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ஆண்டறிக்கை
Annual Report



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இலங்கை அரசு மருந்தாக்கற் பொருட்கள் உற்பத்திக் கூட்டுத்தாபனம்
State Pharmaceuticals Manufacturing Corporation of Sri Lanka



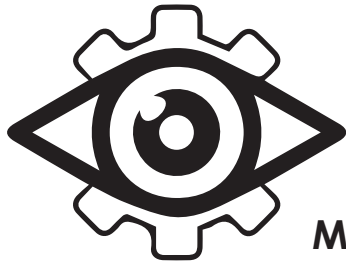
Annual Report 2021

State Pharmaceuticals Manufacturing Corporation of Sri Lanka

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Vision

To Be Internationally
Recognized, model
Manufacturing and marketing
Organization for
Pharmaceuticals and Health
Care Products in South Asia



Mission

To Manufacture Safe,
Effective and Affordable
Medicinal Drugs of Superior
Quality up to International
Standards to the Local and
International Markets.



CORPORATE INFORMATION

NAME OF THE ORGANIZATION

State Pharmaceuticals Manufacturing Corporation of Sri Lanka

LEGAL FORM

Established in 1987 under the State Industrial Corporation Act No. 49 of 1957

DATE OF INCORPORATION

June 04, 1987

REGISTERED OFFICE

11, Sir John Kotelawala Mawatha, Kandawala Estate, Ratmalana, Sri Lanka.

BOARD OF DIRECTORS

Dr. P. P. G. P. Uthpala Indrawansa	- Chairman
Dr. N.N.A.P. Bandula Chandranath Wijesiriwardena	- Director
Ms.S. A. Chandrika Kulathilake	- Director
V. G. Chaminda Wickramaratne	- Director
Dr. U. D. S. Samarasinghe	- Director (April to September 2021)
Ms. U. S. K. Denawatte	- Director (From December 2021)

AUDITORS

Auditor General, No.306/72, Polduwa Road, Battaramulla.

BANKS

Bank of Ceylon, People's Bank, National Savings Bank

MANAGEMENT COMMITTEE

S.W. Jayasundara	- General Manager
A.G. De S.Athuraliya	- DGM (Finance)
S.P. Jayaweera	- DGM (Production)
P. D. Jayasundera	- DGM (Engineering)
R. Darmadasa	- DGM (Planning & Procurement)
R.M.J.C.K. Madawala	- DGM (Human Resources)
R. M. R. M. Ranasinghe	- Acting DGM (Formulation cum Research & Development)
H.K.P.A. Senadheera	- Manager (Quality Control)
D.H.J. Gunawardena	- Manager (Engineering)
J.M.S. Jayasundera	- Manager (Finance)
A.C.P. Anandakumara	- Manager (Planning & Procurement)
A.M.T.P. Kulasekara	- Manager (Sales Promotion / Marketing)
V.J. Bandarawatte	- Internal Auditor
Amila Nuwan Hewagama	- Manager (Production)
P. Danthanarayana	- Manager (Production)
B. V. H. P. S. Kumara	- Manager (Engineering)
Samantha Wickramasinghe	- Manager (Production)
Y. M. P. Kumara	- Manager (Planning & Procurement)
C. D. Maginaarachchi	- Manager (Human Resources)
A. P. M. Wickramanayake	- Manager (Production)
M. Benaragama	- Manager (Engineering)

ESTABLISHMENT OF SPMC & KEY OBJECTIVES

SPMC was established in 1987 under the Industrial Corporation Act No. 49 of 1957.

In 2021, State Pharmaceuticals Manufacturing Corporation completed 34 years of commercial production of essential Medicinal Drugs for the Health care of the Sri Lanka population. SPMC product range consists of 86 products of tablets and capsules. Out of this product range 60 products were actively manufactured during the year. SPMC is the only State Sector Corporation engaged in manufacturing pharmaceuticals in Sri Lanka.

The main functions are,

- 1) Either by itself or by entering in to such Joint Venture, Public-Private Partnership or other such agreement to manufacture, process, stock, pack or repack medicine.
- 2) To create subsidiary companies.
- 3) To enter into International Agreement with potential investors.
- 4) To provide technical assistance for the manufacturing and processing of medicine.
- 5) To undertake pharmacological and pharmaceutical research and the standardization of medicine.
- 6) To market medicinal products produced by the Corporation or Joint Venture or other such agreements.

All products released to the market meet with our in-house specifications (SPMC) in addition to the British Pharmacopoeias (BP) and United State Pharmacopoeias (USP) requirements.

Implementation of cGMP (current Good Manufacturing Practices) regulations and procedures are regularly monitored through internal quality auditing and factory inspection.

CHAIRMAN'S REVIEW

It is with great pleasure that I, on behalf of the Board of Directors present the Annual Report and Audited Financial Statement comprising the Statement of Financial Position, Income Statement, Cash Flow Statement and Auditor General's report for the year ended 31st December 2021.

State Pharmaceuticals Manufacturing Corporation (SPMC) was established in 1987 under the Industrial Corporation Act No. 49 of 1957 with the commitment to manufacture quality, effective and safe drugs at affordable prices to the public. SPMC is the largest and leading state pharmaceutical manufacturer in Sri Lanka. At present, SPMC manufactures 86 drug items under the generic names covering a wide range of pharmacological products. All products manufactured by SPMC have the required quality as per British Pharmacopeia (BP), United State Pharmacopeia (USP) and SPMC standards. Implementation of current Good Manufacturing Practices (cGMP), regulations and procedures are constantly monitored through internal quality auditing and factory inspection.

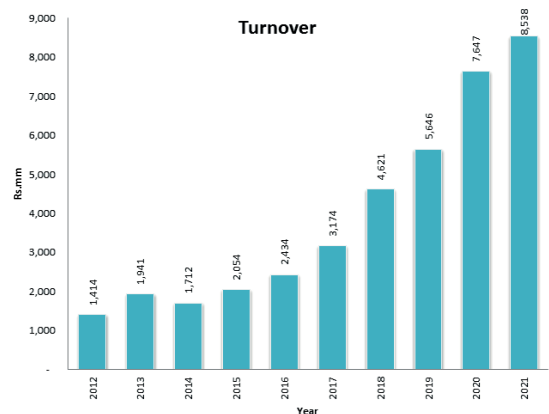
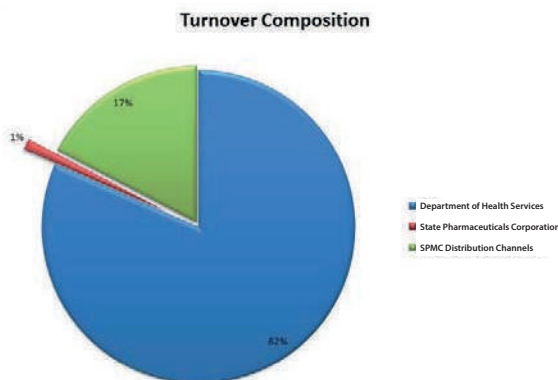
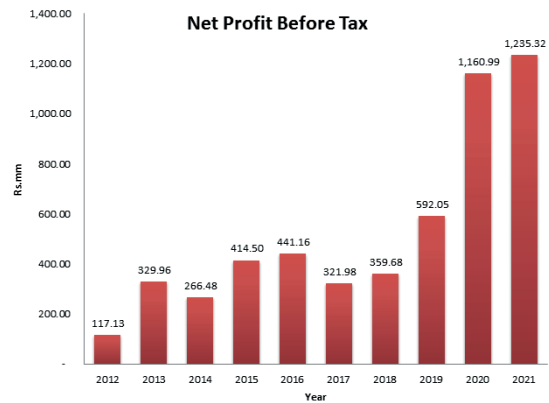
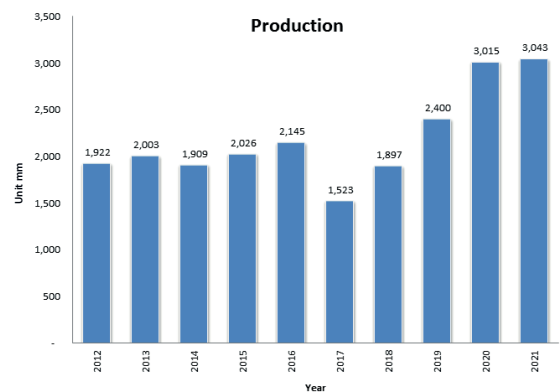
The pharmaceuticals manufacturing facility of the SPMC is equipped with modern Japanese, German and Korean machines. The manufacturing facility has an ultra-clean atmosphere and conforms to World Health Organization (WHO) and Current Good Manufacturing Practice (cGMP) requirements. SPMC products are valued and preferred by doctors, pharmacists and other professionals in the health sector. Our reputation as a manufacturer of quality pharmaceutical products is the key to our success.

PERFORMANCE

The State Pharmaceuticals Manufacturing Corporation recorded significant Net profit Before Tax of Rs.1,235 million in the year 2021.

Production Output

The total production output 3,043 million units of tablets/capsules in the year 2021, is recorded as the highest output of SPMC.



Turnover

Total turnover for the year 2021 amounted to Rs.8,538 million which is the highest turnover since its inception. Out of the total sales, 81.54% were to Medical Supplies Division (MSD) of the Ministry of Health. In addition to this main channel, the sales through the Private Distributors registered with us was 17.36% and the balance sales to State Pharmaceutical Corporation (SPC) was 1.10%.

I am happy to note that SPMC has been well managed with its own resources to earn profits without any assistance of the General Treasury. In fact SPMC has paid Rs.100 million to the Treasury as contribution during the year 2021, fulfilling our responsibility as a public Corporation.

DEVELOPMENT WORK

Factory Development

SPMC manufactured 3,043 million tablets & capsules in 2021.

Expansion Project

Manufacturing has been commenced in new zone for hormone items in the year 2021. Expecting to supply Thyroxine tablets to Medical Supplies Division in March 2022.

Research and Formulation Development

SPMC has commercially manufactured successfully and launched following four products during the year.

- Nimodipine Tablets BP 30mg
- Tramadol Capsules IP 50mg
- Levothyroxine Tablets IP 50mcg
- Omeprazole Capsules. IP 20mg

HUMAN RESOURCES DEVELOPMENT & WELFARE

SPMC had 329 employees as at 31.12.2021 including 13 SPMC Trainees and 03 Contract Basic employees who are engaged on the job training under the guidance of Senior Management of the SPMC for efficient and smooth operation of two shifts.

SPMC continued to provide the basic welfare facilities requested by the employees.

STRATEGY AND PROSPECTS

Our main aim is to provide an uninterrupted supply of pharmaceuticals required by the Medical Supplies Division (MSD) of Ministry of Health, State Pharmaceutical Corporations (SPC) Pharmacies and medical Professionals.

SPMC is expecting to expand its production capacity by setting up new plants at Millewa, Horana. Accordingly, SPMC has decided to establish

- Plant for manufacturing of Orthopedic equipments
- Plant for manufacturing of oncology drugs
- Plant for manufacturing of Oral Solid Dosage (OSD) general drugs.

This expansion will support us to improve the production, increase sales revenue, widen the products range and create new employment opportunities, enhance technical know-how and create a corporate image of SPMC.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I thank His Excellency the President of the Democratic Socialist Republic of Sri Lanka Honorable Ghotabhaya Rajapaksha, for his continued dedication to the progress of the Pharmaceutical Industry in Sri Lanka. I also extend my appreciation to the Hon.Minister of Health Pavithra Wanniarachchi, Dr.Keheliya Rambukwella and the Hon.State Minister of Production, Supply and Regulation of Pharmaceuticals Prof. Channa Jayasumana for their valuable guidance and support. We also value the guidance provided by the Secretary of the Ministry of Health Major General Sanjeewa Munasinghe and the Secretary of the State Ministry of Production, Supply and Regulation of Pharmaceuticals Mr. K. R. Uduwawla and Dr.R.M.S.K. Rathnayake and other officials of the Ministry of Health and State Ministry of Production, Supply and Regulation of Pharmaceuticals. We also appreciate the contribution made by the officials of the various Departments of General Treasury.

It is a pleasure to note with gratitude that we had an excellent relationship with the State Pharmaceuticals Corporation (SPC), Medical Supplies Division (MSD), Private Pharmacies and medical professionals who contributed enormously to the success of our Corporation.

The commitment of the General Manager, Deputy General Managers, Managers, Executive Staff and all levels of employees of the SPMC in achieving positive results during the year 2021 is greatly appreciated.

Finally, I must thank the Board of Directors for their valuable contribution and guidance in steering the corporation towards success.

Dr. P. P. G. P. Uthpala Indrawansa

Chairman
State Pharmaceuticals Manufacturing Corporation
of Sri Lanka

28th February 2022

DIRECTORS



Dr. Uthpala Indrawansa Chairman

Dr. Uthpala Indrawansa is a Medical Doctor (Medical Academy of Sechenov- one of the leading medical universities in Russia) and completed internship at Polonnaruwa General Hospital.

He has pioneered the Provincial Award for 5S' Productivity in year 2007, meanwhile serving as Medical Officer in Charge in Rural Hospital Pulasthipura, For the Doctors category and the Hospital Category Health Excellency Award also conquest by them in the same period. He has attached to the Accident Service in National Hospital, Orthopedic unit from 2009. He is serving in the position in Chairman to the State Pharmaceuticals Manufacturing Corporation of Sri Lanka from December 2019.

Vidya Jyothi Dr. Bandula Chandranath Wijesiriwardena Director

A Consultant Physician, Dr. Bandula Wijesiriwardena holds over 33 years of experience in the Government Healthcare sector having served as Chief Examiner for MD (Medicine), Chairman, MCQ core group, Member, AAAED Committee and was the President of the Ceylon College of Physicians in 2005.

He presently works for the private health care sector full time. Dr. Wijesiriwardena pioneered the introduction of Clinical Practice Guidelines through the Ceylon College of Physicians which is presently being used island-wide. With numerous national and international publications to his credit, Dr. Wijesiriwardena won the Presidential Award for his clinical research in 2000 and was awarded Honorary Fellowships by The Royal Australian College of Physicians and Colleges of Medicine in South Africa.

He holds an MBBS (Colombo), MD (Colombo) and MRCP (UK) and is a Fellow of the American College of Physicians and the Ceylon College of Physicians.



Mrs. S. A. Chandrika Kulathilake Director

Mrs. S.A. Chandrika Kulathilake presently serves as the Director General to the Department of Management Audit.

She holds a Bachelor of Commerce degree (University of Sri Jayawardanapura) and Diploma in Financial Management in Sri Lanka Institute of Development Administration.

She has served as an Audit Examiner to the Auditor General's Department and she was the Accountant to the Postal Department. She was also the Deputy Director and Director for the Department of State Accountants and Director for the Department of Management Audit. She has been a resource person for a workshop on Strengthening the Internal Audit Function of the Government of India.





Dr. U.D.S. Samarasinghe Director

Dr. U.D.S. Samarasinghe currently serves as the Acting Chairman and the Managing Director of State Pharmaceuticals Corporation of Sri Lanka (SPC).

He holds the degrees of Bachelor of Medicine & Bachelor of Surgery (MBBS) University of Peradeniya and the Bachelor of Laws (LLB) Open University of Sri Lanka

Dr. U.D.S. Samarasinghe has served as the Head of the Research & Procurement Division of State Ministry of Production, Supply & Regulation of Pharmaceuticals in 2021. From 2010 to 2020, he has served in the capacity of Medical Officer in the Base Hospital-Karawanella, Base Hospital-Mawanella and National Hospital-Kandy. And also he was a Temporary Lecturer at Department of Anatomy at Faculty of Medicine and Allied Sciences, Rajarata University of Sri Lanka 2008 and 2009.

Mr.V.G.Chaminda Wickramaratne Director

Mr. V.G. Chaminda Wickramaratne serves as the Director to Board of State Pharmaceuticals Manufacturing Corporation since January 2020 and he has over 20 years' experiences in Business management as the founder of SMI Engineering Co. (Pvt) Ltd.

He has served as the Director to the Board of National Youth Service Council (2005-2008), Public Performance Board National Film Corporation (2008-2010) and Sri Lanka Energies (Pvt) Ltd (2012-2015).

Currently he is holding the position of Director to the Haritha TV Networks (Pvt) Ltd Ariike (Pvt) Ltd. Further to this he is a member of the National Railway Museum Committee.



Ms. U.S.K. Denawatta Director

Ms. U.S.K. Denawatta currently serves as an Additional Secretary (Administration) to the State Ministry of Production, Supply & Regulation of Pharmaceuticals.

She holds Bachelor of Science in Agriculture (University of Peradeniya) and the Master of Public Management in Project Management (Sri Lanka Institute of Development Administration).

She has served as an Assistant Commissioner to the Department of Motor traffic (2000-2001) and as a Director to the Ministry of Healthcare & Nutrition (2001-2010). In the year of 2010, She was the Assistant Director (Janadiriya) of Ministry of Local Government & Provincial Councils. Ms. Denawatta had served in a capacity of a Senior Assistant Secretary to the Ministry of Provincial Council & Local Government (2011-2017) & the Ministry of Buddhasasana, Religious and Cultural Affairs (2017-2021).



DIRECTORS' REPORT

The Directors have pleasure in forwarding their Report and Audited Accounts for the year ended 31st December 2021. The Accounts are set out on pages 22-48.

PRINCIPAL ACTIVITIES

The principal activities of the Corporation are,

- Either by itself or by entering in to such Joint Venture, Public-Private Partnership or other such agreement to manufacture, process, stock, pack or repack medicine.
- To create subsidiary companies.
- To enter into International Agreement with potential investors.
- To provide technical assistance for the manufacturing and processing of medicine.
- To undertake pharmacological and pharmaceutical research and the standardization of medicine.
- To market medicinal products produced by the Corporation or Joint Venture or other such agreements.

REVIEW OF BUSINESS

The state of affairs of the Corporation as at 31st December 2021 is set out in the Statement of Financial Position on page 23.

An assessment of the corporation during the financial year is given in the Chairman's Review on pages 9 & 10.

TURNOVER & RESULTS

The Turnover, results for the year and the changes in the equity are set out in the Income Statement on page 22 and the statement of changes in equity on page 24 respectively.

FUTURE DEVELOPMENT

Future developments in business are given in the Chairman's Review on pages 9 & 10.

DONATIONS

During the year, no donations have been made by the Corporation.

PROPERTY, PLANT & EQUIPMENT

The movements in property, plant & equipment during the year are set out in Note 10 in the financial statement on page 43.

Dividend / Contribution

The Board of Directors recommended and made a payment of Rs. 100,000,000 by way of dividends to the consolidated fund of the General Treasury.

RESERVES

Total Reserves of the Corporation and their composition have been given in the statement of changes in equity on page 24 in the financial statements.

DIRECTORS

The Board consists of five Directors, whom are appointed by the Minister of Health. One of the Directors is the Finance Ministry representative and the other is representing Ministry of Health. Directors of the Board were appointed from the month of January 2020. During the period, the Board of Directors had held four meetings. The Chairman and the Board of Directors take the responsibility for the affairs of the Corporation for the related period.

Dr. P. P. G. P. U. Indrawansa	-Chairman
Dr. Bandula Chandranath Wijesiriwardena	-Director
S. A. Chandrika Kulathilake	-Director
V. G. Chaminda Wickramaratne	-Director
Dr. U. D. S. Samarasinghe	-Director
Ms. U. S. K. Denawatte	-Director

ACCOUNTING POLICIES

The principal accounting policies of the Corporation are set out on pages 27 to 35.

ENVIRONMENTAL PROTECTION

It is the responsibility of the corporation to operate in a manner that will not have a detrimental effect on the environment and to provide products of the highest quality that have a beneficial effect for our customers and the communities within which we operate.

STATUTORY PAYMENTS

All statutory payments to the government and the employees have been made at the balance sheet date.

EVENTS AFTER BALANCE SHEET DATE

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

GOING CONCERN

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

APPOINTMENT OF AUDITORS

In terms of the provision of Finance Act 1971, the Auditor General is the Auditor of the Corporation and had carried out his annual audit of the financial activities of the Corporation for the year ended 31st December 2021.

Dr. P.P.G.P.Uthpala Indrawansa

Chairman
State Pharmaceuticals Manufacturing Corporation
28th February 2022

REPORT OF THE AUDIT COMMITTEE – 2021

The Audit Committee (AC) constitutes in accordance with the provisions of the Public Enterprise Circular No. PED 55 of 14.12.2010.

As per the above circular, 'The Audit Committee should assist the Board in the task of overseeing to ensure that financial reporting is done in compliance with relevant Sri Lanka Accounting Standards and other applicable legal requirements, to ensure that all relevant rules and regulations and circulars issued by the government are complied with continuously reviewing and monitoring, making recommendations to the Board on non-compliance, review the internal /external audit reports, management letters and recommendations of COPE, help the Board to take remedial actions, to introduce and implement adequate internal control systems'.

The AC comprised three non - Executive Directors of the Corporation and chaired by the Director representing the Treasury during the year.

An Audit Superintendent from National Audit Office participated as an observer as per the above circular and Chief Internal Auditor of the Ministry of Health and Indigenous Medicine participated as an observer as appointed by the Ministry of Health and Indigenous Medicine.

The Chief Accountant of the State Ministry of Production, Supply and Regulation of Pharmaceuticals also participated as an observer as invited by SPMC.

The Chairman of SPMC participated to the AC Meetings by invitation of AC.

During the financial year 2021, three (03) AC Meetings were held.

In the year 2021, the Committee

- Considered certain internal audit reports issued from February 2021 to September 2021, covering the nature of the issues, responses by the heads of departments and corrective actions that were taken by the respective management to overcome the deficiencies highlighted.
- Reviewed & made suitable recommendations about the adequacy of certain internal control systems in the areas including finance, debtors, raw materials & finished goods in order to ensure the smooth operations of the Corporation.
- Reviewed the follow up actions taken by the respective heads of the departments on the recommendations of the Committee.
- Considered whether answers have been submitted for the Audit Queries raised by the Auditor General relevant to years 2019 & 2020 and made suitable recommendations.
- Paid attention to the accuracy of information generated by the ERP system in the areas of
- Reviewed the Auditor General Reports for the years 2019 & 2020 and considered the actions taken for rectifying deficiencies, non-compliance with laws, rules, regulations and management decisions, issues relevant to product pricing & costing, sales, production, human resource management, procurement & contract administration mentioned therein.
- Considered for the amendment of existing 'Finance Manual' and obtaining the approval of the Board of Directors of SPMC.

The Audit Committee is of the opinion that terms of reference of the Committee covered the subjects in all material aspects.

Audit Committee Members

S.A.C. Kulathilaka	- Chairperson	- Director - SPMC	/ Director General - Department of Management Audit
V.G.C. Wickramarathna	- Member	- Director - SPMC	
Dr.U.D.S. Samarasinghe	- Member	- Director - SPMC	/ Medical Officer – Procurement -State Ministry of Production, Supply and Regulation of Pharmaceuticals (Up to 23.09.2021)

S A C Kulathilaka

Chairperson – Audit Committee
03.06.2022

CORPORATE GOVERNANCE REPORT

Corporate Governance is the system by which companies are directed & controlled by the Management in the best interest of the stakeholders (investors, employees, suppliers, consumers, government & public) ensuring greater transparency, better and timely Financial reporting.

Board of Directors is responsible for the Governance of the Corporation.

DIRECTORS

The Board comprises professional and experienced persons from Management, Pharmacology, Medicine, Marketing, Financial and Administration sectors.

The Board of Directors consists of one Executive Director who is the Chairman, and four non-Executive Directors.

The Board meets monthly intervals and in addition special meetings are also arranged as required, unless otherwise in the event of parliament has been dissolved or Board has not been appointed by Hon. Minister.

During the period under review, eight board meetings were held.

MANAGEMENT COMMITTEE

Corporate Management Committee is headed by Chairman of the Corporation. The Committee comprises Heads and Deputy Heads of the Departments of the Corporation.

Management Committee makes decisions on day to day operations of the Corporation, implements the policy decision and strategic objectives as well as makes recommendations as necessary for Board of Directors to take policy decisions.

Management Committee meets at monthly intervals.

AUDIT COMMITTEE

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

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

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

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

Audit committee report is set out in page 15.

INVESTOR'S RELATIONSHIP & PUBLIC ACCOUNTABILITY

Public Enterprises are established, owned and operated by the Government on behalf of the Public. Therefore, Board of Directors and Managers of the Corporation are responsible for managing the enterprises to the Ministry of Health as line Ministry and the General Treasury of the Finance Ministry.

Annual Report, Annual Accounts, Annual Budgets, Quarterly Performance Reports are forwarded to the same authorities, fulfilling the above responsibility.

Throughout the democratic world, Parliament, consisting of elected representatives of the people, has been accepted as the ultimate authority on public Finance.

Annual Report which embodies the performance of the Corporation, Financial Statements, and Auditor General's Report is tabled in parliament for review by the Members of Parliament.

Being a Public Enterprise, the Corporation is also accountable for the "Committee for Public Enterprises" (COPE) of Parliament.

REMUNERATION POLICY

Corporation's remuneration policy is set out on the recommendations of the Management Services Department of the General Treasury.

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

Employees' salaries are paid on salary scales prepared by Corporation, based on Public Administration salary scales with the approval of the Department of Management Services of the General Treasury.

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

INTERNAL CONTROL

The Board has responsibility to ensure that Corporation maintains a system of Internal Control, which is designed to provide reasonable assurance that all transaction entered into by the Corporation are properly authorized, recorded & reported.

Functional Organization Structure is in operation. Departments are designed with defined activities such as Production, Quality Control, Maintenance, Finance, Planning, and Formulation Research & Development & Marketing. Heads of each Department directly report to the General Manager who is the Chief Operating Officer of the Corporation.

General Manager reports to the Managing Director, Chairman & the Board of Directors.

Internal Control system is augmented by the internal Audit function. The Internal Auditor reports direct to the Chairman of the Corporation and Audit Committee, thereby strengthening the independence of the Internal Auditor.

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibilities of directors, in relation to the financial statements, differ from responsibilities of the Auditors, which are set out in the Report of the Auditor General on pages 50-60.

Under the Financial Act No.38 of 1971, a public corporation shall cause proper accounts of the income and expenditure, assets and liabilities and of all other transactions of the corporation to be kept. A Public corporation shall prepare an annual statement of accounts and statistics relating to the activities of the corporation in such form and containing such particulars.

The Board of Directors has a statutory responsibility in the stewardship of the enterprise on behalf of the Government and stakeholders, they are responsible for ensuring that the corporation keep sufficient accounting records to disclose with reasonable accuracy the financial position of the corporation and for ensuring that the financial statements have been prepared and presented in accordance with Sri Lanka Accounting Standards and provide the information required by the Finance Act No.38 of 1971 and the directors continue to adopt the going concern basis in preparing the financial statements.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the corporation and in this regard to give proper consideration to the establishment of appropriate internal control systems comprising of internal audit, internal checks and financial reviews and detect fraud and irregularities.

Under the financial Act No. 38 of 1971, the Auditor General has examined the financial statements made available by the Board of Directors together with all the financial records and related data and expressed their opinions which appears as reported on page 50-60 of this report.

PRODUCTS MANUFACTURED BY SPMC IN 2021

Item Wise Product Quantity in Million (Units of Tablets/Capsules)

Products	Quantity (Mn)	Products	Quantity (Mn)
Amoxicillin Cap. BP 250mg	37.800	Gabapentin Capsules USP 300mg	5.218
Amoxicillin Cap. BP 500mg	24.325	Gliclazide Tablets BP 40mg	218.000
Ascorbic Acid Tab. BP 100mg	143.100	Gliclazide Tablets BP 80mg	336.000
Atorvastatin Tablets BP 10mg	193.500	Indomethacin Caps 25mg	8.000
Atorvastatin Tablets BP 20mg	88.800	Losartan Potassium Tablets 50mg	333.200
Atenolol Tablets BP 50mg	5.000	Mebendazole Tab. USP 500mg	1.440
Benzhexol Tab. BP 2mg	54.000	Mebendazole Tab. USP 100mg	8.000
Carbamazepine Tab. BP 200mg	24.750	Metformin Tab. BP 500mg	39.229
Cetrazine Tablets BP 10mg	54.600	Metronidazole Tabs BP 400mg	11.600
Clopidogrel Tab. 75mg	2.200	Nimodipine Tabs BP 30mg	0.222
Cloxacillin Cap. BP 250mg	36.400	Omeprazole Capsules. IP 20mg	59.160
Cloxacillin Cap. BP 500mg	29.050	Paracetamol Tab. BP 500mg	308.396
Ciprofloxacin Tablets USP 250mg	1.500	Phenoxymethylpenicillin Tab. BP 250mg	18.800
Cimetidine Tablets BP 200mg	2.080	Prednisolone Tab. BP 5mg	126.000
Co-Trimoxazole Tablets BP (Adult)	5.750	Propranolol Tab. BP 40mg	23.000
Diclofenac Sodium Tabs USP 50mg	85.800	Salbutamol Tab. BP 2mg	69.600
Diltiazem HCL Tablets 60mg	31.500	Spironolactone Tab. USP 25mg	25.200
Diltiazem HCL Tablets 30mg	46.500	Theophylline ER Tablets 125mg	35.700
Diethyl carbamazepine Tab. BP 50mg	10.348	Trifluoperazine Tablets BP 5mg	8.250
Enalapril Maleate Tablets 5mg	108.000	Tramadol Capsules IP 50mg	2.496
Famotidine Tablets USP 20mg	121.500	Verapamil Tab. BP 40mg	24.750
Flucloxacillin Capsules USP 500mg	9.625	Vitamin B Tab. CHF	78.400
Frusemide Tab. BP 40mg	60.000	Vitamin B Tab. Strong	27.000
Folic Acid Tabs. 1mg	100.000		

PRODUCTS TO BE LAUNCHED IN 2022

Prednisolone Tab. BP 1mg

Mefenamic Acid Tab BP 500mg

Aspirin GR Tab. BP 75mg

Bisoprolol Tab. BP 5mg

Methyl Prednisolone Tabs BP 4mg

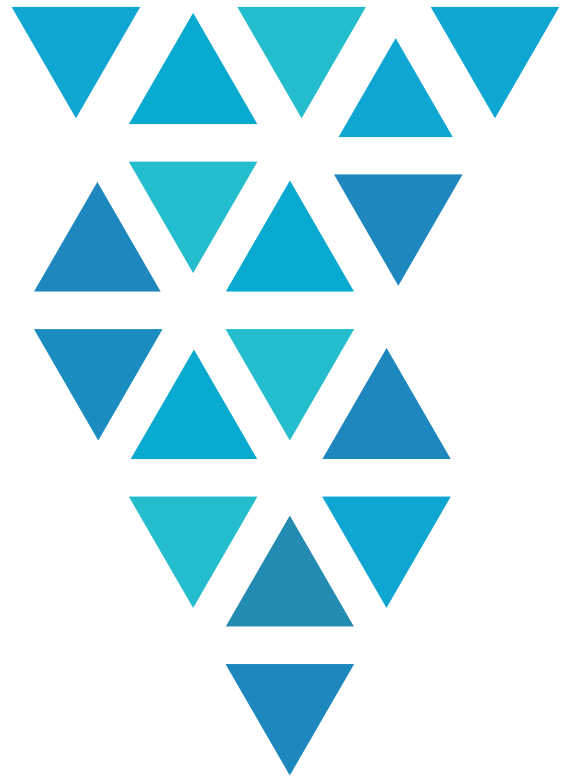
Losartan Potassium Tab. BP 25mg

Ibuprofen Tab. BP 200mg

Loratadine Tab. BP 10mg

Amlodipine Besylate Tabs USP 5mg

Rosuvastatin Tab. IP 10mg



Financial Statements



STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31st December 2021
(All amounts in Sri Lankan Rupees)

	Note	For the year 2021	For the year 2020
Revenue	1	8,538,944,511	7,647,780,487
Cost of Sales	2	(7,102,322,995)	(6,280,757,124)
Gross Profit		1,436,621,517	1,367,023,363
Other Operating Income	3	14,370,344	6,979,051
Administrative Expenses	4	(244,271,572)	(247,137,830)
Selling & Distribution Expenses	5	(109,186,789)	(49,137,643)
Other Operating Expenses	6	(18,719,274)	(10,706,666)
Operating Profit		1,078,814,226	1,067,020,275
Finance Cost	7	(278,895)	(509,716)
Finance Income	8	156,792,127	94,487,180
Profit Before Tax		1,235,327,458	1,160,997,739
Tax Expenses	9	(229,141,993)	(143,633,421)
Profit for the Year		1,006,185,465	1,017,364,319

Statement of Comprehensive Income


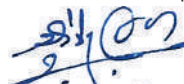
		For the year 2021	For the year 2020
Profit for the Year		1,006,185,465	1,017,364,319
(-) Actuarial (Gain) /Loss		9,873,540	(22,227,485)
Income Tax on Other Comprehensive Income	9 (B)	(1,777,237)	4,000,947
Other Comprehensive Income for the Year, Net of Tax		8,096,303	(18,226,538)
Total Comprehensive Income for the Year, Net of Tax		1,014,281,767	999,137,781

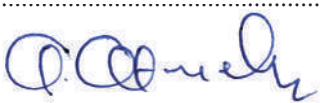
STATEMENT OF FINANCIAL POSITION

As at 31st December 2021
(All amounts in Sri Lankan Rupees)

	Note	As at 31.12.2021	As at 31.12.2020
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	10	2,974,013,880	3,117,911,777
Intangible Assets	11	2,299,428	2,570,308
Other Non-Current Assets	14	1,331,299	2,147,321
Prepaid Lease	13	3,184,266	3,233,254
Work in Progress - Construction		82,892,316	81,864,132
- Machines		-	13,970
Current Assets			
Inventories	15	1,624,026,442	1,338,464,075
Trade and Other Receivables	16	507,636,481	230,633,684
Prepayments	17	30,642,190	12,001,846
Other Financial Assets	18	3,452,508,242	3,040,316,966
Cash In Hand & at Bank	19	1,767,448	554,452
		<u>5,616,580,803</u>	<u>4,621,971,023</u>
Total Assets		<u>8,680,301,991</u>	<u>7,829,711,784</u>
EQUITY AND LIABILITIES			
Authorized Capital		850,000,000	850,000,000
Stated Capital	20	690,079,000	690,079,000
Retained Earnings		<u>4,589,998,197</u>	<u>3,686,214,826</u>
Total Equity		<u>5,280,077,197</u>	<u>4,376,293,826</u>
Non-Current Liabilities			
Employee Benefit Liabilities		110,331,838	106,799,809
Deferred Tax Liability	21	219,013,634	167,206,928
JICA Loan	22	<u>2,416,094,044</u>	<u>2,416,094,044</u>
		<u>2,745,439,516</u>	<u>2,690,100,781</u>
Current Liabilities			
Trade and Other Payables	23	556,216,467	677,033,320
Tax Payable		98,568,811	86,283,856
		<u>654,785,278</u>	<u>763,317,177</u>
Total Equity and Liabilities		<u>8,680,301,991</u>	<u>7,829,711,784</u>

The Accounting Policies on Pages 27 to 35 form an integral part of these Financial Statements. The Board of Directors are responsible for the preparation and presentation of these Financial Statements. These Financial Statements are presented to Auditor General's Department with Board of Directors approval and signed on their behalf

Chairman :  Director: 

DGM-Finance :  Date : 28.02.2022

STATEMENT OF CHANGES IN EQUITY

For the Year ended 31st December 2021
(All amounts in Sri Lankan Rupees)

	Stated Capital	Profit & Loss	Total
Balance as at 01.01.2020	690,079,000	2,761,709,650	3,451,788,650
Profit for the Year	-	1,017,364,315	1,017,364,315
Other Comprehensive Income	-	(18,226,538)	(18,226,538)
Total Comprehensive Income	-	999,137,777	999,137,777
Treasury Levy	-	(24,632,603)	(24,632,603)
Prior Year Adjustment	-	(50,000,000)	(50,000,001)
Balance as at 31.12.2020	690,079,000	3,686,214,824	4,376,293,823
Balance as at 01.01.2021	690,079,000	3,686,214,826	4,376,293,826
Profit for the Year	-	1,006,185,465	1,006,185,465
Other Comprehensive Income	-	8,096,303	8,096,303
Total Comprehensive Income	-	1,014,281,767	1,014,281,767
Treasury Levy	-	(100,000,000)	(100,000,000)
Prior Year Adjustment	-	(10,498,397)	(10,498,397)
Balance as at 31.12.2021	690,079,000	4,589,998,197	5,280,077,197

STATEMENT OF CASH FLOW

for the Year ended 31st December 2021
(All amounts in Sri Lankan Rupees)

	For the year 2021	For the year 2020
Cash Flows from Operating Activities		
Net Profit/(Loss) before taxation & extraordinary items	1,235,327,458	1,160,997,739
Prior year Adjustment	(10,498,397)	-
Adjustments for :		
Depreciation on Fixed Assets	167,292,301	189,400,649
Current Service Cost	6,447,492	6,415,695
Employee Interest Cost	9,611,983	8,065,592
Profit / Loss on Disposal	(6,187,150)	(107,745)
Cost of Damaged & Unused	8,891	3,122,097
Interest Income	(152,611,692)	(87,837,692)
Operating Profit before Working Capital Changes	1,249,390,885	1,280,056,335
Changes in items of Working Capital		
(Increase) / Decrease in Inventories	(285,562,367)	(296,176,385)
(Increase) / Decrease in Debtors & Receivables	(277,002,797)	1,962,180,490
(Increase) / Decrease in Deposits & Prepayments	(18,640,343)	9,163,670
Increase / (Decrease) in Liabilities	(120,816,853)	(287,678,778)
Cash generated from operations	547,368,524	2,667,545,332
Gratuity paid	(2,653,905)	(4,937,725)
Tax paid	(166,827,569)	(123,608,519)
Net cash from operating activities	377,887,050	2,538,999,088
Cash Flows from Investing Activities		
Short term Investments (Note A)	(405,514,091)	(2,553,811,909)
Acquisition of Fixed Assets	(24,097,640)	(37,500,997)
Proceeds from the sale of Disposal of Property	6,187,150	127,357
Interest received	145,934,507	76,317,141
Increasing Other Non-Current Assets	816,022	607,106
Net cash used in investing activities	(276,674,053)	(2,514,261,302)
Cash Flows from Financing Activities		
Treasury Levy	(100,000,000)	(24,632,603)
Net cash used in Financing activities	(100,000,000)	(24,632,603)
Net Increase / (Decrease) in Cash & Cash Equivalents	1,212,997	105,183
Cash & Cash Equivalents at the beginning of the period	554,451	449,268
Cash & Cash Equivalents at the end of the period (Note B)	1,767,448	554,451

Note A - Cash flow from investing activities

Cash Inflows during the period	79,643,112,742	42,354,011,747
Cash Outflows during the period	(80,048,626,833)	(44,907,823,656)
Net Cash Flow	(405,514,091)	(2,553,811,909)

Note B - Cash & Cash Equivalents

Bank of Ceylon - Ratmalana Branch	44,313	53,584
Bank of Ceylon - Corporate Branch	1,512,315	192,301
Peoples Bank - Ratmalana Branch	136,590	136,590
Peoples Bank - Corporate Branch	7,559	111,546
Cash Balance	46,671	43,020
Petty Cash	20,000	17,410
	1,767,448	554,451

CORPORATE INFORMATION & SIGNIFICANT ACCOUNTING POLICIES

1. CORPORATE INFORMATION

GENERAL

State Pharmaceuticals Manufacturing Corporation is incorporated under Industrial Corporation Act No. 49 of 1957. It is a Government Corporation located at No. 11, Sir John Kotelawala Mawatha, Ratmalana.

The Corporation prepares Financial Statements for the year ended 31st December 2021. The Financial Statements were approved by the Board of Directors of the Corporation on 24th February 2022.

PRINCIPAL ACTIVITIES

The main functions are,

- (a) Either by itself or by entering into such Joint Venture, Public-Private Partnership or other such agreement to manufacture, process, stock, pack or repack medicine
- (b) To create subsidiary companies
- (c) To enter into International Agreements with potential investors
- (d) To provide technical assistance for the manufacturing and processing of medicine
- (e) To undertake pharmacological and pharmaceutical research and the standardization of medicine
- (f) To market medicinal products produced by the Corporation or Joint Venture or other such agreements

2. BASIS OF PREPARATION

2.1. STATEMENT OF COMPLIANCE

The Financial Statements have been prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka.

2.2. BASIS OF MEASUREMENT

The Financial Statements have been prepared on the historical cost basis. The financial statements of the Corporation are presented in Sri Lankan Rupees. The Board of Directors of the Corporation acknowledges their responsibilities for the Financial Statements.

2.3. GOING CONCERN

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. SIGNIFICANT ACCOUNTING POLICIES

The Accounting policies set out below are consistent with those used in the previous year other than followings.

The fully depreciated library books which have been categorized under Non-Current Assets, removed from the Books of Accounts. But they are verifying in every year under the year-end verification.

3.1.1. PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Corporation derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the income statement as incurred.

3.1.2. DEPRECIATION

Depreciation is provided according to LKAS 16, depreciation of non-current assets commenced from the date it is made use of, whereas depreciation discontinued from the date an asset decided to be sold in accordance with SLFRS 05, on straight line basis. Estimated useful life Property, Plant & Equipment are as follows.

Leasehold Land	Over the period of Lease (99 years)
Landscaping Expenses	Over the period of Lease (99 years)
Buildings	4 to 40 years
Vehicle Shed	4 to 8 years
Plant & Machinery	1 to 25 years
Motor Vehicles	3 to 15 years
Motor Bicycle	4 to 15 years
Bicycle & Carts	8 years
Equipment	2 to 30 years
Computer Accessories	1 to 10 years
Computer Software	1 to 6 years
Furniture & Fittings	3 to 30 years
Tools	1 to 15 years

3.1.3. INTANGIBLE ASSETS

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

3.1.4. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The carry value of property, plant and equipment is reviewed for impairment either annually or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount the assets

are written down to their recoverable amount. Impairment losses are recognized in the income statement unless it reverses a previous revaluation surplus for the same asset.

3.1.5. 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. An asset's recoverable amount is the higher of an Asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

3.1.6. TAXATION

3.1.6.1. 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 date of Statement of Financial position.

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

3.1.6.2. DEFERRED TAXATION

In respect of each type of temporary differences recognized in the Statement of Financial Position, we considered the Deferred Tax Liabilities and Assets. In our Financial Statements mainly we recognized a Deferred Tax Liability for Book & Tax written down value of Fixed Assets & Deferred Tax Asset for Provision for Retiring Gratuity. Deferred Tax Assets & Liabilities are measured at the Income Tax Rate.

3.2. 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.

3.2.1. MEASUREMENT OF INVENTORIES

COST OF INVENTORIES

RAW MATERIALS

Cost of purchases together with any incidental expenses.

WORK IN PROGRESS

Raw material cost and variable manufacturing expenses in full.

FINISHED GOODS

Raw material cost and variable manufacturing expenses in full.

OTHER STOCKS

Cost is arrived at weighted average basis.

3.2.2. TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method less provision for impairment. The Corporation has not provided any impairment for trade debtors as there is no long outstanding as at 31-12-2021.

3.2.3. CASH AND CASH EQUIVALANTS

Cash and cash equivalents comprise cash in hand and bank balance and short-term investment.

3.2.4. RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL (“KMP”)

Key management personnel are those with authority and responsibility for planning and controlling the activities of the Corporation. Accordingly, the Directors of the Corporation (including executive and non-executive Directors) have been classified as KMP of the Corporation.

Compensation to key management personnel (Board of Directors) are follows.

	2021	2020
Short term benefits	2,646,293	3,385,180
Gift Vouchers	162,500	200,00

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 TRANSACTION

TRANSACTION	2021	2020
Investment in Sri Lanka Government Securities Held by Corporation	3,452,508,244	3,040,316,968
Paid Surplus to Government during the year	100,000,000	24,632,603
Sales to DHS, SPC & Distributors	8,538,944,511	7,647,688,798

OUTSTANDING BALANCE

	2021	2020
Receivable from SPC	130,870,042	23,287,160
Receivable from DHS	205,312,015	42,312,030

3.2.5. CAPITAL

There is no change in the Authorized Capital during the year ended 31st December 2021.

3.2.6. EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

All the material events after the date of Statement of Financial Position have been considered and appropriate adjustment and disclosures have been made in to the financial statement, where necessary.

3.2.7 RESEARCH COST

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

4. LIABILITIES AND PROVISIONS

4.1. RETIREMENT BENEFIT OBLIGATION

4.1.1. DEFINED BENEFIT PLAN – RETIREMENT GRATUITY

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

The defined benefit obligation is calculated by a qualified actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 – Employee Benefits.

The principal assumptions used in the calculations are as follows.

	2021	2020
Expected Annual Average Salary Increment Rate	6.00%	4.00%
Discount Rate / Interest Rate	11.50%	9.00%
Staff Turnover Factor	1.50%	1.40%

The liability is funded in NSB as Treasury Bills. The item is grouped under Non-Current Liabilities in the Statement of Financial Position.

4.1.2. DEFINED CONTRIBUTION PLANS - EMPLOYEES PROVIDENT FUND & EMPLOYEES TRUST FUND

All employees who are eligible for Employees' Provident Fund Contribution and Employees' Trust Fund Contribution is covered by relevant contribution funds in line with respective regulation.

Obligations for contributions to provident Fund and Trust Fund covering the employees are recognized as an expense in the Income Statement.

EMPLOYEES PROVIDENT FUND

All Employees of the Corporation are members of the Employees Provident Fund to which the Corporation contributes 15% of the Employees' consolidated salary.

EMPLOYEES TRUST FUND

The Corporation contributes 3% of the Employees' consolidated salary to the f each Employees Trust Fund.

4.1.2 TRADE AND OTHER PAYABLES

Trade and other payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method less provision for impairment. The corporation has not provided any subsequent measured cost as there is material effect as at 31-12-2021.

4.1.3 PROVISION

GENERAL

Provisions are recognized when the Corporation has a present obligation (legal or Constrictive) as a result of a past event, it is probable that an outflow of resource embodying economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

5. INCOME STATEMENT

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

5.1.1. TURNOVER

The State Pharmaceuticals Manufacturing Corporation turnover comprises sales to Department of Health Service, Distributors and State Pharmaceuticals Corporation.

5.1.2. REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue 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 and excluding taxes or duty. The Corporation assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Corporation has concluded that it is acting as a principal in all of its revenue arrangements.

SALE OF GOODS

Corporation recognized its revenue by selling Pharmaceuticals to Medical Supplies Division, State Pharmaceuticals Corporation and through Distribution channel.

Revenue from the sale of goods is recognized when the entity has transferred to the buyer the significant risk and rewards of ownership of the goods.

Corporation recognizes revenue from following sources.

- (a) Supplying Pharmaceuticals to Medical Supplies Division. (State Hospitals). Corporation engages in manufacturing, buying pharmaceuticals from Joint Ventures and selling to Medical Supplies Division.

The revenue is recognized at the point the products are transferred to the Medical Supplies Division.

SPMC supplies Joint Venture products to Medical Supplies Division by adding 6% to purchase price.

Corporation formed following Joint Venture Companies.

<u>Name of the Company</u>	<u>Place of J/Venture Company</u>	<u>Percentage of ownership</u>	<u>Principal Activity</u>
Celogen Lanka (Pvt)Ltd	No.116, Layards Broadway,Colombo 14	10%	Manufacturing,Distributing Pharmaceuticals to MSD through SPMC
Diyatha Pharmaceutical and Healthcare (Pvt)Ltd	No.53/A/1, Batagama North, JaEla	10%	Manufacturing,Distributing Pharmaceuticals to MSD through SPMC
Glosante (Pvt)Ltd	No.372, Sir Kudarathwaththe Mawatha,Dodangwala,Kandy	-	Manufacturing,Distributing Pharmaceuticals to MSD through SPMC
Kelun Lifesciences (Pvt) Ltd	No.116, Layards Broadway,Colombo 14	-	Manufacturing,Distributing Pharmaceuticals to MSD through SPMC
Medicom (Pvt)Ltd	No.20, Vijitha Road,Nadimala,Dehiwala	-	Manufacturing,Distributing Pharmaceuticals to MSD through SPMC

Corporation and Joint Venture Company shall execute a shareholder agreement in respect of the aforesaid shareholding in Joint Venture. These Joint Venture Companies will ensure that this proportion of shareholding granted to SPMC shall be maintained throughout the pendency of this agreement. Shareholding details are mentioned below.

<u>Share Holding Company</u>	<u>No. of Shares</u>	<u>Issued Date</u>	<u>Value (Rs.)</u>
Celogen Lanka (Pvt) Ltd	3,000,000	21.10.2020	3,000,000
Diyatha Pharmaceuticals and Healthcare (Pvt) Ltd	1,500,000	21.10.2020	1,500,000
Premium International Injectable (Pvt)Ltd	16,162	22.12.2020	16,162
Sands Active (Pvt)Ltd	33	15.11.2019	33

(b) Supplying Pharmaceuticals through distributors. Corporation engages in marketing of pharmaceuticals through distributors since 2003.

SEGREGATION OF REVENUE

Revenue is segregated by nature of revenue.

		<u>2021</u>	<u>2020</u>
Medical Supplies Division	- SPMC Products	2,800,330,240	3,125,364,543
	-Joint Venture Products	4,162,669,744	3,513,839,561
State Pharmaceuticals Corporation		93,652,120	6,602,500
Distribution		1,482,292,407	1,001,882,193

SALES DISCOUNTS

Discounts are given to Distributors at following rates.

Credit Sales	9%
Cash Sales	10%

Sales to Franchise Osusala

Credit Sales between Rs. 50,000 to Rs. 100,000	6%
Cash Sales between Rs. 50,000 to Rs. 100,000	7%
Cash Sales to Doctors	5%

Direct Sales to State Pharmaceuticals Corporation

Credit Sales	10%
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5.1.3. EXPENSES

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repair and renewals are charged to profit and loss in the year in which the expenditure is incurred.

5.1.4. FINANCING EXPENSES

Finance expenses comprise of overdraft interest, letter of credit opening expenses & credit facility agreement charges.

5.1.5. ALLOCATION BETWEEN OVERHEADS

In the Financial Statements, Overheads allocation method as follows.

EXPENSES

- (a) Rates & Taxes, Electricity, Water Charges, Security Charges, Insurance, Maintenance of Equipment, Maintenance – General, Maintenance – Building, Depreciation.
- (b) Insurance of Health Insurance Scheme, Staff Welfare, Uniform & Shoes, Transport Charges.
- (c) Directors Fees, Other Incentives, Repairs & Maintenance of Motor Vehicles, Fuel & Lubricants for Vehicles, Postage & Fax, Telephone Charges, Security Charges, License Fee-Vehicles & Drugs, Printing & Stationery, Office Expenses, Audit Fee, Rent Charges, Advertisements, Trade Subs.& Periodicals, Legal & Inquiry Expenses, Professional Charges, Entertainment, Annual Subscription, Annual Conference & Meetings, Stamp Fee, Stationery Adj.-Stock take.
- (d) Staff Benefits & Other Expenses.

ALLOCATION METHOD

- (a) If the actual cost is directly related to the Production or Administration, apportioned on that basis. Other common actual cost is apportioned based on percentage 70% & 30% between Production & Administration.
- (b) Cost is apportioned based on actual number of employees in each section.
- (c) Actual cost method is used.
- (d) Actual Cost method is used.

6. FINANCIAL INSTRUMENTS

6.1. FINANCIAL ASSETS

6.1.1. INITIAL RECOGNITION AND MEASUREMENT

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

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. The Corporation Financial Assets include cash and short-term Treasury bill investment, trade and other receivable, staff loans and other receivable.

6.1.2. SUBSEQUENT MEASUREMENT

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

6.1.3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

6.1.4. LOANS AND RECEIVABLES

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

6.1.5. HELD – TO – MATURITY INVESTMENTS

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to- maturity when the Corporation has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized as finance cost in the income statement in finance cost. The Corporation did not have any held –to- maturity investments during the year ended 31 December 2021.

6.1.6. AVAILABLE – FOR – SALE FINANCIAL INVESTMENTS

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

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

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

For a financial asset reclassified out of the available for sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the assets are subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement. The Corporation did not have any available for –sale financial investments during the year ended 31 December 2021.

6.1.7. DERECOGNITION

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

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

6.1.8. IMPAIRMENT OF FINANCIAL ASSETS

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they

will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

6.1.9. FINANCIAL ASSETS CARRIED AT AMORTIZED COST

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

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

The Corporation is performed specific impairment for each debtor categories.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

FINANCIAL RISK

The Board of Directors has overall responsibility for the establishment and oversight of the Corporation's risk management frame work.

The Corporation risk management process are established to identify and analyse the risks faced by the Corporation to set appropriate risk limit and controls and to monitor risks and adherence to limit.

Notes to the Financial Statements for the Year Ended 31.12.2021

(All amounts in Sri Lankan Rupees)

Note - 1

Revenue		For the year 2021	For the year 2020
Sales - SPC	Note - 1 A	93,652,120	6,602,500
Sales - DHS		6,962,999,985	6,639,295,794
Sales - Distribution	Note - 1 B	1,482,292,407	1,001,882,193
		<u>8,538,944,511</u>	<u>7,647,780,487</u>

Note - 1 A

Sales - SPC

Gross Sales	102,340,550	6,602,500
(-) Discount - 10%	(8,688,430)	-
Net Sales	<u>93,652,120</u>	<u>6,602,500</u>

Note - 1 B

Sales - Distribution

Gross Sales	1,638,173,728	1,104,116,279
(-) Discount - 5%	(7,354)	(12,022)
(-) Discount - 6%	(26,108)	(11,795)
(-) Discount - 7%	-	(9,601)
(-) Discount - 9%	(71,007,915)	(73,170,923)
(-) Discount - 10%	(84,839,944)	(29,029,745)
Net Sales	<u>1,482,292,407</u>	<u>1,001,882,193</u>

Note - 2

Cost of Sales		For the year 2021	For the year 2020
Cost of Sales - SPC		51,861,440	3,702,696
Cost of Sales - DHS		5,770,365,996	5,424,055,808
Cost of Sales - SPMC		967,729,866	660,141,081
Cost of Sales Invoice Variance		767,774	(1,246,687)
Finished Goods Adj-Stock take		(60,334)	-
DHS Finished Goods Adj.		-	6,891
SPC Finished Goods Adj.		(313,332)	-
Production Expenses	Note - 2 A	311,971,586	194,097,335
		<u>7,102,322,995</u>	<u>6,280,757,124</u>

Note 2 A

Production Cost	Unabsorbed Cost	Absorbed Cost to COS	Total - 2021	Total - 2020
Direct Labour (Production)				
Salaries & Wages	-	53,574,692	53,574,692	49,463,511
Casual Salaries	194,286	3,056,659	3,250,945	3,172,887
Cost of Living	-	11,473,804	11,473,804	10,530,679
Travelling Incentive	140,500	9,213,342	9,353,842	8,622,024
E.P.F. & E.T.F. - 18%	67,842	12,485,906	12,553,748	11,674,712
Overtime	658,677	23,319,784	23,978,461	20,585,319
Attendance Incentive	2,041,840	8,355,980	10,397,821	8,915,333
Performance Incentive	2,498,929	10,387,411	12,886,340	13,031,053
Annual Bonus	6,800,249	2,233,373	9,033,622	8,162,671
Current Service Cost	379,433	1,912,267	2,291,700	2,294,720
Employee Interest Cost	3,318,036	-	3,318,036	2,853,582
Shift Incentive	761,300	2,716,000	3,477,300	3,789,900
Staff Medical Expenses	916,921	3,403,070	4,319,991	3,296,415
Housing Loan Int. Reimbursement	426,936	5,114,793	5,541,729	6,256,951
Supervisor Allowance	-	456,000	456,000	108,000
Difficult Working Condition Allowance	-	2,976,300	2,976,300	3,134,940
Professional Allowance	162,000	-	162,000	239,000
Retirement Benefit	-	-	-	108,000
Staff Cost	1,011,719	-	1,011,719	2,032,224
	19,378,667	150,679,382	170,058,050	158,271,921

Indirect Manufacturing Cost (Q/C,F/D, Plan/Main)				
Salaries & Wages	27,669,846	12,725,676	40,395,522	37,014,953
Casual Salaries	338,749	-	338,749	801,247
Cost of Living	6,917,181	1,060,800	7,977,981	7,263,268
Travelling Incentive	6,044,159	928,999	6,973,158	6,555,129
E.P.F. & E.T.F. - 18%	8,147,799	1,303,730	9,451,529	8,580,176
Overtime	13,840,160	2,828,481	16,668,641	14,515,991
Attendance Incentive	7,189,006	1,088,545	8,277,552	7,623,088
Performance Incentive	7,576,940	1,215,291	8,792,230	10,551,191
Annual Bonus	5,939,706	-	5,939,706	6,125,935
Current Service Cost	2,002,292	-	2,002,292	1,872,636
Employee Interest Cost	3,042,307	-	3,042,307	2,444,150
Shift Incentive	1,115,000	-	1,115,000	2,322,500
Staff Medical Expenses	2,828,333	-	2,828,333	2,332,289
Housing Loan Int. Reimbursement	3,745,817	-	3,745,817	3,838,281
Supervisor Allowance	174,000	-	174,000	144,000
Difficult Working Condition Allowance	1,441,905	-	1,441,905	1,575,015
Professional Allowance	258,000	-	258,000	292,000
Staff Cost	585,210	-	585,210	1,332,809
Special Acting Allowance	205,590	-	205,590	167,358
Telephone Bill Reimbursement	370,058	-	370,058	359,540

Insurance of Health Ins. Scheme	4,376,738	4,936,372	9,313,110	8,894,952
Staff Welfare	14,490,424	31,591,123	46,081,547	33,487,881
Staff Training	1,537,727	405,635	1,943,361	257,775
Uniforms & Shoes	616,410	1,011,812	1,628,221	1,505,028
Water Charges	422,843	1,887,074	2,309,916	2,438,660
Rates & Taxes	526,581	201,810	728,391	720,203
Electricity	-	39,536,864	39,536,864	32,639,456
Insurance - General	142,587	2,752,848	2,895,434	2,669,597
Security Charges - Production	5,538,198	-	5,538,198	6,273,127
Maintenance of Equipment	149,851	3,348,167	3,498,017	1,696,677
Maintenance-Production	316,338	15,174,010	15,490,347	15,484,395
Maintenance of Building	248,251	-	248,251	727,938
Depreciation	147,160,219	-	147,160,219	163,925,406
Transport Charges	94,738	-	94,738	534,091
Consumption - Spare Parts	6,073,798	38,588,378	44,662,176	24,204,758
Consumption - Fuel & Lubricants	1,403,529	15,537,215	16,940,744	15,426,985
Repairs & Maintenance P & M	-	3,776,568	3,776,568	5,187,555
Quality Control Expenses	4,409,314	361,485	4,770,799	9,999,376
R/M Destruction Charges	563,710	-	563,710	1,431,739
Cost of Rejected Raw Materials	3,288,781	-	3,288,781	5,200,417
Cost of Rejected Packing Materials	553,203	-	553,203	1,170,221
Cost of Rejected Work in Progress	429,077	-	429,077	-
Cost of Damaged Raw Materials	(24,000)	-	(24,000)	(24,000)
Raw Material Adj-General Drugs	1,828,147	-	1,828,147	124,056
Raw Material Adj-Penicillin Drugs	36,607	-	36,607	5,349
Raw Material Adj-Stock Take	(715,074)	-	(715,074)	(943,204)
Packing Material Adj-Stock Take	(366,369)	-	(366,369)	(468,663)
Stock Take Adjustment - Main	(7,030)	-	(7,030)	(51,417)
Spares Adj.	11,860	-	11,860	2,869,506
Work-in-Progress Adj-Stock Take	54,406	-	54,406	(125,503)
	311,971,586	330,940,264	642,911,850	609,245,838

Note - 3

Other Operating Income	For the year 2021	For the year 2020
Miscellaneous Income	8,117,785	6,825,266
Raw Material Sales	65,410	46,040
Profit or Loss on Disposal	6,187,150	107,745
	14,370,345	6,979,051

Note 3- A

Miscellaneous Income	For the year 2021	For the year 2020
Scrap Sales	5,271,241	4,384,009
Registration of Suppliers	537,000	674,000
Tender Document Fee	2,171,953	1,754,100
General	137,592	22,157
	8,117,785	6,834,266

Note - 4

Administration Expenses	For the year 2021	For the year 2020
Salaries & Wages	45,796,926	45,929,918
Casual Salaries	1,047,114	744,425
Cost of Living	8,555,082	8,640,991
Travelling Incentive	12,025,780	11,352,742
E.P.F. & E.T.F. - 18%	9,692,422	9,418,170
Overtime	13,594,567	12,394,981
Attendance Incentive	8,939,216	7,288,210
Performance Incentive	9,553,743	8,905,242
Annual Bonus	6,651,963	5,984,882
Current Service Cost	2,153,500	2,248,339
Employee Interest Cost	3,251,640	2,767,859
Shift Incentive	298,700	1,248,600
Staff Cost	657,347	1,598,875
Staff Medical Expenses	3,334,711	2,589,490
Housing Loan Interest Reimbursement	3,047,940	2,254,246
Supervisor Allowance	234,000	255,000
Difficult Working Condition Allowance	476,535	466,665
Professional Allowance	879,742	804,000
Special Acting Incentive	488,538	81,000
Pension - Key Personal	233,805	-
Retirement Benefit	192,000	208,000
Telephone Bill Reimbursement	694,881	798,926
Ins. of Health Insurance Scheme	4,456,534	5,591,304
Staff Welfare	19,529,710	16,148,906
Staff Training	831,500	287,308
Uniforms & Shoes	724,004	735,111
Travelling - Overseas	-	(100,000)
Directors Fees	299,000	172,500
Other Incentives	5,657,400	1,699,950

Rates & Taxes	308,644	324,333
Electricity	11,704,876	11,299,174
Water Charges	988,938	1,043,015
Insurance - General	730,072	795,608
Insurance - Vehicles	316,540	710,937
Repairs & Maintenance of Motor Vehicles	4,993,401	4,713,093
Fuel & Lubricants for Vehicles	4,888,975	4,007,578
Maintenance of Equipment	1,422,715	1,045,792
Maintenance-Administration	6,258,002	4,217,978
Maintenance of Building	648,247	5,355,852
Depreciation	21,122,853	25,475,242
Transport Charges	669,746	810,526
Postage & Fax	246,202	158,536
Telephone Charges	991,774	1,065,560
Security Charges	1,901,424	1,640,881
Donations	956,703	7,181,816
License Fee - Vehicles	138,844	90,338
License Fee - Drugs	7,399,452	6,471,837
License Fee - Others	195,574	127,204
Printing & Stationery	4,307,998	4,112,674
Office Expenses	390,323	360,177
Audit Fee	1,583,400	1,333,964
Rent Charges	2,851,093	961,862
Advertisements	4,132,505	3,833,320
Trade Subs.& Periodicals	44,510	57,030
Legal & Inquiry Expenses	331,500	1,161,523
Professional Charges	377,594	470,195
Entertainment	990,092	661,118
Annual Subscription	12,500	112,500
Stamp Fee	49,425	43,750
Cost of Damaged & Unused	8,891	3,122,097
Building Opening Ceremony	-	3,798,296
Stationary Adj-Stock take	-	58,384
Stationary Adj	10,459	-
	244,271,572	247,137,830

Note - 5

Selling & Distribution Expenses	For the year 2021	For the year 2020
Promotional Discounts	91,339,097	46,088,517
Sales Promotion Expenses	17,255,598	7,875,743
Cost of Rejected Finished Goods	592,094	3,383
Doubtful Debt	-	(4,830,000)
	109,186,789	49,137,643

Note - 6

Other Operating Expenses	For the year 2021	For the year 2020
Formulation, Research & Dev.	10,416,099	10,320,258
Stock Take Adjustments - FD	62,015	156,809
Exchange Loss	8,241,160	229,599
	<u>18,719,274</u>	<u>10,706,666</u>

Note - 7

Finance Cost	For the year 2021	For the year 2020
Bank Charges	256,003	472,381
O.D. Interest	22,893	37,335
	<u>278,895</u>	<u>509,716</u>

Note - 8

Finance Income	For the year 2021	For the year 2020
Staff Loan Interest	1,926,160	1,685,580
Treasury Bill Interest	152,611,692	87,837,692
Interest Income - Staff Loan	2,254,275	4,963,908
	<u>156,792,127</u>	<u>94,487,180</u>

Note - 9

Income Tax Expense		For the year 2021	For the year 2020
Current Tax Expense	Note - 9 A	179,112,522	166,351,979
Deferred Tax Expense	Note - 9 B	50,029,471	(22,718,557)
		<u>229,141,993</u>	<u>143,633,422</u>

Note - 9 A

Current Tax Expense		For the year 2021	For the year 2020
Income Tax on Profit for the year	Note - 9 A (i)	179,112,522	166,351,979
Over / Under Provision for Income Tax		-	-
		<u>179,112,522</u>	<u>166,351,979</u>

Note - 9 A (i)

Income Tax on Profit for the year	For the year 2021	For the year 2020
Profit before Taxation	1,235,327,458	1,160,997,739
Disallowable Expenses	187,331,358	215,793,816
Allowable Expenses	(484,646,964)	(482,020,484)
Tax exempt Income - Interest on Treasury Bills	(152,611,692)	(87,837,692)
Tax Income from Treasury Bill Interest & Sale proceed from Disposal FA	6,187,150	127,358
Taxable Income	<u>791,587,310</u>	<u>807,060,737</u>
Income Tax rate on Operational Income	18%	18%
Income Tax rate on Interest Income	24%	24%
Income Tax on Operational Income	142,485,716	145,270,933
Income Tax on Interest Income	36,626,806	21,081,046
Total Income Tax	<u>179,112,522</u>	<u>166,351,979</u>

Note - 9 B

Deferred Tax	For the year 2021	For the year 2020
Charge/(Reversal) as Deferred Tax during the year		
Deferred Tax on Deferred Tax Liabilities	238,873,368	186,430,894
Deferred Tax on Deferred Tax Assets	(19,859,731)	(19,223,965)
Deferred Tax Liability at the end of the year	219,013,637	167,206,929
Deferred Tax Liability at the beginning of the year	167,206,929	193,926,434
Charge/(Reversal) as Deferred Tax during the year	51,806,708	(26,719,505)
Deferred Tax Adjustment		
Charged to P & L	50,029,471	(22,718,557)
Charged to OCI	1,777,237	(4,000,947)
	51,806,708	(26,719,505)

NOTE - 10

Property, Plant & Equipments - Depreciable Assets

Cost		2021					2020						
Description	Cost As At 01.01.2021	Acquisitions During the Year	Disposals During the Year	Balance As at 31.12.2021	Damaged & Unused Adjustments (Note - 12)	Balance After Adj. of Damaged & Unused As At 31.12.2021	Description	Cost As At 01.01.2020	Acquisitions During the Year	Disposals During the Year	Balance As at 31.12.2020	Damaged & Unused Adjustments	Balance After Adj. of Damaged & Unused As At 31.12.2020
Depreciable Assets							Depreciable Assets						
Land Scaping Expenses	6,113,388	-	-	6,113,388	-	6,113,388	Land Scaping Expenses	6,113,388	-	-	6,113,388	-	6,113,388
Land	49,471,918	-	-	49,471,918	-	49,471,918	Land	49,471,918	-	-	49,471,918	-	49,471,918
Buildings	1,318,525,639	1,436,083	-	1,319,961,722	-	1,319,961,722	Buildings	1,220,693,844	97,831,795	-	1,318,525,639	-	1,318,525,639
Plant & Machinery	2,820,556,974	3,164,469	(26,807,531)	2,796,913,912	(459,150)	2,796,454,762	Plant & Machinery	2,820,787,974	(231,000)	-	2,820,556,974	(29,731,682)	2,790,825,292
Motor Vehicles	89,021,800	-	(12,565,000)	76,456,800	-	76,456,800	Motor Vehicles	89,021,800	-	-	89,021,800	-	89,021,800
Motor Bicycle	298,640	-	-	298,640	-	298,640	Motor Bicycle	298,640	-	-	298,640	-	298,640
Equipment	197,266,595	11,968,194	(18,950,628)	190,284,160	(170,968)	190,113,192	Equipment	194,052,678	3,577,117	(363,200)	197,266,595	(27,364,205)	169,902,390
Computer Accessories	24,215,273	3,605,580	(155,900)	27,664,953	-	27,664,953	Computer Accessories	21,138,730	3,281,268	(204,725)	24,215,273	(195,381)	24,019,892
Furniture & Fittings	34,702,113	1,296,759	(336,364)	35,662,507	(50,632)	35,611,876	Furniture & Fittings	33,806,347	907,066	(11,300)	34,702,113	(493,748)	34,208,365
Bicycle & Carts	2,999,367	259,200	-	3,258,567	(3,600)	3,254,967	Bicycle & Carts	2,999,367	-	-	2,999,367	-	2,999,367
Tools	7,708,770	-	(1,474,175)	6,234,597	-	6,230,997	Tools	7,708,770	-	-	7,708,770	(1,474,373)	6,234,397
Fully Depreciated Assets							Fully Depreciated Assets						
Vehicle Parking Shed	1,635,513	529,042	-	2,164,555	-	2,164,555	Vehicle Parking Shed	1,170,063	465,450	-	1,635,513	-	1,635,513
Total Value of Assets	4,552,515,991	22,259,326	(60,289,599)	4,514,485,720	(684,350)	4,513,801,370	Total Value of Assets	4,447,263,520	105,831,696	(579,225)	4,552,515,991	(59,259,389)	4,493,256,601

Depreciation		2021					2020					
Description	Accumulated Dep. As at 01.01.2021	Depreciation For the Year	Acc. Dep. Related to Disposals	Damaged & Unused Adjustments	Balance As at 31.12.2021	Description	Accumulated Dep. As at 01.01.2020	Depreciation For the Year	Acc. Dep. Related to Disposals	Damaged & Unused Adjustments	Balance As at 31.12.2020	
Depreciable Assets						Depreciable Assets						
Land Scaping Expenses	2,101,378	60,788	-	-	2,162,166	Land Scaping Expenses	2,040,590	60,788	-	-	2,101,378	
Land	345,864,762	38,613,409	-	-	384,478,171	Land	293,023,963	52,840,799	-	-	345,864,762	
Buildings	794,280,757	111,080,253	-	(459,150)	904,901,861	Buildings	676,012,884	118,159,732	-	(1,882,668)	792,289,947	
Plant & Machinery	68,132,386	4,912,788	(12,565,000)	-	60,480,174	Plant & Machinery	62,793,447	5,338,939	-	-	68,132,386	
Motor Vehicles	281,973	3,333	-	-	285,306	Motor Vehicles	278,639	3,333	-	-	281,973	
Motor Bicycle	126,508,871	6,205,648	-	(166,711)	132,544,808	Motor Bicycle	112,910,580	5,654,407	(343,587)	(100,416)	118,120,985	
Equipment	16,162,474	3,409,946	-	(45,998)	19,572,420	Equipment	13,181,668	3,156,361	(204,725)	(4,857)	16,128,447	
Computer Accessories	24,278,364	1,953,530	-	-	26,185,895	Computer Accessories	22,201,420	1,962,521	(11,300)	(6,375)	24,144,265	
Furniture & Fittings	1,211,530	617,047	-	-	1,828,577	Furniture & Fittings	614,778	596,752	-	-	1,211,530	
Bicycle & Carts	5,897,853	162,942	-	(3,600)	6,057,195	Bicycle & Carts	5,774,932	162,942	-	(40,220)	5,897,653	
Tools						Tools						
Fully Depreciated Assets						Fully Depreciated Assets						
Vehicle Parking Shed	1,171,499	119,420	-	-	1,290,918	Vehicle Parking Shed	1,170,063	1,436	-	-	1,171,499	
Total	1,385,888,846	167,139,104	(12,565,000)	(675,459)	1,539,787,491	Total	1,190,002,963	187,938,009	(559,612)	(2,036,536)	1,375,344,824	

Written Down Value		Balance As at 31.12.2021	
Description	Balance As at 31.12.2021	Description	Balance As at 31.12.2020
Depreciable Assets		Depreciable Assets	
Land Scaping Expenses	3,951,222	Land Scaping Expenses	4,012,010
Land	49,471,918	Land	49,471,918
Buildings	935,483,552	Buildings	972,660,877
Plant & Machinery	1,891,552,901	Plant & Machinery	1,998,535,345
Motor Vehicles	15,976,626	Motor Vehicles	20,889,414
Motor Bicycle	13,333	Motor Bicycle	16,667
Equipment	57,568,384	Equipment	51,761,405
Computer Accessories	8,092,533	Computer Accessories	7,891,446
Furniture & Fittings	9,425,981	Furniture & Fittings	10,064,100
Bicycle & Carts	1,429,990	Bicycle & Carts	1,787,837
Tools	173,801	Tools	336,743
Fully Depreciated Assets		Fully Depreciated Assets	
Library Book	-	Library Book	-
Vehicle Parking Shed	873,637	Vehicle Parking Shed	464,014
Total	2,974,013,880	Total	3,117,911,777

NOTE 11

Intangible Assets		2021				
Cost						
Description	Cost As At 01.01.2021	Acquisitions During the Year	Disposals During the Year	Balance As At 31.12.2021	Damaged & Unused Adjustments (Note - 02 A)	Balance After Adj. of Damaged & Unused As At 31.12.2021
Computer Software	21,862,805	824,100	-	22,686,905	-	22,686,905
Total Value of Assets	21,862,805	824,100	-	22,686,905	-	22,686,905

Depreciation					
Description	Accumulated Dep. As at 01.01.2020	Depreciation For the Year	Acc. Dep. Related to Disposals	Damaged & Unused Adjustments	Balance As at 31.12.2020
Computer Software	19,292,498	1,094,980	-	-	20,387,477
Total	19,292,498	1,094,980	-	-	20,387,477

Written Down Value		
Description	Balance As at 31.12.2021	
Computer Software	2,299,428	
Total	2,299,428	

NOTE 12

Damaged & Unused Adjustment		2021				
Description	Balance as at 01.01.2021	Damaged & Unused identified during the year	Disposals during the year	Reuse during the year	Balance as at 31.12.2021	
Plant & Machinery	29,962,681	459,150	(26,807,531)	(2,924,148)	690,152	
Equipment	27,133,205	170,968	(18,950,628)	(8,413,577)	(60,032)	
Computer Accessories	195,380	-	(155,900)	(39,480)	-	
Furniture & Fittings	493,748	50,632	(336,364)	(157,384)	50,632	
Tools	1,474,373	3,600	(1,474,175)	(200)	3,598	
Computer Software	-	-	-	0	-	
Total	59,259,387	684,350	(47,724,599)	(11,534,789)	684,350	

NOTE 13

Prepaid Lease		2021				
Cost						
Description	Cost As At 01.01.2021	Acquisitions During the Year	Disposals During the Year	Cost As At 31.12.2021	Balance As at 31.12.2021	
Leasehold Land	4,920,845	-	-	4,920,845		
Total Value of Assets	4,920,845	-	-	4,920,845		

Depreciation					
Description	Accumulated Dep. As at 01.01.2021	Depreciation For the Year	Acc. Dep. Related to Disposals	Balance As at 31.12.2021	
Leasehold Land	1,687,591	48,989	-	1,736,579	
Total	1,687,591	48,989	-	1,736,579	

Written Down Value		
Description	Balance As at 31.12.2021	
Leasehold Land	3,184,266	
Total	3,184,266	

Lease of Land 99 Years

Land had been acquired from Urban Development Authority on 99 Years lease. Total lease value had been paid at the beginning of the lease period. Lease amount has been accounted for on straight line basis over the lease period of 99 years.

Intangible Assets		2020				
Cost						
Description	Cost As At 01.01.2020	Acquisitions During the Year	Disposals During the Year	Balance As At 31.12.2020	Damaged & Unused Adjustments	Balance After Adj. of Damaged & Unused As At 31.12.2020
Computer Software	21,386,448	543,558	(67,200)	21,862,805	-	21,862,805
Total Value of Assets	21,386,448	543,558	(67,200)	21,862,805	-	21,862,805

Depreciation					
Description	Accumulated Dep. As at 01.01.2020	Depreciation For the Year	Acc. Dep. Related to Disposals	Damaged & Unused Adjustments	Balance As at 31.12.2020
Computer Software	17,946,046	1,413,652	(67,200)	-	19,292,498
Total	17,946,046	1,413,652	(67,200)	-	19,292,498

Written Down Value		
Description	Balance As at 31.12.2020	
Computer Software	3,440,401	
Total	3,440,401	

Damaged & Unused Adjustment		2020				
Description	Balance as at 01.01.2020	Damaged & Unused identified during the year	Disposals during the year	Balance as at 31.12.2020		
Plant & Machinery	26,745,631	3,217,050	-	29,962,681		
Equipment	25,252,470	2,213,636	(332,900)	27,133,205		
Computer Accessories	183,130	12,250	-	195,380		
Furniture & Fittings	485,373	10,375	(2,000)	493,748		
Tools	1,434,153	40,220	-	1,474,373		
Computer Software	-	-	-	-		
Total	54,960,657	5,495,531	(334,900)	59,259,387		

Prepaid Lease		2020				
Cost						
Description	Cost As At 01.01.2020	Acquisitions During the Year	Disposals During the Year	Cost As At 31.12.2020		
Leasehold Land	4,920,845	-	-	4,920,845		
Total Value of Assets	4,920,845	-	-	4,920,845		

Depreciation					
Description	Accumulated Dep. As at 01.01.2020	Depreciation For the Year	Acc. Dep. Related to Disposals	Balance As at 31.12.2020	
Leasehold Land	1,638,602	48,989	-	1,687,591	
Total	1,638,602	48,989	-	1,687,591	

Written Down Value		
Description	Balance As at 31.12.2020	
Leasehold Land	3,233,254	
Total	3,233,254	

Note - 14

Other Non-Current Assets	As at 31.12.2021	As at 31.12.2020
Deposits	970,000	1,820,000
Security Deposits	361,299	327,321
	<u>1,331,299</u>	<u>2,147,321</u>

Note - 15

Inventories	As at 31.12.2021	As at 31.12.2020
Raw Materials	880,226,447	777,915,954
Packing Materials	84,632,732	64,464,660
Finished Goods	304,972,919	183,679,231
Work-in-Progress	162,768,911	97,995,471
Goods in Transits - R/M	13,708,270	48,338,167
Raw Material Loan	-	22,008
Inventory - Formulation, Research & Dev.	8,385,167	7,352,394
Spare Parts - Plant & Machinery & Consumables	166,369,532	155,507,106
Fuel & Lubricants	952,692	1,424,752
Inventory - Stationery	2,009,774	1,764,332
	<u>1,624,026,442</u>	<u>1,338,464,075</u>

Note - 16

Trade Debtors & Receivables	As at 31.12.2021	As at 31.12.2020
Debtors - SPC	18,555,750	1,685,000
Debtors - DHS	205,312,012	42,312,030
Debtors - Distributors	221,600,173	120,630,754
Distress Loans	58,205,185	55,729,563
Receivables	Note 26	471,780
Cycle Loans	1,849,582	1,443,329
Staff Loans	Note 27	176,500
Festival Advance	547,000	528,000
Import Deposits Refunds	918,500	872,500
	<u>507,636,481</u>	<u>230,633,685</u>

Note - 17

Pre-Payments	As at 31.12.2021	As at 31.12.2020
Advance Payments	2,399,007	1,600,017
Advance Payments - Machinery & Spare Parts	14,145,065	1,036,428
Prepayments	7,800,171	5,732,682
Prepaid Staff Cost	6,297,946	3,632,719
	<u>30,642,190</u>	<u>12,001,846</u>

Note - 18

Other Financial Assets	As at 31.12.2021	As at 31.12.2020
Treasury Bills	3,316,722,413	2,960,815,874
Treasury Bills at NSB	135,785,831	79,501,094
	3,452,508,244	3,040,316,968

Investment in Treasury Bills

REPO are classified as current assets measured at amortized cost. The Corporation limits its exposure to credit risk by investing only in REPOs with Government Banks (Bank of Ceylon, People's Bank and National Saving Bank) with Board Approval.

Note - 19

Cash in Hand & at Bank	As at 31.12.2021	As at 31.12.2020
Bank of Ceylon - Ratmalana	44,313	53,584
Bank of Ceylon - Corporate	1,512,315	192,301
Peoples Bank - Ratmalana	136,590	136,590
Peoples Bank - Corporate	7,559	111,546
Cash in Hand	46,671	43,020
Petty Cash	20,000	17,410
	1,767,448	554,451

Note - 20**Stated Capital**

Stated Capital is made up by Grant amounting to JY. 2,564 million converted at the average rate of Rs. 0.186 amounting to Rs. 476,904,000/= and the funds contributed by the General Treasury amounting to Rs. 208,375,000/= and the value of land amounting to Rs. 4,800,000/= transferred from the State Pharmaceuticals Corporation.

Note - 21

Differed Tax Liability	As at 31.12.2021	As at 31.12.2020
Balance at the Beginning of the Year	167,206,928	193,926,433
Charge/(Reversal) as Deferred Tax during the year	51,806,708	(26,719,505)
	219,013,636	167,206,928

Note - 22**JICA - Loan**

JICA Loan Funded Project for procurement of Equipment, Design Services, Building Refurbishment and Construction Installation and other services amounting to Japanese Yen - 1,239,888,000 as described below.

	JPY
Plant & Equipment supplied from abroad	910,075,230
Design Services	3,216,529
Building Refurbishment and Construction	312,850,251
Installation and other expenses	13,745,990
Total	1,239,888,000

Repayment of Loan

Repayment period - 40 years including 10 years of grace period.

Note - 23

Trade and Other Payables	As at 31.12.2021	As at 31.12.2020
Creditors Control - Packing Materials	20,118,666	7,011,215
Creditors Control - Raw Materials	46,555,917	31,256,125
Creditors Control - Stationery	9,364,460	3,457,873
Creditors Control - Equipment & Machinery	6,245,070	1,614,662
Creditors Control - Chemicals	105,448	83,198
Creditors Control - General	90,487,573	114,953,245
Creditors Control - Bank	37,923,364	38,958,021
Creditors Control - Employees	4,352,764	3,863,194
Creditors Control - Services	5,337,245	6,068,224
Creditors Control - Other FA	25,693	61,324
Creditors Control - Joint Ventures	321,901,913	459,679,854
Employee Security Guarantee - Finance	15,917	10,388
Employee Security Guarantee - Stores	345,382	316,933
Bid Bonds Payable	13,437,054	9,679,678
W & OP Contribution	-	11,387
Insurance Claim Control	-	8,000
	556,216,467	677,033,320

Note 24

Retirement Benefit Obligation	31.12.2021	31.12.2020
The amounts recognized in the Financial Position are as follows.		
Net Liability at the beginning of the Year	106,799,808	75,028,761
Current Service Cost	6,447,492	6,415,695
Interest Cost	9,611,983	8,065,592
Actuarial (gain)/loss	(9,873,539)	22,227,485
	112,985,744	111,737,533
Less:		
Payment made during the Year	(2,653,905)	(4,937,725)
	110,331,839	106,799,808

The Retirement Benefit Liability of the Corporation is based on the actuarial valuation carried out by Actuarial & Management Consultants (Pvt) Ltd. The Principal assumptions used in determining the cost of retirement benefit were,

Expected Annual Average Salary Increment Rate	6%	4%
Discount Rate	11.50%	9%
Staff Turnover Factor	1.50%	1.4%

The amounts recognized in the Income Statement are as follows.

Current Service Cost	6,447,492	6,415,695
Interest Cost	9,611,983	8,065,592

An Actuarial valuation was to assess the present value of the Financial Position date 31st December 2021 to bring their best estimates.

Note 25**Related Party Disclosures**

Details of significant related party disclosures are as follows.

<u>Organization</u>	<u>Relationship</u>	<u>Nature of Transaction</u>	<u>Sales During the year</u>
Medical Suppliers Division	Customer	Sale of Goods	6,962,999,985
State Pharmaceuticals Corporation	-Through Distribution	Customer	211,178,456
	- Through Tenders	Customer	93,652,120
Total			<u>7,267,830,561</u>

Note 26**Receivables****Analysis of Receivables are as follows**

Receivable from Ningbo Joychem for Theophylline Anhydrous USP	471,780
Total	<u>471,780</u>

Note 27**Staff Loan**

The Accounting Policy of the Corporation regarding payment for course fees which was included in the Staff loan, recognize as a loan at the time of payment of the course fees to the employee. When successfully completion of the course and submission of the certificate, it will be accounted for as an expense of the Corporation. But from this year onwards it has been identified as an expense at the time of paying the course fees.

<u>Description</u>	<u>2021</u>	<u>2021</u>	<u>2020</u>
	<u>After Policy Changed</u>	<u>Before Policy Changed</u>	
Opening Balance	3,352,830	3,352,830	2,239,216
Course fee payments during the year	1,368,500	1,368,500	1,300,394
Other Loan payments	380,000	380,000	560,000
Recognized as staff training expenses during the year	(1,368,500)	(3,532,830)	(87,500)
Recognized as prior year expenses	(3,158,330)	-	-
Loan Settlements	(380,000)	(380,000)	(659,280)
Deduction due to uncompleted courses	(18,000)	(18,000)	-
Closing Balance	<u>176,500</u>	<u>1,170,500</u>	<u>3,352,830</u>



Auditor General's Report





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தேசிய கணக்காய்வு ஆலுவலகம்

NATIONAL AUDIT OFFICE



MSU/A/SPMC/1/21/41

31st May 2022

Chairperson,
State Pharmaceuticals Manufacturing Corporation

Auditor General's Report in terms of Section 12 of the National Audit Act No. 19 of 2018 on the financial statements and Other Legal and Regulatory Requirements for the year ended 31st December 2021 of the State Pharmaceutical Manufacturing Corporation

1. Financial statements

1.1 Opinion

The audit of the financial statements of the State Pharmaceuticals Manufacturing Corporation of Sri Lanka for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2020 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended and a summary of significant accounting policies and other explanatory notes was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read with the provisions of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971. My report will be tabled in due course in Parliament in terms of Article 154 (6) of the Constitution.

I am of the view that the financial condition of the corporation and its financial performance and cash flows for the year ended December 31, 2021 reflect the true and equitable position of the corporation in accordance with Sri Lanka Accounting Standards, excluding the impact of the matters described in the section for the audited opinion of my report.

1.2 Basis for Opinion

I have performed the audit according to the Sri Lanka Auditing Standards (SLAS). My responsibility under these auditing standards have been further described under the part of Responsibility of the Auditor on the Audit of the Financial Statements of this report. I believe that the audit evidence I have obtained, have been adequate and appropriate for my opinion.

1.3 Other information contained in the 2021 Annual Report of the Corporation

The 'other information' means the financial statements included in the 2021 Annual Report of the Corporation that is expected to be given to me after the date of this audit and the information that is not included in my audit report. The management is responsible for these other information.

My opinion on the financial statements does not cover the other information and I, in any manner, do not guarantee or make any statement on them.



My responsibility on the audit of the financial statements is to read and consider such other information when they are made available and to consider if such other information is significantly inconsistent with the financial statements or audit or my knowledge obtained otherwise.

When reading the 2020 Annual Report of the Corporation, if I conclude that there are significant misrepresentations, such matters should be communicated to the governing parties for correction. If there are more uncorrected misrepresentation, they will be included in the report that will be tabled in due course in Parliament in terms of Article 154 (6) of the Constitution.

1.4 Responsibility of the Management and Administration for the Financial Statements

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

When preparing financial statements, it is the management's responsibility to determine the ability to maintain the corporation and it is also the responsibility of the management to keep accounts on the basis of continuity and disclose the matters relating to the continuity of the corporation unless the management intends to liquidate the corporation or cease operations in the absence of any other option.

The controlling parties are responsible for the financial reporting process of the corporation.

Subject to subsection 16 (1) of the National Audit Act, No. 19 of 2018, the Corporation shall maintain proper books and records of its income, expenses, assets and liabilities in order to prepare annual and periodic financial statements.

1.5 Responsibility of the Auditor in the Audit of Financial Statements

My objective is to provide a reasonable assurance that financial statements are free from frauds and errors that occurred due to inaccurate false statements and to release the auditor's report along with my opinions. While fair assurance is a high-level guarantee, it does not always mean that auditing in accordance with Sri Lanka Audit Standards that will always detect quantitative disclosures. Frauds and mistakes are likely to result in quantitative disclosures, either individually or collectively, and may be expected to affect users' economic decisions based on these financial statements.

I audited in accordance with Sri Lanka Auditing Standards with professional judgment and professional compliance,

- By planning appropriate audit procedures when identifying and assessing the risk of inaccurate misrepresentations in financial statements due to fraud or error, I obtained adequate and appropriate audit evidence to avoid the risks of fraud or error. The impact of fraud is stronger than the impact of inaccurate misrepresentation, and can lead to fraud, misconduct, forgery, intentional avoidance or avoidance of internal controls.
- In designing audit procedures that are appropriate in the circumstances, the auditor considers internal control relevant to the Corporation, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- The appropriateness of accounting policies used and the reasonableness of accounting estimates made by management is appreciated.



- The relevance of using the institution's continuity basis for accounting was determined based on the audit evidence obtained on whether there was sufficient uncertainty about the corporation's existence as a result of the events or circumstances. If I determine that there is sufficient uncertainty, my audit report should focus on the disclosures in the financial statements, and if that disclosure is inadequate, my opinion must be modified. However, continuity can end on future events or circumstances.
- The presentation, structure and content of the financial statements included in the disclosures were evaluated and the underlying transactions and events were evaluated in a reasonable and fair manner.

Governing parties will be informed on the key audit findings, key internal control deficiencies and other issues identified during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 The National Audit Act No. 19 of 2018 contains special provisions relating to the following requirements.

2.1.1 In accordance with the requirements set out in Section 12 (a) of the National Audit Act No. 19 of 2018, I have obtained all the information and explanations required for the audit, excluding the impact of what is described in the section on the basis of the Qualified Opinion of my report. My investigation shows that the proper financial records were maintained by the Corporation.

2.1.2 The financial statements presented by the Corporation in accordance with the requirements of Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018, are consistent with the previous year.

2.1.3 The recommendations I made last year have been included in the financial statements submitted as per the requirement of Section 6 (i) (d) (iv) of the National Audit Act No. 19 of 2018.

2.2 In terms of the measures adopted and the amount of evidence and quantitative considerations, nothing came to my attention as to the following statements:

2.2.1 In accordance with the requirements of section 12 (d) of the National Audit Act, No. 19 of 2018, that any member of the Governing Body may be involved in any contract involving the corporation, directly or otherwise, out of the ordinary course of business.

2.2.2 In compliance with the requirements set out in Section 12 (f) of the National Audit Act No. 19 of 2018, except for the following observations, that anyone has acted in non-compliance with a written law or any other general or special directive issued by the Governing Body of the Corporation.

<u>Reference to Laws and Rules</u>	<u>Description</u>
(a) Section 06 (2) (a) of the Payment of Gratuity Act No. 12 of 1983	Though employee gratuity allocation should be made based on half a month's wage or salary for each year of completed service of the employee, employee gratuity had been calculated based on the full month's salary. As such, a sum of Rs. 1,326,925 million had been paid in excess to two officers who had retired during the year under review.



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 NATIONAL AUDIT OFFICE

- (b) FR 570 and 571 (2) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka Action had not been taken to settle or credit to the State income the total of Rs. 1,870,504 that had exceeded 02 from the deposited date.
- (c) Public Finance Circular No. 438 dated 13th November 2009 and the Financial Regulation No. 103, 104 and 105 Though in the year under review 1,865.93 kg of raw material stock of total cost of Rs. 3,837,426 and 865,376 packing material units had been rejected due to various reasons, action had not been taken to conduct investigation, find the persons responsible for it and recover the loss as per Financial Regulations. In addition, action had not been taken for the proper disposal of the raw material stock cost of Rs. 1,705,675, unfinished material stock cost of Rs. 1,886,980 and finished material stock cost of Rs. 152,142, to conduct investigations, find the persons responsible for and recover the loss as per Financial Regulations on such stocks and to conduct investigations, find the persons responsible for and recover the loss as per Financial Regulations on the written off of rejected and damaged raw material costing of Rs. 3,855,964 that had been identified at the previous year Board of Surveys.
- (d) Paragraph No. 02 of the Public Administration Circular No. 6/97 dated 03rd February 1997. Though the acting period should be subjected to a maximum period of three months, an officer had been recruited to the post of Deputy General Manager (Formulation and Research) for acting for a period exceeding 04 years.
- (e) Public Administration Circular No. 30/2008 dated 31st February 2008. Though the maximum distress loan amount should be limited to Rs. 250,000, exceeding such amount, a sum of Rs. 13,656,100 had been paid to 107 officers during the year under review.
- (f) Para. 4.3 of the Guidelines on the Institutional Control of the Public Enterprises Department Circular No. 01/2021 dated 16th November 2021 Though the Corporation should establish a Risk Management Committee to take suitable steps to calculate the effects of the operational, financial, and non-financial risks of the institution and take suitable actions to minimize the risks affecting the institution's operations, the said Committee had not been established even as at 30th May 2022.
- (g) Public Enterprise Circular No. PED 03/2021 dated 15th December 2021. Though only an amount of Rs. 13,500 can be given to an employee as the annual bonus, the Corporation had paid a one month's salary for one employee as a special bonus of Rs. 14,720,810, Chairman's Bonus of Rs. 3,017,229 as Rs. 5,000 or Rs. 10,000 for each employee. As such, a sum of Rs. 17,738,039 had been paid in excess during the year under review, exceeding the limits approved by the above Circular and without any proper approvals.



(h) Management Services Department Letter No. DMS/E4/10/4/090/2 dated 09th March 2009 addressed to the Secretary of the Ministry of Health, Nutrition and Indigenous medicine

(i) Paragraph 02-01

Though transport facility should be provided to the executive and non-executive officers of the Corporation based on the distance, a monthly transport allowance of Rs. 4,700 and Rs. 3,000 had been paid from 2009 not considering the distance. From 2019, as per decision of the Board of Directors this monthly allowance had been increased to Rs. 11,500 and Rs. 6,000 respectively.

(ii) Paragraph 02-02

Though the staff members can be paid a sum of Rs. 4,000 as a monthly production incentive, contrary to this, a monthly production incentive of under the maximum amount of Rs. 12,000 had been paid to all the staff from 01st of July 2011. As such, a total amount of Rs. 137,490,554, including Rs. 16,256,313 in excess in the year under review had been paid as monthly production incentive from 01st of July 2011 to 31st December 2021.

(iii) Paragraph 02-03

(i) Though approval had been obtained to pay Rs. 2,000 as attendance incentive per month for each employee, it had been increased to Rs. 3,500.

(ii) Even though payment cannot be made on unutilized leave at the end of the year if the attendance incentive allowances are paid, a sum amounting to Rs. 14,359,173 in lieu of the unutilized leave as at the end of the year under review had been paid to the employees on whom the attendance incentive allowance had been made.

(iv) Paragraph 02-04

Though gift vouchers of Rs. 6,000 can be given to each employee only once in a year for the new year and Christmas, during the year under review, permanent employees had been given gift vouchers valued in total Rs. 7,179,875 including Rs. 25,000 for the permanent employees and Rs. 12,500 for the training employees and gift vouchers valued in total Rs. 5,037,500, including a sum of Rs. 12,500 for the permanent employees and Rs. 6,250 for the other employees to purchase school books and equipment.



- (v) Paragraph 02-06
- Though a monthly allowance of Rs. 1,000 can be paid for an employee only after completing all the shift work, a total sum of Rs. 4,891,000 had been paid as shift allowance during the year under review including Rs. 400, Rs. 300 and Rs. 200 for the executive, training executive and non-executive employees respectively and the paid excess shift allowance was Rs. 2,575,000.
- (i) Decision of the Board of Directors No. BP/30/15 dated 04th June 2015.
- Though the bicycle loan of Rs. 3,000 paid to the employees of the Corporation had been increased to Rs. 20,000 from 04th June 2015, the approval of Treasury for it had not been taken as at the audit date.
- 2.2.3 That the Corporation has acted in non-compliance with the powers, duties and functions of the Corporation except the following observations as required under Section 12 (g) of the National Audit Act No. 19 of 2018.
- 2.2.4 That the Corporation has not procured and utilized its resources in an economical, efficient and effective manner as required under Section 12 (h) of the National Audit Act No. 19 of 2018.
- (a) During the year under review at 04 instances to purchase drug materials and packing materials spending Rs. 127,517,807, as per the Government Procurement Guidelines 4.2.1 and 4.2.3, action had not been taken to follow a procurement plan and a procurement time table. And as per the Guideline 6.3.3 (a), a Bid Opening Committee had not been established and as per the Guideline 6.3.6, the proceedings on the Bid opening matters were not recorded in a prescribed format. The orders had been placed with the supplier even before the approval of Procurement Committee and the contract registration certificate had not been obtained from the supplier under the Common Contract Act. The Performance Bond had not been obtained as per the Guidelines 5.4.10 (b).
- (b) During the year under review, the Corporation had purchased 6,000 kilo grams of Paracetamol DC material costing of Rs. 11,068,650 from three suppliers. Though the Procurement Committee had recommended getting the tender samples of the suppliers approved by the laboratory of the Corporation, the sample were not checked. All the three suppliers were not previous suppliers of the said materials and these drugs were not registered at the National Drug Regulatory Authority. The material supplied by two suppliers had failed on the requirements of Disintegration time, Less moisture content, Less flow ability, Friability and Compressibility that should have passed in the pre machine test conducted by the Formula Development and Production Division of the Department and the pre machine test reports of one supplier had not been produced for the audit. The samples of the materials were not were not produced for quality assurance before the tender assessments. The Quality Control Division of the Corporation had released such raw materials for drug production only based on the evaluation reports submitted by the supplier.
- (c) Fifty kilo grams of (Manufacturing of pilot batches) Levothyroxine sodium DC granules material had been purchased by spending Rs. 689,648 and though according to the relevant order conditions, the raw material should have a lifetime of 2 ½ years from the time they were received to the Island, the lifetime of the received material were only five months from the day were received. The life time of the Levothyroxine Tablets 1P 50 mcg drug that had been produced by using this raw material had been



marked as two years based on a Declaration Letter obtained from the supplier without any inquiry from the supplier or re-supply of the materials.

- (d) Though 3,000 kilo grams of Flucloxacillion Sodium BP 2000 material, costing of Rs. 23,331,831 purchased in the year under review, had been rejected by the Quality Control Department of the Corporation on 25th June 2021 as they were not up to the required standard, the Corporation had not taken any action to get this stock of raw materials replaced or recover money from the supplier or take any other action against the supplier. Though the Performance bond of Rs. 6,999,549 on this procurement had been expired as at 30th September 2021 and action had not been taken to convert it to money or update it.

2.3 Other Observations

- (a) The following observations were made on the progress of performing activities in the Action Plan for the year 2021:
- (i) Action had not been taken to obtain the approval of the Board of Directors to the prepared Action Plan and no financial value had been indicated to the activities of the Departments of Production, Human Resources, Internal Audit and Formula, Research and Development that were included in it.
- (ii) Though according to the Public Finance Circular No. PED/12 dated 02nd June 2003 the Action Plan has to be prepared including the Key Performance Indicators that enables to assess the performance of the activities that needs to be completed within timelines, the Corporation had not included defined and measurable performance indicators for the activities in the Action Plan prepared for the year 2020. Therefore, it had been unable to properly assess the progress of the activities included in the Action Plan of the year under review.
- (iii) Six activities of Rs. 19 million out of the 27 activities of estimated cost of Rs. 515.5 million and 27 activities of that were not cost estimated included in the Action Plan had not been initiated within the year under review and 10 activities of estimated cost of Rs. 473 million that had been initiated within the year under review had not been completed. The physical progress of any of the activities had not been revealed.
- (b) The following observations were made on the efficiency and the efficacy of the productions of the Corporation:
- (i) Though the total production requirement identified as per the Sales Plan and the Monthly Production Plan there was a difference of 120 million units in 81 drug types.
- (ii) Though the total production requirement identified as per the Sales Plan was 1,877 million units of 58 drug types, the actual production had been 1,127 million units of 25 drug types.
- (iii) An additional cost of Rs. 2,749,960 had to be incurred for the re-production of drugs, the production of which had to be suspended due to reasons such as higher possibility of breaking the pills into small parts, variations in the weight of the pills, unhealthy appearance and Action had not been taken to minimize this adverse condition that takes place in the production process of every year.



- (iv) The Corporation had priced 07 types of drugs lower than the cost including a drug that had been produced for a price higher than the price the National Drugs Regulatory Authority had decided and during the year under review, a loss of Rs. 38,593,701 had been incurred due to the sale of 03 drug items for a price lower than their production cost.
- (c) The following observations were made on the sales and distribution of the drugs of the Corporation:
- (i) The Corporation had been unable to meet a supply target of 1,202 million units of 72 drugs valued Rs. 2,714,300,224 that had been planned to be sold to the Medical Supplies Unit. The Corporation had been unable to supply the complete supply of 18 drug items that had a supply target of 375.70 unit millions having the sales value of Rs. 558,481,531 and supply 50 per cent of the supply of 06 drug items that had a supply target of 465.43 unit millions having the sales value of Rs. 666,007,940.
- (ii) The Corporation had been unable to supply 785 million drug units having the sales value of Rs. 1,927,233,717 ordered for the year under review by the Medical Supplies Division due to various reasons such as absence of raw materials, insufficient machine capacity, and technical errors in the production process.
- (iii) Out of the 2,076 million drug units that had the selling value of Rs. 5,300,782,520 that were supplied to the Medical Supplies Division for the year under review, only 1,338 million drug units that had the selling value of Rs. 2,140,206,445 had been supplied and 738 million drug units that had the selling value of Rs. 3,160,576,075 had been supplied by the Joint venture business.
- (iv) The Corporation had been unable to supply 136,964 drug packages valuing Rs. 85,707,417 in respect of 50 orders from distributors only during 3 weeks from 11th November 2021 and 31st November 2021 for the drugs manufactured by the Corporation.
- (v) Out of 54 registered distributors who had been given monthly sales targets under the approval of the Board of Directors, only 19 had reached their sales targets in the year 2021 and all the other 35 distributors had not reached their sales targets. Five of the distributors had no any sales during the year under review.
- (vi) During the year under review the Corporation had been unable to supply 988,283 drug packaging of Rs. 444,538,751 ordered by the State Pharmaceutical Corporation and only 30 of the supply had been completed.
- (vii) In August 2021 sales of Rs. 5,475,889 had been made exceeding the loan limits approved for five distributors.
- (viii) The approval of the Board of Directors had not been obtained for the Sales Process implemented within the Sales Division and numbers had not been indicated in the gate passes of the invoices issued by that Division. Some other invoice were not approved and some had been approved even though they were not signed as checking the invoices.
- (d) During the years 2018, 2019 and 2021, the Corporation had entered into contracts with 18 potential investors to supply drugs under the proposal to initiate a joint venture between the State Pharmaceutical Manufacturing Corporation and private investors in order to expand the local drug production process. The following observations are made on the nature of transactions done by the Corporation with the said joint venture during the year under review.



- (i) Though the Corporation had entered into contracts with 17 investors to supply drugs, drugs had been purchased from only four investors as at 31st December 2021.
- (ii) The Corporation had conducted quality assurance only on 21 drug items out of the 56 drug items supplied to the Medical Supplies Division purchased from the joint venture during the year under review. The Corporation had not conducted quality assurance on 35 items and had been supplied to the Medical Supplies Division. Though 03 items of the surgical consumables had been purchased from one investor and supplied to the Medical Supplies Division during the year under review, the suppliers themselves had sent samples from each production category to the Institute of Industrial Technology (ITI) as the Corporation did not have adequate facilities to conduct quality assurance on such items and the quality of the drugs had been assessed only on the reports issued by the said institute. Therefore, no adequate independent assurance had not been made on the quality of the drugs supplied to the Medical Supplies Division under the joint venture.
- (iii) According to the joint venture contract, the selling price had to be decided by adding a 20 per cent margin to the production cost of the drugs and surgical consumables that are produced by the investor. During the year under review, the total production cost of 01 drug unit that had been sold to the Medical Supplies Division was Rs. 6,262,252. The investor had supplied the said item for Rs. 6,112,800. The Corporation had added a service charge of Rs. 2,235,696 to the said invoice value and had sold to the Medical Supplies Division for Rs. 8,348,496. The investor had earned a 33 per cent profit margin from the total cost of the said drug and the Corporation had earned a 37 per cent service charge from the invoice price.
- (iv) Though the accounting policy of supplying drugs to the Medical Supplies Division by adding a 6 per cent profit from the purchasing price for the joint venture supplies, during the year under review, the Corporation had earned a profit percentage from 17 to 37 per cent from the drugs supplied to the Medical Supplies Division.
- (v) According to the recommendations of the official committee appointed by the Cabinet of Ministers to establish the joint venture, the Corporation had to supply the quality assurance of the investor's production process, management and technical support and for that 10 per cent of the said investor's shares should be issued to the Corporation. However, only two investors had issued shares to the Corporation and the remaining two investors had not issued shares to the Corporation even as at 30th May 2022.
- (e) The building that was purchased by spending a total sum of Rs. 133,767,599 and renovated with the objective of establishing a common test laboratory and a training school, had been left idle from 20th August 2019 to 27th May 2022 and this had taken place due to the reasons such as not fulfilling any of the other requirements to establish a common test laboratory and a training school and the absence of a pre plan or any arrangement by the Corporation. Though this was revealed in audit reports at several instances the authorities of the Corporation had not taken due action in that regards.



- (f) Though Rs. 6,016,902 had been incurred as at 27th May 2022 for the construction of the proposed fly-over bridge that connects two buildings, the money spent for this purpose had been a void expenditure as the Governing Authority had decided to cease the said construction work having come into conclusion that such construction was not feasible after a lapse of 03 years from the commencement of such construction work.
- (g) Though the opening under-ground pile foundation work for the construction of the four-story building had been carried out and such piling work had been completed as at 07th March 2018 with an expenditure of Rs. 27,550,136, the Corporation had been unable to select a qualified contract company for the construction of this building and commence the construction work thereof.
- (h) Construction work had been initiated as at 21st September 2018 for the construction of a two-story building for storing finished drug stocks and as at 31st March 2022, a sum of Rs. 36,943,060 had been incurred for this construction. Though according to the first agreement the construction work had to be completed as at 21st August 2019, the construction work had been delayed and according to the Project Performance Programme submitted by the construction company it was proposed to complete the construction by 17th May 2022, the time had not been postponed for this.
- (i) The following observations are made on the human resource management of the Corporation:
- (i) As at 31st December 2021, the approved cadre of the Corporation was 423 and the actual cadre was 326, while there were 97 vacancies. Action had not been taken as at 31st March 2022 to either recruit officers for 95 essential posts including 17 executive posts, 48 posts in the non-executive grade and 30 minor staff posts including Formula, Research and Development Division as well as the Quality Assurance Division or revise the approved cadre.
- (ii) It has been unable to prepare recruitment procedures for approved 07 posts and obtain the approval from the Department of Management Services.
- (j) 101 items of Rs. 8,302,287 included in the non-current assets as at 31st December 2021 had not been subject to physical survey for the year under review and those items had not been identified as underutilized items.
- (k) Rs. 4,162,500 receivable from the State Pharmaceutical Corporation for the supplied drugs during the year under review had not been recovered as at 27th May 2022.
- (l) The Corporation had been unable to recover the deposits of Rs. 853,500 deposited on refundable basis for which the clearance were completed by 24 goods clearance companies during the period from 2017 to the year under review.



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NATIONAL AUDIT OFFICE

- (m) Rs. 11,223,744 from the Sales Creditor balance of Rs. 556,216,467 as at 31st December 2021, had exceeded a period of 01 year to 04 years and action had not been taken to settle it even at 25th March 2022.
- (n) As the residual value and the useful life time for the non-current assets had not been reviewed annually, fixed assets having the cost of Rs. 667,436,317 that had been completely depreciated but are been in use.

W.P.C. Wickramarathna
Auditor General

Opinion of the Chairman about the Report of Auditor General - 2021

2.2.2

(a) In this regard, instructions of the Commissioner of Labour relating to provisions set out in the Labour Act have been obtained. According to the letter dated 25.01.2022 addressed to Chairman of the State Pharmaceutical Manufacturing Corporation by the Department of Public Enterprises, the power of approving the Financial Manual has been delegated to the Board of Directors in terms of para 2.3 of the Operational Manual issued by the Department of Public Enterprises. Accordingly, the Financial Manual inclusive of these payments has been approved by the Board of Directors on 25.01.2022.

(b) There is a situation where it is impossible to release these deposits due to non-receipt of claims from the relevant parties requesting the settlement of such unsettled deposits. Action will be taken to settle these deposits after informing the relevant parties of this matter.

(c) Unusable stocks of raw material and unfinished & finished material

Approval has been received for destroying the unfinished stocks of material costing Rs. 1,693,901.67 at the 391st meeting of the Board of Directors held on the 29th of April 2022. Arrangements are being made to dispatch these items to Incee Cement Ltd. for destroying.

Rejected stocks of raw material – Rs. 3,284,223.00

Every possible effort has been made by the Planning and Procurement Division to have the rejected stocks reduced.

In this connection, the insurance money against materials for which insurance cover is claimable has been recovered. And also, action to reimburse the value of the raw materials that failed the quality control tests is now ongoing.

Following reasons could be attributed to the obsolete stocks of raw material:-

- Orders of the Medical Supplies Division being subject to cancellation during the year 2021.
- Colouring substances being subject to disqualification at the quality control tests following their use several times after retesting.
- Remainder of the products of raw material being insufficient for one lot.
- Development of formulas on new products taking a long period of time.

Rejected stocks of packing material

This stock of packing material has been recommended to be unusable any further after inspection by the survey committee appointed by our institution. Thereafter, the approval of the Board of Directors has been received for the proper disposal of these packing materials and it was properly disposed of accordingly on 20.12.2021.

Rejected stocks of finished stocks

Approval has been received for the destruction of this stock of finished materials at the 386th board meeting held on 03.09.2021. As such, arrangements will be made in the future to dispatch this stock of finished materials to Incee Cement Ltd. for destruction.

Stocks of rejected and damaged raw material that had been identified in the inventory surveys of previous years - Rs. 3,855,964/-

The occurrence of waste of around 1% or less in a manufacturing entity conforms to acceptable standards. Accordingly, the percentage of these wastes is less than 1%. However, due attention is constantly being paid to the reduction of waste. These wastes are caused by uncontrollable variables and, if efforts are made to bring the wastes to zero, the products will be severely hampered. The profits receivable by the Corporation could not be realized and such profits far outweigh the costs of the waste.

(d) As the officer who served in the post of Deputy General Manager (Formulation cum Research & Development) resigned from service, the officer who served as Manager of the same Division was appointed to act in the said post. He is already serving in that capacity to the best of his ability. Under his initiative, 7 new drug formulas have been developed during the last two years. In view of the fact that the officer was appointed to act in the said post, he continues to carry out his duties with added motivation. He makes a maximum possible contribution for the sake of all the payments being paid to him for his duties in the acting

appointment. Matters representing this case were laid before the Board of Directors and the Board has informed to take necessary action to call for the recruitment of a suitable applicant for the post of Deputy General Manager (Formulation cum Research & Development).

In the meantime, applications were called for recruitment to the said post on several times, but no candidate meeting with necessary qualifications for the post had applied.

According to the National Budget Circular No. 3/2022 dated 26.04.2022 that has been issued at present, the recruitments have been temporarily suspended and the recruitment to the post of Deputy General Manager (Formulation cum Research & Development) is due to be made once the approval is received for recruitment to the public sector.

(e) On being sought approval on 14.12.2021 from the Director General of the Department of Public Enterprises for all relevant payments, he informed the Corporation to prepare the Financial Manual in respect of such payments. Accordingly, as per the letter issued on 25.1.2022 by the Department of Public Enterprises addressing the Chairman of the State Pharmaceutical Manufacturing Corporation following the submission of this manual so compiled, the Board of Directors has been delegated the power of approving the said Financial Manual in terms of Chapter 2.3 of the Operational Manual issued by the Department of Public Enterprises. As such, the Financial Manual inclusive of these payments was approved by the Board of Directors on 25.01.2022.

(f) Action will be taken to appoint the respective committee for the year 2022.

(g) And also, action was taken to grant this special bonus for the purpose of further incentivizing the employees in consideration of the culmination to the maximum contribution towards the production and sales of the factory during the relevant year. As per the letter issued on 25.1.2022 by the Department of Public Enterprises addressing the Chairman of the State Pharmaceutical Manufacturing Corporation, the Board of Directors has been delegated the power of approving the Financial Manual in terms of Chapter 2.3 of the Operational Manual issued by the Department of Public Enterprises. As such, the Financial Manual inclusive of these payments was approved by the Board of Directors on 25.01.2022.

(h)

(i) As per the letter issued on 25.1.2022 by the Department of Public Enterprises addressing the Chairman of the State Pharmaceutical Manufacturing Corporation, the Board of Directors has been delegated the power of approving the Financial Manual in terms of Chapter 2.3 of the Operational Manual issued by the Department of Public Enterprises. As such, the Financial Manual inclusive of these payments was approved by the Board of Directors on 25.01.2022.

(ii) As per the letter issued on 25.1.2022 by the Department of Public Enterprises addressing the Chairman of the State Pharmaceutical Manufacturing Corporation, the Board of Directors has been delegated the power of approving the Financial Manual in terms of Chapter 2.3 of the Operational Manual issued by the Department of Public Enterprises. As such, the Financial Manual inclusive of these payments was approved by the Board of Directors on 25.01.2022.

(iii)

(i). As per the letter issued on 25.1.2022 by the Department of Public Enterprises addressing the Chairman of the State Pharmaceutical Manufacturing Corporation, the Board of Directors has been delegated the power of approving the Financial Manual in terms of Chapter 2.3 of the Operational Manual issued by the Department of Public Enterprises. As such, the Financial Manual inclusive of these payments was approved by the Board of Directors on 25.01.2022.

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- (j) As per the letter issued on 25.1.2022 by the Department of Public Enterprises addressing the Chairman of the State Pharmaceutical Manufacturing Corporation, the Board of Directors has been delegated the power of approving the Financial Manual in terms of Chapter 2.3 of the Operational Manual issued by the Department of Public Enterprises. As such, the Financial Manual inclusive of these payments was approved by the Board of Directors on 25.01.2022.

2.2.4

(a) The Procurement Plan and the Procurement Time Schedule prepared in accordance with sections 4.2.1 and 4.2.3 of the Procurement Guidelines have been resubmitted herewith.

A committee has been appointed for the purpose of opening of bids after having this lapse rectified in accordance with sections No. 6.3.3 and 6.3.6 of the Procurement Guidelines and the said committee duly attends to the keeping of relevant records and signing them as required.

However, the documents hitherto made use of fulfill the preliminary requirements to be considered when opening bids.

10% of the total sum payable for this purchase has been withheld by the relevant letter of credit for up to 60 days from the date of shipment of the goods in accordance with the approval of the Board of Directors given for retaining 10% of the total payment due to be made in lieu of the performance security stipulated in section 5.4.10 of the Procurement Guidelines.

(b) The medicine concerned is registered with the National Medicines Regulatory Authority (NMRA). Currently, the manufacturers supplying the Paracetamol DC 90 raw material are in the engagement of work necessary for registering themselves with the National Medicines Regulatory Authority. In a recent discussion held with the National Medicines Regulatory Authority, we have been informed to provide the relevant documents to the NMRA for the registration of manufacturers whose stability is over 06 months.

It appears that the interpretation made in reference to the quality of medicines herein is not correct. It is because the quality of a kind of medicine is the standard that a drug should contain when it reaches the hands of a patient, and the problems that arise during machine testing are the constrictions arising in the process of production.

These raw materials of Paracetamol were released for the production process after the confirmation that all the relevant tests of such raw materials were in keeping with the British Standardization (B.P. Standards). In addition to that, it is a compulsory requirement (Document Purpose) to obtain the analytical reports of the relevant manufacturers together with these raw materials and they will in no way be released for the production process based on those reports. I would like to inform you that the Quality Control Division has taken measures to release the raw materials for the production of medicines subsequent to the assertion that the quality thereof is 100% potent, having also taken into consideration of the high necessity the medicine of Paracetamol in the face of the Covid pandemic that was in prevalence.

Quality denotes the final standard of a drug, whereas machine testing reflects the technical issues related to the medicine. The end product comes through after giving solutions to those technical problems. The medicine referred to above has come down the production line in such a manner.

(c) Although the relevant raw material is initially given a lifetime of 06 months, it can be manufactured by keeping its durability tested for up to 02 years. It was determined by the relevant drug manufacturer and the documents were submitted by the supplier concerned, confirming it as such.

However, the pharmaceuticals are manufactured under the full supervision and approval of the Quality Control Division.

A Quality Assurance Certificate for a period of two years has been furnished by the manufacturer.

It is true that the lifespan of the relevant raw material is 05 months from its date of receipt in Sri Lanka. But this lifetime means the period of time during which these raw materials can be used to produce pills in order to give them a lifespan of two years. The period of two years has been determined subsequent to conducting Accelerated Stability Studies.

It is not on the supplier's declaration that the said confirmations have been obtained, but on the stability test results.

(d) Such rejection has been communicated on the same day to the supplier through the local representative.

Even though the supplier accordingly made a request to reexamine and consider the rejection of the raw material stock, it was rejected by the Quality Control Division and we had repeatedly informed the supplier through the relevant local representative that the raw material stock should in fact be replaced.

On being in contact with the supplier over the phone by now, he has principally agreed to pay up the value of such rejected raw materials to the Corporation and the action required towards that end is now being taken.

It is agreed that the performance bond has not been updated as stated herein. Since the performance bond was made available for the entire stock and the supplier concerned has responded positively about the replacement of the rejected raw material stock, the respective performance bond was not subjected to renewal.

However, the arrangements are underway to replace the said stock or get the cost involved settled as soon as possible.

2.3

(a)

- (i) Steps will be taken to submit the Action Plan for the year 2022 for the approval of the Board of Directors.
- (ii) Action Plan for the year 2021 was prepared in line with the PED 12 Circular. And also, action will be taken to incorporate and present the performance indicators of the activities of the action plan for the year 2022 in a defined and measurable manner.
- (iii) The implementation of these activities is in a very difficult state. It is in view of the fact that this is the status quo of the current global pandemic. In the face of this situation, it is difficult to implement the relevant activities in accordance with the health roadmap rules and as such, they have been earmarked for the year 2022.

(b)

- (i) The production requirement of the Marketing Division herein referred to is prepared with the existing stock levels in mind and on the basis of the market demand. However, the monthly production plan is prepared taking into consideration the types and quantities of raw materials available in the warehouses during the relevant period of production, the availability of machines and their capacities and the product formulas approved by the NMRA. In such circumstances, changes like this might occur.

For example, the products such as Aspirin Tablets 75 mg, Bisoprolol Fumarate Tablets 5 mg, Ibuprofen Tablets 200 mg, Loratadine Tablets 10 mg, Nitrofurantoin Tablets 50 mg, Rosuvastatin Tablets 10 mg (Blister), Sitagliptin Tablets 50mg (Blister) and Sodium Valproate Tablets for which the sales requirements have been specified were scheduled to be introduced to the market during the year 2021 by the Formula and Development Division of the Corporation and hence, all such new products were included in the Sales Plan for the year 2021. However, since none of these products could be made available (introduced) to the market during the year 2021, the inability to carry on with commercial production has caused variations in these items. And also, certain types of products have been requested as blister packs by the Marketing Division and our institution has not yet started work on the production of blister packs.

Eg. :Atorvastatin Tablets 20 mg (Blister)
 Cetirizine Tablets 10 mg (Blister)
 Enalapril Tablets 5 mg (Blister)
 Diltiazem Tablets 30 mg/60 mg (Blister) etc.

Furthermore, due to the fact that the institution does not have the necessary facilities to manufacture certain products / the NMRA registration approval being unavailable for such product formulas or the production capacity being at an insufficient level, some types of the drugs are not included in the plans of the Manufacturing Division, even though they are specified in the product requirements of the Marketing Division.

- (ii) Facts given in para (b) ii are attributable to the production requirement of the Marketing Division not being totally on par with the actual production of the Manufacturing Division.
- (iii) Quality assurance system is important to minimize the incidence of reproduction in an institution. Herein, it is asserted that the end product must be in the right condition by way of the production of raw materials of a same quality in an equally identical method. However, due to the system involving tenders, the prices of raw materials being purchased constantly vary in several folds. Therefore, the quality assurance system cannot be maintained in a proper manner. Reproductions may occur in such an environment. Nevertheless, the amount of reproduction is a very negligible percentage in the supply of 03 billion of the total quantum of drugs under production.
- (iv) It should be stated that, from among the product items referred to in here, both the Cloxacillin Capsules

BP 500 mg (Blister) and the Diltiazem Tablets 60 mg (Blister), though applied for sale in the open market, we are not yet afforded the opportunity of putting such products into sale in the open market due to the difficulty in providing those products as blister packs (due to lack of facilities) and that the price will be decided in the future based on the cost factors and market prices corresponding to such a future time when the said products are introduced to the open market.

Moreover, the Propranolol Tablet 40 mg has been subject to an increase in price based on the cost prevailed in the month of August 2019. At that time the cost of the said drug (for 1000's Tablets) was Rs. 565.51 and the wholesale and retail prices were increased to Rs. 690.00 and Rs. 800.00 respectively. (Prices that were at Rs. 620.00 and Rs. 715.00). The cost of this product has increased again during the last quarter of the year 2021 and a revision of the prices thereof has been made again for the year 2022.

Paracetamol Tablets BP 500 mg

Even though the cost of this product at the time of deciding this price was Rs. 1,544.44, the maximum selling price for this product maintained in the National Drugs Regulatory Authority was Rs. 1.77. Therefore, the wholesale and retail prices were fixed at Rs. 1,445.00 and Rs. 1700.00 respectively because this product should be continuously supplied to the market based on the social notions it carries despite being financially disadvantageous to the sale of this product to some extent. Even prior to this, the National Drugs Regulatory Authority had fixed the maximum price as Rs. 1.57 and as such, in comparison to it, the wholesale and retail prices thereof have been decided as Rs. 1,260.00 and Rs. 1,450.00 respectively.

Penicillin VK 125 mg & Tolbutamide BP 500 mg

Furthermore, the open market sale of the Penicillin V.K 125 mg product and the Tolbutamide BP 500 mg product herein referred to is at a very low level and as such, the release of both these products to the open market has been stopped over a period of nearly 03 years.

(c)

(i) In the preparation of a forecast (Marketing Plan) as this for the ensuing year, the following main points in particular were taken into consideration.

- What kind of products we, namely, the State Pharmaceutical Manufacturing Corporation and its Joint Ventures (SPMC & JV) have under the approval of the NMRA.
- What kind of products for which the permission for registration from the National Drugs Regulatory Authority are expected by our institutions (SPMC & JV) during the year in which the Marketing Plan is prepared and the sort of products expected to be supplied to the Medical Supplies Division within the same year.
- Previous years' demand / number of orders for such products at the Medical Supplies Division.
- Existing production capacity and the measures taken to increase it.

The marketing plan prepared after taking the foregoing facts into account is supposed to show sort of guidance for the planning activities of the institution in the ensuing year and, it is only a rough estimate. As such, there are also instances where a marketing plan cannot be accomplished as it is and these values are likely to increase or decrease percentagewise to a certain degree.

And according to the predicted Marketing Plan, 2,743.78 million units of sales have actually been achieved out of 3,278.20 million units of sales and the rate of such achievement percentage is 83.69%. Also, a sum amounting to Rs. 6,963 million have been materialized out of the predicted sales value of Rs. 7,910.88 million which amounts to 88.01% as a percentage.

Likewise, following reasons were also attributable for the disagreement of the number of sales units and the value of sales as a whole with the Marketing Plan during the year 2021.

- Non-receipt of the orders from the Medical Supplies Division exactly in accordance with the measure of the Marketing Plan per se or non-receipt of the entire estimated order due to the Medical Supplies Division having sufficient stocks for certain products for the year 2021.

Eg. : Domperidone Tablets 10 mg
Ciprofloxacin Tablets 250 mg & 500 mg
Clarithromycin Tablets 250 mg & 500 mg
Theophylline Tablets 125 mg

- Lapses caused in the production process due to non-availability of required raw materials in the times of their due necessity.
 - Inadequacy of the existing production capacity to attend to this orders in full despite the activities of production being executed in the maximum possible production capacity available in the institution as at present.
 - Action to cancel the orders in their entirety or to some extent made for the year 2021 due to the fact that the Medical Supplies Division is in possession of excess stocks for certain medicines despite the orders being given by the Medical Supplies Division for the whole year.
 - Direct impact of the Covid 19 pandemic situation prevailed in the country on the entire process of pharmaceutical manufacturing and supply.
- (ii) The numerical data herein ascribed should be rectified in the manner as given below.

	As per Audit Report	As per Management Database of SPMC
	Rs.	Rs.
1 Units of orders received from MSD	2,861.06	2,797.06
2 Value of the orders received by the Corporation	7,228.02	-
3 Value of the drugs supplied by the Corporation	5,300.78	5,410.70
4 No. of drug units supplied by the Corporation	2,075.51	2,011.13
5 No. of units supplied only through the Corporation out of the supplies during the year 2021 – Unit Millions	1,337.71	1,274.91
No. of units supplied by the Joint Ventures out of the supplies during the year 2021 – Unit Millions	737.80	736.21
6 Value of the drugs supplied by SPMS out of the supplies during the year 2021	2,140.21	1,985.62
7 Value of the drugs supplied by the Joint Ventures out of the supplies during the year 2021	3,160.58	3,425.08

- (iii) The prime objective of establishing the State Pharmaceutical Manufacturing Corporation at that time was to produce the essential medicines required by the community of the country in a level of very high quality and supply them at a reasonable price under the generic name of the medicine.

The product mix of the State Pharmaceutical Manufacturing Corporation was built around the base of that concept and the profit oriented objectives were not reckoned a primary facet in that context.

However, with the awakening of the domestic pharmaceutical manufacturing industry in recent times and in keeping with the vision of producing all the medicines required by the country locally, the SPMC joint venture businesses have devised the product mix of their manufacturing industries, centering on the pharmaceutical products the SPMC does not produce or the products that do not have the sufficient production capacity in the supply towards meeting the demand and those that cost a very high amount of foreign exchange in terms of the importation of drugs.

Therefore, most of the products manufactured through SPMC joint ventures are relatively high-cost manufacturing items. And their quantum of the units on demand is lower in comparison to quantities of the units of our products on demand.

However, I would also like to state that we have by now focused on the production of high-cost incurring imported pharmaceutical products in the manufacturing plant under the Lotus Pharma Project proposed by SPMC.

- (iv) Due to the fact that the State Pharmaceutical Manufacturing Corporation does not have sufficient production capacity to supply the required product stocks to the Marketing Division to meet the demand of the distributors, it has not been possible during the year under review to meet the total demand for the product items referred to herein. What should be taken note of in this context is that the production capacity has to be increased in a manner that ensures the supply of items over demand in adequate quantities. The marketing strategies should come into play if there are issues involving the sale of the surplus stocks we have in hand. It should also be mentioned that the Marketing Division is in a good position to reach higher sales targets by raising the production capacity of the State Pharmaceutical Manufacturing Corporation.

- (v) It is correct that the four distributors referred to here have not engaged in sales throughout the year and on being communicated about it, the Union Chemist, the distributor has started purchasing pharmaceuticals once again.

Additional incentive allowances are determined on the basis of the monthly sales of the distributors and due to the decline in sales of the distributors during the said month, they have not been able to reach their incentive thresholds. These sales targets have been set in a manner favourable to the institution.

- (vi) The following circumstances are chiefly attributable for the failure to reach the monthly sales targets of the SPC.

- Impossibility to honour the entire quantum of orders in full in keeping with the demand due to the inadequate production capacity of the State Pharmaceutical Manufacturing Corporation.
- Unavailability of sufficient stocks of the products of the State Pharmaceutical Manufacturing Corporation owing to some time to time changes in the orders made by the Corporation under certain circumstances and the inability to meet such quantities involving urgent demands.

- (vii) The credit limit given to the distributors is calculated by us in accordance with the credit balance on the basis of the period of time related to a week. And also, the distributors tend to advance the cheques having a value equal to or greater than the invoice value when the credit limit exceeds. In the case of the closing week of the month of August, advancing of the cheques in respect of the invoice values has not been made in relation to their last 02 days because the financial values related to such values will have to be settled in the ensuing days of the week concerned. As the value of the credit balance is considered as the credit limit in respect of the week regardless of the credit limit for the month, it has not been taken into reckoning as indulging in sales in excess of the relevant credit limit.

- (viii). It has to be stated that there is no sales process system in place in the Marketing Division as at present. However, as per the request made by the Audit Division, we made available only the rough outline of the sales process currently made use of by our Division in practice.

As the pink colour invoice on the same invoice issued by the Marketing Division is considered to be the gate pass as well for the open market, no gate pass numbers are indicated again as such.

The approvals of the 03 invoices referred to have been missed out and action will be taken to prevent it from happening again.

- (d)

- (i) Only 17 investors entered into joint ventures with the SPMC. Two of the firms named AVG and BPC has stated that they did not construct factories. Then, there are only 15 investors. Of it, only the following 4 investors possess necessary manufacturing facilities and qualifications to supply pharmaceuticals to the Medical Supplies Division.

1. Celogen Lanka (Pvt) Ltd.
2. Diyatha Pharmaceuticals & Healthcare (Pvt) Ltd.
3. Glosante (Pvt) Ltd.
4. Medicom (Pvt) Ltd.

It is a purchasing agreement that the Corporation has entered into with Kelun Lifesciences (Pvt) Ltd. It is not a joint venture.

- (ii) As some of the drugs and surgical consumables supplied to the Medical Supplies Division during the year 2021 have not been manufactured by our institution before and owing to the Covid 19 pandemic situation prevailed right throughout the year 2021, it was not possible to obtain the chemicals required to carry out quality tests for such items as well as the consumable spare parts required for the scientific equipment that are used for analytical work. Moreover, a study was undertaken at the Industrial Technology Institute (ITI) after visiting there and I would like to inform you that necessary arrangements will be made in readiness to carry out the aforementioned quality tests at the laboratory of the State Pharmaceutical Manufacturing Corporation from the year 2022 following the purchase of equipment for the purpose.

At the same time, I would like to inform you that the analytical work on some number of above items among those referred to above has been completed during the year 2022. I also wish to inform you that necessary arrangements have already been made to obtain the consumable parts and the chemicals required thereto.

- (iii) The price committee meetings to determine the price of the medicines supplied to the Medical Supplies Division by the State Pharmaceutical Manufacturing Corporation and the Joint Ventures attached to it are held once in 06 months. The price of the relevant drug was herein determined at the price committee meeting held on 05.04.2021. (The price of a packing unit was Rs. 173,927.) In the meantime, the price of a packing unit was reduced to Rs. 127,350 by the respective Joint Venture due to the drop in price of the raw materials of this drug. The State Pharmaceutical Manufacturing Corporation had to supply the relevant drug at the price approved by the price committee at this juncture because there was no time available to get the approval of the price committee again for the relevant price so reduced.
- (iv) At the price committee meeting held on 05.10.2021, the prices of the two drugs concerned were subject to review. Subsequent to the submission of relevant cost sheets in relation to the said changes to us by the respective Joint Venture and upon making proposals to the price committee after having them checked and added a service charge of 6% by us to the revised value concerned, approval therefor was granted by the price committee. Accordingly, the respective Joint Venture has not made changes to their invoices as per the cost sheets provided by them even though the State Pharmaceutical Manufacturing Corporation made orders under the approved prices concerned.
- (v) Action will be taken to appoint directors to Glossante Pvt. Ltd. and Medicom (Pvt) Ltd. in the future and those institutions too are now in the process of preparing the documents pertaining to the issuance of share certificates.

It is a purchasing agreement that the Corporation has entered into with Kelun Lifesciences (Pvt) Ltd. It is not a Joint Venture. There is no accord reached in the said agreement for the issuance of 10% shares for the purpose concerned.

- (e) The approval of the Board of Directors has been received at the 388th meeting of the Board of Directors held on 10 December 2021 to call for quotations for the sale or lease of the building at Bulathsinghala, Horana which was supposed to house the laboratory and the training school. As such, advertisements for that purpose were published in the newspapers on the 13th of February 2022.
- (f) The objective of our Corporation as the only pharmaceutical manufacturing plant owned by the state sector is to produce the pharmaceuticals required by the country thereby fulfilling the needs of the people of the country.

This flyover bridge construction project was initiated in the year 2017 as a product expansion measure with the aim of making the interchange of goods between the GD zone and the E zone more efficient and using the available space in a qualitative way for packing operations.

However, as a result of the new plant and machinery provided under the JICA Expansion Project initiated under the aid of the Japanese Government, the interchange between the GD zone and the E zone became unnecessary for packing operations. Therefore, it was found that the construction of this bridge was not useful.

Furthermore, in accordance with the policy decisions of the new government, we introduced a host of new pharmaceutical products to the country under the motto of "new medicine for a new country" which is a concept of the Hon. State Minister of Pharmaceutical Production, Supply and Regulation. It has also been planned to introduce many essential medicines that are currently imported from abroad, as new products in Sri Lanka in the future.

In this regard, practical problems concerning our production capacity have cropped up. In order to meet this requirement, production facilities need to be further expanded. The management has identified the ground floor of the E zone building where the Marketing Division is currently in operation as the most ideal place to set up a new manufacturing plant. Also, the existing electric elevator can be made use of for transporting finished goods from the ground floor to the packing section on the first floor of the same building.

After completion of the work, our Marketing Division currently established in the zone E will be shifted to the two-storied warehouse building currently under construction at No. 105, Kandawala Road.

When the facts above are taken into consideration, we presume it not correct to treat this construction as a worthless expenditure, as the discontinuation of the said construction was a decision that had to be made under practically thought out circumstances.

- (g) Since this construction is a task exceeding Rs. 100 million in value, pertinent decisions are made by the Ministry Procurement Committee. The recommendation of the Chairman of our Corporation as a member of this committee was that the lowest quoted and substantially responsive bidder for this tender is lower than the Engineering Estimate, and that there are shortcomings in the 04 storied facility building constructed by the consultancy firm previously for our Corporation in the year 2019 and, that the said building has not been constructed according to the standards.

Accordingly, the Planning and Procurement Division has informed us that the procurement to select a contractor for the construction contract concerned has been revoked by the Ministry Procurement Committee.

A committee constituting the following members has been appointed to have negotiations with M/S Design Plan Associates, the consultancy firm of this project, for the purpose of reviewing the design in compliance with the new requirements of the institution.

1. General Manager
2. Deputy General Manager - Engineer
3. Deputy General Manager - Planning and Procurement

Following the said discussions, the consultancy firm, M/S Design Plan Associates by their letter dated 14.02.2022 has informed that due to the drawbacks in finding sufficient staff and resource capacity, they are not in a position to provide consultancy services for the remaining phases of the project.

Therefore, this project will have to review the design in accordance with the current requirements, implement the next phases ahead of it and seek services of a new consultancy firm.

- (h) Even though the Accounts Division was given the go-ahead on 18.05.2018, to pay the first payment, which is the advance amount of 20% of the contract value, to KSJ Construction Pvt. Ltd, the contract company selected for the construction work of this building, the said payment had been finalized only after 7 months, i.e., on 07.12.2018. Moreover, the first bill for payment (Interim Payment No 1), though submitted in January 2019, had been delayed by about 6 months.

Due to the funds recoverable to the Corporation from the government being delayed by the year 2019, these payments were delayed and by this reason, the construction work continued to be held up repeatedly causing delays. The contract company has expressed concern on the matter in writing and due to this, the date of completion of the work concerned had to be deferred. The Covid pandemic situation too was unavoidable as this construction work had to be stopped temporarily. In this regard too, the contract company has made a lengthy explanation to our Planning and Procurement Division.

Also, the Central Engineering Consultancy Bureau (M/S CECB) re-analyzed the structure of this building and, the relevant construction company being responsive to implementing such recommendations of the CECB, agreed to carry on with the project within the same cost structure on which the respective tender was awarded.

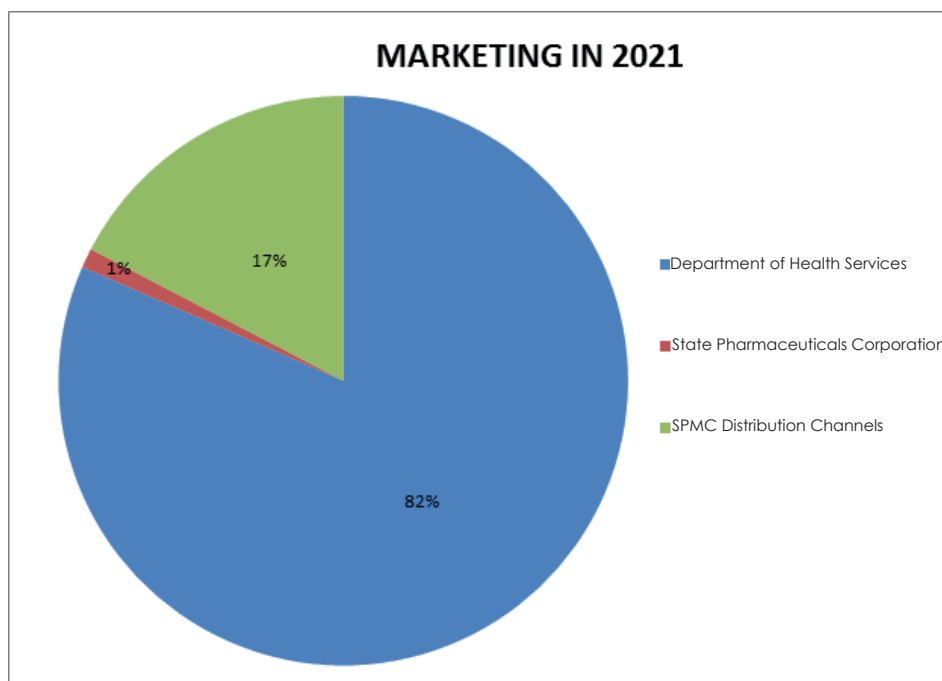
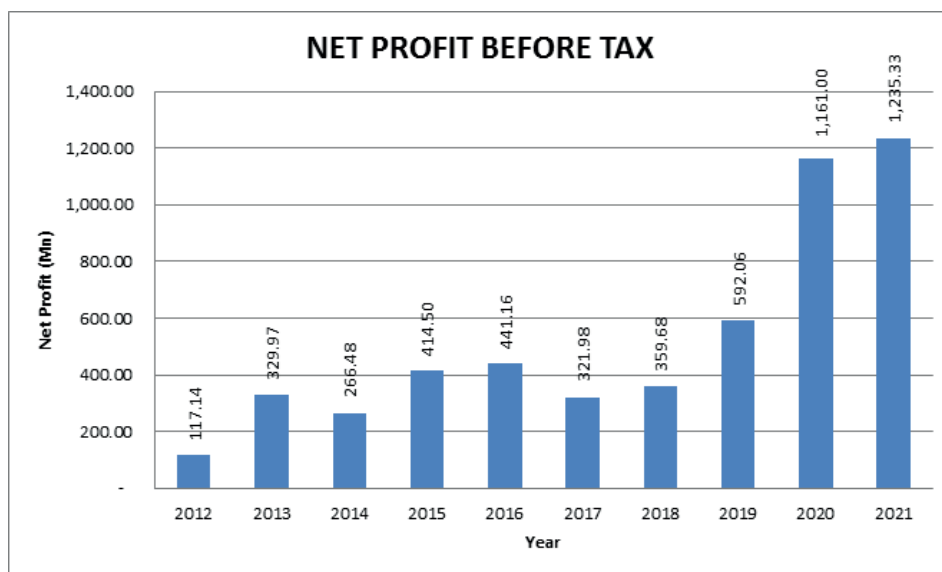
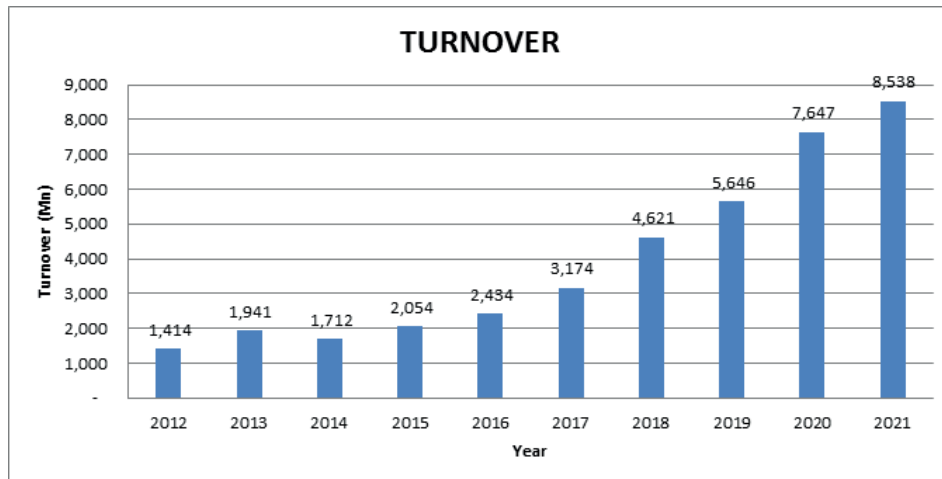
The supervisory consultancy service of this project is to be carried out by M/S CECB.

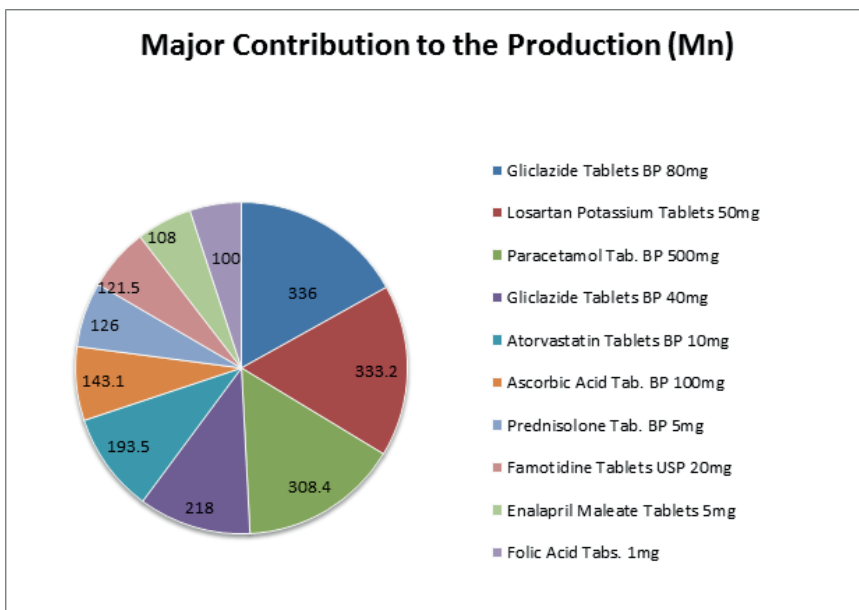
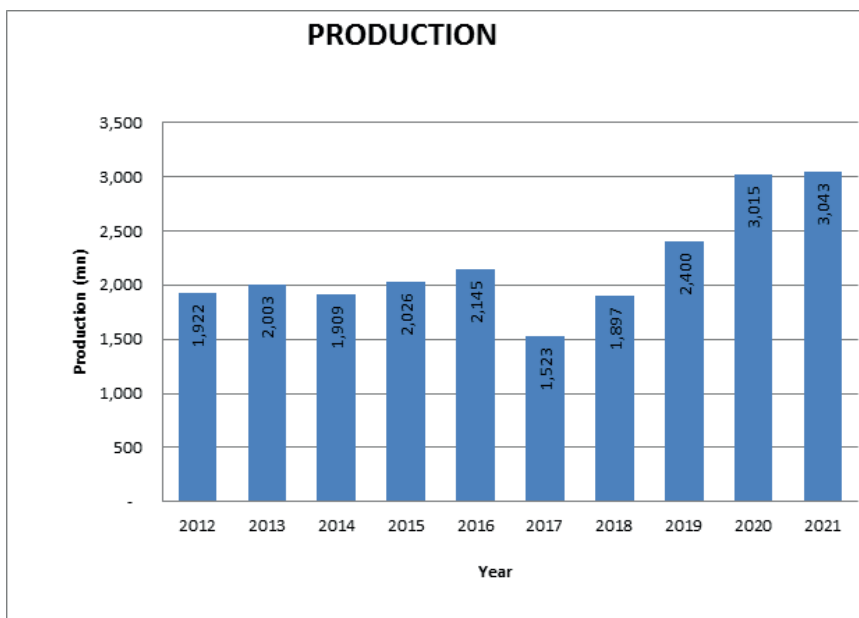
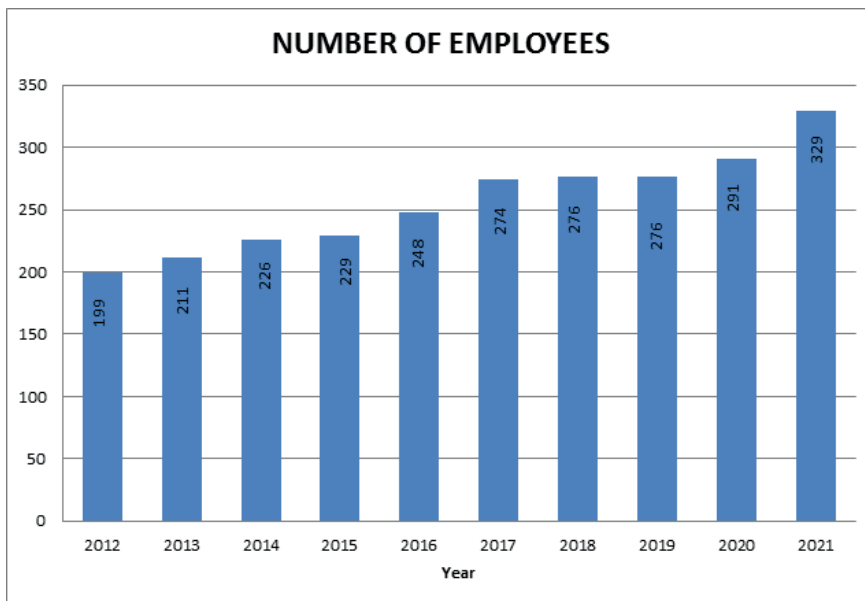
Considering the nature of the case of this construction, it is a matter we also have to accept that the construction company has to face up to a big financial problem because of the Covid pandemic situation and the escalation of prices in the construction sector in huge proportions and also owing to the agreements reached following several revisions made to the relevant plans by us. It is also a matter to be reckoned positively that they are up to carrying on with the construction work in the backdrop of the comparative prices that prevailed at the time of the award of the contract in 2018 and the prices that exist as of today.

Accordingly, the project work programme submitted by the construction company to complete this construction work on 17.05.2022 was discussed over at the progress review meetings in that regard held by the administration of the institution and the respective consultancy company, and, there, the construction company agreed to complete the construction work by the 20th of April 2022.

- (j)
- (i) Applications were invited for the posts of Deputy General Manager (Formula, Research and Development) and Deputy General Manager (Quality Control) on 20.09.2020 and the respective applicants who met with qualifications to be called for the interview did not appear before the interview held on 01.12.2021. Applications were again called for those two posts on 12.12.2021 through newspapers. Action will be taken to hold interviews and make recruitments in the future.
- (ii)
- | | | |
|--|--------------------------|--|
| 1. Manager | - Information | SOR has been submitted for approval |
| 2. Manager | - Research & Development | SOR has been submitted for approval |
| 3. Legal Officer | | SOR has been submitted for approval |
| 4. Manager | - Safety | SOR has been submitted for approval |
| 5. Engineering Assistant – Computer Hardware | | SOR is under scrutiny after formulation. |
| 6. Boiler Operator and Utility Technologist | | SOR is under scrutiny after formulation. |
| 7. Nursing Officer | | SOR is under scrutiny after formulation. |

- (k) The reasons as to what caused the physical non-existence of items that were not subject to physical survey during the course of the fixed assets survey are being investigated by a fixed assets committee and, such information will be submitted to the audit in the future.
- (l) The total balance receivable as at 31.12.2021 for the pharmaceuticals supplied to the State Pharmaceutical Corporation on account of the tenders and special orders amounts to Rs. 18,555,750. Of it, a sum amounting to Rs. 14,393,250 has been received by the Corporation by the date of audit, i.e., the 25th of March 2022. Balances yet remaining to be received are only the amounts involving two invoices bearing Nos. 0089 and 00106 to the value of Rs. 4,162,500. The main reason for the delay in settling the invoices was that it took some period of time to resolve the issue involving the performance bond between the State Pharmaceutical Corporation and the State Pharmaceutical Manufacturing Corporation.
- (m) There is a situation where it has been found impossible to release these deposits due to non-receipt of the settlement requests from the relevant parties regarding the deposits that remain unsettled. The relevant parties in this connection will be informed of the matter and action will be taken to settle such deposits.
- (n) The draft report on the work involving the revaluation of the fixed assets that are in continuous use, though subject to depreciation fully during the year 2021, has been received by now following its finalization. As such, necessary provisions will be made in the accounts during the year 2022 after receiving the final revaluation report.





FINANCIAL HIGHLIGHTS FOR THE PAST 10 YEARS

(Rs.000)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Turnover	1,414,546	1,941,182	1,712,105	2,054,363	2,434,508	3,174,612	4,621,537	5,646,878	7,647,780	8,538,944
Cost of Sales	1,220,523	1,513,899	1,319,715	1,539,441	1,888,256	2,666,683	3,990,801	4,743,125	6,280,757	7,102,322
Gross Profit	194,023	427,283	392,391	514,921	546,252	507,928	630,736	903,752	1,367,023	1,436,621
Operational Profit	85,292	304,176	224,758	364,845	353,776	244,781	308,741	564,411	1,067,020	1,078,814
Admin. Overhead	82,390	106,096	133,933	125,469	165,788	204,579	242,218	237,694	247,137	244,271
Interest Income	34,251	28,059	44,196	53,586	87,629	77,607	51,659	28,093	94,487	156,792
Net Profit Before Tax	117,136	329,968	266,481	414,501	441,164	321,982	359,680	592,057	1,160,997	1,235,327
Net Profit After Tax	98,561	209,154	183,848	262,323	296,646	223,907	251,262	434,777	1,017,364	1,006,185
Fixed Assets	804,305	762,641	780,718	762,560	798,657	802,775	3,133,903	3,203,159	3,117,911	2,974,013
Short Term Investment	210,691	429,896	913,443	1,027,388	1,175,754	926,461	369,761	474,984	3,040,316	3,452,508
Total Assets	2,003,258	2,294,113	2,386,449	2,700,885	2,902,284	3,073,471	6,229,453	7,185,386	7,829,711	8,680,301
No. of Employees	199	211	226	229	248	274	276	276	291	329
Total Assets = Net Book Value of Total Non-Current Assets + Total Current Assets										

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11, සර් ජෝන් කොතලාවල මාවත,
කඳවල වත්ත,
රත්මලාන.

දුර: 2635353, 2637574, 2636966,
2636967 (ADSL)
ෆැක්ස් : 2634771, 2626621, 2623553
වි - කැපෑල : chairman@spmclanka.lk
වෙබ් අඩවිය : www.spmclanka.lk

සහායනි

දුර : 2623238 (සෘජු)
2635353, 2714771 (පොදු)

කළමනාකාර අධ්‍යක්ෂ
දුර : 2636368 (සෘජු)
2635353, 2637574 (පොදු)

සාමාන්‍යාධිකාරී
දුර : 2637523 (සෘජු)
2635353, 2637574 (පොදු)

නිෂ්පාදන දෙපාර්තමේන්තුව
නියෝජ්‍ය සාමාන්‍යාධිකාරී - නිෂ්පාදන
දුර : 2623521 (සෘජු)

සැලසුම් හා ප්‍රසම්පාදන දෙපාර්තමේන්තුව
නියෝජ්‍ය සාමාන්‍යාධිකාරී
- සැලසුම් හා ප්‍රසම්පාදන
දුර: 2623298 (සෘජු)

කළමනාකාරී - සැලසුම් හා ප්‍රසම්පාදන
දුර: 2637124 (සෘජු)

අලෙවි දෙපාර්තමේන්තුව
අලෙවි කළමනාකාරී
දුර : 2605862 (සෘජු)

තත්ව පාලන දෙපාර්තමේන්තුව
නියෝජ්‍ය සාමාන්‍යාධිකාරී - තත්ව පාලන
දුර : 5012945 (සෘජු)

වට්ටෝරු, පර්යේෂණ හා සංවර්ධන දෙපාර්තමේන්තුව
නියෝජ්‍ය සාමාන්‍යාධිකාරී
- වට්ටෝරු, පර්යේෂණ හා සංවර්ධන
දුර : 5012950 (සෘජු)

මූල්‍ය දෙපාර්තමේන්තුව
නියෝජ්‍ය සාමාන්‍යාධිකාරී - මූල්‍ය
දුර : 2626630 (සෘජු)

මූල්‍ය කළමනාකරු
දුර : 2623276 (සෘජු)

නඩත්තු දෙපාර්තමේන්තුව
නියෝජ්‍ය සාමාන්‍යාධිකාරී - ඉංජිනේරු
දුර : 2623246 (සෘජු)

කළමනාකරු - ඉංජිනේරු
දුර : 2623239 (සෘජු)

අභ්‍යන්තර විගණක දෙපාර්තමේන්තුව
අභ්‍යන්තර විගණක
දුර : 2626619 (සෘජු)

මානව සම්පත් දෙපාර්තමේන්තුව
නියෝජ්‍ය සාමාන්‍යාධිකාරී මානව සම්පත්
දුර : 2636234 (සෘජු)

පதிවු සේව්‍යාපදාණ අනුබලය

11,ජෝන් කොතලාවල මාවත,
කඳවල වත්ත,
රත්මලාන

ෆැක්ස්: 2635353, 2637574 , 2636966 , 2636967
(ADSL)
ෆැක්ස්: 2634771, 2626621, 2623553
විද්‍යාල : chairman@spmclanka.lk
වෙබ්: www.spmclanka.lk

තලවතු

ෆැක්ස්: 2623238 (ජනරා)
2635353, 2714771 (පොදු)

මුද්‍රණාංශයේ ප්‍රධානියා

ෆැක්ස් : 2636368
2635353, 2637574 (පොදු)

පොදු මුද්‍රණාංශය

ෆැක්ස් : 2637523 (ජනරා)
2635353, 2637574 (පොදු)

උපද්‍රව්‍ය නිෂ්පාදන
උපද්‍රව්‍ය නිෂ්පාදන මුද්‍රණාංශය
ෆැක්ස්: 2623521 (ජනරා)

නිෂ්පාදන, කොන්සල්ටින්, නිෂ්පාදන
නිෂ්පාදන, කොන්සල්ටින් නිෂ්පාදන
මුද්‍රණාංශය
ෆැක්ස්: 2623298 (ජනරා)

නිෂ්පාදන, කොන්සල්ටින් මුද්‍රණාංශය
ෆැක්ස්: 2637124 (ජනරා)

නිෂ්පාදන නිෂ්පාදන
නිෂ්පාදන නිෂ්පාදන මුද්‍රණාංශය
ෆැක්ස්: 2605862 (ජනරා)

නිෂ්පාදන නිෂ්පාදන
නිෂ්පාදන නිෂ්පාදන මුද්‍රණාංශය
ෆැක්ස්: 5012945 (ජනරා)

නිෂ්පාදන, නිෂ්පාදන, නිෂ්පාදන නිෂ්පාදන
නිෂ්පාදන, නිෂ්පාදන, නිෂ්පාදන නිෂ්පාදන
මුද්‍රණාංශය
ෆැක්ස්: 5012950 (ජනරා)

නිෂ්පාදන නිෂ්පාදන
නිෂ්පාදන නිෂ්පාදන මුද්‍රණාංශය
ෆැක්ස්: 2626630 (ජනරා)

නිෂ්පාදන මුද්‍රණාංශය
ෆැක්ස්: 2623276 (ජනරා)

නිෂ්පාදන නිෂ්පාදන.
නිෂ්පාදන නිෂ්පාදන මුද්‍රණාංශය
ෆැක්ස්: 2623246 (ජනරා)

නිෂ්පාදන මුද්‍රණාංශය
ෆැක්ස්: 2623239 (ජනරා)

නිෂ්පාදන නිෂ්පාදන නිෂ්පාදන
නිෂ්පාදන නිෂ්පාදන නිෂ්පාදන
ෆැක්ස්: 2626619 (ජනරා)

නිෂ්පාදන නිෂ්පාදන
නිෂ්පාදන නිෂ්පාදන මුද්‍රණාංශය - නිෂ්පාදන
ෆැක්ස්: 2636234 (ජනරා)

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2635353, 2714771 (General)

Managing Director

Tel : 2636368 (Direct)
2635353, 2637574 (General)

General Manager

Tel : 2637523 (Direct)
2635353, 2637574 (General)

Production Dept.

DGM Production
Tel : 2623521 (Direct)

Planning & Procurement Dept.

DGM Planning & Procurement
Tel : 2623298 (Direct)

Manager Planning & Procurement

Tel : 2637124 (Direct)

Marketing Dept.

Manager Marketing
Tel : 2605862 (Direct)

Quality Control Dept.

DGM Quality Control
Tel : 5012945 (Direct)

Formulation, Research & Development Dept.

DGM Formulation, Research & Development
Tel : 5012950 (Direct)

Finance Dept.

DGM Finance
Tel : 2626630 (Direct)

Finance Manager

Tel : 2623276 (Direct)

Maintenance Dept.

DGM Engineering
Tel : 2623246 (Direct)

Manager Engineering

Tel : 2623239 (Direct)

Internal Audit Dept.

Internal Auditor
Tel : 2626619 (Direct)

Human Resources Dept.

DGM Human Resources
Tel : 2636234 (Direct)



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