

State Pharmaceuticals Manufacturing Corporation

Financial Statements

For the Year Ended 31.12.2022



State Pharmaceuticals Manufacturing Corporation
Statement of Comprehensive Income
For the Year ended 31st December 2022
(All amounts in Sri Lankan Rupees)

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	Note	2022	2021
Revenue	1	16,620,184,659	8,538,944,512
Cost of Sales	2	(14,559,044,540)	(7,102,322,996)
Gross Profit		2,061,140,119	1,436,621,516
Other Operating Income	3	16,520,019	14,370,344
Administrative Expenses	4	(332,120,885)	(244,271,572)
Selling & Distribution Expenses	5	(472,762,064)	(109,186,789)
Other Operating Expenses	6	(19,415,514)	(10,478,114)
Operating Profit		1,253,361,675	1,087,055,386
Finance Cost	7	(18,908,009)	(8,520,055)
Finance Income	8	351,759,383	156,792,127
Profit Before Tax		1,586,213,049	1,235,327,457
Tax Expenses	9	(620,740,598)	(229,141,993)
Profit for the Year		965,472,451	1,006,185,464

Statement of Comprehensive Income

		2022	2021
Profit for the Year		965,472,451	1,006,185,464
(-) Actuarial (Gain) /Loss		(32,822,249)	9,873,540
(Gain) / Loss Due to Changes in Assumptions		-	-
Income Tax on Actuarial (Gain) / Loss	9 (B) (i)	9,846,675	(1,777,237)
		(22,975,574)	8,096,303
(-) Revaluation Surplus of P,P & E		797,137,916	-
Income Tax on Revaluation Surplus of P,P & E	9 (B) (i)	(239,141,375)	-
Other Comprehensive Income for the Year, Net of Tax		557,996,541	-
Total Comprehensive Income for the Year, Net of Tax		1,500,493,418	1,014,281,767



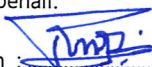
State Pharmaceuticals Manufacturing Corporation
Statement of Financial Position
As at 31.12.2022
(All amounts in Sri Lankan Rupees)

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		<u>As at</u> <u>31.12.2022</u>	<u>As at</u> <u>31.12.2021</u>
	Note		
ASSETS			
Non Current Assets			
Property, Plant and Equipment	10	3,656,401,031	2,974,013,880
Intangible Assets	11	6,258,464	2,299,428
Other Non Current Assets	14	1,361,876	1,331,299
Prepaid Lease	13	322,383,586	3,184,266
Work in Progress - Construction		117,009,089	82,892,316
Current Assets			
Inventories	15	3,018,074,553	1,624,026,442
Trade and Other Receivables	16	2,431,109,540	507,636,481
Prepayments	17	61,577,319	30,642,190
Other Financial Assets	18	4,398,099,756	3,452,508,242
Cash In Hand & At Bank	19	1,436,015	1,767,448
		<u>9,910,297,183</u>	<u>5,616,580,803</u>
Total Assets		<u>14,013,711,229</u>	<u>8,680,301,991</u>
EQUITY AND LIABILITIES			
Authorised Capital		850,000,000	850,000,000
Stated Capital	20	690,079,000	690,079,000
Retained Earnings		5,432,569,219	4,589,998,196
Revaluation Reserve	26	557,996,541	-
Total Equity		<u>6,680,644,760</u>	<u>5,280,077,196</u>
Non Current Liabilities			
Employee Benefit Liabilities		165,380,683	110,331,838
Deferred Tax Liability	21	651,193,284	219,013,634
JICA Loan - Government Capital Investment	22	2,416,094,044	2,416,094,044
		<u>3,232,668,011</u>	<u>2,745,439,516</u>
Current Liabilities			
Trade and Other Payables	23	3,835,520,591	556,216,467
Tax Payable		264,877,868	98,568,811
		<u>4,100,398,459</u>	<u>654,785,279</u>
Total Equity and Liabilities		<u>14,013,711,229</u>	<u>8,680,301,991</u>

The Accounting Policies on Pages 05 to 15 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 National Audit Office with Board of Directors approval and signed on their behalf.

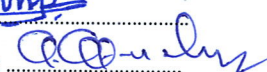
Chairman



Director



DGM - Finance



Date

: 28.06.2023.



State Pharmaceuticals Manufacturing Corporation
Statement of Changes in Equity
For the Year ended 31st December 2022
(All amounts in Sri Lankan Rupees)

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	<u>Stated Capital</u>	<u>Profit & Loss</u>	<u>Revaluation Reserve</u>	<u>Total</u>
Balance as at 01.01.2021	690,079,000	3,686,214,826	-	4,376,293,826
Profit for the Year	-	1,006,185,462	-	1,006,185,462
Other Comprehensive Income	-	8,096,303	-	8,096,303
Total Comprehensive Income	-	1,014,281,765	-	1,014,281,765
Treasury Levy	-	(100,000,000)	-	(100,000,000)
Prior Year Adjustment	-	(10,498,397)	-	(10,498,398)
Balance as at 31.12.2021	<u>690,079,000</u>	<u>4,589,998,194</u>	-	<u>5,280,077,193</u>
Balance as at 01.01.2022	690,079,000	4,589,998,197	-	5,280,077,197
Profit for the Year	-	965,472,451	-	965,472,451
Other Comprehensive Income	-	(22,975,574)	557,996,541	(22,975,574)
Total Comprehensive Income	-	942,496,877	557,996,541	942,496,877
Treasury Levy	-	(100,000,000)	-	(100,000,000)
Prior Year Adjustment	-	74,145	-	74,145
Balance as at 31.12.2022	<u>690,079,000</u>	<u>5,432,569,219</u>	<u>557,996,541</u>	<u>6,122,648,219</u>



	<u>For the year</u> <u>2022</u>	<u>For the year</u> <u>2021</u>
Cash Flows from Operating Activities		
Net Profit/(Loss) before taxation & extraordinary items	1,586,213,049	1,235,327,457
Prior year Adjustment	(7,645,166)	(10,498,397)
Adjustments for :		
Depreciation on Fixed Assets	262,466,303	167,292,301
Current Service Cost	13,640,020	6,447,492
Employee Interest Cost	12,688,161	9,611,983
Provision for Doubtful Debts	312,417,918	-
Profit / (Loss) on Disposal	374,963	(6,187,150)
Cost of Damaged & Unused	433,204	8,891
Interest Income	(347,113,761)	(152,611,692)
Operating Profit before Working Capital Changes	1,833,474,691	1,249,390,885
Changes in items of Working Capital		
(Increase) / Decrease in Inventories	(1,394,048,111)	(285,562,367)
(Increase) / Decrease in Debtors & Receivables	(2,235,890,976)	(277,002,797)
(Increase) / Decrease in Deposits & Prepayments	(30,935,130)	(18,640,343)
Increase / (Decrease) in Liabilities	3,279,304,123	(120,816,853)
Cash generated from operations	1,451,904,597	547,368,525
Gratuity paid	(4,101,585)	(2,653,905)
Tax paid	(251,546,593)	(166,827,569)
Net cash from operating activities	1,196,256,418	377,887,051
Cash Flows from Investing Activities		
Short term Investments (Note A)	(745,071,893)	(405,514,091)
Acquisition of Fixed Assets	(498,564,648)	(24,097,640)
Proceeds from the sale of Disposal of Property	485,126	6,187,150
Interest received	146,594,141	145,934,507
Increasing Other Non Current Assets	(30,577)	816,022
Net cash used in investing activities	(1,096,587,851)	(276,674,052)
Cash Flows from Financing Activities		
Treasury Levy	(100,000,000)	(100,000,000)
Net cash used in Financing activities	(100,000,000)	(100,000,000)
Net Increase / (Decrease) in Cash & Cash Equivalents	(331,433)	1,212,997
Cash & Cash Equivalents at the beginning of the period	1,767,448	554,451
Cash & Cash Equivalents at the end of the period (Note B)	1,436,015	1,767,448

Note A - Cash flow from investing activities

Cash Inflows during the period	86,999,367,276	79,643,112,742
Cash Outflows during the period	(87,744,439,170)	(80,048,626,833)
Net Cash Flow	(745,071,893)	(405,514,091)

Note B

Cash & Cash Equivalents

Bank of Ceylon - Ratmalana Branch	18,550	44,313
Bank of Ceylon - Corporate Branch	1,049,142	1,512,315
Peoples Bank - Ratmalana Branch	136,590	136,590
Peoples Bank - Corporate Branch	174,433	7,559
Cash Balance	37,550	46,671
Petty Cash	19,750	20,000
	1,436,015	1,767,448



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 2022. The Financial Statements were approved by the Board of Directors of the Corporation on 27th February 2023.

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 following.

3.1.1 PROPERTY, PLANT & EQUIPMENT



Property, plant and equipment are stated at fair value based on valuation by external independent valuer, less subsequent depreciation. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. 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	20 years
Vehicle Shed	12 years
Plant & Machinery	20 to 1 year
Motor Vehicles	8 to 3 years
Motor Bicycle	7 years
Bicycle & Carts	20 to 7 years
Equipment	25 to 1 years
Computer Accessories	5 to 1 year
Computer Software	5 to 1 year
Furniture & Fittings	20 to 3 years
Tools	15 to 1 year

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



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 provided a Provision of Doubtful Debts for MSD Debtor long outstanding as at 31-12-2022.

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.

	<u>2022</u>	<u>2021</u>
Short term benefits	2,779,163	2,646,293
Gift Vouchers	100,000	162,500

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	<u>2022</u>	<u>2021</u>
TRANSACTION		
Investment in Sri Lanka Government Securities Held by Corporation	4,398,099,758	3,452,508,244
Paid Surplus to Government during the year	100,000,000	100,000,000
Sales to DHS, SPC & Distributors	16,620,184,659	8,538,944,511
OUTSTANDING BALANCE		
Receivable from SPC	33,288,612	130,870,042
Receivable from DHS	2,345,024,254	205,312,012

3.2.5 CAPITAL

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

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.

		<u>2022</u>	<u>2021</u>
Expected Annual Average Salary Increment Rate	-	15.00 %	6.00 %
Discount Rate / Interest Rate	-	18.00 %	11.50 %
Staff Turnover Factor	-	1.50 %	1.50 %

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.

4.1.3 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 31-12-2022.



4.1.4 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, Ja Ela	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
Medicom (Pvt)Ltd	No.20,Vijitha Road,Nadimala,Dehiwala	-	Manufacturing,Distributing Pharmaceuticals to MSD through SPMC
Yarden Laboratories(Pvt)Ltd	No.67,Norris Canal Road, Colombo 10	-	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. Share holding 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 Pharmaceutical 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.

DESEGREGATION OF REVENUE

Revenue is desegregated by nature of revenue.

	<u>2022</u>	<u>2021</u>
Medical Supplies Division – SPMC Products	5,365,222,678	2,800,330,240
– Joint Venture Products	8,562,572,974	4,162,669,744
State Pharmaceuticals Corporation – SPMC Products	96,546,063	93,652,120
– Joint Venture Products	11,860,062	-
Distribution – SPMC Products	2,458,969,992	1,482,292,407



– Joint Venture Products 125,012,890

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 – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

6.1 FINANCIAL ASSETS

6.1.1 INITIAL RECOGNITION AND MEASUREMENT

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

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. The Corporation financial Assets include cash and short term Treasury bill investment, trade and other receivable, staff loans and other 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 2022.



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 assets reclassified out of the available for sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the assets are subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement. The Corporation did not have any available for –sale financial investments during the year ended 31 December 2022.

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 analyze the risks faced by the Corporation to set appropriate risk limit and controls and to monitor risks and adherence to limit.



Note - 1				For the year		For the year	
Revenue				2022		2021	
Sales - SPC	SPMC	1 - A	96,546,063		93,652,120		
	Joint Venture		<u>11,860,062</u>	108,406,125	<u>-</u>	93,652,120	
Sales - DHS	SPMC		5,365,222,678		2,800,330,240		
	Joint Venture		<u>8,562,572,974</u>	13,927,795,651	<u>4,162,669,744</u>	6,962,999,985	
Sales - Distribution	SPMC	1 - B	2,458,969,992		1,482,292,407		
	Joint Venture	1 - C	<u>125,012,890</u>	2,583,982,882	<u>-</u>	1,482,292,407	
				<u>16,620,184,659</u>		<u>8,538,944,511</u>	

Note - 1 A				For the year		For the year	
Sales - SPC - SPMC				2022		2021	
Gross Sales				106,873,431		102,340,550	
(-) Discount - 10%				<u>(10,327,368)</u>		<u>(8,688,430)</u>	
Net Sales				<u>96,546,063</u>		<u>93,652,120</u>	

Note - 1 B				For the year		For the year	
Sales - Distribution - SPMC				2022		2021	
Gross Sales				2,717,457,633		1,638,173,728	
(-) Discount - 5%				(18,834)		(7,354)	
(-) Discount - 6%				-		(26,108)	
(-) Discount - 7%				(4,148)		-	
(-) Discount - 9%				(117,260,866)		(71,007,915)	
(-) Discount - 10%				<u>(141,203,793)</u>		<u>(84,839,944)</u>	
Net Sales				<u>2,458,969,992</u>		<u>1,482,292,407</u>	

Note - 1 C				For the year		For the year	
Sales - Distribution - Joint Venture				2022		2021	
Gross Sales				137,029,038		-	
(-) Discount - 5%				(3,008)		-	
(-) Discount - 9%				(5,383,601)		-	
(-) Discount - 10%				<u>(6,629,540)</u>		<u>-</u>	
Net Sales				<u>125,012,890</u>		<u>-</u>	

Note - 2				For the year		For the year	
Cost of Sales				2022		2021	
Cost of Sales - SPC	SPMC		61,685,652		51,861,440		
	Joint Venture		<u>11,188,662</u>	72,874,314	<u>-</u>	51,861,440	
Cost of Sales - DHS	SPMC		3,794,842,337		1,866,804,267		
	Joint Venture		<u>8,067,816,218</u>	11,862,658,556	<u>3,903,561,730</u>	5,770,365,996	
Cost of Sales - SPMC	SPMC		2,011,426,544		967,729,866		
	Joint Venture		<u>113,315,495</u>	2,124,742,039	<u>-</u>	967,729,866	
Production Expenses				<u>498,769,631</u>		<u>312,365,694</u>	
				<u>14,559,044,540</u>		<u>7,102,322,996</u>	



Note 2 A

Production Cost	Unabsorbed Cost	Absorbed Cost to the Cost of Sales	Total 2022	Total 2021
Direct Labour(Production)				
Salaries & Wages	-	58,863,954	58,863,954	53,574,692
Casual Salaries	142,071	2,738,825	2,880,897	3,250,945
Cost of Living	-	12,694,689	12,694,689	11,473,804
Travelling Incentive	-	10,455,206	10,455,206	9,353,842
E.P.F. & E.T.F. - 18%	-	13,974,062	13,974,062	12,553,748
Overtime	2,133,522	24,227,626	26,361,148	23,978,461
Attendance Incentive	118,788	8,850,929	8,969,717	10,397,821
Performance Incentive	4,240,988	28,460,348	32,701,336	12,886,340
Annual Bonus	2,564,395	1,504,612	4,069,007	9,033,622
Current & Past Service Cost	4,650,265	376,885	5,027,149	2,291,700
Employee Interest Cost	4,530,750	-	4,530,750	3,318,036
Shift Incentive	774,700	3,822,100	4,596,800	3,477,300
Staff Medical Expenses	585,385	3,341,042	3,926,427	4,319,991
Housing Loan Int.Reimb.	2,059,567	2,976,174	5,035,741	5,541,729
Supervisor Allowance	666,000	-	666,000	456,000
Difficult Working Condition Allowance	1,502,970	2,445,660	3,948,630	2,976,300
Professional Allowance	192,000	-	192,000	162,000
Monthly Allowance	8,337,360	675,000	9,012,360	-
Staff Cost	1,125,401	-	1,125,401	1,011,719
	33,624,163	175,407,113	209,031,275	170,058,050
Indirect Manufacturing Cost (O/C,F/D,Plan/Main)				
Salaries & Wages	24,659,831	16,966,378	41,626,210	40,395,522
Casual Salaries	67,000	-	67,000	338,749
Cost of Living	7,919,074	165,139	8,084,214	7,977,981
Travelling Incentive	7,030,069	-	7,030,069	6,973,158
E.P.F. & E.T.F. - 18%	9,712,941	-	9,712,941	9,451,529
Overtime	18,553,874	754,066	19,307,940	16,668,641
Attendance Incentive	7,151,241	-	7,151,241	8,277,552
Performance Incentive	19,876,575	531,958	20,408,534	8,792,230
Annual Bonus	2,488,691	-	2,488,691	5,939,706
Current & Past Service Cost	4,200,162	-	4,200,162	2,002,292
Employee Interest Cost	4,089,912	-	4,089,912	3,042,307
Shift Incentive	1,370,700	-	1,370,700	1,115,000
Staff Medical Expenses	2,455,392	-	2,455,392	2,828,333
Housing Loan Int.Reimbursement	3,147,311	-	3,147,311	3,745,817
Supervisor Allowance	164,323	-	164,323	174,000
Difficult Working Condition Allowance	1,712,835	-	1,712,835	1,441,905
Retirement Benefit	112,000	-	112,000	-
Professional Allowance	274,500	-	274,500	258,000
Monthly Allowance	5,197,843	-	5,197,843	-
Staff Cost	736,409	-	736,409	585,210
Special Acting Allowance	94,242	-	94,242	205,590
Telephone Bill Reimbursement	262,206	-	262,206	370,058
Insurance of Health Ins.Scheme	3,419,995	5,382,743	8,802,738	9,313,110
Staff Welfare	27,087,003	32,130,820	59,217,824	46,081,547
Staff Training	1,166,900	304,000	1,470,900	1,943,361
Uniforms & Shoes	2,815,294	-	2,815,294	1,628,221
Water Charges	498,768	2,692,256	3,191,024	2,309,916
Rates & Taxes	523,775	191,456	715,231	728,391
Electricity	-	61,013,246	61,013,246	39,536,864
Insurance - General	820,919	2,743,087	3,564,007	2,895,434
Security Charges - Production	6,143,020	-	6,143,020	5,538,198
Maintenance of Equipment	2,478,888	1,744,445	4,223,333	3,498,017
Maintenance-Production	19,626,676	4,679,688	24,306,364	15,490,347
Maintenance of Building	3,063,867	1,778,032	4,841,898	248,251
Depreciation	220,307,800	-	220,307,800	147,160,219
Transport Charges	112,205	-	112,205	94,738
Consumption - Spare Parts	8,670,692	62,147,591	70,818,283	44,662,176
Consumption - Fuel & Lubricants	10,168,365	32,890,790	43,059,155	16,940,744
Repairs & Maintenance P & M	3,187,724	8,752,677	11,940,400	3,776,568
Quality Control Expenses	15,565,386	-	15,565,386	4,770,799
R/M Destruction Chrges	1,126,441	-	1,126,441	563,710
Cost of Rejected Raw Materials	557,087	-	557,087	3,288,781
Cost of Rejected Packing Materials	2,490,335	-	2,490,335	553,203
Cost of Rejected Work in Progress	685,859	-	685,859	429,077
Cost of Damaged Raw Materials	-	-	-	(24,000)
Raw Material Adj-General Drugs	(134,998)	-	(134,998)	1,828,147
Raw Material Adj-Penicillin Drugs	(135,136)	-	(135,136)	36,607
Raw Material Adj-Stock Take	(143,168)	-	(143,168)	(715,074)
Packing Material Adj-Stock Take	(654,013)	-	(654,013)	(366,369)
Packing Material Adj-	(23,076)	-	(23,076)	-
Stock Take Adjustment - Main	29,651	-	29,651	(7,030)
Spares Adj.	-	-	-	11,860
Work-in-Progress Adj-Stock Take	319,681	-	319,681	54,406
Cost of Sales Invoice Variance	14,092,400	-	14,092,400	767,774
Finished Goods Adj-Stock take	-	-	-	(60,334)
SPC Finished Goods Adj.	-	-	-	(313,332)
	498,769,631	410,275,485	894,952,716	643,305,956



Note - 3

Other Operating Income

	<u>For the year</u> <u>2022</u>	<u>For the year</u> <u>2021</u>
Miscellaneous Income	16,308,763	8,117,785
Raw Material Sales	211,256	65,410
Profit on Disposal	-	6,187,150
	<u>16,520,020</u>	<u>14,370,345</u>

Note - 4

Administration Expenses

	<u>For the year</u> <u>2022</u>	<u>For the year</u> <u>2021</u>
Salaries & Wages	46,957,564	46,030,731
Casual Salaries	477,994	1,047,114
Cost of Living	8,408,840	8,555,082
Travelling Incentive	15,713,196	12,025,780
E.P.F. & E.T.F. - 18%	9,848,830	9,692,422
Overtime	15,575,387	13,594,567
Attendance Incentive	7,303,228	8,939,216
Performance Incentive	21,225,148	9,553,743
Annual Bonus	2,516,529	6,651,963
Current & Past Service Cost	4,412,708	2,153,500
Employee Interest Cost	4,067,499	3,251,640
Shift Incentive	432,300	298,700
Staff Cost	736,669	657,347
Staff Medical Expenses	2,922,148	3,334,711
Housing Loan Int.Reimbursement	4,904,245	3,047,940
Supervisor Allowance	252,000	234,000
Difficult Working Condition Allowance	522,945	476,535
Professional Allowance	1,029,871	879,742
Special Acting Incentive	365,443	488,538
Monthly Allowance	5,490,841	-
Retirement Benefit	-	192,000
Telephone Bill Reimbursement	597,567	694,881
Ins.of Health Insurance Scheme	3,403,932	4,456,534
Staff Welfare	22,783,419	19,529,710
Staff Training	742,800	831,500
Uniforms & Shoes	1,063,170	724,004
Travelling - Overseas	15,000	-
Directors Fees	305,500	299,000
Other Incentives	10,774,532	5,657,400
Rates & Taxes	303,854	308,644
Electricity	19,027,310	11,704,876
Water Charges	1,366,879	988,938
Insurance - General	956,139	730,072
Insurance - Vehicles	249,957	316,540
Repairs & Maintenance of Motor Vehicles	7,880,374	4,993,401
Fuel & Lubricants for Vehicles	13,385,700	4,888,975
Maintenance of Equipment	1,307,042	1,422,715
Maintenance-Administration	7,406,718	6,258,002
Maintenance of Building	136,340	648,247
Depreciation	42,158,503	21,122,853
Transport Charges	813,173	669,746
Postage & Fax	411,407	246,202
Telephone Charges	1,054,542	991,774
Security Charges	1,887,036	1,901,424
Donations	1,250,248	956,703
Licence Fee - Vehicles	115,509	138,844
Licence Fee - Drugs	11,707,636	7,399,452
Licence Fee - Others	265,029	195,574
Printing & Stationery	9,546,185	4,307,998
Office Expenses	1,768,996	390,323
Audit Fee	1,969,633	1,583,400
Rent Charges	5,522,805	2,851,093
Advertisements	4,872,885	4,132,505
Trade Subs.& Periodicals	98,640	44,510
Legal & Inquiry Expenses	333,350	331,500
Professional Charges	2,111,939	377,594
Entertainment	1,360,169	990,092
Annual Subscription	50,969	12,500
Annual Conference & Meetings	11,000	-
Stamp Fee	61,500	49,425
Cost of Damaged & Unused	433,204	8,891
Stationary Adj-Stock take	(553,094)	-
Stationary Adj	-	10,459
	<u>332,120,885</u>	<u>244,271,572</u>



State Pharmaceuticals Manufacturing Corporation
Notes to the Financial Statements for the year ended 31.12.2022
(All amounts in Sri Lankan Rupees)

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Note - 5

Selling & Distribution Expenses

	For the year 2022	For the year 2021
Promotional Discounts	152,704,493	91,339,097
Sales Promotion Expenses	7,639,653	17,255,598
Cost of Rejected Finished Goods	-	592,094
Doubtful Debt	312,417,918	-
	<u>472,762,064</u>	<u>109,186,789</u>

Note - 6

Other Operating Expenses

	For the year 2022	For the year 2021
Formulation, Research & Dev.	18,989,321	10,416,099
Stock Take Adjustments - FD	51,230	62,015
Loss on Disposal	374,963	-
	<u>19,415,514</u>	<u>10,478,114</u>

Note - 7

Finance Cost

	For the year 2022	For the year 2021
Bank Charges	281,104	256,003
O.D. Interest	26,588	22,893
Exchange Loss	18,600,316	8,241,160
	<u>18,908,009</u>	<u>8,520,055</u>

Note - 8

Finance Income

	For the year 2022	For the year 2021
Staff Loan Interest	2,047,143	1,926,160
Treasury Bill Interest	347,113,761	152,611,692
Interest Income - Staff Loan	2,598,479	2,254,275
	<u>351,759,383</u>	<u>156,792,127</u>



Note - 9

Income Tax Expense

		<u>For the year</u> <u>2022</u>	<u>For the year</u> <u>2021</u>
Current Tax Expense	Note - 9 A	417,855,650	179,112,522
Deferred Tax Expense	Note - 9 B (i)	202,884,947	50,029,471
		<u>620,740,598</u>	<u>229,141,993</u>

Note - 9 A

Current Tax Expense

		<u>For the year</u> <u>2022</u>	<u>For the year</u> <u>2021</u>
Income Tax on Profit for the year	Note - 9 A (i)	417,855,650	179,112,522
Over / Under Provision for Income Tax		-	-
		<u>417,855,650</u>	<u>179,112,522</u>

Note - 9 A (i)

Income Tax on Profit for the year

		<u>For the year</u> <u>2022</u>	<u>For the year</u> <u>2021</u>
Profit before Taxation		1,586,213,049	1,235,327,457
Disallowable Expenses		605,849,206	187,331,358
Allowable Expenses		(505,210,315)	(484,646,964)
Tax exempt Income - Interest on Treasury Bills		(347,113,761)	(152,611,692)
Tax Income from Treasury Bill Interest & Sale proceed from Disposal FA		589,526	6,187,150
Taxable Income		<u>1,340,327,705</u>	<u>791,587,309</u>
Income Tax rate on Operational Income - 1st six months		18%	18%
Income Tax rate on Operational Income - 2nd six months		30%	18%
Income Tax rate on Interest Income - 1st six months		24%	24%
Income Tax rate on Interest Income - 2nd six months		30%	24%
Income Tax rate on Operational Income - 1st six months	- 18%	<u>120,629,493</u>	- 18%
Income Tax rate on Operational Income - 2nd six months	- 18%	<u>120,629,493</u>	- 18%
- Tax rate increase	- 12%	<u>80,419,662</u>	<u>71,242,858</u>
Income Tax rate on Interest Income - 1st six months	- 24%	<u>31,828,510</u>	18,313,403
Income Tax rate on Interest Income - 2nd six months	- 24%	<u>51,478,791</u>	- 24%
- Tax rate increase	- 6%	<u>12,869,698</u>	<u>18,313,403</u>
Total Income Tax		<u>417,855,650</u>	<u>179,112,522</u>

Note - 9 B

Deferred Tax

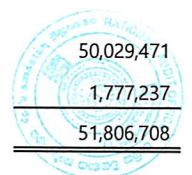
Charge/(Reversal) as Deferred Tax during the year

		<u>For the year</u> <u>2022</u>	<u>For the year</u> <u>2021</u>
Deferred Tax on Deferred Tax Liabilities - Note - 9 B (vi)	Temporary Difference	2,336,024,964	1,327,074,268
Deferred Tax on Deferred Tax Assets - Note - 9 B (vii)	Temporary Difference	(165,380,682)	(110,331,838)
Deferred Tax Liability at the end of the year		651,193,285	219,013,637
Deferred Tax Liability at the beginning of the year		219,013,637	167,206,929
Charge/(Reversal) as Deferred Tax during the year		<u>432,179,647</u>	<u>51,806,708</u>

Note - 9 B (i)

Deferred Tax Adjustment

Charged to P & L	- Note - 9 B (ii)	202,884,947	50,029,471
Charged to OCI	- Note - 9 B (iii)	229,294,700	1,777,237
		<u>432,179,647</u>	<u>51,806,708</u>



Note - 9 B (ii)

Deferred Tax Adjustment - Charged to P & L

Origination & reversal of Temporary Differences
Adjustment to opening Deferred Tax Liability resulting from
increasing of Tax rate

	<u>For the year</u> <u>2022</u>	<u>For the year</u> <u>2021</u>
Note 9 B (iv)	56,875,857	50,029,471
Note 9 B (v)	146,009,091	-
	<u>202,884,947</u>	<u>50,029,471</u>

Note - 9 B (iii)

Deferred Tax Adjustment - Charged to OCI

Deferred tax attributable to Revaluation Surplus of P,P & E
Tax on Actuarial Loss of Provision for Employee Benefit Liability

	<u>For the year</u> <u>2022</u>	<u>For the year</u> <u>2021</u>
	239,141,375	-
	(9,846,675)	1,777,237
	<u>229,294,700</u>	<u>1,777,237</u>
Total Deferred Tax Adjustment	<u>432,179,647</u>	<u>51,806,708</u>

Note - 9 B (iv)

**Deferred Tax Expense/ (Income) related to the
origination & reversal of Temporary Differences**

Total Net Deferred Tax for the year
(-) Opening Deferred Tax Liability

	<u>For the year</u> <u>2022</u>	<u>For the year</u> <u>2021</u>
	651,193,285	219,013,637
	(219,013,637)	(167,206,929)

Adjustment to opening Deferred Tax Liability resulting from
increasing of tax rate (Rs. 1,216,742,429 X 12 %)

(146,009,091) -

Deferred tax attributable to Revaluation Surplus of P,P & E
(Rs.797,137,916 X 30 %)

(239,141,375) -

Tax on Actuarial Loss of Provision for Employee Benefit Liability
(Rs.32,822,249 X 30%)

9,846,675 (1,777,237)

56,875,857 50,029,471

Note - 9 B (v)

**Adjustment to opening Deferred Tax Liability resulting
from increasing of tax rate**

Net Temporary Difference as at 01.01.2022

	<u>For the year</u> <u>2022</u>	<u>For the year</u> <u>2021</u>
	1,216,742,430	-

Adjustment to opening deferred tax liability
(Rs.1,216,742,430 X 12%)

146,009,091 -

Note - 9 B (vi)

Deferred Tax Liability

Types of Temporary Differences

Accelerated Depreciation of P,P & E for Tax purposes
Net Deferred Tax Liability

	<u>For the year</u> <u>2022</u>		<u>For the year</u> <u>2021</u>	
	<u>Temporary</u> <u>Differences</u>	<u>Tax effect</u> <u>30%</u>	<u>Temporary</u> <u>Differences</u>	<u>Tax effect</u> <u>18%</u>
	2,336,024,964	700,807,489	1,327,074,268	238,873,368
		<u>700,807,489</u>		<u>238,873,368</u>

Note - 9 B (vii)

Deferred Tax Assets

Types of Temporary Differences

Employee Benefit Liability that are deducted for Tax purposes
only when paid

	<u>For the year</u> <u>2022</u>		<u>For the year</u> <u>2021</u>	
	<u>Temporary</u> <u>Differences</u>	<u>Tax effect</u> <u>30%</u>	<u>Temporary</u> <u>Differences</u>	<u>Tax effect</u> <u>18%</u>
	(165,380,682)	(49,614,205)	(110,331,838)	(19,859,731)
Net Deferred Tax Asset		<u>(49,614,205)</u>		<u>(19,859,731)</u>



Note - 10
Property, Plant & Equipments - Depreciable Assets

Description	2022					
	Cost/Revaluation Value As At 01.01.2022	Acquisitions During the Year	Disposals During the Year	Balance As at 31.12.2022	Damaged & Unused Adjustments (Note - 12)	Balance After Adj. of Damaged & Unused As At 31.12.2022
Depreciable Assets						
Land Scaping Expenses	6,113,388	-	-	6,113,388	-	6,113,388
Land	49,471,918	-	-	49,471,918	-	49,471,918
Buildings	1,152,699,301	8,128,843	-	1,160,828,145	-	1,160,828,145
Plant & Machinery	2,310,312,770	69,349,248	-	2,379,662,018	(724,250)	2,378,937,768
Motor Vehicles	63,450,000	-	-	63,450,000	-	63,450,000
Motor Bicycle	185,000	-	-	185,000	-	185,000
Equipment	144,884,106	51,267,922	(103,939)	196,048,089	(388,117)	195,659,972
Computer Accessories	16,214,448	7,898,343	(889,890)	23,222,901	(14,600)	23,208,301
Furniture & Fittings	23,669,278	3,130,972	(11,500)	26,788,750	(67,381)	26,721,369
Bicycle & Carts	2,312,944	1,051,588	-	3,364,532	-	3,364,532
Tools	3,459,950	-	(1,125)	3,458,825	(6,750)	3,452,075
Vehicle Parking Shed	3,200,000	-	-	3,200,000	-	3,200,000
Total Value of Assets	3,775,973,104	140,826,916	(1,006,454)	3,915,793,566	(1,201,098)	3,914,592,468

Depreciation

Description	Accumulated Dep. As at 01.01.2022	Depreciation For the Year	Acc. Dep. Related to Disposals	Damaged & Unused Adjustments	Balance As at 31.12.2022
Depreciable Assets					
Land Scaping Expenses	2,162,166	60,788	-	-	2,222,954
Land	-	-	-	-	-
Buildings	-	57,873,263	-	-	57,873,263
Plant & Machinery	-	150,180,554	-	(76,597)	150,103,957
Motor Vehicles	-	12,051,310	-	-	12,051,310
Motor Bicycle	-	26,429	-	-	26,429
Equipment	-	26,029,752	(64,092)	(120,050)	25,845,610
Computer Accessories	-	6,241,091	(217,723)	(11,850)	6,011,517
Furniture & Fittings	-	2,913,195	(4,857)	(2,906)	2,905,431
Bicycle & Carts	-	284,556	-	-	284,556
Tools	-	602,756	(720)	(2,292)	599,744
Vehicle Parking Shed	-	266,667	-	-	266,667
Total	2,162,166	256,530,359	(287,393)	(213,695)	258,191,437

Written Down Value

Description	Balance As at 31.12.2022
Depreciable Assets	
Land Scaping Expenses	3,890,434
Land	49,471,918
Buildings	1,102,954,882
Plant & Machinery	2,228,833,811
Motor Vehicles	51,398,690
Motor Bicycle	158,571
Equipment	169,814,362
Computer Accessories	17,196,784
Furniture & Fittings	23,815,937
Bicycle & Carts	3,079,977
Tools	2,852,330
Vehicle Parking Shed	2,933,333
Total	3,656,401,031

Description	2021					
	Cost As At 01.01.2021	Acquisitions During the Year	Disposals During the Year	Balance As at 31.12.2021	Damaged & Unused Adjustments	Balance After Adj. of Damaged & Unused As At 31.12.2021
Depreciable Assets						
Land Scaping Expenses	6,113,388	-	-	6,113,388	-	6,113,388
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
Plant & Machinery	2,820,556,974	3,164,469	(26,807,531)	2,796,913,912	(459,150)	2,796,454,762
Motor Vehicles	89,021,800	-	(12,565,000)	76,456,800	-	76,456,800
Motor Bicycle	298,640	(0)	-	298,640	-	298,640
Equipment	197,266,595	11,968,193	(18,950,628)	190,284,160	(170,968)	190,113,192
Computer Accessories	24,215,273	3,605,580	(155,900)	27,664,953	-	27,664,953
Furniture & Fittings	34,702,113	1,296,758	(336,364)	35,662,507	(50,632)	35,611,875
Bicycle & Carts	2,999,367	259,200	-	3,258,567	-	3,258,567
Tools	7,708,771	2	(1,474,175)	6,234,598	(3,600)	6,230,998
Vehicle Parking Shed	1,635,513	529,042	-	2,164,555	-	2,164,555
Total Value of Assets	4,552,515,991	22,259,328	(60,289,598)	4,514,485,721	(684,350)	4,513,801,371

Depreciation

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
Depreciable Assets					
Land Scaping Expenses	2,101,378	60,788	-	-	2,162,166
Land	-	-	-	-	-
Buildings	345,864,762	38,613,409	-	-	384,478,171
Plant & Machinery	794,280,757	111,080,253	-	(459,150)	904,901,861
Motor Vehicles	68,132,386	4,912,788	(12,565,000)	-	60,480,174
Motor Bicycle	281,973	3,333	-	-	285,306
Equipment	126,505,871	6,205,648	-	(166,711)	132,544,808
Computer Accessories	16,162,474	3,409,946	-	-	19,572,420
Furniture & Fittings	24,278,364	1,953,530	-	(45,998)	26,185,895
Bicycle & Carts	1,211,530	617,047	-	-	1,828,577
Tools	5,897,853	162,942	-	(3,600)	6,057,195
Vehicle Parking Shed	1,171,499	119,420	-	-	1,290,918
Total	1,385,888,846	167,139,104	(12,565,000)	-	1,539,787,491

Written Down Value

Description	Balance As at 31.12.2021
Depreciable Assets	
Land Scaping Expenses	3,951,222
Land	49,471,918
Buildings	935,483,552
Plant & Machinery	1,891,552,901
Motor Vehicles	15,976,626
Motor Bicycle	13,333
Equipment	57,568,384
Computer Accessories	8,092,533
Furniture & Fittings	9,425,981
Bicycle & Carts	1,429,990
Tools	173,803
Vehicle Parking Shed	873,637
Total	2,974,013,881



Note - 11

Intangible Assets

2022						
Description	Cost/Revaluation Value As At 01.01.2022	Acquisitions During the Year	Disposals During the Year	Balance As At 31.12.2022	Damaged & Unused Adjustments (Note - 02 A)	Balance After Adj. of Damaged & Unused As At 31.12.2022
Computer Software	7,913,796	1,214,161	(192,115)	8,935,842	-	8,935,842
Total Value of Assets	7,913,796	1,214,161	(192,115)	8,935,842	-	8,935,842

Depreciation

Description	Accumulated Dep. As at 01.01.2022	Depreciation For the Year	Acc. Dep. Related to Disposals	Damaged & Unused Adjustments	Balance As at 31.12.2022
Computer Software	-	2,728,466	(51,087)	-	2,677,379
Total	-	2,728,466	(51,087)	-	2,677,379

Written Down Value

Description	Balance As at 31.12.2022
Computer Software	6,258,464
Total	6,258,464

Note - 12

Damaged & Unused Adjustment

2022			
Description	Balance as at 01.01.2022	Damaged & Unused identified during the year	Balance as at 31.12.2022
Plant & Machinery	330,500	393,750	724,250
Equipment	170,968	217,149	388,117
Computer Accessories	-	14,600	14,600
Furniture & Fittings	50,632	16,750	67,381
Tools	2,100	4,650	6,750
Computer Software	-	-	-
	554,200	646,899	1,201,098

Note - 13

Prepaid Lease

2022				
Description	Cost As At 01.01.2022	Acquisitions During the Year	Disposals During the Year	Cost As At 31.12.2022
Leasehold Land	4,920,845	322,406,798	-	327,327,643
Total Value of Assets	4,920,845	322,406,798	-	327,327,643

Depreciation

Description	Accumulated Dep. As at 01.01.2022	Depreciation For the Year	Acc. Dep. Related to Disposals	Balance As at 31.12.2022
Leasehold Land	1,736,579	3,207,478	-	4,944,057
Total	1,736,579	3,207,478	-	4,944,057

Written Down Value

Description	Balance As at 31.12.2022
Leasehold Land	322,383,586
Total	322,383,586

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.

Cost

2021						
Description	Cost As At 01.01.2021	Acquisitions During the Year	Disposals During the Year	Balance As at 31.12.2021	Damaged & Unused Adjustments	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 01.01.2021	Depreciation For the Year	Acc. Dep. Related to Disposals	Damaged & Unused Adjustments	Balance As at 31.12.2021
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

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	-	-	-	-	-
	59,259,387	684,350	(47,724,599)	(11,534,789)	684,350

Cost

2021				
Description	Cost As At 01.01.2021	Acquisitions During the Year	Disposals During the Year	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



State Pharmaceuticals Manufacturing Corporation
Notes to the Financial Statements for the year ended 31.12.2022
(All amounts in Sri Lankan Rupees)

Note - 14

Other Non Current Assets

	<u>As at 31.12.2022</u>	<u>As at 31.12.2021</u>
Deposits	970,000	970,000
Security Deposits	.391,876	361,299
	<u>1,361,876</u>	<u>1,331,299</u>

Note - 15

Inventories

	<u>As at 31.12.2022</u>	<u>As at 31.12.2021</u>
Raw Materials	1,541,108,443	880,226,447
Packing Materials	210,011,927	84,632,732
Finished Goods	140,154,066	304,972,919
Work-in-Progress	316,824,341	162,768,911
Goods in Transits - R/M	581,726,959	13,708,270
Inventory - Formulation, Research & Dev.	27,143,834	8,385,167
Spare Parts - Plant & Machinery & Consumables	192,524,751	166,369,532
Fuel & Lubricants	4,515,967	952,692
Inventory - Stationery	4,025,183	2,009,774
Inv.Control - Loan Given	39,081	-
	<u>3,018,074,553</u>	<u>1,624,026,442</u>

Note - 16

Trade Debtors & Receivables

	<u>As at 31.12.2022</u>	<u>As at 31.12.2021</u>
Debtors - SPC	5,373,799	18,555,750
Debtors - DHS	2,345,024,254	205,312,012
(-) Provision for Doubtful Debts	<u>(312,417,918)</u>	-
Debtors - Distributors	226,920,453	221,600,173
Distress Loans	54,934,168	58,205,185
Receivables	99,745,646	471,780
Cycle Loans	9,950,138	1,849,582
Staff Loans	-	176,500
Festival Advance	531,000	547,000
Import Deposits Refunds	1,048,000	918,500
	<u>2,431,109,540</u>	<u>507,636,481</u>



State Pharmaceuticals Manufacturing Corporation
Notes to the Financial Statements for the year ended 31.12.2022
(All amounts in Sri Lankan Rupees)

Note - 17

Pre-Payments

	As at 31.12.2022	As at 31.12.2021
Advance Payments	19,690,504	2,399,007
Advance Payments - Machinery & Spare Parts	22,280,685	14,145,065
Prepayments	7,713,580	7,800,171
Prepaid Staff Cost	11,892,551	6,297,946
	<u>61,577,319</u>	<u>30,642,190</u>

Note - 18

Other Financial Assets

	As at 31.12.2022	As at 31.12.2021
Treasury Bills	4,241,085,643	3,316,722,413
Treasury Bills at NSB	157,014,115	135,785,831
	<u>4,398,099,758</u>	<u>3,452,508,244</u>

Investment in Treasury Bills

REPO are classified as current assets measured at amortised 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 31.12.2022	As at 31.12.2021
Bank of Ceylon - Ratmalana	18,550	44,313
Bank of Ceylon - Corporate	1,049,142	1,512,315
Peoples Bank - Ratmalana	136,590	136,590
Peoples Bank - Corporate	174,433	7,559
Cash in Hand	37,550	46,671
Petty Cash	19,750	20,000
	<u>1,436,015</u>	<u>1,767,448</u>

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. Rs. 476,904,000.00 and the funds contributed by the General Treasury amounting to Rs. 208,375,000.00 and the value of land amounting to Rs. 4,800,000.00 transferred from the State Pharmaceuticals Corporation.



Note - 21

Deffered Tax Liability

	<u>As at 31.12.2022</u>	<u>As at 31.12.2021</u>
Balance at the Beginning of the Year	219,013,636	167,206,928
Charge/(Reversal) as Deferred Tax during the year	432,179,647	51,806,708
	<u>651,193,284</u>	<u>219,013,636</u>

Note - 22

JICA Loan - Government Capital Investment

SPMC received Japanese Yen 1,239,888,000 (Rs. 2,416,094,044) in 2018, under JICA funded Project between Japan International Cooperation Agency and the Government of the Democratic Socialist Republic of Sri Lanka for Improvement of Basic Social Services Targeting Emerging Regions (Loan Agreement No. SLP-105 dated 28th March 2012). This JICA Loan already included as a Government Loan of Sri Lanka. SPMC portion of this JICA 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	<u>1,239,888,000</u>

Department of Public Enterprises informed to the Chairman of SPMC by the PED/S/SPMC/04/13 letter dated 26th June 2023, this SPMC portion will be recognized as a Government Capital Investment after June 2023. According to that, no repayment for the SPMC. This JICA Loan will intended to be adjusted as a Government Capital Investment under Equity in the Financial Statements for the year 2023.

Note - 23

Trade and Other Payables

	<u>As at 31.12.2022</u>	<u>As at 31.12.2021</u>
Creditors Control - Packing Materials	45,766,600	20,118,666
Creditors Control - Raw Materials	7,463,690	46,555,917
Creditors Control - Stationery	623,978	9,364,460
Creditors Control - Equipment & Machinery	2,579,215	6,245,070
Creditors Control - Chemicals	-	105,448
Creditors Control - Welfare	1,855,033	-
Creditors Control - General	408,482,568	90,487,573
Creditors Control - Bank	60,050,797	37,923,364
Creditors Control - Employees	4,525,824	4,352,764
Creditors Control - Services	9,684,956	5,337,245
Creditors Control - Other FA	-	25,693
Creditors Control - Joint Ventures	3,254,473,281	321,901,913
Employee Security Guarantee - Finance	10,882	15,917
Employee Security Guarantee - Stores	380,994	345,382
Bid Bonds Payable	31,970,121	13,437,054
Inventory Control - Loan taken	7,652,650	-
	<u>3,835,520,589</u>	<u>556,216,467</u>



State Pharmaceuticals Manufacturing Corporation
Notes to the Financial Statements for the year ended 31.12.2022
(All amounts in Sri Lankan Rupees)

Note 24

Retirement Benefit Obligation

The amounts recognized in the Financial Position are as follows.

	<u>31.12.2022</u>	<u>31.12.2021</u>
Net Liability at the beginning of the Year	110,331,839	106,799,808
Current Service Cost	7,050,961	6,447,492
Interest Cost	12,688,161	9,611,983
Past Service Cost	6,589,058	-
Actuarial (gain)/loss	32,822,249	(9,873,539)
	<u>169,482,268</u>	<u>112,985,744</u>
Less:		
Payment made during the Year	(4,101,585)	(2,653,905)
	<u>165,380,683</u>	<u>110,331,839</u>

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	15.00%	6.00%
Discount Rate	18.00%	11.50%
Staff Turnover Factor	1.50%	1.50%

The amounts recognized in the Income Statement are as follows.

Current & Past Service Cost	13,640,019	6,447,492
Interest Cost	12,688,161	9,611,983

An Actuarial valuation was to assess the present value of the Financial Position date 31st December 2022 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	13,927,795,651
State Pharmaceuticals Corporation - Through Distribution	Customer	Sale of Goods	21,141,690.11
- Through Tenders	Customer	Sale of Goods	108,406,125
Distribution			2,562,841,192
			<u>16,620,184,659</u>



Note 26

Revaluation Reserve

Property Plant & Equipment & Intangible Assets of SPMC have been revalued by an Independent Valuer, Industrial Development Board which were to be effected on 31.12.2021.

	Rs.
Total Revaluation surplus of P,P & E	797,137,916
Deferred Tax on Revaluation surplus	<u>(239,141,375)</u>
Net Revaluation surplus presented in the Statement of Financial Position	<u><u>557,996,541</u></u>

Factors considered in the Revaluation

This valuation was carried out considering the guidelines given in the International Valuation Standards (IVS) and following factors.

1. Market value of similar machine or items from local and international agents.
2. The Asset's technical specifications.
3. The remaining physical life.
4. The Asset's condition, including maintenance history.
5. The environmental conditions that the plant machinery is in operation.
6. Availability of effective managerial systems.
7. This valuation of plant & machinery was carried out based on new replacement method and the values were rechecked with the comparison method (analyzing historical market transactions) where possible.
8. This Valuation is our opinion based on document & information provided, site visit, local information. Hence No.3rd party interest, pecuniary losses, liquidity damage, or any such losses were considered whatsoever if applied for any purpose.
9. Government policies, International currency rates, natural calamities & market forces will affect the valuation.
10. Use of this valuation report other than the purpose of valuation as per order is a responsibility of client at their cost.
11. The above valuation is for base price only, excluding VAT if applicable.

