perera joined the State Pharmaceuticals Corporation in December 1984 and promoted to the post of Deputy General Manager (Marketing) and worked from 01st November 2004 till 1st June 2006. Thereafter, she holds the post of Deputy General Manager (Technical, Laboratory & Production) till 1st August 2014, Again hold the position of Deputy General Manager (Marketing) till to-date. She holds a Degree of Bachelor of Science (Physical Science), Diploma in Management, Diploma in Business Management and Master of Business Administration. She is also a registered Pharmacist under Sri Lanka Medical Council. She has more than 35 years of wide knowledge in Marketing and Promoting Quality Assured SPC Generics at SPC.



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

Mrs. P K S S Kulasuriya joined the SPC as a Management Trainee in 1997 and held the position of Deputy General Manager (Procurement & Imports) from July 2015. She has obtained her BSc degree in Bioscience and Masters Degree in Business Administration (MBA) from the University of Colombo. She has also obtained a Diploma in Purchasing & Materials Management from the Institute of Supplies & Materials Management. She is a Corporate Member of the Institute of Supply & Materials Management. Further, she has obtained a Diploma in Public Procurement & Contract Administration (DIPPCA) from Sri Lanka Institute of Development Administration.



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

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



Mrs. Hiranya Sammandapperuma - Deputy General Manager (Finance)

Mrs Hiranya Sammandapperuma joined the SPC as the Management Accountant on 01st July 2007. She has more than 23 years experience in the field of financial management, Management Accounting & Auditing. She is an Associate Member of the Institute of Chartered Accountants of Sri Lanka. (ICASL) & Certified Management Accountants of Sri Lanka (CMA) & awaiting Membership of Association of Chartered Certified Accountants (ACCA- UK). She obtains Bachelor of Business Administration with honors, specialization in finance, from University of Colombo in 2001. She is a holder of MBA from University of Colombo.



**Mrs. Chamari Gamage - Deputy General Manager
(Technical, Laboratory & Production)**

Mrs. K.G.C. Shanthimala joined the SPC as a Management Trainee on 15th May 1986 and presently holds the Deputy General Manager – Technical, Laboratory & Production position from 3rd July 2018. She has obtained her BSc (Special) Degree in Chemistry from the University of Kelaniya & a Masters Degree in Business Administration from the Open University of Sri Lanka. She is a Registered Pharmacist.



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

Mrs. M.R. Nimmika Thushari joined the SPC as Deputy General Manager (HR & Administration) with effect from 01.08.2018 She holds a Bachelor of Science (Human Resources) Special Degree from the University of Sri Jayawardanapura, Post Graduate Diploma in Human Resources Advancement and Master of Human Resources Management from the University of Colombo. She has more than 20 years experience in the field of Human Resources Management and Administration.

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

MANAGEMENT TEAM

Senior Management

Mr. U. Lokusuriya	Internal Auditor	(till 24.01.2019)
Mrs. P.K. Wijeratne	Manager - Quality Assurance Laboratory	
Mr. M.A.VI. Kumarasiri	Field Manager (Monitoring of Distribution Systems)	
Mr. D.P. Ajith Liyanage	Manager - Management Information Systems	
Mr. P.K.R. Fernando	Manager Wharf	
Miss. C.S.Withanage	Manager Sales	
Mrs. H.H.Piyadigama	Accountant – Stocks & Pricing	
Mrs. D.N.Devasurendra	Accountant - Revenue	
Mrs. P.A.U.Wijewardana	Legal Officer & Secretary to the Board	
Mr. P.M.B.R.Somathilaka	Manager – Production	
Mrs. A.H. Alwis	Manager – Post Delivery Operation	
Mr. A.P. Hapangama	Accountant - Financial Accounting	
Ms. M.K.A.P. Gunathilake	Manager – Promotion & Publicity	
Mr. D.G.D.J. Pushpakumara	Manager – Stores & Inventory Control	
Mr. W.A.S. Wickramarachchi	Manager – Research & New Project	(01.01.2019 to 16.09.2019)
	Manager – Rajya Osusala	(from 17.09.2019)
Mrs.L.W.Damayanthi	Accountant – Salaries	
Mrs.M.A.S. Karunaratne	Accountant - Rajya Osusala	
Mr. D.K.A.P. Dassanayake	Manager – Administration	
Mr.K.D.F.N.Perera	Manager – Sales	
Mr.B.A.K. Madusanka	Manager – Human Resources	
Mrs. D.D.S. Tharangamala	Manager – Procurement	
Mrs. R. P. Withanage	Manager – Procurement	
Mrs. K.G.S. Perera	Accountant – Payment	
Mr. M.A.D.S.S. Munasinghe	Manager – Imports	
Mr. C.U.M.M. Bandara	Manager- Stores & Inventory Control	
Mr. M.K.C. Krishantha	Manager – Rajya Osusala	
Mr.W. Jayantha	Manager – R.O.S Colombo 07.	
Miss.B.D.K. Fernando	Manager – CPU	(from 19.03.2019)
Mr.M.R.M. Rifkhan	Manager – Imports	(from 04.09.2019)
Mrs.E.M.H.N.T.K. Ekanayake	Manager – Technical	(from 06.06.2019)
Mr. H.N.J.Indunil	Internal Auditor	(from 04.09.2019)

CHAIRMAN'S MESSAGE



It is a privilege for me to pen down for the Annual Report of State Pharmaceuticals Corporation for the year 2019 as present chairman of the Corporation.

Though I have assumed duties as Chairman of this Corporation in latter part of 2019 I started working on developing strategies to overcome obstacles that prevent SPC achieving their targets.

The operational activities of "SPC" are two pronged. Supply of Medicines and healthcare items to Medical Supplies Division and to sell in open market through our Rajya Osusala outlets and distributor channel. Open market operation has recorded a sales 19.7% and Supplies to Medical Supplies Division was enhanced by 36% over 2018 amidst of limited allocations for Medical Supplies. During the year Profit before Tax of 'SPC' surpass the two billion.

According to the Manifesto of the New government all drugs and consumables that can be produced with the country to international Standards will be produced locally. Role of SPC in years to come will be more challenging with new initiatives to moving towards local manufacturing.

I sincerely pay my gratitude to the Hon. Secretary to the President for all good guidance and support and Hon. Minister of Health Nutrition & Indigenous Medical Services and Secretary to the Ministry of Health for their assistance and support and all other Ministry officials for their Cordial relationship in our Operations.

Finally I would like to congratulate Management & Staff of the Corporation for their achievement of 2019 and welcome them to join for successful year 2020 and future years.

A handwritten signature in black ink, appearing to read 'Dr. Prasanna Gunasena'. The signature is written over a dotted line.

Dr. Prasanna Gunasena
Chairman

MANAGING DIRECTORS REPORT



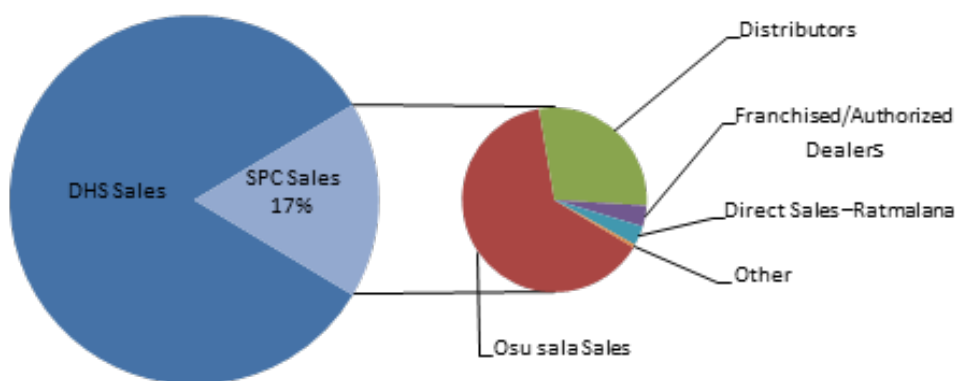
It's with great pleasure that I am presenting the Managing Director's Report with regard to the performance for the year 2019. During the period under review, State Pharmaceuticals Corporation completed its 48th year of supplying quality assured Pharmaceuticals and Healthcare items to the Nation.

SPC is also the sole importer of Pharmaceuticals and Healthcare items for the Department of Health Services, to ensure timely and continuous supply of quality assured Pharmaceuticals and Healthcare items to the Government Hospitals.

FINANCIAL PERFORMANCE

During the year under review, SPC has recorded the highest ever turnover of Rs.51,884 million. This is an increase of 33% as against the previous year turnover of Rs.38,895 million. Healthcare items supplied to the 'Medical Supplies Division' was Rs.42,959 million during the year, as against Rs.31,436 million in the year 2018. This is an increase of 36.7%. Private market operation through Rajya Osusala Outlets, Franchises and Distributors has recorded a turnover of Rs.8,924 million during the year 2019. It is an increase of 19.7% in comparison with the Turnover of Rs.7,458 million recorded in 2018.

INCOME ANALYSIS 2019



During the year, profits before tax of 'SPC' surpass the two billion rupee mark. The profit before tax was Rs. 2176 million in the year 2019. This is an increase of 4% as against the previous year's figure of Rs.1684 million. This increase in profit was mainly due to the improvement in Turnover coupled with controlling the expenditure.

SALES & TRADE PROMOTIONS

SPC participated in Medical and Trade exhibitions, by having promotional and trade stalls to educate the general public with regard to the benefits of using generic drugs under the theme of "Rational use of Medicine".

SPC established six new Rajya Osusala Outlets in Anamadua, Dambulla, Badulla Bus-stand, Matale, Mathugama and Kotalawala Defense University Hospital during the year 2019. At the end of the year, there are altogether 45 Rajya Osusala Outlets, 53 Distributors 108 Franchised and Authorized Retailers covering the entire island, to ensure availability of SPC drugs, all corners in the country. During the year under review, SPC developed complain receiving method at all Rajya Osu Sala Outlets, in order to provide effective and efficient service to the general public.

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 "Market complaints", to maintain the quality standards of the pharmaceuticals supplied by the SPC, all the time.

HUMAN RESOURCES DEVELOPMENT

We maintain cordial relations with our staff and have constant dialogue with them. Employee training on various topics is conducted by internal and external resource personnel. Annual events held are Sinhala Avurudu celebrations, Annual Get together, Annual Trip, Blood donation Campaign, Vesak Bana etc. In addition to that financial assistance for membership reimbursement and sponsorship for MBA, Postgraduate Diplomas and Other Professional Courses also provided.

During the year under review total workforce was 1119, out of which 148 are trainees. In order to provide them with a career growth plan within the organization and to improve their skills, 775 employees were sent for local training programs and 05 employees were sent for overseas training programs.

Type of Training	Number Of Trainings	Number Of Employees
Local Trainings	37	775
Foreign Trainings	2	5
Total	39	780

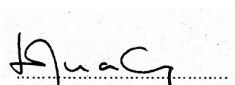
All staff welfare benefits which were prevailed in the Corporation prior to 2018, were continued during the year 2019 too.

CORPORATE SOCIAL RESPONSIBILITY

As part of our Corporate Social Responsibility SPC continues to offer 5% discount on Pharmaceuticals purchased for Children under 05 years of age, Pregnant Mothers, Senior Citizens (Over 55 Years). We also sponsored a number of health camps in various parts of the country. As a tribute to the founder Chairman of SPC, Professor Senaka Bibile, we are continuing with the "Senaka Bibile Commemoration Scholarship Programme" to the Medical Students who perform best in Pharmacology in each of the six Medical Faculties of the Universities in Sri Lanka.

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.



Mr. Lalith Jayakody
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 2019.

The Financial Statements of the Corporation was submitted to the Auditor General on 6th March 2020 in accordance with Section 6.5.1 of Public Enterprises Guidelines, issued by the Director General of the Department of Public Enterprises in the General Treasury.

FORMATION

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

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are given on the pages 18 to 27

RESULTS

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

REVIEW OF BUSINESS

The state of affairs of the Corporation as at 31 December 2019 is set out in the Statement of Financial Position and assessment of the Corporation during the financial year is given in the Managing Director's Report.

PROPERTY, PLANT & EQUIPMENT

The movements in Property, Plant & Equipment during the year are set out in Note No.17 to the financial statements. The value shown therein is not materially different from its current market value.

MAIN ACTIVITIES

The 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 Jeevane, 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 have been given in the Statement of Changes in Equity.

DIRECTORS

Directors of the corporation as at 31st December 2019 were as follows,

Dr M.H.M. Rumie	Chairman	(From 04.01.2019 to 20.11.2019)
Mr Sarath Liyanage	Chairman	(Till 02.01.2019)
Dr M.Y.K. Wilfred	Managing Director	(From 04.01.2019 to 20.11.2019)
Dr M.H.M. Rumie	Managing Director	(Till 03.01.2019)
Dr A.K.S.B De Alwis	Director	
Dr B.G.N.Ratnasena	Director	
Dr H.S.R.Perera	Director	(From 20.01.2019)
Mr A.K. Seneviratne	Director	(Till 28.10.2019)
Mr W.M.C. Jayathissa	Director	(From 27.05.2019 to 28.10.2019)
Mr H.A.T.R.de Silva	Director	(From 27.05.2019 to 28.10.2019)

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE/INTERNAL CONTROL

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

EMPLOYMENT

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

STATUTORY PAYMENTS

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

ENVIRONMENTAL PROTECTION

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

CONTRIBUTION TO THE GOVERNMENT

The Corporation has paid Rs.680.3 million by the way of Income tax to the Government Treasury.

CORPORATE SOCIAL RESPONSIBILITY

During the year the Corporation contributed Rs. 2,049,644/- for charitable purpose.

POST BALANCE SHEET EVENTS

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

AUDITORS

Auditor General carried out the Audit of the Financial Statement of the State Pharmaceuticals Corporation of Sri Lanka for the financial year ended 31st December 2019.

By Order of the Board



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

REPORT OF THE AUDIT COMMITTEE

Constitution of the Audit Committee

The Audit Committee consists of Three Non-Executive Directors of the Board. The Director who represents the General Treasury would function as Chairman of the Committee. During the Financial year ended 31st December 2019, the followings members attended to the Meetings of the Audit Committee.

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

Mr. W.M.C Jayatissa

Dr. B.G.N. Rathnasena

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

The Functions of the Audit Committee

The main functions of the Audit Committee are to review and monitor internal controls of the Corporation and assist the Board of Directors by reviewing and making recommendations on all aspects of audit and financial activities of the Corporation. During the year under review, the Committee attended to the 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 2019'
3. Review Internal Auditor's reports, and monitor management's responsiveness to the findings and recommendations of the Internal Auditor.
4. Review External Auditors Audit Queries and the matters raised by them in the reports in terms of section 13(7) (a) and 14 (2) (c) of the Finance Act No. 38 of 1971.
5. Review of implementation of recommendations of the Committee of Public Enterprises (COPE).

Internal Audit Division

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

Meetings

During the year 2019, three Audit Committee meetings were held. The Committee has submitted its comments on the identified deficiencies to the Management. Accordingly, remedial measures have been taken to rectify the identified deficiencies.



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

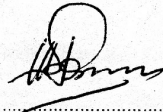
STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

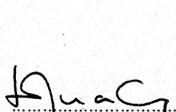
STATEMENT OF FINANCIAL POSITION

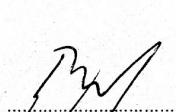
As at 31st December	NOTE	2019 Rs.	Restated 2018 Rs.
ASSETS			
Property Plant and Equipment	17	2,069,200,510	2,105,351,352
Right-of-use Assets	18	54,672,686	-
Lease Assets paid in Advance	18.1	23,619,169	24,396,643
Capital Work in Progress		97,931,546	95,588,879
Deferred Tax Assets	25	32,056,259	-
Total Non- Current Assets		2,277,480,171	2,225,336,874
Current Assets			
Inventories - SPC	19	2,802,019,748	2,754,287,444
Stock in Transit - DHS	20	280,722,801	286,587,344
Trade & Other Receivables	21	27,299,630,409	16,319,412,639
Prepayments	22	53,931,154	61,219,447
Cash and Cash Equivalents	23	1,114,223,505	1,021,184,699
Total Current Assets		31,550,527,617	20,442,691,572
Total Assets		33,828,007,787	22,668,028,446
EQUITY AND LIABILITIES			
Contributed Capital	29	59,055,258	59,055,258
Retained Earnings		10,431,211,366	8,769,268,475
General Reserves	30	66,061,447	66,061,447
Total Equity		10,556,328,071	8,894,385,180
Non- Current Liabilities			
Retirement Benefit Obligation	24	254,952,718	221,192,102
Lease Liabilities	18.2	39,506,298	
Deferred Tax Liability	25	-	50,116,492
Total Non- Current Liabilities		294,459,016	271,308,595
Current Liabilities			
Trade and Other Payables	26	16,293,739,152	10,423,896,495
Income tax Payable		352,116,928	438,059,938
Deferred Income		1,461,469	1,345,422
Lease Liabilities	18.2	19,187,485	-
Current Financial Liabilities	27	6,310,715,665	2,639,032,817
Total Current Liabilities		22,977,220,700	13,502,334,672
Total Equity & Liabilities		33,828,007,787	22,668,028,446

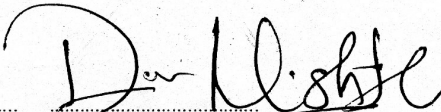
The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

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


Dr. Prasanna Gunasena
Chairman.


Lalith Jayakody
Managing Director.


K.M.D.R. Dasanayake
General Manager.


Nishanthi Devasurendra
Actg. Deputy General Manager
-Finance

The accounting policies and notes on pages 18 to 57 form an integral part of the financial statements.

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

STATEMENT OF CHANGES IN EQUITY

	Contributed Capital Rs.	General Reserves Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 01st January 2017	59,055,258	66,061,447	5,985,037,149	6,110,153,853
Total Comprehensive Income for the year				
Net Profit for the year			1,089,431,741	1,089,431,741
Gain/ losses on defined benefit plan			(59,575,287)	(59,575,287)
Transaction with Government Treasury				
Treasury levy/Dividend paid			(222,000,000)	(222,000,000)
Balance as at 31st December 2017	59,055,258	66,061,447	6,792,893,602	6,918,010,307
Balance as at 01st January 2018	59,055,258	66,061,447	6,792,893,602	6,918,010,307
Total Comprehensive Income for the year				
Reported profit for the year			953,149,764	953,149,764
*Adjustment due to increase stock transfer margin (Note a)			(27,233,228)	(27,233,228)
*Adjustment due to re-estimation of useful life (Note a)			2,010,707	2,010,707
Restated Profit for the year			927,927,244	927,927,244
Effect of initial application of SLFRS 9 and change of judgement and estimates			1,017,994,355	1,017,994,355
Gain/ losses on defined benefit plan (Note 24.3)			30,453,274	30,453,274
Balance as at 31st December 2018	59,055,258	66,061,447	8,769,268,475	8,894,385,180
Balance as at 01st January 2019	59,055,258	66,061,447	8,769,268,475	8,894,385,180
Total Comprehensive Income for the year				
Net Profit for the year			1,663,869,219	1,663,869,219
Gain/ losses on defined benefit plan (Note 24.3)			(1,926,328)	(1,926,328)
Balance as at 31st December 2019	59,055,258	66,061,447	10,431,211,366	10,556,328,071

Note (a)

Following adjustments have been made by restating the financial statement 2018 as given below:

	Value Rs.	Tax effect @28% Rs.	Net off bal. Rs.
* The Corporation increased stock transfer margin from 9% to 15% in order to cover osusala operational expenses and adjusted the value of the stocks.	(37,823,927)	(10,590,700)	(27,233,228)
* The Corporation re-estimated residual value of fully depreciated Motor vehicles, and adjusted as per the LKAS 8.	2,792,649	781,942	2,010,707
	(35,031,278)	(9,808,758)	(25,222,520)

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December	Note	SPC OPERATIONS 2019 Rs.	DHS OPERATIONS 2019 Rs.	TOTAL OPERATIONS 2019 Rs.	TOTAL OPERATIONS 2018 Restated Rs.
Income	8	8,924,850,525	42,959,659,808	51,884,510,333	38,895,306,533
Less					
Direct Expenses - MSD	9		40,242,152,683	40,242,152,683	29,311,933,710
Cost of Sales - SPC	10	6,541,599,615		6,541,599,615	5,596,710,532
Cost of Production - ORS	11	104,095,463		104,095,463	89,050,781
Gross Profit/ Surplus		2,279,155,447	2,717,507,125	4,996,662,572	3,897,611,510
Add: Other Operating Income	12	91,441,139		91,441,139	73,072,867
Less					
Administrative Expenses	13	1,101,744,082	517,811,176	1,619,555,258	1,532,485,009
Other Operating Expenses	14	228,514,978	742,581,090	971,096,068	691,967,911
Operating Profit		1,040,337,526	1,457,114,859	2,497,452,385	1,746,231,456
Less: Finance Expenses	15	10,825,354	317,408,045	328,233,398	68,918,081
Add: Finance Income (Staff Loan)		6,875,226	-	6,875,226	7,436,916
Profit Before Tax		1,036,387,398	1,139,706,814	2,176,094,213	1,684,750,291
Income Tax Expenses	16	243,952,456	268,272,537	512,224,994	756,823,047
Profit After Tax		792,434,942	871,434,277	1,663,869,219	927,927,244
Other Comprehensive Income:					
Gain/ Losses on defined benefit plan	24	(847,584)	(1,078,743)	(1,926,328)	30,453,273
Total comprehensive income for the year		791,587,358	870,355,534	1,661,942,892	958,380,517

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

STATEMENT OF CASH FLOW

For the year ended 31st December	NOTE	2019 Rs.	2018 Rs.
Cash flow from operating activities			
Net profit before taxation,		2,176,094,213	1,684,750,291
Adjustments for:			
Depreciation	17	86,568,523	73,592,618
Gratuity provision for the year	24.3	43,223,524	40,771,844
Lease amortisation		777,474	777,474
Profit/loss on disposal of fixed assets	12	(209,841)	-
Amortisation charges (software)		-	1,804,647
Unrealized profit	8	(8,377,304)	15,067,318
Prior year adjustments		-	1,017,994,355
Provision for bad debts	14	677,547,654	267,293,781
Stock losses	14	1,094,106	1,498,172
Provision for damaged & outdated stock - SPC	14	51,676,681	56,755,361
Provision for damaged & outdated stock DHS	14	58,855,606	29,389,174
Interest expenses	15	326,247,554	67,405,970
Operating profit before working capital changes		3,413,498,189	3,257,101,004
Increase/Decrease in trade and other receivable		(11,657,765,423)	(8,685,462,398)
Increase/Decrease in deposit & prepayments	22	7,288,292	(3,239,763)
Increase/Decrease in inventories		(92,125,787)	(1,028,286,706)
Increase/Decrease in Goods in Transit		(52,991,063)	313,235,212
Increase/Decrease in trade payables	26	5,869,842,658	6,427,762,286
Right to use Assets	18	(54,672,686)	
Lease Liability	18.2	58,693,783	
Deferred Income		116,047	418,469
Cash generated from operations		(2,508,115,990)	281,528,105
Income tax paid		(680,340,755)	(638,757,636)
Gratuity paid	24	(11,389,235)	(21,642,992)
Interest paid	15	(326,247,554)	(67,405,970)
Cash flow before extraordinary items		(1,017,977,544)	(727,806,597)
Net cash from operating activities		(3,526,093,534)	(446,278,493)
Cash flow from investing activities			
Purchase of property, plant and equipment	17	(52,541,021)	(116,183,149)
Increase/Decrease in work in progress		(2,342,668)	(5,993,140)
Disposal of fixed assets	17	2,333,181	-
Net cash used in investing activities		(52,550,507)	(122,176,289)
Net increase in cash and cash equivalents		(3,578,644,041)	(568,454,782)
Cash and cash equivalents at beginning of period		(1,617,848,119)	(1,049,393,337)
Cash and cash equivalents at end of period (Note A)		(5,196,492,160)	(1,617,848,119)
Note A : Cash and cash equivalents			
		2019 Rs.	2018 Rs.
Cash in hand & at bank	23	1,027,950,606	956,829,749
Treasury bill investment		86,272,899	64,354,949
Bank overdraft	27	(6,310,715,665)	(2,639,032,817)
Cash and cash equivalents		(5,196,492,160)	(1,617,848,119)

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

01. REPORTING ENTITY

1.1. Domicile & Legal Form

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

1.2. Financial period

The financial period of the Corporation represents a twelve month period from 1 January 2019 to 31 December 2019.

1.3. Principal activities and nature of operations

The main functions are,

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

2. BASIS OF PREPARATION

2.1. Statement of compliance

The principle accounting policies adopted in preparation of Financial Statements are given in Note 3-7 policies have been consistently applied, unless otherwise stated. The financial statements of the Corporation have been prepared in accordance with Sri Lanka Accounting Standards and SLFRS's issued by The Institute of Chartered Accountants of Sri Lanka. These financial statements comprise the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements.

2.2. Responsibility and approval of financial statements

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

2.3. Basis of measurement

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

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

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

2.4. Functional and Presentation Currency

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

2.5. Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements, in order to enhance the understanding of the financial statements of the current period and to improve comparability. Where necessary, comparative figures have been rearranged to conform to the current year's presentation.

2.6. Use of Judgments and Estimates

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

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

- Note 25 - Recognition of deferred tax assets/liabilities
- Note 21 - Provisions for impairment.
- Note 24 - Measurement of retirement benefit obligations; key actuarial assumptions.

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

2.7. Measurement of Fair Values

A number of the Corporation's accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities.

The Corporation regularly reviews significant unobservable inputs and valuation adjustments when applicable. If third party information is used to measure fair values, The Corporation assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRSs/LKASs, including the level in the fair value hierarchy in which such valuations should be classified.

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

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

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

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

3. CHANGES IN ACCOUNTING POLICY, ESTIMATES AND JUDGEMENTS

3.1. Changes in Accounting Policies

Transition Disclosure

SLFRS 16 – Leases

The Corporation has adopted SLFRS 16, 'Leases', with effect from 1 January 2019, which resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with the transition provisions in the Standard, the Corporation adopted the new rules under the modified retrospective approach, where the cumulative effect of implementing the Standard shall be recognized at the date of initial application.

The following table shows the adjustments recognized for each individual line item affected with the adoption of SLFRS 16 - Leases during the year.

	Note	Before SLFRS 16 adjustments Rs.	31st December 2019. Impact from SLFRS 16 Rs.	After SLFRS 16 adjustments Rs.
Assets Right-of-Use (ROU) Assets	(a)	-	54,672,686/-	54,672,686/-
Liabilities Obligation to Make the Lease Payments	(b)	-	58,693,783/-	58,693,783/-
Equity Retained Earnings		-	-	-

a. Right-of-Use (ROU) Assets

Right-of-Use (ROU) assets are initially measured at amount comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial costs, and
- Any Restoration costs.

The right-of-Use (ROU) Assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

b. Lease liabilities

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

Security and conditions.

c. Practical expedients applied

In applying SLFRS 16 for the first time, the Corporation has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Reliance on previous assessments on whether leases are onerous and
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Significant Accounting Policies

The Accounting Policies applied by the Corporation are consistent with those used in the previous year except for the changes in the policy due to first time adoption of SLFRS 16.

4.2. Going Concern

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

4.3. Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Corporation has not early adopted the new or amended standards in preparing this financial statement.

Standards effective from the financial period beginning on or after 1 January 2020.

- IFRS 17 Insurance Contracts (1 January 2021)

Any amendments to existing Standards & Interpretations were considered when applicable

4.4. Property Plant and Equipment

4.4.1 Basis of recognition

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

4.4.2. Basis of measurement

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

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

Equipment, Furniture and Computers are measured at fair value. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is recorded in Other Comprehensive Income and credited to the asset revaluation reserve in equity.

4.4.3. Depreciation

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

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

Buildings	20- 40 years	Plant & Machinery	8 years
Motor Vehicles	3 to 17 years	Bicycles	6 to 7 years
Furniture & Fittings	10 years	Computers	4 years
Equipment	5 years		

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

4.4.4. De-recognition

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

4.4.5. Impairment of non-financial assets

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

4.5. Capital work in progress

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

4.6. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible

assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The Corporation's intangible assets are amortized using the straight-line method to write down the cost over its estimated useful economic lives. Currently the Corporation does not hold any intangible asset to be amortized.

4.7. Taxation

4.7.1. 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: 24 of 2017 and the Amendments thereto, the rates specified in the act. Provision for the current year taxation made according to the accounting profit subject to the rate specified by act.

4.7.2. Deferred taxation

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

4.7.3. 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.

4.7.4. Measurement of inventories

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.

4.8. 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.

4.9. 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.

5. LIABILITIES AND PROVISIONS

5.1. Retirement Benefit Obligations

5.1.1. Defined benefit plan – Retirement Gratuity

The Corporation is liable to pay Gratuity in terms of the Payment of Gratuity Act No.12 of 1983. The liability for gratuity to an employee arises only on completion of five years of continued service with the Corporation. This Liability recognized in the balance sheet represents the present value of the defined benefit obligations at the balance sheet date estimated using the projected unit credit method. These benefits are not externally funded.

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

An actuarial valuation was carried out by Mr. M. Poopalanathan, AIA, of Messrs.' Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries as at 31st December 2019. The assumptions based on which the results of the actuarial valuation were determined, are included in note 25 to the financial statements.

5.1.2. 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 the provident fund at 12% and 10% respectively on gross salary except travelling allowance.

Employees' Trust Fund

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

6. 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.

6.1. Revenue Recognition

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

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

6.1.1. Nature of goods and service

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

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

The Corporation recognizes revenue from the following sources;

Customer	Nature, Timing of satisfaction of performance obligation and significant payment terms
Distributors/ Franchises	<p>The Corporation recognized revenue monthly at the point the customer takes possession of the products. The products are sold to the Distributors at prices determined by the Corporation will be notified to the Distributor from time to time.</p> <p>The products once sold to the Distributor will not be taken back by the Corporation or exchanged for other products unless they are spoilt or discolored at the time of issue or where the wrong products were issued to the Distributor by an error.</p> <p>An irrevocable unconditional Bank Guarantee for a sum equivalent to the value of products intended to purchase should be provided in favour of the State Pharmaceuticals Corporation. The Bank Guarantee should be valid for a period of twenty six (26) months from the date of commencement of the agreement and it should be in full force during the continuance of this agreement.</p>
Forces/ Government Hospitals/ Private Hospitals	<p>The Corporation recognized revenue monthly at the point the customer is delivered with the products. The products are sold at prices determined by the Corporation which will be notified to the customer from time to time.</p> <p>The products once sold will not be taken back by the Corporation or exchanged for other products unless they are spoilt or discolored at the time of issue or where the wrong products were issued by an error.</p>

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

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

- iii. Production of Pharmaceuticals and health care items

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

- Jeevani
- Glucose
- Benzyl Bensovate Cream

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

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

6.1.2. Sale with a right of return

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

- The products sold are close to expiry
- Products are spoilt or discolored at the time of issue
- Issue of wrong products due to an error

Such sale of products with a right to return shall be recognized by the Corporation as;

- Revenue for the transferred products in the amount of consideration to which the Corporation expects to be entitled
- A refund liability; and
- An asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.

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

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

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

6.2. Other Income

Other income is recognized on an accrual basis.

6.3. 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.

6.4. Expenses

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

6.4.1. Financial Expenses

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

6.4.2. Allocation between overheads

Overheads have been allocated between SPC & DHS based on percentage after analyzing the activities involved.

In the Financial Statements, Overheads allocation method is as follows.

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

7. FINANCIAL INSTRUMENTS- INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

7.1. Initial Recognition and Measurement

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

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

7.1.1. Financial Assets

7.1.1.1. Classification and subsequent measurement

The Corporation classifies its financial assets in the following measurement categories

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

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

- **Debt instruments**

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

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

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

7.1.1.1.1. Amortized cost

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

7.1.1.1.2. Fair value through other comprehensive income (FVOCI)

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

7.1.1.1.3. Fair value through profit or loss

Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not a part of a hedging relationship is recognized in profit or loss presented in the profit or loss statement in the period which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in the profit and loss statement. Interest income from these financial assets is included in "Other Operating income" using effective interest rate method. Currently the Corporation does not hold any financial asset under this category.

- **Business model:**

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

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

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

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

7.1.1.2. Impairment

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

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

7.1.1.2.1. Measurement of the Expected Credit Loss (ECL) allowance

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;

- Establishing the number and relative weightings of forward looking scenarios for each type of product/ market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

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

- Expected credit loss is the discounted product of the Probability of Default (PD), Loss Given Default (LGD) and Economic Factor Adjustment (EFA). PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or over the remaining lifetime of the obligation.
- LGD represents the Corporation's expectation of the extent of loss on a defaulted exposure. LGD is computed on lifetime basis, where Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.
- The Corporation forecasts the economic growth for 5 years basing historical Economic growth data for 8 years and the economic factor adjustment (EFA) is arrived by using a weighted probability of the impact of growth on the Corporation. The economic growth of Sri Lanka is used for EFA as the main factor impacting growth of the Corporation due to the nature of the major customers.

7.1.1.3. De-recognition

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

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

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

7.1.2. Financial Liabilities

7.1.2.1. Classification and subsequent measurement

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

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

7.1.2.2. De-recognition

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

7.2. Measurement methods

Amortized cost and Effective Interest Rate

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

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

NOTES TO THE FINANCIAL STATEMENTS

8 REVENUE

For the year ended 31st December	2019	2018
	Rs.	Rs.
Revenue - SPC		
Bulk trading	3,059,279,837	2,567,562,214
ORS sales	133,879,235	102,989,475
Osusala sales (Note 28)	5,687,027,913	4,761,113,560
Provision for Unrealized Profit	8,377,304	(15,067,318)
Credit Insurance	2,389,328	1,887,969
Claims Received from Suppliers	33,896,907	39,834,675
Total	8,924,850,525	7,458,320,575
Revenue - DHS		
Import supplies	23,389,251,096	17,942,708,792
Local supplies	10,853,762,880	8,015,266,843
CPU supplies	8,340,937,739	5,072,292,258
Claims Received from Suppliers	270,280,523	349,972,173
Penalties on delayed Supplies	105,427,569	56,745,892
Total	42,959,659,808	31,436,985,958
Total Revenue	51,884,510,333	38,895,306,533

8.1 SALE WITH A RIGHT OF RETURN

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

9 COST OF SALES / DIRECT EXPENSES - DHS

For the year ended 31st December	2019	2018
	Rs.	Rs.
Revenue	42,959,659,808	31,436,985,958
DIRECT COST		
C & F value of DHS supplies	21,115,681,400	16,179,994,614
Custom duties & taxes	479,574,326	455,574,179
Cost of local supplies	10,447,478,093	7,715,060,316
CPU purchases to DHS	8,020,132,441	4,877,204,094
Total	40,062,866,261	29,227,833,203
Clearing charges (Bank charges, Stamp fee , Commission & LC chg.	295,424,446	269,174,820
Landing charges	25,851,823	27,100,728
Import licenses fee	67,936,297	40,841,939
Deductions on supplies - CPU	50,154,910	-
Total	439,367,475	337,117,486
Less: Stock in transit	260,081,054	253,016,979
Direct expenses/ Cost of sales	40,242,152,683	29,311,933,710
Gross profit/surplus	2,717,507,125	2,125,052,248

NOTES TO THE FINANCIAL STATEMENTS

10 COST OF SALES -SPC

For the year ended 31st December	BULK TRADING Rs.	OSUSALA TRADING Rs.	TOTAL TRADING SPC-2019 Rs.	TOTAL TRADING SPC-2018 Rs.
Stock In trade at the beginning of the year	1,797,971,577	880,268,093	2,678,239,669	1,761,839,364
Add :				
Imported drugs	2,387,114,156		2,387,114,156	2,665,737,168
Consumables for the laboratory	1,501,539		1,501,539	3,088,247
Local purchases (SPC tenders)	1,467,085,053		1,467,085,053	1,247,979,355
Laboratory testing chg.	-	-	-	-
C.P.U - Purchases	353,128,610		353,128,610	521,171,149
Local purchases (Osusalas) (Note 28.1)	-	2,414,161,675	2,414,161,675	2,132,303,865
Transfers (Note 28.1)	(2,602,063,781)	2,602,063,781	-	-
STOCK AVAILABLE FOR SALES	3,404,737,155	5,896,493,548	9,301,230,703	8,332,119,149
Less: Stock In trade at end of the year	1,557,908,697	1,201,722,391	2,759,631,088	2,735,408,617
COST OF SALES & TRANSFERS	1,846,828,458	4,694,771,157	6,541,599,615	5,596,710,532

11 COST OF MANUFACTURING GLUCOSE, JEEWANEE AND BB CREAM

For the year ended 31st December	2019 Rs.	2018 Rs.
Opening stock of raw materials	1,648,357	671,326
Add: purchases of raw materials	30,233,788	25,551,471
Less: closing stock of raw materials	2,056,396	1,648,357
Cost of raw materials consumed	29,825,749	24,574,440
Add: Manufacturing cost (Note 11.1)	72,783,944	64,440,211
Production cost of goods	102,609,693	89,014,651

ORS TRADING

For the year ended 31st December	2019 Rs.	2018 Rs.
Opening stock (finished goods)	1,917,263	1,953,393
Add: Production cost of goods	102,609,693	89,014,651
Less: Closing stock (finished goods)	431,493	1,917,263
Cost of sale	104,095,463	89,050,781
Sales	133,879,235	102,989,475
Less: Cost of sale	104,095,463	89,050,781
Gross profit	29,783,773	13,938,694

NOTES TO THE FINANCIAL STATEMENTS

11.1 MANUFACTURING COST

For the year ended 31st December	2019	2018
	Rs.	Rs.
Salaries & wages	24,592,472	23,837,121
Overtime.	2,652,772	2,196,432
Uniforms.	397,668	15,870
Insurance for staff	402,297	182,808
Provident fund (EPF & ETF).	2,930,514	2,834,583
Annual bonus	424,697	417,825
Attendance bonus	785,100	785,400
Annual incentive bonus	5,008,739	4,689,249
Staff welfare	1,449,642	1,362,409
Medical expenses	481,714	477,531
Power	3,716,792	3,584,128
Depreciation	11,482,538	10,816,537
Repairs & maintenance	2,164,135	911,676
Packing materials used	16,294,865	12,328,641
Total	72,783,944	64,440,211

12 OTHER OPERATING INCOME

For the year ended 31st December	2019	2018
	Rs.	Rs.
Sales of tender forms.	53,498,408	48,844,896
Rent received	871,114	444,648
Treasury bill interest	6,504,495	5,396,705
Scrap sales	379,044	10,155
Miscellaneous income	9,365,281	4,923,686
Holiday bungalow income	1,261,700	824,445
Pre qualification charges	322,250	1,506,000
Sample testing income	4,761,281	2,929,849
Insurance claim received	-	6,335,373
Supplier Convention	10,652,350	-
Int. on returned cheques/ delays	3,615,374	1,857,110
Profit on disposal of fixed assets	209,841	-
Total	91,441,139	73,072,867

NOTES TO THE FINANCIAL STATEMENTS

13 ADMINISTRATIVE EXPENSES

For the year ended 31st December	SPC TRADING			TOTAL	TOTAL	TOTAL	TOTAL
	OSUSALAS	O.R.S.	BULK	TRADING SPC	TRADING DHS	TRADING 2019	TRADING 2018
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
PERSONNEL EMOLUMENTS							
Salaries, Wages & Allowances.	333,868,667	-	199,257,735	533,126,402	253,600,753	786,727,155	752,859,800
Overtime.	32,155,223	-	11,445,047	43,600,269	7,630,031	51,230,300	49,163,272
Staff training expenses.	-	-	2,666,372	2,666,372	3,393,564	6,059,937	6,799,200
Uniforms.	3,185,196	-	966,166	4,151,362	1,229,666	5,381,028	4,629,366
Insurance for staff	4,933,615	-	3,846,417	8,780,032	4,895,440	13,675,473	9,763,590
Provident fund (EPF & ETF).	39,073,011	-	23,680,777	62,753,789	30,139,171	92,892,960	88,769,919
Annual bonus	5,053,337	-	3,160,674	8,214,011	4,022,676	12,236,687	11,571,952
Monthly attendance bonus.	10,196,100	-	4,739,794	14,935,894	6,032,465	20,968,360	20,361,550
Sports club expenses	-	-	1,324,685	1,324,685	1,685,962	3,010,647	1,921,196
Annual per inc. bonus.	60,690,137	-	39,201,899	99,892,037	49,893,327	149,785,363	144,683,682
Gratuity. (Note 24.3)	-	-	19,018,350	19,018,350	24,205,173	43,223,524	40,771,844
Land/ Housing loan interest	3,882,550	201,938	2,956,429	7,040,917	3,762,727	10,803,644	10,451,583
SPC Anniversary payment	-	-	1,898,226	1,898,226	2,415,924	4,314,150	1,600,134
Death gratuity	-	-	268,203	268,203	341,349	609,552	-
Total	493,037,837	201,938	314,430,774	807,670,549	393,248,229	1,200,918,779	1,143,347,088
TRAVELING EXPENSES							
Overseas travelling expenses- others.	-	-	3,287,275	3,287,275	365,253	3,652,528	1,220,630
Local travelling expenses - others.	604,373	6,430	4,681,340	5,292,143	520,149	5,812,292	5,133,312
Total	604,373	6,430	7,968,615	8,579,418	885,402	9,464,820	6,353,942
SUPPLIES & REQUISITES							
Printing & stationery.	7,699,481	908,296	10,474,211	19,081,988	3,491,404	22,573,391	26,486,515
Board meeting expenses.	-	-	43,852	43,852	14,617	58,469	55,506
Entertainment - others.	-	-	619,794	619,794	206,598	826,392	849,696
Repairs to motor vehicles.	-	-	6,777,365	6,777,365	2,259,122	9,036,487	10,134,171
Fuel & lubricants.	-	-	10,450,247	10,450,247	3,483,416	13,933,663	12,110,984
License fees of motor vehicles.	-	-	148,358	148,358	49,453	197,811	193,961
Total	7,699,481	908,296	28,513,827	37,121,604	9,504,609	46,626,213	49,830,832
REPAIRS & MAINTENANCE							
Buildings.	2,202,490	-	4,017,214	6,219,704	4,017,214	10,236,917	8,070,129
Furniture, fittings & equipment	3,439,018	-	4,034,704	7,473,722	4,034,704	11,508,425	7,171,447
Computer	260,438	-	3,668,234	3,928,672	3,668,234	7,596,906	4,679,895
Total	5,901,946	-	11,720,151	17,622,097	11,720,151	29,342,248	19,921,471

NOTES TO THE FINANCIAL STATEMENTS

13 ADMINISTRATIVE EXPENSES

For the year ended 31st December	SPC TRADING			TOTAL	TOTAL	TOTAL	TOTAL
	OSUSALAS	O.R.S.	BULK	TRADING	TRADING	TRADING	TRADING
	SPC	DHS	2019	2018			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
TRANSPORTATION, COMMUNICATION UTILITIES & OTHER SERVICES							
Rent/Amortization of ROU Assets	23,944,327	-	-	23,944,327	-	23,944,327	24,594,898
Lease rent amortization	563,084	-	217,525	780,609	-	780,609	1,306,712
Rates & taxes.	840,631	-	633,288	1,473,919	633,288	2,107,207	1,946,767
Water bills	1,022,446	123,270	556,027	1,701,744	556,027	2,257,771	2,045,324
Electricity.	22,870,731	-	14,047,412	36,918,143	14,047,412	50,965,554	47,267,590
Postage, Telegrams & Telephones.	2,060,642	118,559	7,838,017	10,017,218	7,838,017	17,855,234	17,156,832
Trade subscriptions, Periodicals & Publica	461,540	-	137,158	598,698	137,158	735,857	623,175
Professional charges.	-	-	2,005,550	2,005,550	2,005,550	4,011,099	1,918,027
Insurance.	-	-	2,409,661	2,409,661	2,409,661	4,819,323	4,259,037
Press notification.	-	-	4,566,234	4,566,234	10,654,545	15,220,778	16,088,703
Security services.	24,177,052	639,317	6,660,193	31,476,561	6,660,193	38,136,754	36,951,238
Depreciation	26,707,617	-	24,189,184	50,896,801	24,189,184	75,085,985	62,776,081
Amortisation- Computer Software	-	-	-	-	-	-	1,804,647
License fees for drugs.	1,085,376	-	10,145,058	11,230,434	-	11,230,434	10,730,281
Sundry expenses.	188,816	14,810	435,722	639,348	205,046	844,393	454,817
Directors fees.	-	-	290,000	290,000	290,000	580,000	570,000
Audit fees.	-	-	1,285,298	1,285,298	1,285,298	2,570,595	2,570,595
Tender board expenses.	-	-	2,955,180	2,955,180	6,895,420	9,850,600	9,195,613
Staff welfare.	20,540,699	-	14,207,120	34,747,819	18,081,789	52,829,608	52,969,553
Staff medical expenses.	5,605,643	-	3,574,398	9,180,041	4,549,233	13,729,274	13,240,312
Donations	-	-	2,049,644	2,049,644	-	2,049,644	2,213,964
Holiday bungalow expenses	-	-	1,583,186	1,583,186	2,014,964	3,598,150	2,347,512
Total	130,068,604	895,956	99,785,854	230,750,413	102,452,785	333,203,198	313,031,676
TOTAL ADMINISTRATIVE Ex	637,312,241	2,012,619	462,419,221	1,101,744,082	517,811,176	1,619,555,258	1,532,485,009

NOTES TO THE FINANCIAL STATEMENTS

14 OTHER OPERATING EXPENSES

For the year ended 31st December	SPC TRADING			TOTAL	TOTAL	TOTAL	TOTAL
	OSUSALAS	O.R.S.	BULK	TRADING SPC	TRADING DHS	TRADING 2019	TRADING 2018
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
SELLING & DISTRIBUTION EXPENSES							
Sales promotion expenses.	-	-	38,307,518	38,307,518	-	38,307,518	37,418,958
Prescriber	-	-	2,271,158	2,271,158	-	2,271,158	117,024
Transport charges.	-	-	13,549,365	13,549,365	-	13,549,365	17,019,644
Provision for bad debts	-	-	1,453,379	1,453,379	676,094,275	677,547,654	267,293,781
Discount on osusala sales	-	-	7,084,105	7,084,105	-	7,084,105	5,191,648
Additional discounts	-	-	94,925,447	94,925,447	-	94,925,447	78,039,611
Value Added Tax	-	-	4,402,784	4,402,784	13,208,352	17,611,136	16,916,389
Dealers convention	-	-	44,000	44,000	-	44,000	3,095,670
Stock losses	-	-	1,094,106	1,094,106	-	1,094,106	1,498,172
Stock adj. (Excess/Shortage)	334,510	-	-	334,510	-	334,510	355,624
Pro. for outdated & damaged drugs	3,979,288	-	47,697,393	51,676,681	-	51,676,681	56,755,361
Pro. for outdated & damaged drugs - DHS	-	-	-	-	58,855,606	58,855,606	29,389,174
Stamp fee	-	-	507,430	507,430	-	507,430	384,736
Setting up expenses	-	-	6,165,615	6,165,615	-	6,165,615	999,660
Storage charges	-	-	-	-	3,076,746	3,076,746	4,619,731
Foreign exchange gain/loss	-	-	(5,223,792)	(5,223,792)	(9,077,341)	(14,301,133)	160,239,927
Sundry packing materials.	11,649,045	-	45,616	11,694,660	-	11,694,660	12,008,549
TOTAL	15,962,842	-	212,324,125	228,286,966	742,157,639	970,444,605	691,343,659
RESEARCH & DEVELOPMENT							
Drugs for testing	-	-	3,620	3,620	6,723	10,343	5,496
Testing charges for samples	-	-	224,392	224,392	416,728	641,120	614,598
Drugs for sample	-	-	-	-	-	-	4,158
TOTAL	-	-	228,012	228,012	423,451	651,463	624,252
TOTAL OTHER OPERATING EXPENSES	15,962,842	-	212,552,137	228,514,978	742,581,090	971,096,068	691,967,911

15 FINANCE EXPENSES

For the year ended 31st December	SPC TRADING			TOTAL	TOTAL	TOTAL	TOTAL
	OSUSALAS	O.R.S.	BULK	TRADING SPC	TRADING DHS	TRADING 2019	TRADING 2018
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
O/D interest	-	-	62,446	62,446	317,408,045	317,470,491	67,405,970
Lease interest charge fr the year	-	-	8,777,063	8,777,063	-	8,777,063	-
Bank charges	-	-	1,985,844	1,985,844	-	1,985,844	1,512,111
TOTAL FINANCE COST	-	-	10,825,354	10,825,354	317,408,045	328,233,398	68,918,081

NOTES TO THE FINANCIAL STATEMENTS

16 MAJOR COMPONENT OF TAX EXPENSES

For the year ended 31st December	2019	2018
	Rs.	Rs.
Current tax expenses (Note 16.1)	594,548,274	726,322,316
Over/Under provision in respect of previous years	(150,530)	12,519,169
Adj. Deferred tax Income/Expenses relating to the origination - - and reversal of temporary differences (Note 25)	(82,172,751)	17,981,562
Tax expenses	512,224,994	756,823,047

16.1 RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSES

For the year ended 31st December	2019	2018
	RS.	RS.
Profit Before Tax	2,176,094,213	1,684,750,291
Disallowable expenses	227,822,420	1,218,062,161
Qualifying payments	(280,529,939)	(308,804,181)
Taxable Income	2,123,386,694	2,594,008,271
Income Tax @ 28%	594,548,274	726,322,316
Tax on Distributable Profit 25% (net)	-	-
Income tax on current year profit	594,548,274	726,322,316
Over/Under provision in respect of previous years	(150,530)	12,519,169
Adj. Deferred tax Income/Expenses relating to the origination - and reversal of temporary differences (Note 25)	(82,172,751)	17,981,562
Tax expenses	512,224,994	756,823,047
Effective Tax Rate %	23.5	44.6

NOTES TO THE FINANCIAL STATEMENTS

17 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Motor Vehicles	Delivery Cycles	Furniture & Fittings	Equipment	Plant & Machinery	Computers	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
COST OF DEEMED COST									
At 1 January 2018	1,199,639,630	624,417,636	149,933,451	59,063	68,718,805	118,764,848	41,394,370	39,542,807	2,242,470,609
Additions	-	-	23,549,080	-	14,621,851	27,839,990	5,060,000	45,112,228	116,183,149
At 31 December 2018	1,199,639,630	624,417,636	173,482,531	59,063	83,340,656	146,604,838	46,454,370	84,655,035	2,358,653,758
Additions	-	-	-	-	10,674,506	32,465,979	-	9,400,535	52,541,021
Disposals	-	-	(1,434,800)	(19,913)	(980,840)	(1,308,188)	-	(807,850)	(4,551,590)
At 31 December 2019	1,199,639,630	624,417,636	172,047,731	39,150	93,034,323	177,762,629	46,454,370	93,247,720	2,406,643,189
DEPRECIATION & IMPAIRMENT									
At 1 January 2018	-	74,888,050	34,716,411	51,980	9,840,707	33,888,416	12,313,236	14,010,987	179,709,787
Depreciation charge for the year	-	16,556,083	6,908,922	2,342	7,405,343	25,587,107	5,685,495	11,447,327	73,592,618
At 31 December 2018	-	91,444,133	41,625,333	54,322	17,246,050	59,475,523	17,998,731	25,458,314	253,302,406
Depreciation charge for the year	-	16,556,083	8,082,440	2,342	8,925,529	30,573,415	5,373,073	17,055,641	86,568,523
Disposals	-	-	(314,800)	(19,913)	(354,449)	(994,177)	-	(744,911)	(2,428,250)
At 31 December 2019	-	108,000,216	49,392,973	36,751	25,817,130	89,054,761	23,371,804	41,769,043	337,442,678
NET BOOK VALUE									
At 31 December 2019	1,199,639,630	516,417,420	122,654,758	2,399	67,217,193	88,707,869	23,082,565	51,478,677	2,069,200,510
At 31 December 2018	1,199,639,630	532,973,503	131,857,198	4,741	66,094,606	87,129,314	28,455,639	59,196,721	2,105,351,352
At 31 December 2017	1,199,639,630	549,529,586	115,217,040	7,083	58,878,098	84,876,432	29,081,134	25,531,820	2,062,760,822

NOTES TO THE FINANCIAL STATEMENTS

18 Right-of -use Assets

As at 31st December	Land and Building	Total RS.
Carrying Amount at the Beginning of the Year	-	-
Additions during the Year	73,142,188	73,142,188
Amortization during the Year	(18,469,502)	(18,469,502)
Carrying Amount at the End of the Year	54,672,686	54,672,686

18.1 Lease Assets paid in advance

As at 31st December		2019 RS.	2018 RS.
Ratmalana Land	99 year	9,560,000	9,720,000
Osusala Badulla (Bus Stand)	50 year	3,566,550	3,681,600
Osusala Badulla (CWE)	33 year	4,356,061	4,565,152
Osusala Nugegoda	30 year	6,136,559	6,429,892
Total rent paid in advance		23,619,169	24,396,643

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

18.2 Lease Liability

Obligation to Make the Lease Payments

As at 31st December	2019 RS.	2018 RS.
Gross Lease Liabilities - Minimum Lease Payments	77,222,700	-
Obligations under Lease		
No later than One Year	26,230,739	-
Later than one year but no later than five years	47,942,311	-
Later than five years	3,049,650	-
	77,222,700	-
Future Finance Charges on Leases	(18,528,917)	-
The present value of lease liabilities	58,693,783	-
<i>The present value of lease liabilities is classified as:</i>		
Current Liabilities	19,187,485	
Non-current Liabilities	39,506,298	

18.3 Amounts recognized in profit & loss

	2019 Rs.
Amortization of "Right-of-Use" (ROU) Assets for the Year	18,469,501
Expenses not included in the measurement of lease liabilities -short-term lease,variable lease payments,low-value assets etc.	5,474,826
Administration Expenses	23,944,327
Interest paid/payable for lease liabilities	8,777,063

NOTES TO THE FINANCIAL STATEMENTS

19 TRADING STOCK

2019

2018

As at 31st December	2019				2018							
	Bin Balance	Stock Adj.	Trading Stock in Hand	Prov. for Damaged & Outdated Stock	Prov. for Unrealized Profit	Stock (as at 31st Dec)	Bin Balance	Stock Adj.	Trading Stock in Hand	Prov. for Damaged & Outdated Stock	Prov. for Unrealized Profit	Stock (as at 31st Dec)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stock in Transit	92,890,515	-	92,890,515	-	-	92,890,515	84,104,075	-	84,104,075	-	-	84,104,075
Bulk Stores	1,557,908,697	-	1,557,908,697	164,559,976	-	1,393,348,721	1,849,440,302	15,257	1,849,425,045	237,005,547	-	1,612,419,498
Trading Stock Osusala (NOTE 28.4)	1,201,722,391	334,510	1,201,387,881	3,979,288	47,805,803	1,149,602,790	923,792,242	340,367	885,627,948	5,359,855	56,183,108	824,084,986
Finished Products- ORS	431,493	-	431,493	-	-	431,493	1,917,263	-	1,917,263	-	-	1,917,263
Raw Materials -ORS	2,056,396	-	2,056,396	-	-	2,056,396	1,648,357	-	1,648,357	-	-	1,648,357
Total	2,855,009,492	334,510	2,854,674,982	168,539,264	47,805,803	2,638,329,915	2,860,902,238	355,624	2,860,546,614	242,365,401	56,183,108	2,524,174,178
SUNDRY STOCKS												
Printing Stationery	17,041,824	-	17,041,824	-	-	17,041,824	11,586,834	-	11,586,834.27	-	-	11,586,834
Packing Materials	26,307,278	-	26,307,278	-	-	26,307,278	27,539,067	-	27,539,066.52	-	-	27,539,067
Miscellaneous Stocks	3,478,148	-	3,478,148	-	-	3,478,148	5,435,286	-	5,435,286.42	-	-	5,435,286
Total	46,827,250	-	46,827,250	-	-	46,827,250	44,561,187	-	44,561,187	-	-	44,561,187
Disputed items	116,862,583	-	116,862,583	-	-	116,862,583	185,552,078	-	185,552,078	-	-	185,552,078
Total	3,018,699,325	334,510	3,018,364,815	168,539,264	47,805,803	2,802,019,748	3,091,015,503	355,624	3,090,659,880	242,365,401	56,183,108	2,754,287,444

NOTES TO THE FINANCIAL STATEMENTS

20 STOCKS IN TRANSIT - DHS

As at 31st December	2019	2018
	Rs.	Rs.
Stock in Transit	260,081,054	253,016,979
Add: Disputed Items - DHS		
Disputed stock as at 31.12.19	191,903,153	140,220,620
Disputed balances as at 31.12.19	14,603,745	14,603,745
Less: Provision for unsalable	185,865,151	121,254,001
Goods in Transit - DHS	280,722,801	286,587,344

21 TRADE AND OTHER RECEIVABLES

As at 31st December	2019	2018
	Rs.	Rs.
Total Dues From DHS	27,854,818,156	16,998,983,680
Trade Debtors	1,341,855,283	878,860,394
Staff Loans	100,514,406	99,536,632
Other Staff Advances	1,166,650	999,101
Deposits and Advances	105,403,639	2,298,217
Other Receivables & Recoverable	43,559,728	53,824,027
Total	29,447,317,864	18,034,502,052
Less: Provision for bad & doubtful debts	2,147,687,455	1,715,089,413
Trade and Other Receivables	27,299,630,409	16,319,412,639

*Fund requirement for financial deficit for the goods supplied to MSD in the year 2019 of Rs. 18,932,215,450.49 (which includes Rs.763,279,885.45 in 2018) has been submitted to the Ministry of Health to submit to the Parliament in order to get funds to setoff dues from DHS, which is in process of recovering. This amount has not been considered in computing provision for bad debt. Had it been considered for provision for bad debts, the incremental provision would be Rs. 955,180,178.83 & hence impact to the Profit would be decreased by such amount.

21.1 DEBTORS ANALYSIS

As at 31st December	2019	2018
	Rs.	Rs.
TOTAL DUES FROM DHS		
Local Purchase on DHS Tenders	920,317	920,317
DHS Turnover Tax & Custom Duty	51,927,472	51,927,472
Purchase Clearing - DHS	158,744,103	158,744,104
Department of Health Services	27,643,226,264	16,787,391,787
Total	27,854,818,156	16,998,983,680

NOTES TO THE FINANCIAL STATEMENTS

21.1 DEBTORS ANALYSIS - Cont.

As at 31st December	2019	2018
	Rs.	Rs.
TRADE DEBTORS		
Distributors	314,818,095	278,270,640
Sales Representatives	1,600	49,685
Private Sector Organizations	51,928,955	33,295,743
Forces	691,767,451	212,104,145
Franchise Osusalas	38,356,750	38,927,628
Authorized retailer	2,864,076	2,178,133
Hospitals- Government	172,144,175	241,805,728
Hospitals- Private	13,438,310	11,730,128
Government Dept. & Corporations	27,230,489	30,414,261
Disputed Debtors - Government Sector	17,281,189	17,923,301
Disputed Debtors - Private Sector	1,584,144	1,720,952
Debtors under litigation	10,440,050	10,440,050
Total	1,341,855,283	878,860,394
STAFF LOANS		
Staff Loan	100,514,406	99,536,632
Total	100,514,406	99,536,632
OTHER STAFF ADVANCES		
Cycle Loans	11,880	19,831
Festival Advance	1,154,770	979,270
Total	1,166,650	999,101
DEPOSITS AND ADVANCES		
Advance Payments to Suppliers	103,959,206	1,237,753
General Advance	1,444,433	1,060,464
Total	105,403,639	2,298,217
OTHER RECEIVABLES & RECOVERABLE		
Sundry Debtors	8,368,526	8,077,511
E Channeling control A/c	25,556	25,556
Insurance Claim Receivables	1,862,093	2,279,937
Claim receivable from supplier	33,303,553	43,441,023
Total	43,559,728	53,824,027
TOTAL DEBTORS AND OTHER RECEIVABLES	29,447,317,864	18,034,502,052

NOTES TO THE FINANCIAL STATEMENTS

21.2 DEBTORS ANALYSIS - Cont.

Age Analysis -DHS

(Rs.Million)

	Over 5 Years	4 to 5 Years	3 to 4 Years	2 to 3 Years	1 to 2 Years	Less Than 1 Year	Total
DHS - Outstanding	2,575	595	1,036	596	2,686	19,067	26,555
Deductions -Claim from Suppliers	706	3	61	2	27	281	1,088
Import, Local & Custom duty	211	-	-	-	-	-	211
	3,492	598	1,097	598	2,713	19,348	27,854

Age Analysis -SPC

	OVER 5 YEARS	1 TO 5 YEARS	184 - 365 Days	93 - 184 Days	32 - 92 Days	0 - 31 Days	Grand Total
Trade Debtors	12.7	29.8	79.6	369.4	414.7	435.3	1,341.8

NOTES TO THE FINANCIAL STATEMENTS

22 PREPAYMENTS

As at 31st December	2019 Rs.	2018 Rs.
Pre- Payments	17,860,829	26,282,202
Employee Security Investments	441,636	441,636
Deposits - Postal Franking Machine	562,842	555,337
Pre paid Staff Expenses	7,809,528	7,932,673
Advance Payments to Port Authority	1,545,446	1,637,576
Miscellaneous Deposits	13,974,567	12,521,567
Container Deposits - SPC	1,720,840	1,628,840
Container Deposits - DHS	10,015,467	10,219,615
Total	53,931,154	61,219,447

23 CASH AND CASH EQUIVALENTS

As at 31st December		2019 Rs.	2018 Rs.
People's Bank	A/C 90210892	619,136,479	535,951,788
Commercial Bank	A/C -10263	-	11,249
Bank of Ceylon	A/C -1438	363,397,711	405,633,890
Bank of Ceylon	A/C -1425	16,780,435	-
Bank of Ceylon	A/C -70556680	16,577,804	5,875,491
Bank of Ceylon	A/C -84740710	2,388,894	-
Standard Chartered Bank	A/C 1171968 01	8,058,975	7,871,330
Commercial bank	A/C -50401	55,007	55,007
Sampath Sanhida	A/C 10218	803,850	785,168
Investments			
Treasury Bill - Credit Insurance Scheme		59,775,544	50,319,838
Treasury Bill - Supplier Convention		26,497,356	14,035,112
Petty Cash Impress - Control		751,450	645,825
Total		1,114,223,505	1,021,184,699

24 EMPLOYEE RETIREMENT GRATUITY

As at 31st December	2019 Rs.	2018 Rs.
Gratuity opening balance	221,192,102	232,516,523
Interest Cost	25,437,092	25,576,818
Current Service Cost	17,786,432	15,195,027
Actuarial Gain /Loss (Note 24.3)	1,926,328	(30,453,273)
Benefit paid/ payables during the year	(11,389,235)	(21,642,992)
Total	254,952,718	221,192,102

An actuarial valuation was carried out by Mr. M. Poopalanathan, AIA, of Messrs.' Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries as at 31st December 2019.

NOTES TO THE FINANCIAL STATEMENTS

24.1 The principal actuarial valuation assumptions used are as follows:

As at 31st December	2019	2018
Discount %	10.5% p.a.	11.5% p.a.
Future salary increase %	5% p.a.	5% p.a.
Allowance increase %	10% p.a.	10% p.a.
Retiring age	60 Years	60 Years
Staff Turnover Factor	2%	2%

24.2 Sensitivity Analysis

A one percentage change in the assumptions would have the following

As at 31 December	Present Value of Defined Benefit Obligation	Present Value of Defined Benefit Obligation
	2019	2018
Discount Rate:		
1% Increase	234,589,854	204,207,918
1% Decrease	278,555,604	240,761,378
Salary Escalation Rate (Including Allowances):		
1% Increase	278,727,847	241,088,328
1% Decrease	234,113,779	203,669,811

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

As at 31st December	2019 Rs.	2018 Rs.
Current service cost	17,786,432	15,195,027
Interest charges for the year	25,437,092	25,576,818
Actuarial gain/loss charged	-	-
Gratuity include in the staff cost	43,223,524	40,771,844
Actuarial gain/loss - OCI	1,926,328	(30,453,273)
Total	45,149,851	10,318,571

25 DEFERRED TAX ASSETS/ LIABILITIES

	Balance 1st January 2019	Recognised in profit & loss	Balance 31st December 2019	Balance 1st January 2018	Recognised in profit & loss	Balance 31st December 2018
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
On Property plant & equipment	112,050,280	7,954,939	120,005,219	97,239,557	14,810,723	112,050,280
Deferred tax liability	112,050,280	7,954,939	120,005,219	97,239,557	14,810,723	112,050,280
On Retirement benefit obligation	(61,933,789)	(9,452,972)	(71,386,761)	(65,104,627)	3,170,838	(61,933,789)
Provision for disputed items	-	(80,674,717)	(80,674,717)	-	-	-
Deferred tax Assets	(61,933,789)	(90,127,689)	(152,061,478)	(65,104,627)	3,170,838	(61,933,789)
Net Deferred Tax Assets/ Liability	50,116,492	(82,172,751)	(32,056,259)	32,134,930	17,981,562	50,116,492

Deferred income tax is provided using a principal tax rate of 28% (for the year 2018 – 28%).

NOTES TO THE FINANCIAL STATEMENTS

26 TRADE AND OTHER PAYABLES

As at 31st December	2019	2018
	Rs.	Rs.
Accrued charges & provision	330,352,339	336,253,850
Creditors control	2,930,167,563	2,983,839,668
Special order advance	21,134,366	982,510
Customer advance	650,548	-
Security deposits	597,319	568,319
Salaries control	622,158	1,934,192
Bank bills payable - SPC	272,754,133	198,627,788
Bank bills payable - DHS	12,644,169,738	6,796,871,711
Interest on cash security deposits	60,840	42,537
Tender deposits	2,513,940	1,229,405
Loans & other recoveries (staff)	11,748,273	12,614,521
Gratuity payable	76,247	76,247
P.A.Y.E	68,612	404,822
Seva Vanitha	102,280	17,280
Welfare fund	521,415	690,187
Cash Deposit in lieu of Bank Guaranty	8,175,939	17,143,424
Agency commission	31,695,947	53,400,758
Value added tax	38,327,495	19,199,275
Total	16,293,739,152	10,423,896,495

27 CURRENT FINANCIAL LIABILITIES

As at 31st December		2019	2018
		Rs.	Rs.
Bank of Ceylon	A/C -1435	2,593,473,379	559,637,026
Bank of Ceylon	A/C -1425	-	178,229,948
People's bank	A/C -90210929	3,695,362,675	1,895,543,511
Commercial bank	A/C -150701	21,879,612	5,622,333
Total		6,310,715,665	2,639,032,817

NOTES TO THE FINANCIAL STATEMENTS
28 OSUSALA INCOME

For the year ended 31st December 2019	OSU SALA TRADING Col.04		OSU SALA TRADING Col.01		OSU SALA TRADING KANDY		OSU SALA TRADING NUGEGODA		OSU SALA TRADING AVISS		OSU SALA TRADING RATNAPURA		OSU SALA TRADING MINU.		OSU SALA TRADING PANADURA		OSU SALA TRADING GALLE		OSU SALA TRADING MATARA		OSU SALA TRADING KURINEGALA	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sales	1,278,509,046	595,321,525	215,211,521	286,360,151	145,842,957	85,474,885	97,917,593	50,734,376	137,014,032	114,547,610	93,323,329	178,970,821										
Cost of Sales (Note 28.1)	1,065,195,148	501,234,054	179,714,896	242,552,999	115,675,097	68,805,519	78,444,723	39,893,331	111,121,830	93,391,938	76,543,371	145,656,621										
Gross Profit on Sales & Transfers	213,313,897	94,087,471	35,496,626	43,807,151	30,167,861	16,669,366	19,472,870	10,841,045	25,892,203	21,155,673	16,779,958	33,314,201										
ADMINISTRATIVE EXPENSES (Note 28.2)																						
Personnel Expenses	71,640,506	16,857,753	14,095,319	25,553,921	15,810,080	10,930,093	13,753,544	7,439,403	13,424,705	17,828,379	14,838,523	14,187,841										
Travelling Expenses	10,743	13,159	39,318	25,524	690	31,987	21,270	29,170	24,910	6,677	17,350	3,070										
Supplies & Requisites	933,398	291,337	191,541	408,429	190,033	117,414	343,921	247,811	267,199	131,601	156,793	305,005										
Repairs & Maintenance	1,480,803	246,497	42,573	79,356	162,075	73,610	220,333	29,824	141,285	155,691	310,248	128,325										
Transportation, Communication, Utilities & Other	14,446,438	4,135,738	2,501,593	4,479,408	3,651,386	2,706,355	3,232,413	2,314,341	3,095,843	3,195,350	3,561,886	4,775,161										
OTHER OPERATING EXPENSES (Note 28.3)																						
Selling & Distribution Expenses	1,286,521	320,971	662,583	1,785,530	687,307	313,823	661,759	225,986	385,129	450,804	540,536	428,416										
TOTAL OVERHEADS	89,798,409	21,865,455	17,532,927	32,332,168	20,501,571	14,173,283	18,233,240	10,286,535	17,339,071	21,768,502	19,425,336	19,827,819										
NET PROFIT/(LOSS)	123,515,488	72,222,017	17,963,698	11,474,983	9,666,290	2,496,083	1,239,630	554,511	8,553,131	(612,829)	(2,645,379)	13,486,382										
28.1 COST OF SALES																						
Stock in Trade - at the beginning of the year	110,373,561	65,963,748	42,164,085	56,933,045	32,664,143	14,042,750	19,540,610	11,835,906	28,202,924	18,245,011	17,782,396	40,920,067										
Local purchases	803,667,371	398,854,637	106,554,494	134,027,716	58,933,169	16,807,517	29,657,714	10,435,836	57,862,082	35,435,252	28,409,273	62,440,952										
Transfers	313,887,262	105,902,071	69,110,172	122,278,209	67,148,302	51,797,318	55,097,085	29,447,447	61,508,052	60,724,581	47,273,587	103,276,822										
STOCKS AVAILABLE FOR SALE	1,227,928,194	570,720,456	217,828,752	313,238,970	158,745,614	82,647,585	104,295,409	51,719,189	147,573,058	114,404,845	93,465,257	206,637,841										
Stock in trade at year end (Note 28.4)	162,733,045	69,486,402	38,113,856	70,685,971	43,070,517	13,842,066	25,850,686	11,825,858	36,451,228	21,012,907	16,921,886	60,981,221										
COST OF SALES & TRANSFERS	1,065,195,148	501,234,054	179,714,896	242,552,999	115,675,097	68,805,519	78,444,723	39,893,331	111,121,830	93,391,938	76,543,371	145,656,621										

NOTES TO THE FINANCIAL STATEMENTS

28 OSUSALA INCOME

For the year ended 31st December 2019	OSU SALA		OSU SALA		OSU SALA		OSU SALA		OSU SALA		OSU SALA		OSU SALA		OSU SALA		OSU SALA		OSU SALA			
	AMPARA	HAMBANTOTA	APIRA	MAHARAGAMA	J. PURA	KARAPITTA	NEGOMBO	BADULLA-CWE	DIYATHALAWA	JAFNA	POLONNARIWA	RATMALANA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	OSU SALA	
	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Sales	113,775,891	61,116,656	121,945,175	119,833,335	225,633,977	112,457,643	105,175,353	100,978,575	25,547,390	63,117,847	110,556,376	10,948,527										
Cost of Sales (Note 28.1)	97,624,455	51,424,813	100,086,963	98,107,775	185,558,047	94,072,603	85,256,835	82,841,610	20,622,789	53,235,120	92,122,907	8,693,192										
Gross Profit on Sales & Transfers	16,151,436	9,691,843	21,858,212	21,725,561	40,075,930	18,385,040	19,918,518	18,136,965	4,924,601	9,882,727	18,433,469	2,255,336										
ADMINISTRATIVE EXPENSES (Note 28.2)																						
Personnel Expenses	6,423,125	6,872,260	9,630,882	13,031,803	29,130,705	13,222,129	9,829,373	10,544,172	4,555,936	7,360,926	8,990,578	2,930,434										
Travelling Expenses	2,971	3,690	1,100	484	1,400	7,370	1,330	10,564	1,018	32,155	3,300	6,815										
Supplies & Requisites	145,832	124,024	119,426	172,770	339,751	120,380	186,399	164,767	83,379	188,421	232,270	10,357										
Repairs & Maintenance	101,639	140,075	86,138	187,065	170,856	326,253	123,456	191,741	29,950	24,477	211,808	68										
Transportation, Communication, Utilities & Other	2,405,548	2,147,900	3,179,683	3,461,064	4,896,898	4,016,142	3,141,350	2,537,267	380,122	1,605,673	2,783,265	251,504										
OTHER OPERATING EXPENSES (Note 28.3)																						
Selling & Distribution Expenses	171,774	145,831	339,496	280,074	1,349,037	239,202	244,535	446,299	98,377	103,511	237,800	96,983										
TOTAL OVERHEADS	9,250,889	9,433,780	13,356,725	17,133,259	35,888,646	17,931,477	13,526,443	13,894,810	5,148,782	9,315,162	12,459,021	3,296,161										
NET PROFIT/(LOSS)	6,900,547	258,062	8,501,487	4,592,301	4,187,283	453,562	6,392,075	4,242,156	(224,181)	567,565	5,974,448	(1,040,825)										
28.1 COST OF SALES																						
Stock in Trade - at the beginning of the year	15,307,384	15,638,008	22,461,250	26,408,513	29,518,109	29,417,075	11,584,301	21,425,623	4,876,470	16,719,243	22,182,177	2,185,188										
Local purchases	15,335,027	21,664,290	35,211,071	47,487,005	111,739,619	35,418,033	37,070,330	29,570,105	4,874,817	22,427,712	21,510,509	1,017,284										
Transfers	90,054,176	34,453,805	70,382,073	58,145,536	93,131,428	61,563,945	50,964,045	54,604,946	16,581,338	36,211,711	73,253,140	7,343,773										
STOCK AVAILABLE FOR SALE	120,696,587	71,756,102	128,054,395	132,041,054	234,389,157	126,399,053	99,618,676	105,600,674	26,332,625	75,558,665	116,945,826	10,546,244										
Stock In trade at year end (Note 28.4)	23,072,132	20,331,289	27,967,432	33,933,279	48,831,109	32,326,450	14,361,841	22,759,063	5,709,835	22,123,546	24,822,919	1,853,052										
COST OF SALES & TRANSFERS	97,624,455	51,424,813	100,086,963	98,107,775	185,558,047	94,072,603	85,256,835	82,841,610	20,622,789	53,235,120	92,122,907	8,693,192										

NOTES TO THE FINANCIAL STATEMENTS

28 OSUSALA INCOME

For the year ended 31st December 2019	OSU SALA		OSU SALA		OSU SALA		OSU SALA		OSU SALA		OSU SALA		OSU SALA		OSU SALA		OSU SALA		OSU SALA	
	TANGALLE	RAGAMA	BANDARAGAMA	FORT	BORELLA	ENBILIPITIVA	KDY-RAILWAY	GAMPAHA	NAGODA	BERUWALA	PILIVANDALA	NINTHAVUR	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING	TRADING
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sales	117,819,723	108,281,970	53,962,821	56,909,386	60,973,747	39,484,584	57,615,947	79,236,078	61,808,534	49,683,523	44,591,184	22,391,034								
Cost of Sales (Note 28.1)	99,978,123	90,632,683	42,547,300	45,949,823	50,573,107	31,146,347	48,512,514	65,645,775	52,517,239	40,749,952	35,439,703	18,192,929								
Gross Profit on Sales & Transfers	17,841,600	17,649,287	11,415,521	10,959,564	10,400,641	8,338,236	9,103,433	13,590,303	9,291,295	8,933,571	9,151,481	4,198,105								
ADMINISTRATIVE EXPENSES (Note 28.2)																				
Personnel Expenses	7,820,555	9,518,409	7,337,659	6,546,782	6,373,130	6,964,447	6,844,047	9,376,899	6,950,483	6,451,545	7,459,038	4,436,708								
Travelling Expenses	8,187	31,670	8,095	9,218	8,865	4,178	3,200	34,564	16,200	3,380	2,280	3,119								
Supplies & Requisites	35,168	139,174	177,907	68,407	117,390	123,695	34,233	156,311	90,297	141,967	176,084	52,804								
Repairs & Maintenance	129,785	169,878	52,581	192,349	29,261	34,874	47,624	68,409	61,500	18,436	131,022	15,083								
Transportation, Communication, Utilities & Other	2,451,348	2,760,192	1,269,940	2,541,362	1,689,868	2,139,762	2,232,434	3,391,413	2,531,411	2,708,609	3,494,316	1,958,729								
OTHER OPERATING EXPENSES (Note 28.3)																				
Selling & Distribution Expenses	378,004	272,522	127,881	223,586	121,936	317,747	378,135	516,277	172,735	203,417	226,087	440,796								
TOTAL OVERHEADS	10,823,047	12,891,846	8,974,062	9,581,703	8,340,450	9,584,704	9,539,673	13,543,874	9,822,626	9,527,354	11,488,827	6,907,239								
NET PROFIT/(LOSS)	7,018,553	4,757,441	2,441,459	1,377,860	2,060,191	(1,246,467)	(436,240)	46,429	(531,331)	(593,783)	(2,337,346)	(2,709,134)								
28.1 COST OF SALES																				
Stock in Trade - at the beginning of the year	17,029,480	18,391,092	8,900,354	10,580,300	7,204,006	11,115,256	11,581,986	11,837,306	15,535,611	13,983,597	14,334,101	5,882,788								
Local purchases	10,538,524	28,958,761	12,836,359	13,593,864	16,134,881	10,458,147	10,995,895	19,456,976	17,503,484	12,471,945	14,532,945	2,945,573								
Transfers	108,183,732	65,506,588	32,497,449	34,234,100	34,222,867	21,415,857	35,904,770	51,480,851	40,030,078	23,904,458	26,391,353	14,735,146								
STOCK AVAILABLE FOR SALE	135,751,737	112,856,441	54,234,162	58,408,264	57,561,754	42,989,260	58,482,650	82,775,133	73,069,173	50,360,000	55,258,399	23,563,507								
Stock In trade at year end (Note 28.4)	35,773,614	22,223,758	11,686,861	12,458,442	6,988,648	11,842,913	9,970,136	17,129,358	20,551,934	9,610,047	19,818,696	5,370,578								
COST OF SALES & TRANSFERS	99,978,123	90,632,683	42,547,300	45,949,823	50,573,107	31,146,347	48,512,514	65,645,775	52,517,239	40,749,952	35,439,703	18,192,929								

NOTES TO THE FINANCIAL STATEMENTS

28 OSUSALA INCOME

For the year ended 31st December 2019	OSUSALA TRADING AKKARAIPATTU		OSUSALA TRADING MONARAGALA		OSUSALA TRADING PERADENYA		OSUSALA TRADING ANAMADUWA		OSUSALA TRADING KDU		OSUSALA TRADING DAMBULLA		OSUSALA TRADING MATALE		OSUSALA TRADING B.S.BADULLA		OSUSALA TRADING MATHUGAMA		OSUSALA TRADING STORES KANDY		OSUSALA TRADING ACTIVITIES	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sales	22,976,559	64,266,379	94,646,758	16,609,007	10,718,627	41,251,726	46,978,640	7,452,217	5,771,919	173,282,953	5,687,027,913											
Cost of Sales (Note 28.1)	19,387,758	54,617,025	78,818,834	13,315,212	8,193,447	32,972,133	38,635,887	5,796,707	4,795,262	128,476,761	4,694,771,157											
Gross Profit on Sales & Transfers	3,588,801	9,649,354	15,827,925	3,293,795	2,525,180	8,279,594	8,342,753	1,655,509	976,657	44,806,192	992,256,755											
ADMINISTRATIVE EXPENSES (Note 28.2)																						
Personnel Expenses	3,953,162	6,503,986	8,523,978	3,614,346	3,586,386	5,412,390	3,947,667	2,387,168	1,500,594	8,646,067	493,037,837											
Travelling Expenses	10,960	7,300	3,400	22,554	46,767	16,760	620	18,184	-	48,808	604,373											
Supplies & Requisites	75,888	113,517	162,085	91,307	47,238	133,430	92,071	102,524	35,918	59,806	7,699,481											
Repairs & Maintenance	22,636	8,581	13,240	78,005	17,983	10,176	19,928	31,335	31,666	53,448	5,901,946											
Transportation, Communication, Utilities & Other	2,147,268	2,385,903	2,174,911	1,900,384	490,534	2,147,500	1,852,233	921,042	549,930	3,427,187	130,068,604											
OTHER OPERATING EXPENSES (Note 28.3)																						
Selling & Distribution Expenses	162,054	180,019	83,985	60,487	36,293	142,370	174,677	71,093	61,309	109,151	15,962,842											
TOTAL OVERHEADS	6,371,968	9,199,306	10,961,599	5,767,082	4,225,202	7,862,627	6,087,195	3,531,345	2,179,417	12,344,466	653,275,083											
NET PROFIT/(LOSS)	(2,783,167)	450,048	4,866,325	(2,473,287)	(1,700,022)	416,967	2,255,558	(1,875,836)	(1,202,760)	32,461,725	338,981,672											
28.1 COST OF SALES																						
Stock in Trade - at the beginning of the year	7,406,475	16,781,072	13,761,039	-	-	-	-	-	-	19,552,045	880,268,093											
Local purchases	6,598,158	14,504,176	25,211,873	7,288,317	6,270,172	29,021,314	17,514,954	6,496,940	4,416,601	-	2,414,161,675											
Transfers	14,612,444	43,781,891	58,059,728	15,726,880	8,512,215	51,428,443	36,829,944	10,205,439	9,685,526	130,573,198	2,602,063,781											
STOCK AVAILABLE FOR SALE	28,617,077	75,067,138	97,032,640	23,015,197	14,782,387	80,449,756	54,344,898	16,702,379	14,102,127	150,125,243	5,896,493,548											
Stock In trade at year end (Note 28.4)	9,229,320	20,450,113	18,213,806	9,699,985	6,588,939	47,477,624	15,709,011	10,905,672	9,306,865	21,648,481	1,201,722,391											
COST OF SALES & TRANSFERS	19,387,758	54,617,025	78,818,834	13,315,212	8,193,447	32,972,133	38,635,887	5,796,707	4,795,262	128,476,761	4,694,771,157											

NOTES TO THE FINANCIAL STATEMENTS
28.2 OSUSALA - OVERHEADS

	OSUSALA TRADING		OSUSALA TRADING		OSUSALA TRADING		OSUSALA TRADING		OSUSALA TRADING		OSUSALA TRADING		OSUSALA TRADING		OSUSALA TRADING		OSUSALA TRADING		OSUSALA TRADING					
	Cat.07		Cat.04		Cat.01		KANDY		NUGEGODA		AVISSAWELLA		RATNAPURA		MINIWANGODA		PANADURA		GALLE		MATARA		KIRINNEGALA	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
A. ADMINISTRATIVE Ex																								
PERSONNEL EMOLUMENTS																								
Salaries, Wages & Allowances.	47,811,099	11,253,442	9,856,245	16,912,752	10,619,442	7,423,544	9,813,819	5,156,434	9,433,319	12,545,728	10,384,264	9,848,005												
Overtime.	5,072,735	1,146,723	517,394	1,517,930	1,263,266	491,172	620,666	436,781	715,047	473,149	403,537	816,910												
Uniforms.	489,266	99,298	96,572	150,557	113,760	68,052	92,108	51,408	82,518	116,705	104,231	94,395												
Insurance for staff	459,389	273,756	110,987	536,531	163,730	77,982	148,564	98,068	19,018	318,763	211,968	31,791												
Provident fund (E.P.F & E.T.F)	5,723,431	1,348,891	1,192,176	2,028,819	1,270,356	870,629	1,159,787	575,767	1,102,511	1,446,640	1,236,414	1,140,304												
Annual bonus	793,778	193,571	151,543	256,500	171,722	108,000	121,500	67,500	121,500	175,500	148,500	146,951												
Annual per inc. bonus.	9,618,702	2,152,105	1,873,155	3,071,250	1,903,004	1,315,421	1,540,559	871,764	1,501,333	2,231,476	1,839,339	1,748,238												
Housing loan interest	212,156	56,966	44,347	556,232	-	271,461	19,623	37,081	142,710	93,368	193,471	48,348												
Attendance bonus	1,459,950	333,000	252,900	523,550	304,800	233,250	307,500	144,600	306,750	427,050	316,800	312,900												
Total	71,640,506	16,857,753	14,095,319	25,553,921	15,810,080	10,930,093	13,753,544	7,439,403	13,424,705	17,828,379	14,838,523	14,187,841												
TRAVELLING EXPENSES																								
Local travelling expenses	10,743	13,159	39,318	25,524	690	31,987	21,270	29,170	24,910	6,677	17,350	3,070												
Total	10,743	13,159	39,318	25,524	690	31,987	21,270	29,170	24,910	6,677	17,350	3,070												
SUPPLIES & REQUISITES																								
Printing & stationery.	933,398	291,337	191,541	408,429	190,033	117,414	343,921	247,811	267,199	131,601	156,793	305,005												
Total	933,398	291,337	191,541	408,429	190,033	117,414	343,921	247,811	267,199	131,601	156,793	305,005												
REPAIRS & MAINTENANCE																								
Buildings.	962,692	115,501	1,431	25,449	84,510	7,891	84,219	7,129	26,650	51,876	64,417	37,474												
Furniture, fittings & equipment	518,111	130,496	41,142	53,407	77,565	64,969	136,114	22,695	113,635	74,875	243,092	85,601												
Computer	-	500	-	500	-	750	-	-	1,000	28,940	2,740	5,250												
Total	1,480,803	246,497	42,573	79,356	162,075	73,610	220,333	29,824	141,285	155,691	310,248	128,325												
TRANSPORTATION, COMMUNICATION UTILITIES & OTHER SERVICES																								
Rent/Amortization of FROU Assets	-	-	-	337,818	-	447,458	184,986	401,775	1,134,000	780,000	1,096,776	1,602,770												
Lease rent amortization	-	-	-	-	296,468	-	-	-	-	-	-	-												
Rates & taxes.	292,644	152,460	138,600	73,102	-	-	9,410	3,510	3,000	21,894	15,900	-												
Water bills	166,956	78,396	22,383	57,999	22,383	15,915	90,523	3,770	17,685	36,811	33,573	80,210												
Electricity.	3,456,672	863,068	450,000	692,127	939,776	509,944	1,164,208	367,863	691,145	744,180	530,829	848,811												
Postage, Telegrams & Telephones.	190,673	66,629	55,092	50,875	55,509	31,524	58,319	27,866	31,508	39,037	58,691	55,594												
Depreciation	3,201,244	782,124	597,018	649,542	1,050,694	786,428	542,865	177,807	219,075	311,047	406,948	459,452												
Amortisation- Computer Software	-	-	-	-	-	-	-	-	-	-	-	-												
Trade subscriptions, Periodicals	-	-	-	-	-	-	-	-	-	-	-	-												
& Publications.	81,520	14,010	-	18,300	20,640	17,880	17,880	11,670	17,730	17,520	16,920	18,720												
Security services.	3,327,866	1,314,579	388,752	1,196,387	377,776	360,643	347,707	952,301	388,698	347,707	584,479	848,703												
License fees for drugs.	23,818	22,425	25,221	22,425	21,362	23,409	23,818	23,328	23,818	23,902	24,241	23,902												
Sundry expenses.	13,161	3,545	43,025	2,825	370	2,155	5,134	619	800	12,211	1,653	15,789												
Staff welfare.	2,817,462	645,710	586,911	1,093,008	674,319	391,059	637,564	272,723	418,384	667,673	630,133	645,945												
Staff medical expenses.	874,423	192,791	194,590	285,000	192,089	120,000	150,000	71,109	150,000	193,368	161,743	175,266												
Total	14,446,438	4,135,738	2,501,593	4,479,408	3,651,386	2,706,355	3,232,413	2,314,341	3,095,843	3,195,350	3,561,886	4,775,161												
TOTAL ADMINISTRATIVE COST	88,511,888	21,544,484	16,870,344	30,546,638	19,814,264	13,859,460	17,571,481	10,060,549	16,953,942	21,317,698	18,884,801	19,399,403												

28.2 NOTES TO THE FINANCIAL STATEMENTS
OSUSALA - OVERHEADS

For the year ended 31st December 2019	OSUSALA AMPARA		OSUSALA APURA		OSUSALA MAHARAGAMA		OSUSALA JUPIRA		OSUSALA KARAPITIYA		OSUSALA NEGOMBO		OSUSALA BADULLACWEE		OSUSALA DIVATHALAWA		OSUSALA JAFENA		OSUSALA POLONNARIWA		SATHOSA		
	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING
A. ADMINISTRATIVE COST																							
PERSONNEL EMOLUMENTS																							
Salaries, Wages & Allowances.	4,210,323	4,567,753	6,028,774	9,129,617	19,101,503	9,034,074	6,647,134	7,046,763	3,007,892	5,067,958	6,200,494	2,155,539											
Overtime.	693,962	655,741	1,093,486	609,830	2,205,261	628,023	900,169	772,595	361,297	414,923	628,546	49,312											
Uniforms.	48,736	48,286	57,340	81,523	197,439	87,092	56,708	76,119	31,833	49,145	66,842	20,580											
Insurance for staff	-	66,328	100,000	133,224	315,679	343,915	311,114	38,809	7,173	90,000	24,848	50,880											
Provident fund (E.P.F & E.T.F)	500,967	569,737	730,162	1,068,399	2,290,501	1,055,449	316,113	815,027	366,399	582,520	728,986	254,572											
Annual bonus	67,500	67,500	94,500	133,174	306,450	125,539	94,500	108,000	46,143	81,000	86,367	25,650											
Annual per inc. bonus.	749,837	786,514	1,058,226	1,592,418	3,515,735	1,670,595	1,151,086	1,130,603	614,147	924,029	1,070,846	328,001											
Housing loan interest	-	-	249,094	9,267	631,887	45,692	-	307,856	-	-	-	-											
Attendance bonus	151,800	110,400	219,300	274,350	566,250	231,750	212,550	248,400	121,050	151,350	183,650	45,900											
Total	6,423,125	6,872,260	9,630,882	13,031,803	29,130,705	13,222,129	9,829,373	10,544,172	4,555,936	7,360,926	8,990,578	2,930,434											
TRAVELLING EXPENSES																							
Local travelling expenses	2,971	3,690	1,100	484	1,400	7,370	1,330	10,564	1,018	32,155	3,300	6,815											
Total	2,971	3,690	1,100	484	1,400	7,370	1,330	10,564	1,018	32,155	3,300	6,815											
SUPPLIES & REQUISITES																							
Printing & stationery.	145,832	124,024	119,426	172,770	339,751	120,380	186,399	164,767	83,379	188,421	232,270	10,357											
Total	145,832	124,024	119,426	172,770	339,751	120,380	186,399	164,767	83,379	188,421	232,270	10,357											
REPAIRS & MAINTENANCE																							
Buildings.	5,901	8,175	19,508	100,119	1,585	34,215	3,400	155,100	10,650	22,697	16,511	68											
Furniture, fittings & equipment	53,238	131,900	65,630	55,081	139,271	263,420	82,556	36,641	19,300	1,780	192,822	-											
Computer	42,500	-	1,000	31,865	30,000	28,618	37,500	-	-	-	2,475	-											
Total	101,639	140,075	86,138	187,065	170,856	326,253	123,456	191,741	29,950	24,477	211,808	68											
TRANSPORTATION, COMMUNICATION, UTILITIES & OTHER SERVICES																							
Rent/Amortization of ROU Assets	-	641,449	777,399	1,513,500	1,020,000	1,419,643	1,169,005	-	-	-	-	-											
Lease rent amortization	-	-	-	-	-	-	-	209,091	-	-	-	-											
Rates & taxes.	3,000	32,216	3,546	-	-	13,703	6,902	11,148	5,885	6,365	-	-											
Water bills	22,260	14,652	14,657	20,801	-	22,796	16,776	19,380	3,641	-	19,433	-											
Electricity.	749,869	395,854	495,892	549,086	790,469	794,647	613,523	430,020	44,092	-	648,792	-											
Postage, Telegrams & Telephones.	63,578	42,228	60,655	41,846	40,140	72,988	55,144	69,006	22,372	39,332	53,758	10,227											
Depreciation	857,963	193,707	863,609	329,704	557,932	565,237	381,230	673,996	37,300	232,598	701,197	100,340											
Amortisation- Computer Software	-	-	-	-	-	-	-	-	-	-	-	-											
Trade subscriptions, Periodicals & Publications.	-	8,190	4,500	17,580	26,920	16,080	8,670	-	-	20,730	-	-											
Security services.	344,165	350,053	347,442	383,884	948,522	360,825	303,199	496,052	-	848,703	848,703	-											
License fees for drugs.	22,425	23,902	26,875	22,395	23,409	23,795	23,844	23,409	30,852	23,643	23,409	23,902											
Sundry expenses.	3,394	5,515	1,075	1,388	1,690	3,219	-	2,000	2,520	5,675	2,201	-											
Staff welfare.	263,894	365,134	479,034	410,973	1,132,239	584,458	462,557	483,165	152,210	338,627	380,772	87,036											
Staff medical expenses.	75,000	75,000	105,000	169,906	355,576	138,750	100,500	120,000	81,250	90,000	105,000	30,000											
Total	2,405,548	2,147,900	3,179,683	3,461,064	4,896,898	4,016,142	3,141,350	2,537,267	380,122	1,605,673	2,783,265	251,504											
TOTAL ADMINISTRATIVE COST	9,079,114	9,287,949	13,017,229	16,853,186	34,539,610	17,692,275	13,281,908	13,448,511	5,050,405	9,211,652	12,221,221	3,199,178											

28.2 NOTES TO THE FINANCIAL STATEMENTS
OSUSALA - OVERHEADS

For the year ended 31st December 2019	OSU SALA TAGALLE TRADING		OSU SALA RAGAMA TRADING		OSU SALA BANDARAGAMA TRADING		OSU SALA FORT TRADING		OSU SALA BORELLA TRADING		OSU SALA EMBILIPITIYA TRADING		OSU SALA KODI-RAILWAY TRADING		OSU SALA GAMPAHA TRADING		OSU SALA NAGODA TRADING		OSU SALA BERUWALA TRADING		OSU SALA PILIYANDALA TRADING		OSU SALA NINTHAVUR TRADING			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
A. ADMINISTRATIVE COST																										
PERSONNEL EMOLUMENTS																										
Salaries, Wages & Allowances.	5,317,354	6,428,997	5,035,307	4,572,965	4,553,747	4,877,720	4,354,646	6,428,821	4,745,572	4,195,750	5,253,097	3,033,435														
Overtime.	360,311	672,819	468,694	263,147	268,408	312,944	730,095	592,510	515,331	715,592	410,636	340,641														
Uniforms.	45,373	64,167	45,995	40,546	40,173	44,664	46,223	61,014	41,924	43,514	40,926	22,152														
Insurance for staff	163,432	269,999	162,911	18,699	14,638	145,259	116,533	90,000	39,529	12,851	90,577	-														
Provident fund (E.P.F & E.T.F)	617,928	744,024	539,711	531,049	511,147	559,148	507,625	714,406	528,623	513,867	597,601	306,707														
Annual bonus	81,000	94,500	67,500	67,680	67,500	67,500	67,500	67,500	67,500	67,500	67,500	44,539														
Annual per inc. bonus.	967,085	970,642	837,502	939,297	790,616	812,972	796,464	1,025,632	838,413	748,871	834,601	606,033														
Housing loan interest	118,672	69,410	15,939	-	-	32,640	67,611	198,266	7,392	-	-	-														
Attendance bonus	149,400	203,850	164,100	113,400	126,900	111,600	157,350	185,250	166,200	153,600	158,700	83,200														
Total	7,820,555	9,518,409	7,337,659	6,546,782	6,373,130	6,964,447	6,844,047	9,376,899	6,950,483	6,451,545	7,459,038	4,436,708														
TRAVELLING EXPENSES																										
Local travelling expenses	8,187	31,670	8,095	9,218	8,865	4,178	3,200	34,564	16,200	3,380	2,280	3,119														
Total	8,187	31,670	8,095	9,218	8,865	4,178	3,200	34,564	16,200	3,380	2,280	3,119														
SUPPLIES & REQUISITES																										
Printing & stationery.	35,168	139,174	177,907	68,407	117,390	123,695	34,233	34,233	156,311	90,297	176,084	52,804														
Total	35,168	139,174	177,907	68,407	117,390	123,695	34,233	34,233	156,311	90,297	176,084	52,804														
REPAIRS & MAINTENANCE																										
Buildings.	24,146	15,005	10,380	80,629	3,179	6,245	17,494	30,931	15,611	4,356	22,058	6,283														
Furniture, fittings & equipment	63,139	154,873	41,200	111,719	25,332	28,629	30,130	37,278	45,489	13,680	108,964	8,800														
Computer	42,500	-	1,000	-	750	-	-	200	400	400	-	-														
Total	129,785	169,878	52,581	192,349	29,261	34,874	47,624	68,409	61,500	18,436	131,022	15,083														
TRANSPORTATION, COMMUNICATION, UTILITIES & OTHER SERVICES																										
Rent/Amortization of ROU Assets	-	411,654	-	881,280	-	750,077	279,482	1,166,241	642,878	828,139	1,230,560	555,212														
Lense rent amortization	-	-	-	-	-	-	-	-	-	-	-	-														
Rates & taxes.	2,835	-	3,000	-	-	3,000	6,143	4,000	-	2,581	-	-														
Water bills	14,716	14,797	19,591	7,223	21,124	16,498	16,498	20,534	11,987	27,218	13,607	13,607														
Electricity.	663,405	479,737	254,756	326,230	-	243,624	282,975	427,891	348,075	274,658	496,350	323,328														
Postage, Telegrams & Telephones.	57,595	30,995	46,584	25,721	17,410	56,699	30,460	36,049	44,929	23,081	49,821	37,912														
Depreciation	882,706	315,054	182,517	404,279	422,406	255,041	849,574	630,850	705,058	907,799	850,836	462,545														
Amortisation- Computer Software	-	-	-	-	-	-	-	-	-	-	-	-														
Trade subscriptions, Periodicals & Publications.	8,790	15,090	8,190	7,320	10,110	210	9,660	-	-	-	-	-														
Security services.	351,139	948,522	374,942	381,698	901,174	350,030	343,846	661,363	391,395	361,839	389,399	343,076														
License fees for drugs.	25,016	23,818	23,844	23,902	23,902	23,360	22,425	23,818	23,844	20,231	26,169	19,737														
Sundry expenses.	3,100	1,365	1,232	3,765	-	1,755	2,775	2,960	1,097	2,000	4,850	2,640														
Staff welfare.	355,501	414,746	280,284	387,444	239,866	359,918	313,957	354,633	268,600	201,295	344,146	151,964														
Staff medical expenses.	86,545	104,414	75,000	92,500	75,000	74,924	74,640	83,608	75,000	75,000	74,967	48,709														
Total	2,451,348	2,760,192	1,269,940	2,541,362	1,689,868	2,139,762	2,232,434	3,391,413	2,531,411	2,708,609	3,494,316	1,958,729														
TOTAL ADMINISTRATIVE COST	10,445,043	12,619,323	8,846,181	9,358,118	8,218,513	9,266,957	9,161,538	13,027,597	9,649,891	9,323,937	11,262,740	6,466,443														

NOTES TO THE FINANCIAL STATEMENTS
28.4 OSUSALA TRADING STOCK 2019

2018

Location	As at 31st December		Bin Balance		Stock Adj.		Trading Stock in Hand		Prov. for Damaged & Outdated Stock		Prov. for Unrealized Profit		Stock	
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.	
Colombo 07	162,733,045	(82,154)	162,815,199	139,273	3,772,169	158,903,757	114,203,916	(291,561)	111,252,881	879,320	4,816,504	105,557,057		
Colombo 04	69,486,402	(2,185)	69,488,587	23,455	2,395,664	67,069,468	68,614,205	(13,833)	66,135,879	172,131	3,701,817	62,261,931		
Colombo 01	38,113,856	(22,752)	38,136,608	288,823	1,424,178	36,423,606	43,552,858	(213,919)	42,327,571	163,486	2,137,775	40,026,310		
Kandy	70,685,971	(4,802)	70,690,773	940,258	2,846,046	66,904,469	60,075,394	(25,763)	57,567,091	634,047	3,764,064	53,168,980		
Nugegoda	43,070,517	147,035	42,923,483	197,553	1,109,395	41,616,535	34,278,881	32,766	33,008,837	344,695	1,837,833	30,826,310		
Avissawella	13,842,066	62,344	13,779,721	87,882	769,148	12,922,691	15,697,128	825,424	14,097,407	54,656	1,150,130	12,892,621		
Rathnapura	25,850,686	179,219	25,671,467	42,956	1,302,595	24,325,916	20,659,874	87,166	19,613,662	73,053	1,424,551	18,116,058		
Minuwangoda	11,825,858	12,490	11,813,368	27,797	558,780	11,226,790	12,412,989	(3,156)	11,864,837	28,930	818,907	11,016,999		
Panadura	36,451,228	14,591	36,436,637	15,201	1,485,732	34,935,705	29,658,818	(13,199)	28,220,836	17,912	2,155,563	26,047,361		
Galle	21,012,907	(23,529)	21,036,436	86,734	947,617	20,002,085	19,311,941	(37,462)	18,330,525	85,514	1,513,427	16,731,584		
Matara	16,921,886	57,904	16,863,981	22,388	771,395	16,070,199	18,798,156	61,905	17,850,741	68,344	1,315,324	16,467,073		
Kurunegala	60,981,221	42	60,981,178	67,343	2,664,167	58,249,668	42,861,833	288	40,963,182	43,115	2,819,801	38,100,265		
Ampara	23,072,132	(24,597)	23,096,729	81,209	1,419,605	21,595,915	16,467,908	15,630	15,466,039	158,655	1,464,945	13,842,439		
Hambantota	20,331,289	(19,055)	20,350,345	666	779,688	19,569,991	16,274,647	(44,582)	15,685,840	47,832	940,826	14,697,182		
Anuradhapura	27,967,432	(20,852)	27,988,283	4,726	1,532,389	26,451,169	23,876,895	(25,696)	22,494,608	33,358	2,091,397	20,369,853		
Maharagama	33,933,279	(29,375)	33,962,654	112,946	1,317,907	32,531,802	27,678,376	13,092	26,580,796	172,283	1,610,882	24,797,631		
Jayawardanapura	48,831,109	16,430	48,814,679	75,249	1,415,813	47,323,617	30,274,543	(65,807)	29,633,609	115,500	1,049,783	28,468,326		
Karapitiya	32,326,450	2,196	32,324,255	58,765	1,419,642	30,845,847	30,782,562	(31,249)	29,504,613	87,538	1,944,664	27,472,412		
Negombo	14,361,841	(46,064)	14,407,905	5,071	420,738	13,982,096	12,014,534	(55,267)	11,614,340	30,039	676,535	10,907,766		
Badulla - CWE	22,759,063	43,091	22,715,972	70,896	878,733	21,766,343	22,589,214	21,261	21,515,744	90,121	1,562,936	19,862,687		
Diyathalawa	5,709,835	-	5,709,835	16,909	321,614	5,371,312	5,208,089	-	4,944,518	68,049	391,504	4,484,965		
Jaffna	22,123,546	(154)	22,123,700	-	923,536	21,200,164	17,507,378	(82)	16,719,242	-	1,170,807	15,548,435		
Polonnaruwa	24,822,919	(952)	24,823,870	24,024	1,361,666	23,438,180	23,416,489	(8,039)	22,186,710	4,533	1,838,637	20,343,540		

NOTES TO THE FINANCIAL STATEMENTS
28.4 OSUSALA TRADING STOCK 2019

As at 31st December	Bin Balance		Stock Adj.		Trading Stock in Hand		Prov. for Damaged & Outdated Stock		Prov. for Unrealized Profit		Stock	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Ratmalana	1,853,052	-	1,853,052	32,956	108,947	1,711,149						
Tangalle	35,773,614	26,840	35,746,774	127,852	2,216,446	33,402,476						
Ragama	22,223,758	(1,268)	22,225,026	-	1,068,910	21,156,116						
Bandaragama	11,686,861	(9,401)	11,696,263	1,584	610,327	11,084,352						
Fort - Station	12,458,442	46,308	12,412,134	23,281	506,970	11,881,883						
Borella	6,988,648	(23,250)	7,011,898	21,093	256,497	6,734,308						
Embilipitiya	11,842,913	25,447	11,817,465	94,653	568,222	11,154,590						
KDY-Railway	9,970,136	17,657	9,952,480	174,068	444,276	9,334,136						
Gampaha	17,129,358	126,394	17,002,964	63,542	835,717	16,103,706						
Nagoda	20,551,934	6,423	20,545,512	30,676	974,403	19,540,433						
Beruwala	9,610,047	(1,575)	9,611,622	2,866	403,112	9,205,644						
Piliyandala	19,818,696	(28,346)	19,847,042	224,051	953,975	18,669,015						
Ninthavur	5,370,578	23,387	5,347,191	334,996	279,341	4,732,854						
Akkaraipattu	9,229,320	(10,414)	9,239,733	72,231	441,768	8,725,734						
Monaragala	20,450,113	(12,215)	20,462,328	39,922	973,570	19,448,837						
Peradeniya	18,213,806	(14,106)	18,227,913	627	815,842	17,411,444						
Anamaduva	9,699,985	16,346	9,683,639	31,758	457,468	9,194,413						
Kotalawala defence Academy	6,588,939	3,019	6,585,920	787	256,673	6,328,460						
Dambulla	47,477,624	(110,960)	47,588,583	194,864	2,046,965	45,346,755						
Matale	15,709,011	(8,343)	15,717,355	-	699,211	15,018,144						
Badulla Bus stand	10,905,672	(986)	10,906,658	10,996	525,833	10,369,829						
Mathugama	9,306,865	4,684	9,302,181	9,660	523,114	8,769,407						
Regional Stores Kandy	21,648,481	-	21,648,481	96,699	-	21,551,783						
Total	1,201,722,391	334,510	1,201,387,881	3,979,288	47,805,803	1,149,602,790						

2018

Bin Balance	Stock Adj.		Trading Stock in Hand		Prov. for Damaged & Outdated Stock		Prov. for Unrealized Profit		Stock	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2,314,461	-	2,199,570	14,383	170,657	2,014,530					
17,890,800	(1,340)	17,097,248	67,768	1,180,721	15,848,760					
19,366,915	(148)	18,413,779	22,687	1,415,994	16,975,098					
9,447,372	(11,230)	8,904,472	4,119	823,096	8,077,257					
11,106,222	32,534	10,623,800	43,500	668,256	9,912,043					
7,502,034	(38,309)	7,240,309	36,303	445,666	6,758,340					
11,842,302	27,756	11,215,319	100,063	890,083	10,225,173					
12,401,405	38,672	11,706,059	124,073	975,413	10,606,572					
12,605,585	(11,955)	12,026,041	188,734	878,604	10,958,702					
16,255,413	(67,242)	15,581,379	45,768	1,101,080	14,434,531					
14,577,404	(1,302)	13,989,668	6,072	874,948	13,108,648					
15,116,028	29,536	14,499,352	165,251	872,129	13,461,972					
6,432,790	61,776	6,037,416	154,628	495,523	5,387,265					
7,856,366	(2,143)	7,470,004	63,529	577,079	6,829,397					
17,830,541	54,672	16,808,374	27,302	1,437,102	15,343,969					
14,547,573	(8,747)	13,763,165	2,126	1,178,141	12,582,898					
-	-	-	-	-	-					
-	-	-	-	-	-					
-	-	-	-	-	-					
-	-	-	-	-	-					
-	-	-	-	-	-					
-	-	-	-	-	-					
20,482,405	9,919	20,472,486	920,441	-	19,552,045					
923,792,242	340,367	885,627,948	5,359,855	56,183,108	824,084,986					

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA NOTES TO THE FINANCIAL STATEMENTS

29. CAPITAL

There is no change in the Authorized Capital during the year ended 31st December 2019

CONTRIBUTED CAPITAL

Contributed Capital is made up by government grants amounting to Rs 59,055,258 as at 31 Dec 2019.

30. GENERAL RESERVE

General Reserve	2019	2018
Balance as at 31st December	Rs. 66,061,447/-	Rs. 66,061,447/-

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

31. LIABILITIES AND PROVISIONS

The following legal cases are pending as of 31st December 2019, 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.

31.1. Contingent liabilities

The Corporation is a defendant in eight Cases where legal actions instituted by stakeholders of entities involved, claiming 49,169,366/- with the interest for delay payment. These cases are being contested by the corporation and no provision has been made in the financial statements.

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

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

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

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

31.1.3 Mrs C K Jayawardana Vs SPC – A3631

An application was filed by former Manager (Imports) Mrs C K Jayawardana against the demotion of the applicant.

31.1.4 Consumer Affairs Authority (Galle) Vs SPC –45913

The case has been filed in the Magistrate Courts, Galle against SPC by the consumer affairs authority for a labelling issue.

31.1.5 Consumer Affairs Authority (Higurakgoda) Vs SPC – Case No. 53962

The case has been filed in the Magistrate Courts, Higurakgoda against SPC by the consumer affairs authority for a labelling issue.

31.1.6 V.V.Karunarathna and Company Vs SPC

V.V.Karunarathna and Company has initiated Arbitration against SPC to recover the withheld amount of Rs.40,651,789.00 by SPC together with the interest for the delay payment for the wharf clearance and transport services.

31.1.7 Kopran Limited India Vs SPC

The above mentioned supplier has initiated arbitration against SPC to recover the withheld amount from the supplier from ongoing other contracts signed between SPC and the Supplier.

31.1.8 Arbitration – Sathuta builders (pvt) Ltd vs SPC

Sathuta Builders (pvt) Ltd has initiated arbitration against SPC to recover Rs.8,517,577/- due to them for the construction of Stores Building – Ratmalana.

31.1.9 Court of Appeal (Writ) Application No.124/2019- Markss HCL (pvt) Ltd vs SPC & Others

The case has been filed by supplier Markss HCL pvt Ltd, Colombo 5 (bidder) against the decision of the tender board.

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA NOTES TO THE FINANCIAL STATEMENTS

31.1.10 Court of Appeal (Writ) Application No.400/2018- Markss HCL (pvt) Ltd vs SPC & Others

Case has been filed by supplier Markss HCL pvt Ltd, Colombo 5 (bidder) against the decision of the tender board.

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

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

31.2 The corporation is a plaintiff in four Cases claiming Rs 12,253,965.42 with legal interest for the damages.

31.2.1 Osusala – Negombo - Case No. L 30202

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.

31.2.2 SPC Vs Nestor Pharmaceuticals Limited, India

A case has been filed by SPC against the M/S Nestor Pharmaceuticals Limited, India for not settling the Debit Note value USD 41,896 (LKR 4,813,512/-)

31.2.3 SPC Vs Unibios Laboratories Ltd, India and Others

This case has been filed by SPC against the above-mentioned supplier for not settling the Debit Note value USD 10,604.80 (LKR 1,207,885.59) against quality failures reported in their supplies.

31.2.4 Lloyed Pharmaceuticals – Case No. 6799 M

SPC filed a case in district court Kalutara against the distributor Lloyed Pharmaceuticals to recover the outstanding dues of Rs. 2,368,958.28.

31.3 Financial Commitments

Document credit established for purchases of pharmaceuticals as at 31.12.2019 amounts to Rs.16.340 m

32. 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 to policies for managing each of these risks, which are summarized below.

Credit risk

Trade receivables

Customer credit risk is managed by each business unit.

	2019	2018
SPC	Rs. 1,341,855,283	Rs. 878,860,394
DHS	Rs. 27,854,818,156	Rs. 16,998,983,680

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

Liquidity risk

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

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019:	(Rs.)	Maturity
Interest-bearing loans and borrowings	6,310,715,665	OD – Payable on demand
Trade and other payables	16,293,739,152	Usually 03 months
Year ended 31 December 2018:	(Rs.)	Maturity
Interest-bearing loans and borrowings	2,639,032,817	OD – Payable on demand
Trade and other payables	10,423,896,494	Usually 03 months
	2019	2018
	Rs.	Rs.
Interest-bearing loans and borrowings	6,310,715,665	2,639,032,817
Trade and other payables	16,293,739,152	10,423,896,494
Less: cash and short-term deposits	(1,114,223,505)	(1,021,184,699)
Net debt	21,490,231,312	12,041,744,612
Equity		
Capital and net debt	32,046,559,383	20,936,129,792

33. RELATED PARTY TRANSACTIONS

33.1 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	2019	2018
Transactions:	RS	RS
Sales	42,959,659,808	38,895,306,533
Outstanding Balances:		
Receivable from Medical Supplies Division	27,854,818,156	16,998,983,680
Receivable from Forces	691,767,451	212,104,145
Receivable from Government hospitals	172,144,175	241,805,728
Receivable from Other Government Institutions	27,230,489	30,414,261

33.2 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.

	2019	2018
	RS	RS
Short term employment benefits	4,314,833	4,706,000

34. EVENTS AFTER THE BALANCE SHEET DATE

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

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors of the Corporation and authorized for issue on 5th. March 2020.

NATIONAL AUDIT OFFICE

My No. } HSM/A/SPC/1/19/44

Your No. }

Date } 05 August 2020

Chairman

State Pharmaceuticals Corporation of Sri Lanka

Report of the Auditor General in terms of Section 12 of the National Audit Act No. 19 of 2018 Regarding the Financial Statements and other Legal and Regulatory Requirements of the State Pharmaceuticals Corporation of Sri Lanka for the year Ended 31st December 2019

1. Financial Statements

1.1 Opinion

The Financial Statements of the State Pharmaceuticals Corporation of Sri Lanka for the year ended 31st December 2019 consisting of the Statement of Financial Position as at 31st December 2019, the Comprehensive Statement of Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended, and Notes to the Financial Statements, and a Summary of Significant Accounting Policies were audited under my direction in terms of the provisions of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971 read with Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. My Report will be tabled in Parliament in due course in terms of Article 154(6) of the Constitution.

The opinion I hold is that the Financial Statements of the Corporation reflect a true and fair depiction regarding its financial position as at 31st December 2019, and its financial operation and cash flows for the year then ended in accordance with the Sri Lanka Public Sector Accounting Standards, apart from the effects of the matters described in the section "Basis for the Qualified Opinion" in my Report.

1.2 Basis for the Qualified Opinion

- (a) As per Paragraph 32 of Sri Lanka Accounting Standard 1, assets and liabilities or incomes and expenses should not be set off against each other except where required or permitted by a Sri Lanka Accounting Standard. Nevertheless, the debit balances of Rs. 13,461,298 existing in the Commissions Payable to Agents Account as at 31st December 2019 had been set off against the credit balances of Rs. 45,157,246 as at that date and the credit balance of Rs. 14,301,133 existing in Foreign Currency Profit and Loss Account had been set off against the debit balance of Rs. 984,745,738 existing in the Operational Expenses Account, and depicted as such in the Financial Statements.
- (b) Although disclosures should be made in Financial Statements regarding the accounting policies used in measuring the stocks including the cost formula used as per Paragraph 36 (a) of Sri Lanka Accounting Standard 2, such disclosures had not been done regarding the balance stocks at Osu Sala outlets.
- (c) In order to identify the impact of a change in an accounting estimate prospectively, application of such change of estimate should be done with effect from the date in respect of transactions, other events and circumstances. However, the Corporation, having identified the accounting effect of changing the estimated useful life and residual value of 02 motor cars which had depreciated completely as at 31st December 2019 and 06 other motor cars as Rs. 2,792,649, had accounted treating it as a retrospective application in terms of Sri Lanka Accounting Standard 8 paragraphs 36(b) and 38.
- (d) The foreign currency exchange profits amounting to Rs. 286,329 entered in the Commissions Payable to Agents Account and the Bills Payable Account had not been transferred to the Statement of Comprehensive Income.
- (e) As a result of entering the invoice value of a stock of pharmaceuticals amounting to Rs. 749,212 twice, The Stocks in Transit Account and the Creditor Control Account had been overstated by a value equal to the amount concerned.
- (f) A sum of Rs. 225,000 receivable as at 31 December 2019 for the suppliers' conference had not been entered in accounts.
- (g) The cost of the remaining stock as at 31 December 2019 had been calculated Rs. 873,304 less and entered in accounts.
- (h) The stock of pharmaceuticals purchased for 39 Osu Sala outlets costing Rs. 20,623,049 received at the main stores as at 31st December 2019 had not been entered in accounts.
- (i) The cost of a stock which had failed in quality amounting to Rs. 552,498 had not been written off against the profit.
- (j) Although the difference between the cost of the remaining stocks at the Osu Sala outlets and the exchange value of such stocks should be identified and adjusted as profits not earned, the cost of remaining stocks had not been identified while only a sum of Rs. 47,805,803 equivalent to 7.42 % of the exchange value had been set aside as profits not earned.

- (k) Although a sum of Rs. 27,854,818,156, or 95.4 % of the overall debtors, had remained receivable from the Medical Supplies Division according to the Statement of Financial Position as at 31st December 2019, the balance referred to was Rs. 27,988,327,352 according to the accounts of the Ministry of Health and Indigenous Medical Services, and hence the discrepancy was Rs. 133,509,196.
- (l) Although a sum of Rs. 1,608,741 had been due from the Ayurveda Department according to the Statement of Financial Position as at 31st December 2019, the balance referred to was Rs. 876,554 according to the accounts of the Ayurveda Department, and hence a discrepancy of Rs. 732,187 was observed.
- (m) The cost of the pharmaceuticals which had failed in quality as at 31st December 2019 out of those purchased for sale through Osu Sala outlets during the period from 1996 to 2019 was Rs.116,862,583. However, as their value was Rs. 96,629,983 according to physical stock survey report, a discrepancy of Rs. 20,232,600 was observed.
- (n) Although, according to the computerized report on stocks, the cost of the remaining stock as at 31st December 2019 was Rs. 1,497,104,662, the cost of the remaining stock according to the report on physical survey of stocks was Rs. 1,511,084,607, and hence a discrepancy of Rs. 13,979,945 was observed.
- (o) Proofs of balances for substantiating balances of Rs. 750,711,830 pertaining to 149 trade creditors, which amounts to 25.62 % of the balance of Rs. 2,930,167,563 pertaining to the 287 trade creditors as at 31st December 2019, had not been submitted for the audit.
- (p) Out of the balance of Rs. 27,854,818,156 receivable from the Medical Supplies Division, Rs. 211,591,892 accounted for credit balances that are 10 to 21 years old.
- (q) Although according to the policy of the Corporation, credit should be recovered from trade debtors for the sale value within the period of 30 to 45 days from the date of sale, the credit balance of Rs. 1,341,855,283 as at 31st December 2019 contained Rs. 12,793,606 remaining due from private, government and semi-government institutions for over 5 years and Rs. 14,621,371 remaining due from Parliament for over 1 year. Legal action had been taken to recover only balances amounting to Rs. 3,138,783 of it.

I conducted the audit in accordance with the Sri Lanka Auditing Standards (SLAudSt). My responsibility under these Auditing Standards has been described further in the part styled "The Responsibility of the Auditor regarding the Auditing of Financial Statements" in this Report. It is my belief that the audit evidence I have obtained for furnishing a basis for a qualified opinion are adequate and relevant.

1.3 Responsibilities of the Management and the Parties who Govern Regarding the Financial Statements

It is the management that is responsible for the preparation and fair representation of these Financial Statements in accordance with the Sri Lanka Public Sector Accounting Standards, and for determining the internal controls necessary to enable the preparing of Financial Statements without substantial misstatements that may occur due to fraud or mistake.

It is also the responsibility of the management to determine in preparing Financial Statements whether it is possible to maintain the Corporation continuously and unless the management intends to liquidate the Corporation or to stop operations in the absence of an alternative, it should keep the accounts on the basis of perpetual existence and reveal the matters pertaining to the perpetual existence of the Institute.

The responsibility for the financial reporting process of the Corporation is borne by the parties who govern.

The Corporation should properly maintain its books and records pertaining to its incomes, expenses, assets and liabilities so that annual and periodic Financial Statements of the Corporation can be prepared as per subsection 16 (1) of the National Audit Act No. 19 of 2018.

1.4 Auditor's Responsibility Pertaining to the Auditing of Financial Statements

My aim is to give a fair assurance that the Financial Statements as a whole are devoid of material misstatements caused due to frauds and errors and to issue the 'report of the auditor' containing my opinion. Although a fair assurance is a high quality assurance, it is not an assurance that it always unveils material misstatements in carrying out the audit in accordance with the Sri Lanka Auditing Standards. Material misstatements may occur due to individual or collective effect of fraud and errors while it is expected that it may cause an effect on the economic decisions taken based on these Financial Statements by their users.

The audit was conducted by me with professional judgment and professional skepticism as per Sri Lanka Auditing Standards. Further,

- Obtaining of adequate and appropriate auditing evidence to avoid risks caused by frauds or errors by planning proper audit procedures as opportune in identifying and assessing the risks of material misstatements that could occur in Financial Statements due to frauds or errors was the basis of my audit opinion. The impact of a fraud is stronger than the effect of substantial misstatements while collusion, forgery, deliberate omission or bypassing internal controls all lead to a fraud.

- Although an understanding was obtained regarding the internal control of the Corporation for planning appropriate audit processes, it is not intended to express an opinion about the effectiveness of the internal control.
- The reasonability of the accounting policies and accounting estimates used and the appropriateness of the related disclosures made by the management were subjected to evaluation.
- The relevancy of using the basis of perpetual existence of the Corporation for accounting was determined based on the audit evidence obtained on whether there exists a substantial uncertainty about the continuity of the Corporation due to events or circumstances. If I come to the conclusion that there exists a substantial uncertainty, I should make reference in my Audit Report to the disclosures to that effect found in the Financial Statements while if the revelations are not adequate, I should modify my opinion. Nevertheless, perpetual existence may cease due to future events or circumstances.
- I have evaluated the presentation, structure and content of the Financial Statements containing disclosures and evaluated whether the underlying transactions and events have been included in the Financial Statements in an appropriate and fair manner.

The governing parties were informed of the significant audit findings, major internal control weaknesses and other matters identified during my audit.

2. Report Regarding Other Legal and Regulatory Requirements

The National Audit Act No. 19 of 2018 contains special provisions regarding the following requirements:

- According to the requirements in section 12 (a) of the National Audit Act No. 19 of 2018 I obtained all the information and explanations necessary for my audit except for the effect of the matters described in the section “Basis for the Qualified Opinion” in my Report and the Corporation had maintained proper financial reports, as noticed from my examination.
- As per the requirement of Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018, the Financial Statements of the Corporation correspond with the Financial Statements of the previous year.
- As per the requirement of Section 6 (1) (d) (iv) of the National Audit Act No. 19 of 2018, the recommendations made by me in the previous year had been incorporated in the Financial Statements that were presented, except for the observation made in Paragraph 1.2 (P) of this report.

Nothing which warrants making the following statements caught my attention within the courses of action adopted, and upon the evidence obtained and the confinement within the material facts:

- That a member of the governing body of the Corporation has a relationship direct or otherwise, extraneous to the ordinary course of business in respect of an agreement pertaining to the Corporation, as per the requirement stated in Section 12 (d) of the National Audit Act No. 19 of 2018.
- That conduct inconsistent with any written law or any other general or special directives issued by the governing body of the Corporation has been observed, apart from the following observations, as per the requirement stated in section 12 (f) of the National Audit Act No. 19 of 2018:

	Reference to Laws and Regulations	Description
(a)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
	(i) Financial Regulations 103, 104 and 105	(i) Action had not been taken to conduct preliminary inquiries and formal inquiries, and determine those responsible for accidents caused in respect of 10 vehicles belonging to the Corporation on 21 occasions during the year under review and to submit the reports on those inquiries to relevant parties. (ii) Action had not been taken in terms of Financial Regulations to conduct inquiries, determine those responsible and recover the loss as appropriate with regard to the consignments of medical supplies amounting to Rs. 74,207,742 that had expired and the consignments of medical supplies amounting to Rs. 385,531 that had been misplaced during the previous year and the year under review.
	(ii) Financial Regulation 571	Action had not been taken to clear or to credit to the government revenue those deposits which had exceeded 2 years from the date of deposit totalling Rs. 1,908,177 that existed as at 31st December 2019.

	(iii) Financial Regulation 770 (2)	Although 42 inventory items which had cost Rs. 192,737 and 82 inventory items whose value had zeroed had perished according to the Report of the Inventory Survey as at 31st December 2019, no action had been taken to appoint a Board of Survey in terms of the Financial Regulation for identifying the unusable items and selling or destroying same.
(b)	Public Finance Circular No. 02/2015 dated 10th July 2015	Valuation and disposal had not been done in respect of 03 vehicles belonging to the Corporation prevailing in an inoperable state. Although a fuel inspection should be carried out in respect of fuel consumption of government vehicles after the earliest of the events, viz. the expiry of 12 months from every fuel inspection conducted, or reaching a running distance of 25,000 kilometres, or a major engine repair, no such fuel inspection had been carried out with regard to vehicles of the Corporation.

- That the Corporation had acted in a manner inconsistent with its powers, duties and functions as per the requirement stated in Section 12 (g) of the National Audit Act No. 19 of 2018.
- That the Corporation had not procured its resources in accordance with relevant laws and rules and used same in a frugal, efficient and productive manner, as per the requirement of Section 12 (h) of the National Audit Act No. 19 of 2018, apart from the following observations:
 - (a) When making urgent local purchases for the Medical Supplies Division, the Corporation had not taken action to obtain a bid security as per Guideline 5.3.11, performance security as per Guideline 5.4.10 (b), and enter into a contract as per Guideline 8.9.1 (b) contained in the Government Procurement Guidelines, while it had not determined purchasing procedures and practices nor prepared written instructions or guidelines to be followed in the case of this Division.
 - (b) In the years 2018 and 2019, the Corporation had purchased Trastuzumab injection 440 mg with solvent in 8,945 vials of 20 ml under the trade name of Herticad on 14 different occasions from one supplier in the local market spending Rs. 891,181,800. The following observations are made in this regard:
 - (i) Although the Ministry of Health should have appointed a Technical Evaluation Committee comprising 05 persons including 02 specialist doctors for technically evaluating 13 of the 14 procurements as there procurement value had exceeded Rs. 50 million, a Technical Evaluation Committee consisting of only 03 persons had been appointed by the corporation. Also, no specialist doctor had been appointed to the Technical Evaluation Committee concerned.
 - (ii) On the basis that the Chairman of the Corporation, who is also the Chairman of the Departmental Procurement Committee, had recommended the name of one specialist doctor for obtaining technical assistance from, assistance of only one specialist doctor had been obtained for 13 Technical Evaluation Committees. The Technical Evaluation Committees had presented their recommendations based on the recommendation given by that specialist doctor.
 - (iii) Technical evaluation had been performed by one single specialist doctor on 06 out of the 14 procurements and by two other doctors on two occasions each.
 - (iv) Owing to the rejection of the lowest bid by the Procurement Committee based on the recommendation by the specialist doctor who assisted the Technical Evaluation Committee concerned during these 14 procurements to the effect that he had not used the products of the bidder concerned despite that the Government Procurement Guidelines do not have provision for the specialist doctor concerned to reject bids for lack of prior experience of the pharmaceutical, the additional cost that the Corporation had had to bear was Rs. 230,860,749.
 - (v) The drug named Trastuzumab available under the trade name Herticad had been registered by the National Pharmaceuticals Regulatory Authority for the first time on 18th February 2016, from when the drug concerned had been purchased continuously. If bids are rejected for lack of experience on the drug, there could have been no possibility to purchase Trastuzumab under the name Herticad in the year 2016.
 - (vi) Although a maximum control price of Rs. 95,000 had been imposed on a unit of Trastuzumab injection 440 mg by the Gazette Notification dated 31st August 2018, payment of money had been done at Rs. 135,900 per unit for 500 units of Trastuzumab pertaining to the purchase order issued on 4th September 2018. The total amount that had been paid over and above the total at control price was Rs. 20,450,000.
 - (c) The main order to purchase 80,000 vials of Ceftriaxone injection 500 mg for the Medical Supplies Division at Rs. 18.72 per vial had been placed in the previous year and the consignment had been delivered late. In order to avoid the resulting shortage in stocks, 10,998 units had to be purchased from the local market at Rs. 490 per vial. Accordingly, the additional cost that the Corporation had had to bear was Rs. 5,183,137. The additional cost that had to be borne due to the delay on the part of the supplier had not been recovered from the supplier according to the conditions of order.

- (d) The main purchase order to purchase 200,000 vials of Cefuroxime Injection USP 750 mg, which had been identified as the need in the year 2018, at a unit cost of Rs. 29.46 and a total cost of Rs. 58,932,262 had been placed in the year 2018. The following observations are made in this regard:
- (i) Although the supplier had delivered 2,000,000 vials of the drug on 18th July 2018, an invoice for Rs. 58,522,800 had been sent for only 1,914,500 vials. As the Medical Supplies Division had not accepted the 85,000 vials supplied in excess of the amount stated in the invoice and the supplier had not taken it back, the 85,000 vials that costs Rs. 2,519,354 had been kept at a private warehouse and turned into an unusable condition.
 - (ii) The Medical Supplies Division had suspended distribution as a batch of 100,000 of the 1,914,500 vials supplied did not meet the standard of United States Pharmacopeia but the Rs. 2,946,000 that should be recovered for it and relevant charges have not been recovered from the supplier.
 - (iii) 375,000 vials had been purchased from the local market to prevent the shortage of stocks that could have occurred because the Medical Supplies Division had not accepted the 85,000 vials that had not been invoiced though supplied on 18th July 2018, because 100,000 of the vials had failed in quality of 5th April 2019 and because the procurement activities for the need of the year 2019 had been delayed. The additional cost borne because of purchasing 352,000 vials at Rs. 125.50 each from the local agent of the same supplier who had supplied the main order at Rs. 29.46 per vial for the need in the year 2018 and because of purchasing 23,000 vials at Rs. 190 each from another supplier was Rs. 37,498,500. Although this additional cost could have been minimized if action had been taken to accept the stock of 85,500 vials concerned, to acquire 100,000 new vials to replace the stock of 100,000 vials which had failed in quality or recover the money paid for same, and to perform the procurement activities necessary to meet the need for the year 2019 without delay, action had not been taken in that manner.
- (e) Two orders had been placed to purchase 2,127 vials of Bevacizumab Injection 100 mg, the order cost of which had been Rs. 70,987,000, in the year under review. The following observations are made in this regard:
- (i) Although a Technical Evaluation Committee comprising 05 persons including 02 specialist doctors should be appointed by the Ministry of Health for technically evaluating because the procurement value had exceeded Rs. 50 million, a Technical Evaluation Committee consisting of only 03 persons had been appointed by the Corporation for this procurement. Also, no specialist doctor had been appointed to the Technical Evaluation Committee concerned.
 - (ii) On the basis that the General Manager of the Corporation had recommended the name of one specialist doctor for obtaining technical assistance from, the assistance of only one specialist doctor had been obtained for the Technical Evaluation Committee. The Technical Evaluation Committees had presented its recommendations based on the recommendation given by that specialist doctor.
 - (iii) Although the Government Procurement Guidelines do not have provision for the specialist doctor assisting the Technical Evaluation Committee to reject bids for lack of prior experience of the drug, purchasing of 532 vials from the supplier who had submitted the lowest bid and 1,595 vials from the supplier who had submitted the second lowest bid had been recommended by the Procurement Committee basing on the recommendation by the specialist doctor concerned to the effect that he had no prior experience of the drug concerned. Because of this, the amount which the Corporation had to spend additionally at Rs. 6,500 per unit to purchase 1,595 units had been Rs. 10,367,500.
 - (iv) Although both of the suppliers who had submitted bids had obtained registration at the National Drugs Regulatory Authority for the drug concerned, the Procurement Committee had decided that a test should be performed in respect of only the samples of the bidder who had submitted the lowest bid at the firm named TGA Australia. A period of 28 days had been spent for informing the lowest bidder of that decision.
- (f) During the year under review, 180,000 kg of the item named Tropical Chlorinated Lime (TCL) amounting to an order cost of Rs. 79,200,000 had been purchased. The following observations are made in this regard:
- (i) Although a Technical Evaluation Committee comprising 05 persons including 02 specialist doctors should be appointed by the Ministry of Health for technically evaluating because the procurement value had exceeded Rs. 50 million, a Technical Evaluation Committee consisting of only 03 persons had been appointed by the Corporation for this procurement. Also, no specialist doctor had been appointed to the Technical Evaluation Committee concerned.
 - (ii) Although the bids had been sent to a lady doctor specializing in microbiology for evaluation despite the fact that the assistance of an external consultant could have been obtained for the Technical Evaluation Committee if necessary, the information on the manner in which the specialist doctor concerned had been selected for evaluating this bid was not submitted for the audit. At the same time, an appointment letter pertaining to it had not been issued to the doctor concerned.
 - (iii) Although a service provided by a consultant during the procurement activity should be performed under the guidance and supervision of the Technical Evaluation Committee, the specialist doctor alone had performed the evaluation of this bid.
 - (iv) The specialist doctor who performed the technical evaluation had rejected the lowest bid of Rs. 343.85 per kilogram submitted without any fair and acceptable reason. Although a bid cannot be refused for not meeting the requirements

of presence of production labels, instructions for users, safety data and hazard symbols as such requirements had not been mentioned in the tender documents or required specifications, the specialist doctor concerned had rejected the lowest bid on the basis of non-completion of the four requirements referred to. In addition, the requirement for hazard signs had not been stated even in Standard SLS 759-1986.

- (v) According to the specifications specified by the Medical Supplies Division for TCL, the Tropical Chlorinated Lime BP should contain a chlorine percentage not less than 30 %. There could have been no impediment to accepting the lowest bid as according to the quality inspection report provided by the Industrial Technology Institute regarding the samples of the bidder who had submitted the lowest bid, the chlorine percentage in the material sample had been 39.4%. Nevertheless the bid evaluation report had stated that the lowest bid did not conform to the specifications but had not stated specifically as to which specifications it had not conformed to.
- (vi) As per the recommendation given by the Technical Evaluation Committee based on the recommendation by the specialist doctor, action had been taken to award the procurement to the supplier who had quoted Rs. 440 per kilogram of TCL, which was the highest bid. The additional cost the Corporation had to bear as a result was Rs. 17,307,600.
- (vii) However, during physical audit inspection conducted on 19th May 2020 it was revealed that the label had indicated that a chlorine percentage of 70 to 75 percent was contained in the item of chemical materials supplied by the supplier to whom the procurement had been awarded and it did not indicate Tropical Chlorinated Lime but instead it had only indicated Chlorinated Lime BP. As such, it was observed that the supplier had supplied Calcium Hypochlorite containing a Chlorine percentage of 70–75 % instead of Tropical Chlorinated Lime (TCL) ordered by the Corporation. However, the Chlorine percentage contained in the consignment supplied was 66.5 % according to the inspection report issued on 21st July 2020 by the Industrial Technology Institute (ITI) after testing the samples obtained from the stock of Tropical Chlorinated Lime (TCL) carried out at the instance of the audit.
- (viii) Even during the technical evaluation of the procurement for purchasing Tropical Chlorinated Lime (TCL) in the year 2018, the above-mentioned specialist doctor had rejected the bid submitted by the bidder who had submitted the lowest bid for the products of the same bidder who had supplied in the preceding years, stating grounds of absence of production labels, instructions for users, safety data and hazard symbols and existence of past complaints and had recommended the bidder who had submitted the highest bid. As such, the additional cost the Corporation had to bear because of rejecting the lowest bid had been Rs. 39,583,500.
- (ix) Although according to the original order, 120,000 kg of Tropical Chlorinated Lime (TCL) should have been supplied by May 2020, the supplier had supplied only 25,200 kg of Calcium hypochlorite by 19th May 2020, the date on which the physical audit inspection was carried out.
- (x) When considering the costs borne by the Corporation for purchasing one kilogram of Tropical Chlorinated Lime (TCL) in the 03 years from 2017 to 2019, it had been purchased in the year 2018 at a price 57% higher than the price for which it had been purchased in the year 2017, while in the year 2019 it had been purchased at a price 100 % higher than the price at which it had been purchased in the year 2018.

3. Other Audit Observations

- (a) The Corporate Plan and the Action Plan had not been prepared for year 2019.
- (b) An inspection conducted regarding a sample of 20 pharmaceutical items revealed that pharmaceuticals had been purchased for each Osu Sala outlet during the year under review disregarding the prevalence of balance stocks at the main stores. As a result, loss or reduction of the discount benefits as well as purchasing at higher prices had occurred. This has been cause for expiry of stocks costing Rs. 186,758 belonging to 05 of the 20 items of pharmaceuticals in the sample.
- (c) According to the time analysis of the stock in transit as at 31st December 2019, it was confirmed that stocks costing Rs. 619,720 had been existing as stocks in transit for over six months. These stocks had remained as stocks in transit for long as a result of the delay in issuing debit notes for stocks received by the Medical Supplies Division and the failure to look into the reasons why the Medical Supplies Division had not accepted stocks and to apply remedial measures.
- (d) The Corporation had failed to recover any of the distress loan instalments amounting to Rs. 450,602 during the year under review from 6 employees of the Corporation.
- (e) The insurance claims receivable as at 31st December 2019 had been Rs. 1,862,093 and even by 24th July 2020 Rs. 243,174 of it had not been recovered.
- (f) The balance of the Container Deposit Account had been Rs. 11,736,307 as at 31st December 2019, out of which Rs. 6,443,306 had remained receivable for periods ranging from 2 to 12 years. Out of it, Rs. 5,446,983 is the amount from which no part had been recovered during the year under review.
- (g) Advances of Rs. 150,000 issued in the year 2014 for establishing a computer system, advances amounting to Rs. 5,871,660 issued to suppliers during the period from 2007 to the year under review and advances of Rs. 51,800 issued to 05 institutions

during the year under review had not been settled even as at 30th June 2020.

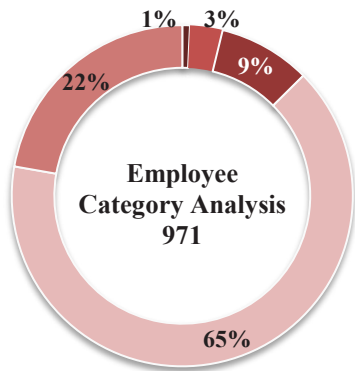
- (h) The balance in the Bank Bills Payable Account was Rs. 12,916,923,871 as at 31st December 2019. It had consisted of retention money and values of 100 % letters of credit older than 3 years amounting to Rs. 34,288,490 and those older than 2 years amounting to Rs. 104,220,076.
- (i) The credit balance in the Commissions Payable to Agents Account as at 31st December 2019 was Rs. 31,695,947. It had consisted of commissions payable to local agents including Rs. 6,649,228 remaining unpaid for over 3 years and Rs. 14,268,328 remaining unpaid for over 2 years. In addition, action had not been taken to clear the debit balance of Rs. 13,461,298 remaining in this account for over 2 years.
- (j) The total cost of the pharmaceuticals which had been purchased for sale by the Corporation but failed in quality, expired or been damaged as at 01 January 2019 had amounted to Rs. 116,862,583 while the total cost of pharmaceuticals which had failed in quality, expired or been damaged during the year under review was Rs. 51,676,681. Even as at 12 May 2020, Rs. 6,903,953 had not been recovered out of the total of Rs. 24,632,504, which is the total cost of the pharmaceuticals which had failed in quality during the year under review and in the year before it. In addition, the total loss that the Corporation had to incur due to expiry or damage of drugs during the year under review and in the year before it was Rs. 83,799,538.
- (k) The total loss incurred by 24 of the 40 Osu Sala outlets operating during the year before the one under review had been Rs. 45,139,259. However, the total loss incurred by 15 of the 46 Osu Sala outlets operative during the year under review was Rs. 22,412,586.
- (l) Although the value of the debit notes issued as at 31st December 2019 for recovering from suppliers the cost borne due to supply of pharmaceuticals which have failed in quality or damaged items to the Medical Supplies Division, administrative expenses associated with it and expenditure for destroying such items had been Rs. 1,839,155,456, the Corporation had failed to recover Rs. 791,308,948 of it even as at 30th June 2020. As it included Rs. 89,216,021 due from blacklisted suppliers as at 31st December 2019, recoveries had been in an inconclusive status.
- (m) It was observed that, as no decision had been made even as at 31st May 2020 regarding the release of a stock 91,181 units of 21 items costing Rs. 16,228,626 kept without being issued for various reasons (as holding items) in the years 2017, 2018 as well as 2019, there exists a risk of expiry and damage. 8,739 units of Erythromycin Dry Syrup 125 mg/ 5 ml costing Rs. 739,931 retained since 11th August 2017 were noticed to have expired in the Stores at Ratmalana as at 20th May 2020.
- (n) The following observations are made regarding the establishment of an Enterprise Resource Plan Corporation:
- (i) As per the agreement entered into with the contractor concerned on 19th December 2016, the contract value was Rs. 49,355,000 and the project should have been completed by 19th February 2018. Although the progress of performance of the project had been at a very low level throughout, the duration of the contract had been extended for over 03 years since the date of entering into contract. Three years later on 20th February 2020, the contract had been terminated.
- (ii) 497 units from 09 items of Computers and accessories had been purchased spending Rs. 32,360,230 in the years 2018 and 2019 for implementing the project. Those computers and accessories had not been used for project activities and 266 of the units from 07 of the items, the cost of which had been Rs. 15,569,690, had been issued for use for other purposes of the Corporation. The 231 units belonging to 07 items of computers and accessories costing Rs. 16,790,540 had been found idling at the stores even as at 30th June 2020.
- (iii) Although the contractor had agreed to replace the 04 server computers in the stores with new ones due to defects found in them, the Corporation had failed to get it resupplied even by 30th June 2020.
- (iv) The failure of this project more than 03 years later had affected in a directly adverse way the data system linked to all the activities of the Corporation including the operation of the Osu Sala outlets.



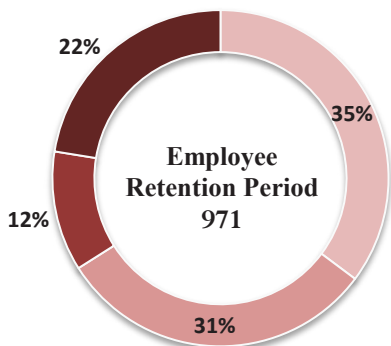
W.P.C. Wickramaratna

Auditor General

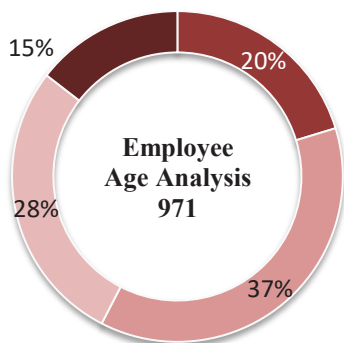
State Pharmaceuticals Corporation of Sri Lanka Human Resources Analysis



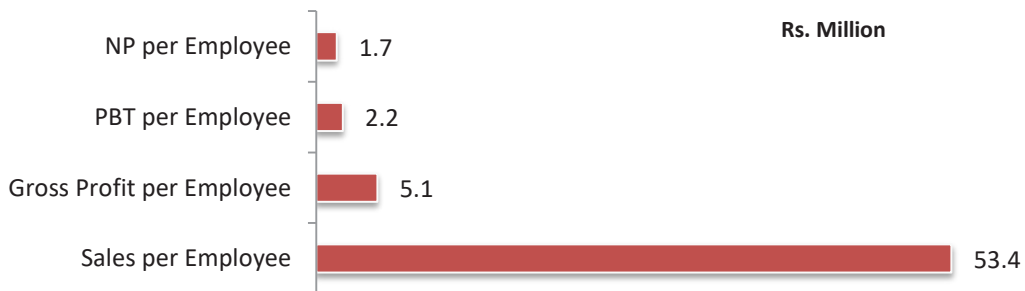
- Higher Management
- Middle Management
- Junior Managers
- Management Assistant
- Preliminary Labour



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



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



STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

TEN YEAR SUMMARY - INCOME STATEMENT

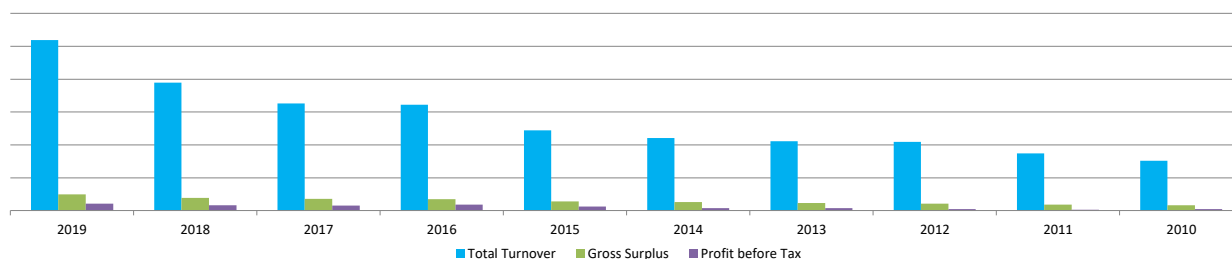
RS.'000'

Turnover

Description	2019 RS.	2018 RS.	2017 RS.	2016 RS.	2015 RS.	2014 RS.	2013 RS.	2012 RS.	2011 RS.	2010 RS.
Turnover - SPC	8,924,850	7,458,320	6,593,401	6,127,478	5,286,876	4,865,151	4,320,300	4,283,232	4,806,170	4,197,759
Turnover - DHS	42,959,660	31,436,986	25,970,290	26,127,912	19,176,807	17,269,008	16,815,666	16,608,492	12,569,290	10,968,571
Total Turnover	51,884,510	38,895,306	32,563,691	32,255,390	24,463,683	22,134,159	21,135,966	20,891,724	17,375,460	15,166,330
Gross Trading Profit - SPC	2,279,155	1,772,559	1,680,368	1,656,938	1,410,722	1,247,074	1,136,403	991,541	1,043,453	995,371
Gross Surplus - DHS	2,717,507	2,125,052	1,887,026	1,850,650	1,386,731	1,333,198	1,185,004	1,193,214	780,735	688,145
Gross Surplus	4,996,662	3,897,611	3,567,394	3,507,588	2,797,453	2,580,272	2,321,407	2,184,755	1,824,188	1,683,516

Overheads

Other Income	91,441	73,072	53,004	43,085	51,259	25,738	17,537	15,105	23,231	20,414
Administrative Expenses	(1,619,555)	(1,532,485)	(1,288,183)	(1,101,435)	(1,057,970)	(969,744)	(786,904)	(670,635)	(614,019)	(605,475)
Other Operating Expenses	(971,096)	(691,967)	(741,459)	(580,843)	(563,357)	(749,825)	(791,794)	(745,230)	(492,631)	(285,777)
Operating Profit	2,497,452	1,746,231	1,590,756	1,868,392	1,227,385	886,441	760,246	783,995	740,769	812,678
Finance Cost	(10,763)	(1,512)	(1,295)	(1,071)	(1,599)	(124)	(227)	(17)	(3,661)	(17,734)
Overdraft Interest	(317,470)	(67,406)	(35,199)	(5,434)	(734)	(149,659)	(1,384)	(290,877)	(419,235)	(315,070)
Total Overheads	(2,918,884)	(2,293,370)	(2,066,136)	(1,688,783)	(1,623,660)	(1,869,352)	(1,580,309)	(1,706,759)	(1,529,546)	(1,224,056)
Finance Income	6,875	7,436	5,765	5,721	5,086	4,896	4,357	3,959	4,102	3,900
Profit before Tax	2,176,094	1,684,749	1,560,027	1,867,608	1,230,137	741,554	762,992	497,060	321,975	483,774
Taxation	512,225	756,823	470,595	625,863	610,539	192,145	320,008	205,282	228,473	243,907
Net Profit for the period	1,663,869	927,926	1,089,432	1,241,744	619,598	549,409	442,984	291,778	93,502	239,867
Defined benefits plan	(1,926)	30,453	(59,575)	10,049	239,887	(212,044)	(31,574)	(14,281)	11,325	-
Total comprehensive Income	1,661,943	958,380	1,029,856	1,251,794	859,485	337,365	411,410	277,497	104,827	239,867



RATIOS

Gross Profit Ratio - SPC (%)	25.5	23.8	25.5	27.04	26.68	25.63	26.3	23.15	21.71	23.71
Gross Profit Ratio - DHS (%)	6.33	6.76	7.27	7.08	7.23	7.72	7.05	7.18	6.21	6.27
Gross Surplus to Sales (%)	9.63	10.02	10.96	10.87	11.44	11.66	10.98	10.46	10.50	11.10
Annual Sales Growth (%) - SPC	19.66	13.12	7.60	15.90	8.67	12.61	0.9	(10.88)	14.49	4.53
Annual Sales Growth (%) - DHS	36.65	21.05	(0.60)	36.25	11.05	2.6	1.2	32.1	14.59	9.79
Total Sales Growth (%)	33.40	19.44	0.96	31.85	10.52	4.72	1.17	20.24	14.57	8.28

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

Rs. "000"

Description	2019 RS.	2018 RS.	2017 RS.	2016 RS.	2015 RS.	2014 RS.	2013 RS.	2012 RS.	2011 RS.	2010 RS.
Contributed Capital & Reserves	125,117	125,117	125,117	125,117	125,117	125,117	125,117	125,117	3,502,607	3,412,780
Current Assets										
Inventories - SPC	2,802,020	2,754,287	1,798,403	2,009,502	2,364,091	1,385,477	1,703,222	1,231,857	987,733	979,315
Stocks in Transit - DHS	280,723	286,587	630,130	540,693	788,342	528,710	809,462	734,963	1,985,991	2,755,465
Trade and other receivables	27,299,630	16,319,413	7,901,244	4,521,175	3,051,445	2,370,323	8,881,602	11,113,022	5,123,702	3,453,354
Deposits & Prepayments	53,931	61,219	57,979	37,614	33,046	37,964	32,948	24,073	24,479	22,369
Cash in Hand & at Bank	1,114,223	1,021,185	312,050	244,947	790,525	801,717	1,200,667	216,359	600,807	671,104
Total Current Assets	31,550,527	20,442,691	10,699,807	7,353,931	7,027,449	5,124,191	12,627,901	13,320,274	8,722,712	7,881,607
Current Liabilities										
Trade and other Payables	16,293,739	10,423,896	3,996,134	2,657,620	3,347,410	2,235,194	3,649,362	3,032,684	1,784,156	1,551,401
Income tax payables	352,117	438,060	337,976	519,770	397,758	180,617	290,045	191,440	219,332	232,469
Deferred Income	1,461	1,345	927	1,103	1,005	748	889	1,292	318	1,559
Lease Liabilities	19,187									
Current Financial Liabilities	6,310,716	2,639,033	1,361,444	39,703	56,689	78,739	6,254,353	7,896,709	4,716,655	4,131,544
Total Current Liabilities	22,977,220	13,502,334	5,696,481	3,218,196	3,802,862	2,495,298	10,194,649	11,122,125	6,720,461	5,916,973
Non Current Assets	2,277,480	2,225,337	2,179,335	2,166,630	2,156,615	2,138,973	1,858,832	1,698,279	1,605,438	1,561,496
Non Current Liabilities	294,459	271,308	264,651	192,213	233,394	372,220	158,803	124,558	105,082	113,350
Net Assets	10,556,328	8,894,386	6,918,010	6,110,152	5,147,807	4,395,646	4,133,281	3,771,870	3,502,607	3,412,780

RATIOS

Fixed Assets Turnover (times)	1:22.78	1:17.48	1:14.94	1:14.89	1:11.34	1:10.35	1:11.37	1:12.3	1:10.82	1:9.71
Current Ratio (times)	1:1.37	1:1.51	1:1.88	1:2.29	1:1.85	1:2.05	1:1.24	1:1.2	1:1.3	1:1.33
Liquidity Ratio (times)	1:1.24	1:1.29	1:1.45	1:1.49	1:1.02	1:1.29	1:0.99	1:1.02	1:0.86	1:0.7
Interest Cover (times)	7.85	25.99	45.32	344.69	1676.94	5.95	552.29	2.71	1.77	2.54
Stock Turnover Ratio (times) SPC	2.39	2.5	2.58	2.04	2.07	2.34	2.17	2.97	3.83	3.65

SALES NETWORK

HEAD OFFICE

State Pharmaceuticals Corporation of Sri Lanka

75, Sir Baron Jayatillake Mawatha,

Colombo 1, Sri Lanka

Telephone: 011-2320356 – 9 Fax: 011-2447118 Website: www.spc.lk Email: spc@spc.lk

SALES UNIT

109, Kandawala Estate,
Ratmalana.

Tel.011-2632288

Fax: 011-2632962

STORES

109, Kandawala Estate,
Ratmalana.

Tel.011-2634318

Fax:011-2636715

ORS UNIT

109, Kandawala Estate,
Ratmalana.

Tel.011-2622334

KANDY STORES

10/B/1, Hewaheta Road,
Thennekumbura,

Kandy. Tel. 081-2240274

RAJYA OSU SALA OUTLETS

Osusala – Akkaripattu No. 74, T.D.02 Main Street, Akkaripattu. Tel.067-2057625	Osusala - Ampara Temple Junction, D. S. Senanayaka Mawatha, Ampara. Tel.063-2223088	Osusala – Anamaduwa Opposite Bus Stand, Uswawa Road, Anamaduwa Tel. 032- 2263999	Osusala - Anuradhapura Bank Street, Anuradhapura. Tel.025-2222181	Osusala - Avissawella G 33/34/35, Central Bus Stand, Avisawella. Tel.036-2222501
New Osusala - Badulla CWE Building, Bandarawela Road, Badulla. Tel.055- 2229837	Osusala – Badulla (II) Bus- stand, Badulla. Tel.055- 2224700	Osusala –Bandaragama Hospital Premises, Horana Road, Bandaragama. Tel.038-2288671	Osusala – Beruwala MPCS Building, Galle Road, Beruwala. Tel.034- 2278578	Osusala –Borella Lady Ridgway Premises, Borella. Tel. 011-2697660
Osusala - Colombo 1 75, Sir Baron Jayatillake Mawatha, Colombo 1. Tel.011-2328046	Osusala - Colombo 4 85, Galle Road, Colombo 4. Tel. 011-2587128	Osusala - Colombo 7 255, Dharmapala Mawatha, Colombo 7. Tel.011-2694716, 011-2672293	Osusala – Dambulla 46/A, Kurunegala Junction, Dambulla Tel. 066- 2285133	Osusala –Diyathalawa Main Street, Diyathalawa. Tel.055- 3551624
Osusala – Embilipitiya 102, Pallegama, Embilipitiya. Tel. 047-2261177	Osusala – Fort Fort Railway Station, Fort. Tel. 011-2336926	Osusala - Galle 61A Wakwella Road, Galle. Tel.091-2234726	Osusala – Gamapaha 266, Colombo Road Gampaha. Tel.033-2234516	Osusala - Hambantota No.3 Barrack Street, Hambantota. Tel.047-222163
Osusala – Ja’pura Sri Jayawardhanapura General Hospital, Sri Jayawardhanapura. Tel.011-2779414	Osusala – Jaffna 149A, K.K.S Road, Jaffna. Tel. 021- 2219262	Osusala – K.D.U Kothalawala Difence Univercity Hospital Premises, Werahara. Tel.011-2044595	Osusala - Kandy 14A Lamagara Mawatha, Kandy. Tel.081-2225175	Osusala – (Kandy Railway) Kandy Railway Station, Kandy. Tel.081-2225176
Osusala – Karapitiya 175,Hiribura Road, Karapitiya. Tel.091- 2226947	Osusala – Kurunegala 28. Weerathunga Bldg. Baudhaloka Mawatha. Kurunegala. Tel.037-2230840	Osusala – Maharagama 71/9 Alwis Building Old Road, Maharagama. Tel.011-2745640	Osusala – Matale No 110, Darmapala Mawatha, Mathale. Tel.066-2220126	Osusala - Matara 23B Charikaramaya Anagarika Dharmapala Mawatha, Matara. Tel.041-2231871
Osusala – Mathugama No 126, Kaluthara Road, Mathugama. Tel.034-2248861	Osusala-Minuwangoda 24. Old Town hall Bldg, Colombo Road, Minuwangoda. Tel.011-2295120	Osusala - Monaragala 31, Pothuwil Road, Monaragala. Tel.055-2277712	Osusala – Nagoda 313, Mathugama Road, Nagoda, Kalutara. Tel.034-2222818	Osusala – Negombo 134, Colombo Road, Negombo. Tel.031-2228599
Osusala – Ninthavur No. 40, Main Street, Nintavur. Tel.067- 2058208	Osusala - Nugegoda 145A/1, S de S Jayasinghe Mawatha, Nugegoda. Tel.011-2856641	Osusala - Panadura 159, M.P.C.S Bldg, Galle Road, Panadura. Tel.038-2234767	Osusala - Peradeniya 1157,Gatambe, Peradeniya. Tel.081-2386045	Osusala - Piliyandala 1A/21, Vidyala Mawatha, Piliyandala. Tel. 011- 2613640
Osusala – Polonnaruwa Hospital Junction, Kaduruwela Road, Polonnaruwa. Tel.027-2225465	Osusala – Ragama No.61A, Mahabage Road, Ragama. Tel. 011-2955219	Osusala – Ratmalana Mega Sathosa, Golumadama Junction, Galle Road, Rathmalana. Tel. 011-3043789	Osusala - Ratnapura 32 Nanda Ellawala Mawatha, Ratnapura. Tel.045-2223014	Osusala – Tangalla No.8, Indipokunugoda Road, Tangalla. Tel. 047-2241221

MARKETING & SALES DEPARTMENT

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