

2019

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ஆண்டுறிக் கை  
ANNUAL REPORT



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இலர்கை அரசு மருந்தாக்கற் போருட்கள் உற்பத்திக் ஜட்டுத்தாபனம்  
State Pharmaceuticals Manufacturing Corporation of Sri Lanka



## සමරු ඵලනයේ සටහන

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1987

## நுழைவாயிலில் இருக்கும் பதக்கப் பலகை

இம் முக்கியமான மருந்துகள் தயாரிக்கும் மருந்தாக்கல் கலைவகை நிலையம் யப்பான் நாட்டிற்கும் இலங்கை சனநாயக சோசலிசக் குடியரசிற்கும் இடையே இருக்கும் நட்புறவு மற்றும் ஒருமைப்பாட்டின் ஆடையாளமாக யப்பான் நாட்டினால் இலங்கை சனநாயக சோசலிசக் குடியரசிற்கு வழங்கப்பட்ட நன்கொடையாகும்.

1987

## Plaque at the Entrance

This Pharmaceuticals Formulation Centre for the essential drugs is an outright gift by the Government of Japan to the Democratic Socialist Republic of Sri Lanka as a token of friendship and co-operation between Japan & the Democratic Socialist Republic of Sri Lanka.

1987



# Annual Report 2019

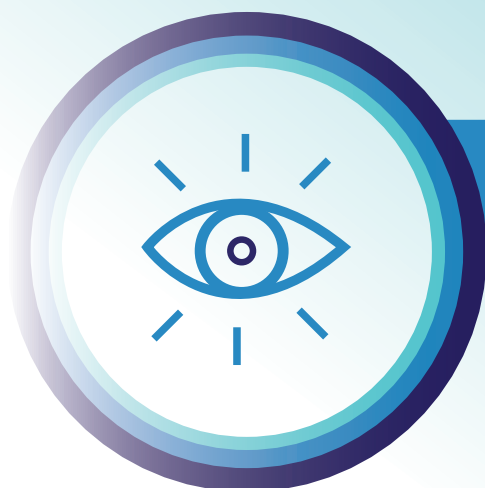
State Pharmaceuticals Manufacturing Corporation of Sri Lanka



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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. S. G. Samarasundera**  
Chairman

**P. Suntharalingum**  
Managing Director

**Dr. D. Wenkatheshwaran**  
Director

**Dr. Mahinda Liyanage**  
Director

**Nalaka Rajasekara**  
Director

## 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

**K.D.A.Kuruppu**  
DGM (Quality Control)  
Up to August 2019

**A.G. De S.Athuraliya**  
DGM (Finance)

**S.P.Jayaweera**  
DGM (Production)

**R. M. R. M. Ranasinghe**  
DGM (Formulation cum Research & Development)-Acting

**P. D. Jayasundera**  
DGM (Engineering)

**R. Darmadasa**  
DGM (Planning & Procurement)

**S. W. C. Mohotti**  
DGM (Human Resources)  
– Up to March 2019

**V.P.Muthukuda**  
Mgr. (Production)

**H.K.P.A.Senadheera**  
Mgr. (Quality Control)

**D.H.J.Gunawardena**  
Mgr. (Engineering)

**V.J.Bandarawatte**  
Internal Auditor

**C. D. Maginaarachchi**  
Mgr. (Human Resources)

**A.C.P.Anandakumar**  
Mgr. (Planning & Procurement)

**Amila Nuwan Hewagama**  
Mgr. (Production)

**A.M.T.P.Kulasekara**  
Mgr. (Sales Promotion)

**P.Danthanarayana**  
Mgr. (Production)

**J.M.S.Jayasundera**  
Mgr. (Finance)

**B. V. H. P. S. Kumara**  
Mgr. (Engineering)

**A. P. M. Wickramanayake**  
Mgr. (Production)

**M. Benaragama**  
Mgr. (Engineering)

**E. R. U. Perera**  
Mgr. (Planning & Procurement)  
– Up to September 2019

# ESTABLISHMENT OF SPMC & KEY OBJECTIVES - 2019

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

In 2019, State Pharmaceuticals Manufacturing Corporation completed 32 years of commercial production of essential Medicinal Drugs for the Health care of the Sri Lanka population. SPMC product range consists of 78 products of tablets and capsules. Out of this product range 45 products were actively formulated 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 31<sup>st</sup> December 2019.

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 78 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.

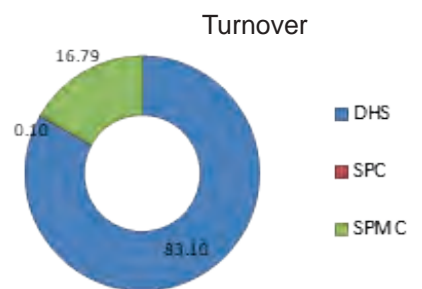
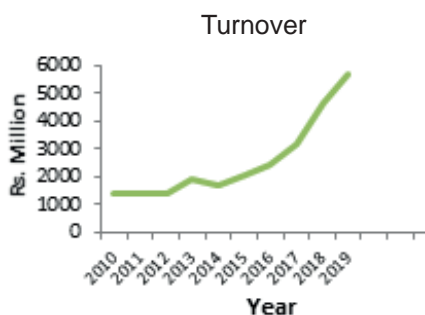
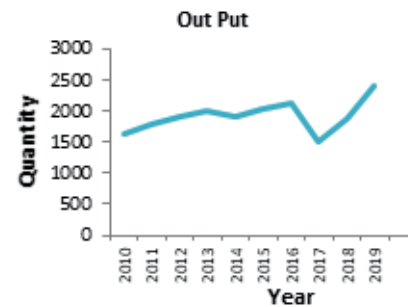
The pharmaceuticals manufacturing facility of the SPMC is equipped with modern Japanese, German and Korean machines. The manufacturing facility has an ultra-clean atmosphere and conforms to World Health Organization (WHO) and Current Good Manufacturing Practice (cGMP) requirements. SPMC products are 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 after tax of Rs.434 million in the year 2019.

## Production Output

The total production out put is 2400 million units tablets/capsules in the year 2019.



## Turnover

Total turnover for the year 2019 amounted to Rs.5,646 million which is the highest turnover since its inception. Out of the total sales, 83.10% 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 16.79% and the balance sales to State Pharmaceutical Corporation (SPC) was 0.10%.

I am happy to note the SPMC has been well managed with its own resources to earn profits without any assistance of the General Treasury.

## DEVELOPMENT WORK

### Factory Development

SPMC manufactured 2400 million tablets & capsules in 2019.

### Expansion Project

SPMC completed capacity expansion project funded by JICA in 2019. The output would increase to 3200 million unit tablets & capsules per annum with the proposed expansion within 05 years.

Under this expansion programme, SPMC also purchased new machines, refurbished the existing buildings and constructed a building for storing raw materials and finished goods.

### Research and Formulation Development

During the year 2019, Certificate of Registration has been obtained for four products and four products were commercially manufactured successfully and launched during the year as new products.

## HUMAN RESOURCES DEVELOPMENT & WELFARE

SPMC had 300 employees as at 31.12.2019 including 16 SPMC Trainees and 02 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. They were also encouraged to participate in social

and welfare events such as Annual Trip/ Get together, Sinhala New Year Celebrations and Sports Festival etc.

## 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. To facilitate this process we have already expanded the building capacity for production, storing area and administration unit. The modernization of laboratory area will ensure supplying of high quality drugs at affordable prices to the needy people in Sri Lanka.

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 Maithripala Sirisena and Honorable Ghotabhaya Rajapaksha, for their continued dedication to the progress of the Pharmaceutical Industry in Sri Lanka. I also extend my appreciation to the Hon. Minister of Health, Nutrition & Indigenous Medicine Dr. Rajitha Senaratne and Pavithra Wanniarachchi for their valuable guidance and support. We also value the guidance provided by the Secretary of the Ministry of Health Mrs. Wasantha Perera and Ms. Badrani Jayawardena and other officials of the Ministry of Health. 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 Managing Director, General Manager, Deputy General Managers, Managers, Executive Staff and all levels of employees of the SPMC in achieving positive results during the year 2019 is greatly appreciated.

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

**Dr. S.G.Samarasundera**  
**Chairman**

**State Pharmaceuticals Manufacturing Corporation of Sri Lanka**  
**31<sup>st</sup> December 2019**

# DIRECTORS

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## Dr. Sayuru Samarasundera

### – Chairman

Dr. Sayuru Samarasundera is a Medical Doctor (Medical Academy of Latvia/Riga Stradins University) and having Doctorate (Ph.D) in Institute of Innovative Technology, University of Moscow as well as serves the position in Chairman to the State Pharmaceuticals Manufacturing Corporation of Sri Lanka.

He has served as the Chairman to the National Aquatic Resources Research & Development Agency, Director to the Project Implementation Unit of Ministry of Fisheries.

Also he is a member of the Governing Board of the National Maritime University, Member of the Board of National Aqua Culture Development Authority and he was a Sri Lankan Representative for the International Hydrography Organization for the period of 2012 to 2015.

## P. Suntharalingum

### – Managing Director

Mr. P. Suntharalingum was appointed to the Board as Managing Director on 26th January 2015.

Mr. Suntharalingum had been a senior banker with over 42 years of diversified experience in the banking industry backed by 36 years with Bank of Ceylon and 6 years with Union Bank. He possesses an extensive experience and expertise in the field of banking, strategic planning, business process re-engineering, sales management, channel management, project management, corporate governance, compliance and Management Information Systems(MIS).

During his extensive career, he has held key positions such as Assistant Vice President of Union Bank, Head of Compliance of Union Bank, Head of the Management Information Systems(MIS) of Bank of Ceylon and various executive positions in the retail & domestic banking business sectors of Bank of Ceylon and Union Bank.

After leaving the banking industry, he served as the Project Co-ordinator/Chairman of the Project Monitoring Unit of the Ministry of Fisheries and Aquatic Resources Development for 4 Years.

Mr. Suntharalingum had successfully completed a programme on computer based Information system conducted by the Indian institute 1991 and the programme on Accounting & Finance conducted by the National University of Singapore in 2000.

## Dr. D. Venkatheshwaran

### – Director

Dr. D. Venkatheshwaran currently attached to the Vahi Constructions (Pvt) Ltd., as a Managing Director.

He is having 21 years' experience in Marketing area.

He holds B.com Degree and Honorary Doctorate.

# DIRECTORS' REPORT

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The Directors have pleasure in forwarding their Report and Audited Accounts for the year ended 31<sup>st</sup> December 2019. The Accounts are set out on pages 17-42.

## 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 31<sup>st</sup> December 2019 is set out in the balance sheet on page 19.

An assessment of the corporation during the financial year is given in the Chairman's Review on pages 7 & 8.

## TURNOVER & RESULTS

The Turnover, results for the year and the changes in the equity are set out in the income statement on page 18 and the statement of changes in equity on page 20 respectively.

## FUTURE DEVELOPMENT

Future developments in business are given in the Chairman's Review on pages 7 & 8.

## 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 1 in the financial statement on page 30.

## RESERVES

Total Reserves of the Corporation and their composition have been given in the statement of changes in equity on page 20 in the financial statements.

## DIRECTORS

The Board consists of five Directors, whom are appointed by the Minister of Health & Indigenous Medicine. One of the Directors is the Finance Ministry representative and the other is representing Ministry of Health & Indigenous Medicine. Directors of the Board were appointed from the month of May 2015. 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. S. G. Samarasundera	- Chairman
P. Suntharalingam	- Managing Director
Miyuru Bashitha Liyanage	- Director
Dr. D. Wenkatheshwaran	- Director
Dr. Mahinda Liyanage	- Director
Nalaka Rajasekara	- Director

## ACCOUNTING POLICIES

The principal accounting policies of the Corporation are set out on pages 22 to 29.

## 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 2019.

**Dr. S. G. Samarasundera**  
Chairman

**State Pharmaceuticals Manufacturing Corporation of Sri Lanka**

# 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 two Executive Directors who are the Chairman, MD and Three 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, four 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 four 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.

As the Audit Committee had not been appointed for the year 2019, no Audit Committee meeting were held in the year 2019.

## 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.

Competitive Tender procedure for procurement process is 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 & Indigenous Medicine and Finance.



# PRODUCTS MANUFACTURED BY SPMC

## Item Wise Product Quantity in Million Units of Tablets/Capsules

Products	Quantity In Mn. Units	Products	Quantity In Mn. Units
Aluminium Hydro.Tab. BP 500mg	1.140	Famotidine Tablets USP 20mg	86.400
Amoxicillin Tab. USP 125mg	29.350	Frusemide Tab. BP 40mg	117.000
Amoxycillin Cap. BP 250mg	109.900	Folic Acid Tabs. 1.mg	16.000
Amoxycillin Cap. BP 500mg	45.500	Gliclazide Tablets BP 40mg	89.000
Ascorbic Acid Tab. BP 100mg	18.450	Gliclazide Tablets BP 80mg	172.000
Atorvastatin Tablets BP 10mg	219.050	Indomethacin Caps 25.mg	4.000
Atenolol Tablets BP 50mg	10.000	Losartan Potassium Tablets 50mg	128.800
Benzhexol Tab. BP 2mg	64.000	Mebendazole Tab. USP 100mg	6.000
Carbamazepine Tab. BP 200mg	30.500	Mebendazole Tab. USP 500mg	0.080
Cetrazine Tablets BP 10.mg	10.365	Metformin Tab. BP 500mg	51.605
Clarithromycin Tab. 250mg	13.680	Metronidazole Tabs BP 400mg	1.050
Cloxacillin Cap. BP 250mg	40.600	Metronidazole Tabs BP 200mg	15.627
Cloxacillin Cap. BP 500mg	17.150	Paracetamol Tab. BP 500mg	360.730
Ciprofloxacin Tablets USP 500mg	4.000	Phenoxymethylpenicillin Tab. BP 250mg	32.400
Ciprofloxacin Tablets USP 250mg	3.000	Prednisolone Tab. BP 5mg	106.400
Cimitidine Tablets BP 200mg	4.160	Propranolol Tab. BP 40mg	14.000
Co-Trimoxazole Tablets BP (Adult)	1.500	Salbutamol Tab. BP 2mg	153.600
Domperidone Tabs 10.mg	73.500	Spiranolactone Tab. USP 25mg	21.600
Diclofenac Sodium Tab.USP 50mg	72.800	Theophylline ER Tablets 125mg	30.450
Diltiazem HCL Tablets 60mg	40.507	Trifluoperazine Tablets BP 5mg	9.000
Diltiazem HCL Tablets 30mg	38.400	Verapamil Tab. BP 40mg.	14.850
Diethylcarbamazepine Tablets BP 50mg	5.400	Vitamin B Tab. CHF	39.200
Enalapril Maleate Tablets 5mg	78.220		

## PRODUCTS TO BE LAUNCHED – 2020

Atorvastatin Tablets IP 20.mg

Gabapentin Capsules USP 300.mg

Prednisolone Tablets BP 1.mg

Nimodipine Tablets BP 30.mg

Tramadol Capsules IP 50.mg

Clopidogrel Tablets USP 75mg

Flucloxacillin Capsules BP 500.mg

# Satatement of Director's Responsibilities

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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 43 - 50.

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 43 - 50 of this report.

# Financial Statement

For the Year ended 31.12.2019



# Statement of Comprehensive Income

For the Year ended 31st December 2019

(All amounts in Sri Lankan Rupees)


	Note	For the year 2019	For the year 2018
Revenue	14	5,646,878,417	4,621,537,300
Cost of Sales	15	(4,743,125,752)	(3,990,801,222)
<b>Gross Profit</b>		903,752,665	630,736,078
Other Operating Income	16	8,064,034	6,614,247
Administrative Expenses	17	(237,694,200)	(242,218,982)
Selling & Distribution Expenses	18	(99,189,983)	(76,261,773)
Other Operating Expenses	19	(10,521,475)	(10,128,025)
<b>Operating Profit</b>		564,411,041	308,741,545
Finance Cost	20	(447,124)	(719,917)
Finance Income	21	28,093,141	51,659,044
<b>Profit Before Tax</b>		592,057,058	359,680,673
Tax Expenses	22	(157,279,181)	(108,418,615)
<b>Profit for the Year</b>		434,777,878	251,262,057
<b>Statement of Comprehensive Income</b>		<b>For the year 2019</b>	<b>For the year 2018</b>
Profit for the Year		434,777,878	251,262,057
(-) Experience (Gain) /Loss		(2,182,882)	5,316,323
(Gain) / Loss Due to Changes in Assumptions		-	7,053,368
Income Tax on Other Comprehensive Income		-	-
<b>Other Comprehensive Income for the Year, Net of Tax</b>		(2,182,882)	12,369,691
<b>Total Comprehensive Income for the Year, Net of Tax</b>		<b>432,594,996</b>	<b>263,631,748</b>


# Statement of Financial Position

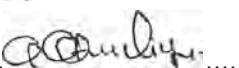
As at 31<sup>st</sup> December 2019  
(All amounts in Sri Lankan Rupees)

	Note	As at 31.12.2019	As at 31.12.2018
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment	01	3,203,159,799	3,133,903,514
Intangible Assets	02	3,440,401	2,684,937
Other Non Current Assets	04	2,754,426	2,223,569
Prepaid Lease	03	3,282,243	3,331,232
Work in Progress - Construction Machines		150,738,389 13,970	255,747,577
<b>Current Assets</b>			
Inventories	05	1,042,287,690	842,317,725
Trade and Other Receivables	06	2,283,110,605	1,601,631,321
Prepayments	07	21,165,516	17,373,318
Other Financial Assets	08	474,984,506	369,761,413
Cash In Hand & At Bank	09	449,269	479,308
		3,821,997,587	2,831,563,084
<b>Total Assets</b>		<b>7,185,386,815</b>	<b>6,229,453,915</b>
<b>EQUITY AND LIABILITIES</b>			
Authorised Capital		850,000,000	850,000,000
Stated Capital	10	690,079,000	690,079,000
Retained Earnings		2,761,709,649	2,265,198,267
<b>Total Equity</b>		<b>3,451,788,649</b>	<b>2,955,277,267</b>
<b>Non Current Liabilities</b>			
Employee Benefit Liabilities		75,028,761	67,741,454
Deferred Tax Liability	11	193,926,433	120,484,083
JICA Loan	12	2,416,094,043	2,416,094,044
		2,685,049,237	2,604,319,581
<b>Current Liabilities</b>			
Trade and Other Payables	13	964,712,098	592,836,771
Tax Payable		83,836,831	77,020,296
		1,048,548,929	669,857,067
<b>Total Equity and Liabilities</b>		<b>7,185,386,815</b>	<b>6,229,453,915</b>

The Accounting Policies on Pages 22 to 29 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 pending Board of Directors approval and signed on their behalf.

Chairman : 

Managing Director : 

DGM - Finance : 

Date : 28-02-2020

# Statement of Changes in Equity

For the Year ended 31<sup>st</sup> December 2019  
(All amounts in Sri Lankan Rupees)

	Stated Capital	Profit & Loss	Total
Balance as at 01.01.2018	690,079,000	2,051,566,519	2,741,645,519
Profit for the Year	-	251,262,057	251,262,057
Other Comprehensive Income	-	12,369,691	12,369,691
Total Comprehensive Income	-	263,631,748	263,631,748
Contribution to Treasury	-	(50,000,000)	(50,000,000)
<b>Balance as at 31.12.2018</b>	<b>690,079,000</b>	<b>2,265,198,267</b>	<b>2,955,277,267</b>
			-
Balance as at 01.01.2019	690,079,000	2,265,198,267	2,955,277,267
Profit for the Year	-	434,777,878	434,777,878
Other Comprehensive Income	-	(2,182,882)	(2,182,882)
Total Comprehensive Income	-	432,594,996	432,594,996
Contribution to Treasury	-	-	-
Prior Year Adjustment	-	63,916,387	63,916,387
<b>Balance as at 31.12.2019</b>	<b>690,079,000</b>	<b>2,761,709,649</b>	<b>3,451,788,649</b>



# Statement of Cash Flow

For the Year ended 31<sup>st</sup> December 2019  
(All amounts in Sri Lankan Rupees)

	For the year 2019	For the year 2018
<b>Cash Flows from Operating Activities</b>		
Net Profit/(Loss) before taxation & extraordinary items	592,057,058	359,680,673
Adjustments for :		
Depreciation on Fixed Assets	184,365,949	109,866,745
Current Service Cost	4,343,655	40,031,949
Employee Interest Cost	8,467,681	4,286,207
Profit / Loss on Disposal	(28,424)	43,921
Cost of Damaged & Unused	59,400	2,271,969
Unclaimed Retention	(55,384)	(439,105)
Unclaimed Bid Bonds	(962,908)	-
Interest Income	(22,678,826)	(47,151,664)
<b>Operating Profit before Working Capital Changes</b>	<b>765,568,202</b>	<b>468,590,695</b>
<u>Changes in items of Working Capital</u>		
(Increase) / Decrease in Inventories	(199,969,965)	(43,205,201)
(Increase) / Decrease in Debtors & Receivables	(619,338,522)	(1,167,107,455)
(Increase) / Decrease in Deposits & Prepayments	(3,792,198)	147,682
Increase / (Decrease) in Liabilities	372,893,619	480,984,504
<b>Cash generated from operations</b>	<b>315,361,135</b>	<b>(260,589,775)</b>
Gratuity paid	(7,706,911)	(5,420,540)
Tax paid	(77,020,297)	(89,234,899)
<b>Net cash from operating activities</b>	<b>230,633,927</b>	<b>(355,245,214)</b>
<b>Cash Flows from Investing Activities</b>		
Short term Investments (Note A)	(105,802,239)	531,495,214
Acquisition of Fixed Assets	(147,617,267)	(198,688,669)
Proceeds from the sale of Disposal of Property	28,424	108,645
Interest received	23,257,972	72,356,104
Increasing Other Non Current Assets	(530,856)	(921,336)
<b>Net cash used in investing activities</b>	<b>(230,663,967)</b>	<b>404,349,958</b>
<b>Cash Flows from Financing Activities</b>		
Treasury Contribution	-	(50,000,000)
<b>Net cash used in Financing activities</b>	-	<b>(50,000,000)</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	<b>(30,039)</b>	<b>(895,256)</b>
<b>Cash &amp; Cash Equivalents at the beginning of the period</b>	<b>479,308</b>	<b>1,374,564</b>
<b>Cash &amp; Cash Equivalents at the end of the period (Note B)</b>	<b>449,269</b>	<b>479,308</b>
<b>Note A - Cash flow from investing activities</b>		
Cash Inflows during the period	15,651,671,911	9,711,517,113
Cash Outflows during the period	(15,545,869,672)	(10,243,012,327)
<b>Net Cash Flow</b>	<b>105,802,239</b>	<b>(531,495,214)</b>
<b>Note B - Cash &amp; Cash Equivalents</b>		
Bank of Ceylon - Ratmalana Branch	6,910	101,910
Bank of Ceylon - Corporate Branch	327,273	192,405
Peoples Bank - Ratmalana Branch	36,590	38,644
Peoples Bank - Corporate Branch	48,698	103,614
Cash Balance	19,787	25,040
Petty Cash	10,010	17,695
	<b>449,269</b>	<b>479,308</b>

# 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 2019 and these Financial Statements were authorized by the Board of Directors.

### 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.

### 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.

#### 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	40 to 4 years
Vehicle Shed	4 years
Plant & Machinery	25 to 1 year
Motor Vehicles	15 to 3 years
Motor Bicycle	15 to 4 years
Bicycle & Carts	8 years
Equipment	30 to 2 years
Computer Accessories	10 to 1 year
Computer Software	6 to 1 year
Furniture & Fittings	30 to 3 years
Tools	15 to 1 year
Library Books	5 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 respective 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 which ever 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 31-12-2019.

#### 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.

<b>TRANSACTIONS WITH STATE AND STATE CONTROLLED ENTITIES</b>	<b>2019</b>	<b>2018</b>
Short term benefits	2,322,175	2,483,484
Gift Vouchers	34,000	160,000

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

<b>NATURE OF TRANSACTION</b>	<b>2019</b>	<b>2018</b>
Investment in Sri Lanka Government Securities Held by Corporation	474,984,506	369,761,413
Gift Vouchers	--	50,000,000
Sales to DHS, SPC & Distributors	5,646,878,417	4,621,537,300
<b>OUTSTANDING BALANCE</b>		
sReceivable from SPC	38,929,551	33,241,860
Receivable from DHS	2,003,016,236	1,435,228,910

### 3.2.5 CAPITAL

There is no change in the Authorized Capital during the year ended 31<sup>st</sup> December 2019.

### 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.

### 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.

<b>The principal assumptions used in the calculations are as follows.</b>	<b>2019</b>	<b>2018</b>
Expected Annual Average Salary Increment Rate	4.00%	4.00%
Discount Rate / Interest Rate	10.75%	12.50%
Staff Turnover Factor	1.00%	1.45%

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

### 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.

### 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 31-12-2019.

#### 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.

## 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 generates 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.

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.

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

### DISSEGREGATION OF REVENUE

Revenue is disaggregated by nature of revenue.	2019	2018
DHS	4,692,787,326.00	3,929,151,094.00
SPC	5,885,075.00	24,065,050.00
Distribution	948,206,015.68	668,321,156.12

### 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 2019.

### 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 2019.

### 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.

# NOTES THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31.12.2019

## Note - 01

### Property, Plant & Equipments - Depreciable Assets

Description	2018						
	Cost As At 01.01.2019	Acquisitions During the Year	Disposals During the Year	Balance As at 31.12.2019	Damaged & Unused Adj (Note - 02A)	Balance After Adj. of Damaged & Unused As At 31.12.2019	
<b>Depreciable Assets</b>							
Land Scaping Expenses	6,113,388	-	-	6,113,388	-	6,113,388	
Land	49,471,918	-	-	49,471,918	-	49,471,918	
Buildings	991,475,011	229,216,833	-	1,220,691,844	-	1,220,691,844	
Plant & Machinery	2,810,689,964	10,098,010	-	2,820,787,974	(26,745,631)	2,794,042,343	
Motor Vehicles	89,021,800	-	-	89,021,800	-	89,021,800	
Motor Bicycle	298,640	-	-	298,640	-	298,640	
Equipment	190,702,108	3,350,795	(225)	194,052,678	(25,252,470)	168,800,208	
Computer Accessories	19,023,245	2,431,773	(316,288)	21,138,730	(183,130)	20,955,600	
Furniture & Fittings	27,219,638	6,566,709	-	33,806,347	(485,373)	33,320,974	
Bicycle & Carts	2,260,377	738,990	-	2,999,367	-	2,999,367	
Tools	7,708,770	-	-	7,708,770	(1,434,153)	6,274,617	
<b>Fully Depreciated Assets</b>							
Library Book	2,497,451	-	-	2,497,451	-	2,497,451	
Vehicle Parking Shed	1,170,063	-	-	1,170,063	-	1,170,063	
<b>Total Value of Assets</b>	<b>4,197,652,373</b>	<b>252,425,111</b>	<b>(316,513)</b>	<b>4,449,760,970</b>	<b>(54,100,757)</b>	<b>4,395,660,214</b>	

Description	2018						
	Cost As At 01.01.2018	Acquisitions During the Year	Disposals During the Year	Balance As at 31.12.2018	Damaged & Unused Adj (Note - 02A)	Balance After Adj. of Damaged & Unused As At 31.12.2018	
<b>Depreciable Assets</b>							
Land Scaping Expenses	6,113,388	-	-	6,113,388	-	6,113,388	
Land	49,471,918	-	-	49,471,918	-	49,471,918	
Buildings	461,659,907	529,815,104	-	991,475,011	-	991,475,011	
Plant & Machinery	951,873,944	1,866,022,595	(7,206,575)	2,810,689,964	(26,628,131)	2,784,061,833	
Motor Vehicles	89,021,800	-	-	89,021,800	-	89,021,800	
Motor Bicycle	298,640	-	-	298,640	-	298,640	
Equipment	150,235,779	42,180,364	(1,694,035)	190,702,108	(25,065,795)	165,636,313	
Computer Accessories	19,104,056	1,879,660	(1,960,471)	19,023,245	(129,380)	18,893,865	
Furniture & Fittings	27,260,352	487,109	(527,823)	27,219,638	(341,890)	26,877,748	
Bicycle & Carts	31,987	2,228,390	-	2,260,377	-	2,260,377	
Tools	7,840,355	-	(131,585)	7,708,770	(1,430,225)	6,278,545	
<b>Fully Depreciated Assets</b>							
Library Book	2,499,042	-	(1,591)	2,497,451	-	2,497,451	
Vehicle Parking Shed	1,170,063	-	-	1,170,063	-	1,170,063	
<b>Total Value of Assets</b>	<b>1,766,581,231</b>	<b>2,442,593,222</b>	<b>(11,522,080)</b>	<b>4,197,652,373</b>	<b>(63,595,221)</b>	<b>4,144,057,152</b>	

Description	2019						
	Accumulated Dep. As at 01.01.2019	Depreciation For the Year	Acc. Dep. Related to Disposals	Damaged & Unused Adjustments	Balance As at 31.12.2019		
<b>Depreciable Assets</b>							
Land Scaping Expenses	1,979,802	60,788	-	-	2,040,590		
Land	-	-	-	-	-		
Buildings	245,109,373	47,914,590	-	-	293,023,963		
Plant & Machinery	556,495,926	119,630,473	-	(113,515)	676,012,884		
Motor Vehicles	57,177,937	5,615,510	-	-	62,793,447		
Motor Bicycle	275,306	3,333	-	-	278,639		
Equipment	107,734,895	5,361,454	(225)	(185,543)	112,910,580		
Computer Accessories	11,235,386	2,316,319	(316,288)	(53,750)	13,181,668		
Furniture & Fittings	20,786,273	1,502,771	-	(89,624)	22,201,420		
Bicycle & Carts	73,309	541,469	-	-	614,778		
Tools	5,615,917	162,942	-	(3,928)	5,774,932		
<b>Fully Depreciated Assets</b>							
Library Book	2,497,450	-	-	-	2,497,450		
Vehicle Parking Shed	1,170,063	-	-	-	1,170,063		
<b>Total</b>	<b>1,070,153,637</b>	<b>183,109,649</b>	<b>(316,513)</b>	<b>(446,360)</b>	<b>1,192,500,413</b>		

Description	2019						
	Accumulated Dep. As at 01.01.2018	Depreciation For the Year	Acc. Dep. Related to Disposals	Damaged & Unused Adjustments	Balance As at 31.12.2018		
<b>Depreciable Assets</b>							
Land Scaping Expenses	1,919,014	60,788	-	-	1,979,802		
Land	-	-	-	-	-		
Buildings	216,139,384	28,969,989	-	-	245,109,373		
Plant & Machinery	493,483,080	64,322,170	(1,007,454)	(301,870)	556,495,926		
Motor Vehicles	51,093,677	6,084,260	-	-	57,177,937		
Motor Bicycle	271,972	3,334	-	-	275,306		
Equipment	105,601,848	3,792,431	(485,138)	(1,174,246)	107,734,895		
Computer Accessories	10,107,247	2,502,773	(1,308,194)	(66,450)	11,235,386		
Furniture & Fittings	18,922,146	2,184,760	(288,037)	(30,596)	20,786,273		
Bicycle & Carts	31,987	41,322	-	-	73,309		
Tools	5,777,536	277,316	(131,485)	(307,450)	5,615,917		
<b>Fully Depreciated Assets</b>							
Library Book	2,499,041	-	(1,590)	-	2,497,451		
Vehicle Parking Shed	1,170,063	-	-	-	1,170,063		
<b>Total</b>	<b>907,016,995</b>	<b>108,238,143</b>	<b>(3,221,868)</b>	<b>(1,880,612)</b>	<b>1,010,153,638</b>		

Description	Balance As at 31.12.2019	
	Written Down Value	Total
<b>Depreciable Assets</b>		
Land Scaping Expenses	4,072,798	4,133,586
Land	49,471,918	49,471,918
Buildings	927,669,880	746,365,638
Plant & Machinery	2,118,029,460	2,227,565,907
Motor Vehicles	26,226,353	31,843,863
Motor Bicycle	20,000	23,334
Equipment	55,889,628	57,901,418
Computer Accessories	7,773,933	7,668,479
Furniture & Fittings	11,119,554	6,089,675
Bicycle & Carts	2,384,590	2,187,068
Tools	499,685	662,628
<b>Fully Depreciated Assets</b>		
Library Book	-	-
Vehicle Parking Shed	-	-
<b>Total</b>	<b>3,203,159,799</b>	<b>3,133,903,514</b>

Description	Balance As at 31.12.2018	
	Written Down Value	Total
<b>Depreciable Assets</b>		
Land Scaping Expenses	4,133,586	4,133,586
Land	49,471,918	49,471,918
Buildings	746,365,638	746,365,638
Plant & Machinery	2,227,565,907	2,227,565,907
Motor Vehicles	31,843,863	31,843,863
Motor Bicycle	23,334	23,334
Equipment	57,901,418	57,901,418
Computer Accessories	7,668,479	7,668,479
Furniture & Fittings	6,089,675	6,089,675
Bicycle & Carts	2,187,068	2,187,068
Tools	662,628	662,628
<b>Fully Depreciated Assets</b>		
Library Book	-	-
Vehicle Parking Shed	-	-
<b>Total</b>	<b>3,133,903,514</b>	<b>3,133,903,514</b>

**Note - 02**

**Intangible Assets Cost**

		2019				2018	
Description	Cost As At 01.01.2019	Acquisitions During the Year	Disposals During the Year	Balance As At 31.12.2019	Damaged & Unused Adjustments (Note - 02 A)	Balance After Adj. of Damaged & Unused As At 31.12.2019	
Computer Software	19,450,888	1,983,000	(27,440)	21,386,448	-	21,386,448	
<b>Total Value of Assets</b>	<b>19,450,888</b>	<b>1,983,000</b>	<b>(27,440)</b>	<b>21,386,448</b>	<b>-</b>	<b>21,386,448</b>	

**Depreciation**

Description	Accumulated Dep. As at 01.01.2019	Depreciation For the Year	Acc. Dep. Related to Disposals	Balance As at 31.12.2019	Damaged & Unused Adjustments	Balance As at 31.12.2019
Computer Software	16,765,950	1,207,536	(27,440)	17,946,046	-	17,946,046
<b>Total</b>	<b>16,765,950</b>	<b>1,207,536</b>	<b>(27,440)</b>	<b>17,946,046</b>	<b>-</b>	<b>17,946,046</b>

**Written Down Value**

Description	Balance As at 31.12.2019
Computer Software	3,440,401
<b>Total</b>	<b>3,440,401</b>

**Note - 02 A**

**Damaged & Unused Adjustment**

		2019		2018		
Description	Balance as at 01.01.2019	Damaged & Unused identified during the year	Disposals during the year	Balance as at 31.12.2019	Disposals during the year	Balance as at 31.12.2018
Plant & Machinery	26,628,131	117,500	-	26,745,631	5,403,425	26,628,131
Equipment	25,065,795	186,900	(225)	25,252,470	1,191,923	25,065,795
Computer Accessories	129,380	53,750	-	183,130	547,480	129,380
Furniture & Fittings	341,690	143,683	-	485,373	203,350	341,690
Tools	1,430,225	3,928	-	1,434,153	100	1,430,225
Computer Software	-	505,761	-	54,100,757	67,500	-
<b>Total</b>	<b>53,595,221</b>	<b>505,761</b>	<b>(225)</b>	<b>54,100,757</b>	<b>7,413,778</b>	<b>53,595,221</b>

**Note - 03**

**Prepaid Lease Cost**

		2019		2018		
Description	Cost As At 01.01.2019	Acquisitions During the Year	Disposals During the Year	Cost As At 31.12.2019	Disposals During the Year	Cost As At 31.12.2018
Leasehold Land	4,920,845	-	-	4,920,845	-	4,920,845
<b>Total Value of Assets</b>	<b>4,920,845</b>	<b>-</b>	<b>-</b>	<b>4,920,845</b>	<b>-</b>	<b>4,920,845</b>

**Depreciation**

Description	Accumulated Dep. As at 01.01.2019	Depreciation For the Year	Acc. Dep. Related to Disposals	Balance As at 31.12.2019	Acc. Dep. Related to Disposals	Balance As at 31.12.2018
Leasehold Land	1,589,613	48,989	-	1,638,602	-	1,589,613
<b>Total</b>	<b>1,589,613</b>	<b>48,989</b>	<b>-</b>	<b>1,638,602</b>	<b>-</b>	<b>1,589,613</b>

**Written Down Value**

Description	Balance As at 31.12.2019
Leasehold Land	3,282,243
<b>Total</b>	<b>3,282,243</b>

**Intangible Assets Cost**

		2018				2017	
Description	Cost As At 01.01.2018	Acquisitions During the Year	Disposals During the Year	Balance As At 31.12.2018	Damaged & Unused Adjustments (Note - 02 A)	Balance After Adj. of Damaged & Unused As At 31.12.2018	
Computer Software	17,916,574	1,739,933	(205,620)	19,450,888	-	19,450,888	
<b>Total Value of Assets</b>	<b>17,916,574</b>	<b>1,739,933</b>	<b>(205,620)</b>	<b>19,450,888</b>	<b>-</b>	<b>19,450,888</b>	

**Depreciation**

Description	Accumulated Dep. As at 01.01.2018	Depreciation For the Year	Acc. Dep. Related to Disposals	Balance As at 31.12.2018	Damaged & Unused Adjustments	Balance As at 31.12.2018
Computer Software	16,128,123	800,121	-	16,765,950	-	16,765,950
<b>Total</b>	<b>16,128,123</b>	<b>800,121</b>	<b>-</b>	<b>16,765,950</b>	<b>-</b>	<b>16,765,950</b>

**Written Down Value**

Description	Balance As at 31.12.2018
Computer Software	2,684,937
<b>Total</b>	<b>2,684,937</b>

**Damaged & Unused Adjustment**

		2018		2017		
Description	Balance as at 01.01.2018	Damaged & Unused identified during the year	Disposals during the year	Balance as at 31.12.2018	Disposals during the year	Balance as at 31.12.2017
Plant & Machinery	31,688,139	343,417	-	32,031,556	5,403,425	32,031,556
Equipment	22,898,172	3,359,547	-	26,258,119	1,191,923	26,258,119
Computer Accessories	610,410	66,450	-	676,860	547,480	676,860
Furniture & Fittings	511,373	33,668	-	545,041	203,350	545,041
Tools	1,080,825	349,500	-	1,430,325	100	1,430,325
Computer Software	67,500	-	-	67,500	67,500	-
<b>Total</b>	<b>56,856,418</b>	<b>4,152,581</b>	<b>-</b>	<b>61,009,000</b>	<b>7,413,778</b>	<b>61,009,000</b>

**Prepaid Lease Cost**

		2018		2017		
Description	Cost As At 01.01.2018	Acquisitions During the Year	Disposals During the Year	Cost As At 31.12.2018	Disposals During the Year	Cost As At 31.12.2017
Leasehold Land	4,920,845	-	-	4,920,845	-	4,920,845
<b>Total Value of Assets</b>	<b>4,920,845</b>	<b>-</b>	<b>-</b>	<b>4,920,845</b>	<b>-</b>	<b>4,920,845</b>

**Depreciation**

Description	Accumulated Dep. As at 01.01.2018	Depreciation For the Year	Acc. Dep. Related to Disposals	Balance As at 31.12.2018	Acc. Dep. Related to Disposals	Balance As at 31.12.2017
Leasehold Land	1,540,624	48,989	-	1,589,613	-	1,589,613
<b>Total</b>	<b>1,540,624</b>	<b>48,989</b>	<b>-</b>	<b>1,589,613</b>	<b>-</b>	<b>1,589,613</b>

**Written Down Value**

Description	Balance As at 31.12.2018
Leasehold Land	3,331,232
<b>Total</b>	<b>3,331,232</b>

**Note - 04**

<b>Other Non Current Assets</b>	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
Deposits	2,460,000	1,960,000
Security Deposits	294,426	263,569
	<b>2,754,426</b>	<b>2,223,569</b>

**Note - 05**

<b>Inventories</b>	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
Raw Materials	572,154,416	457,748,182
Packing Materials	60,345,943	52,650,478
Finished Goods	108,381,152	118,274,487
Work-in-Progress	140,807,075	91,656,966
Goods in Transits - R/M	35,354,749	5,323,377
RawMaterial Loan	88,685	140,803
Inventory - Formulation, Research & Dev.	2,461,861	1,603,301
Spare Parts - Plant & Machinery	120,533,694	112,204,528
Fuel & Lubricants	1,030,554	1,491,934
Inventory - Stationery	1,129,562	1,223,670
	<b>1,042,287,690</b>	<b>842,317,725</b>

**Note - 06**

<b>Trade Debtors &amp; Receivables</b>	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
Debtors - SPC	5,067,375	5,458,050
Debtors - DHS	2,003,016,236	1,435,228,910
(-) Provision for Doubtful Debts	(4,830,000)	-
Debtors - Distributors	134,210,410	90,802,582
Distress Loans	43,768,025	33,784,414
Receivables	Note 26	8,013,492
Cycle Loans	1,852,773	1,656,659
Staff Loans	2,239,216	2,260,797
Economic Service Charge - 0.5% (Adv.pay.of Income Tax)	28,155,668	23,107,585
Festival Advance	573,000	567,000
Import Deposits Refunds	704,500	711,500
Paye Tax	76,626	40,331
	<b>2,283,110,605</b>	<b>1,601,631,321</b>

**Note - 07**

<b>Pre-Payments</b>	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
Advance Payments	1,305,651	5,823,508
Advance Payments - Machinery & Spare Parts	7,683,948	2,654,545
Prepayments	6,541,712	4,036,429
Prepaid Staff Cost	5,634,206	4,858,836
	<b>21,165,516</b>	<b>17,373,318</b>

**Note - 08**

<b>Other Financial Assets</b>	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
Treasury Bills	377,030,073	279,614,263
Treasury Bills at NSB	73,765,864	67,390,011
Investments in Trust fund	24,188,569	22,757,139
	<b>474,984,506</b>	<b>369,761,413</b>

**Note - 09**

<b>Cash In Hand &amp; at Bank</b>	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
Bank of Ceylon - Ratmalana	6,910	101,910
Bank of Ceylon - Corporate	327,273	192,405
Peoples Bank - Ratmalana	36,590	38,644
Peoples Bank - Corporate	48,698	103,614
Cash in Hand	19,787	25,040
Petty Cash	10,010	17,695
	<b>449,269</b>	<b>479,308</b>

**Note - 10****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 - 11**

<b>Deffered Tax Liability</b>	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
Balance at the Beginning of the Year	120,484,083	135,323,858
Charge/(Reversal) as Deferred Tax during the year	73,442,350	(14,839,775)
	<b>193,926,433</b>	<b>120,484,083</b>

**Note 12****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
<b>Total</b>	<b>1,239,888,000</b>

**Repayment of Loan**

Repayment period - 40 years including 10 years of grace period

**Note - 13**

<b>Trade and Other Payables</b>	<b>As at 31.12.2019</b>	<b>As at 31.12.2018</b>
Creditors Control - Packing Materials	8,970,342	7,055,868
Creditors Control - Raw Materials	25,516,476	26,095,232
Creditors Control - Stationery	1,514,237	1,915,574
Creditors Control - Equipment & Machinery	1,356,714	2,131,348
Creditors Control - Chemicals	734,594	268,464
Creditors Control - General	150,185,427	40,216,171
Creditors Control - Bank	37,212,266	33,393,537
Creditors Control - Employees	3,517,379	3,246,380
Creditors Control - Services	5,738,382	4,484,102
Creditors Control - Other FA	-	694,500
Creditors Control - Joint Ventures	724,794,070	467,687,912
Employee Security Guarantee - Finance	1,003	11,714
Employee Security Guarantee - Stores	293,422	251,856
Bid Bonds Payable	4,824,011	5,322,640
E.P.F. & E.T.F. Payables - 28%	-	10,143
Insurance Claim Control	-	24,000
Salaries Control	53,774	27,330
Raw Material Loan Taken	592,836,771	-
	<b>964,712,096</b>	<b>592,836,771</b>

**Note - 14**

<b>Revenue</b>	<b>For the year 2019</b>	<b>For the year 2018</b>
Sales - SPC	5,885,075	24,065,050
Sales - DHS	4,692,787,326	3,929,151,094
Sales - Distribution	948,206,016	668,321,156
	<b>5,646,878,417</b>	<b>4,621,537,300</b>

**Note - 15**

<b>Cost of Sales</b>	<b>For the year 2019</b>	<b>For the year 2018</b>
Cost of Sales - SPC	3,083,302	17,112,724
Cost of Sales - DHS	3,775,578,421	3,240,282,426
Cost of Sales - SPMC	664,527,236	417,258,503
Cost of Sales - Raw Materials	-	2,881,782
Cost of Sales Invoice Variance	697,716	1,016,612
Finished Goods Adj-Stock take	-	15,785
SPC Finished Goods Adj.	-	-
Production Expenses	<b>Note - 23</b> 299,239,077	312,233,391
	<b>4,743,125,752</b>	<b>3,990,801,222</b>

**Note - 16**

<b>Other Operating Income</b>	<b>For the year 2019</b>	<b>For the year 2018</b>
Miscellaneous Income	<b>Note 16 - A</b> 7,284,562	3,285,865
Finished Goods & Raw Material Sales	751,048	3,293,382
Course Fee - Training School - CTPPM	-	35,000
Profit or Loss on Disposal	28,424	-
	<b>8,064,034</b>	<b>6,614,247</b>

**Note 16 - A**

<b>Miscellaneous Income</b>	<b>For the year 2019</b>	<b>For the year 2018</b>
Scrap Sales	3,494,533	1,809,000
Registration of Suppliers	590,000	430,000
Tender Document Fee	1,185,000	607,760
Bid Bond Balance write-off	962,908	-
Creditor's Balance write-off	55,384	439,105
General	996,738	-
	<b>7,284,562</b>	<b>3,285,865</b>

**Note - 17**

<b>Administration Expenses</b>	<b>For the year 2019</b>	<b>For the year 2018</b>
Salaries & Wages	40,873,836	34,734,596
Casual Salaries	1,823,311	6,263,506
Cost of Living	8,808,692	7,721,978
Travelling Incentive	10,788,046	10,490,104
E.P.F. & E.T.F. - 18%	8,905,113	7,592,540
Overtime	12,028,101	10,654,859
Attendance Incentive	5,618,751	5,105,983
Performance Incentive	9,864,934	8,805,551
Annual Bonus	2,249,597	1,648,186
Current Service Cost	1,594,837	14,208,763
Employee Interest Cost	3,162,554	1,436,411
Shift Incentive	366,510	294,556
Staff Cost	1,394,652	990,975
Staff Medical Expenses	3,277,181	2,719,717
Housing Loan Int.Reimbursement	2,931,395	2,760,225
Supervisor Allowance	114,000	150,000
Difficult Working Condition Allowance	442,455	339,423
Professional Allowance	886,097	885,000
Special Acting Incentive	162,000	162,000
Retirement Benefit	116,000	100,000
Telephone Bill Reimbursement	668,683	741,994
Ins.of Health Insurance Scheme	5,446,523	2,956,529
Staff Welfare	15,418,180	11,539,750
Staff Training	3,909,105	1,891,611
Uniforms & Shoes	910,978	713,147
Travelling - Overseas	3,067,064	12,630,460
Directors Fees	108,100	184,000
Other Incentives	1,940,570	1,613,100
Rates & Taxes	315,843	279,991
Electricity	11,185,773	9,474,302
Water Charges	682,690	789,922
Insurance - General	425,255	191,369
Insurance - Vehicles	1,073,601	1,148,160
Repairs & Maintenance of Motor Vehicles	5,166,774	4,440,718
Fuel & Lubricants for Vehicles	3,089,772	3,394,372
Maintenance of Equipment	1,229,907	1,100,958
Maintenance-Administration	3,030,083	5,754,405
Depreciation	23,698,255	17,630,538
Transport Charges	1,714,966	1,219,193
Postage & Fax	257,513	267,342
Telephone Charges	1,191,102	1,211,085
Security Charges	1,560,418	1,221,263
Donations	6,278,925	1,306,262
Licence Fee - Vehicles	118,020	129,455
Licence Fee - Drugs	5,515,114	4,296,256
Licence Fee - Others	42,428	2,705,857
Printing & Stationery	4,504,305	3,412,487
Office Expenses	476,878	1,170,074
Audit Fee	1,272,945	3,067,492
Rent Charges	8,442,884	13,698,729
Advertisements	4,904,805	4,770,508
Trade Subs.& Periodicals	259,310	230,270
Legal & Inquiry Expenses	1,520,529	364,490
Professional Charges	1,449,315	1,607,531
Entertainment	1,007,665	581,266
Annual Subscription	261,335	142,924
Annual Conference & Meetings	11,500	-
Stamp Fee	46,950	39,975
Cost of Damaged & Unused	59,400	2,271,969
Building Opening Ceremony	14,495	4,443,733
Expenses of Training School - CTPPM	8,180	519,382
Stationary Adj-Stock take	-	1,742
	<b>237,694,200</b>	<b>242,218,982</b>



**Note - 18**

<b>Selling &amp; Distribution Expenses</b>	<b>For the year 2019</b>	<b>For the year 2018</b>
Promotional Discounts	39,756,512	21,630,756
Sales Promotion Expenses	54,601,236	54,755,391
Cost of Rejected Finished Goods	2,234	(124,374)
Doubtful Debt	4,830,000	-
	<b>99,189,983</b>	<b>76,261,773</b>

**Note - 19**

<b>Other Operating Expenses</b>	<b>For the year 2019</b>	<b>For the year 2018</b>
Formulation, Research & Dev.	8,567,890	8,034,606
Stock Take Adjustments - FD	(43,594)	26,450
Exchange Loss	1,997,179	2,023,048
Profit or Loss on Disposal	-	43,921
	<b>10,521,475</b>	<b>10,128,025</b>

**Note - 20**

<b>Finance Cost</b>	<b>For the year 2019</b>	<b>For the year 2018</b>
Bank Charges	389,521	715,167
O.D. Interest	57,603	4,749
	<b>447,124</b>	<b>719,917</b>

**Note - 21**

<b>Finance Income</b>	<b>For the year 2019</b>	<b>For the year 2018</b>
Staff Loan Interest	1,434,143	1,188,644
Treasury Bill Interest	22,678,826	47,151,664
Interest Income - Staff Loan	3,980,172	3,318,737
	<b>28,093,141</b>	<b>51,659,044</b>

**Note - 22**

<b>Income Tax Expense</b>		<b>For the year 2019</b>	<b>For the year 2018</b>
Current Tax Expense	Note - 22 A	83,836,831	111,117,628
Deferred Tax Expense	Note - 22 B	73,442,350	(14,839,775)
Deemed Dividend Tax		-	12,140,762
		<b>157,279,181</b>	<b>108,418,615</b>

**Note - 22 A**

<b>Current Tax Expense</b>		<b>For the year 2019</b>	<b>For the year 2018</b>
Income Tax on Profit for the year	Note - 22 A (i)	83,836,831	111,117,628
Over / Under Provision for Income Tax		-	-
		<b>83,836,831</b>	<b>111,117,628</b>

**Note - 22 A (i)**

<b>Income Tax on Profit for the year</b>		<b>For the year 2019</b>	<b>For the year 2018</b>
Profit before Taxation		592,057,058	359,680,673
Disallowable Expenses		210,579,701	151,942,669
Allowable Expenses		(480,569,104)	(101,411,419)
Tax exempt Income		(22,678,826)	(47,151,664)
Tax Income from Treasury Bill Interest & Sale proceed from Disposal FA		28,424	52,499,393
Assessable Income		<b>299,417,253</b>	<b>415,559,652</b>
Qualifying Payments		-	-
Taxable Income		<b>299,417,253</b>	<b>415,559,652</b>
Tax Rate on Taxable Income		28%	28%
Income Tax on Taxable Income		83,836,831	116,356,702
Nortional Tax		-	(5,239,074)
Total Income Tax		<b>83,836,831</b>	<b>111,117,628</b>

**Note - 22 B**

<b>Deferred Tax</b>		<b>For the year 2019</b>	<b>For the year 2018</b>
Charge/(Reversal) as Deferred Tax during the year			
Deferred Tax on Deferred Tax Liabilities		214,934,486	139,451,690
Deferred Tax on Deferred Tax Assets		(21,008,053)	(18,967,607)
Deferred Tax Liability at the end of the year		<b>193,926,432</b>	<b>120,484,083</b>
Deferred Tax Liability at the beginning of the year		<b>120,484,083</b>	<b>135,323,858</b>
Charge/(Reversal) as Deferred Tax during the year		<b>73,442,350</b>	<b>(14,839,775)</b>

**Note - 23**

<b>Production Cost</b>	<b>For the year 2019</b>	<b>Sub Note</b>	<b>For the year 2018</b>
<b>Direct Labour(Production)</b>			
Salaries & Wages	-	Note 23 A	401,712
Casual Salaries	-	Note 23 A	359,793
Cost of Living	-	Note 23 A	836,940
Travelling Incentive	35,382	Note 23 A	651,500
E.P.F. & E.T.F. - 18%	484,679	Note 23 A	1,632,596
Overtime	-	Note 23 A	8,168,793
Attendance Incentive	1,365,911	Note 23 A	5,414,897
Performance Incentive	935,425	Note 23 A	3,262,205
Annual Bonus	2,167,312	Note 23 A	2,198,611
Current Service Cost	1,510,450		14,743,238
Employee Interest Cost	3,035,650		1,616,115
Shift Incentive	1,291,100	Note 23 A	786,300
Staff Medical Expenses	-	Note 23 A	3,589,671
Housing Loan Int.Reimb.	2,985,994	Note 23 A	3,151,128
Additional Monthly Incentive	-		222,000
Supervisor Allowance	108,000		108,000
Difficult Working Condition Allowance	2,793,990	Note 23 A	1,913,340
Professional Allowance	249,000		212,000
Retirement Benefit	256,000		120,000
Staff Cost	1,568,984		1,313,224
	<b>18,787,877</b>		<b>50,702,065</b>
<b>Indirect Manufacturing Cost (QC,FD,Plan,Main)</b>			
Salaries & Wages	11,912,205	Note 23 A	32,322,559
Casual Salaries	1,630,593		1,590,908
Cost of Living	3,605,058	Note 23 A	7,716,456
Travelling Incentive	4,501,713	Note 23 A	5,497,580
E.P.F. & E.T.F. - 18%	4,000,420	Note 23 A	7,638,126
Overtime	3,755,495	Note 23 A	9,737,379
Attendance Incentive	5,150,533	Note 23 A	5,134,377
Performance Incentive	4,146,053	Note 23 A	9,490,663
Annual Bonus	1,726,496		1,726,342
Current Service Cost	1,238,368		11,079,949
Employee Interest Cost	2,269,478		1,233,681
Shift Incentive	1,341,200		1,067,884
Staff Medical Expenses	2,610,339	Note 23 A	2,692,775
Housing Loan Int.Reimbursement	5,342,078	Note 23 A	3,468,908
Additional Monthly Incentive	-		222,000
Supervisor Allowance	147,000		210,000
Difficult Working Condition Allowance	1,630,185		1,939,337
Professional Allowance	307,500		269,067
Retirement Benefit	-		120,000
Staff Cost	1,016,536		1,014,538
Special Acting Allowance	167,358		167,358
Telephone Bill Reimbursement	371,052		436,553
Insurance of Health Ins.Scheme	6,713,839	Note 23 A	2,823,092
Staff Welfare	22,009,198	Note 23 A	22,671,707
Staff Training	2,795,065	Note 23 A	1,574,193
Uniforms & Shoes	1,503,506		1,244,900
Water Charges	170,342	Note 23 A	204,582
Rates & Taxes	383,536	Note 23 A	654,593
Electricity	705,492	Note 23 A	-
Insurance - General	358,219	Note 23 A	245,152
Security Charges - Production	6,765,469	Note 23 A	7,875,261
Maintenance of Equipment	125,598	Note 23 A	1,472,539
Maintenance-Production	3,133,378	Note 23 A	1,583,905
Maintenance of Building	4,762,812		-
Depreciation	160,667,919		91,457,715
Transport Charges	1,624,282	Note 23 A	1,720,571
Consumption - Spare Parts	2,413,737	Note 23 A	11,283,648
Consumption - Fuel & Lubricants	910,807	Note 23 A	2,138,672
Repairs & Maintenance P & M	4,998,499		3,008,433
Quality Control Expenses	727,816		332,725
R/M Destruction Charges	651,722		707,373
Cost of Rejected Raw Materials	181,733		6,385,506
Cost of Rejected Paking Materials	-		(282,061)
Cost of Rejected Work in Progress	599,820		1,341,104
Cost of Damaged Raw Materials	(24,000)		(24,000)
Raw Material Adj-General Drugs	(8,579)		101,013
Raw Material Adj-Penicillin Drugs	(7,913)		4,595
Raw Material Adj-Stock Take	(2,371,993)		(1,063,082)
Packing Material Adj-Stock Take	74,580		(949,075)
Packing Material Adj.	580,479		-
Stock Take Adjustment - Main	37,818		87,647
Spares Adj.	1,848,201		-
Work-in-Progress Adj-Stock Take	1,250,160		154,180
Transfer to the Cost of Sales which were not absorbed to the Product Cost	299,239,077		312,233,391

**Note 23 A**

Production Cost	Unabsorbed Cost	Absorbed Cost to the Cost of Sales	Total 2019	Total 2018
<b>Direct Labour(Production)</b>				
Salaries & Wages	-	45,100,875	45,100,875	40,854,725
Casual Salaries	-	1,853,067	1,853,067	687,052
Cost of Living	-	10,369,271	10,369,271	10,110,633
Travelling Incentive	35,382	7,459,821	7,495,203	6,911,592
E.P.F. & E.T.F. - 18%	484,679	10,134,219	10,618,898	9,490,053
Overtime	-	14,626,231	14,626,231	10,629,909
Attendance Incentive	1,365,911	5,090,883	6,456,794	6,031,828
Performance Incentive	935,425	12,793,911	13,729,336	12,784,703
Annual Bonus	2,167,312	364,967	2,532,279	2,198,611
Current Service Cost	1,510,450	-	1,510,450	14,743,238
Employee Interest Cost	3,035,650	-	3,035,650	1,616,115
Shift Incentive	1,291,100	2,348,100	3,639,200	2,896,261
Staff Medical Expenses	-	4,625,394	4,625,394	3,589,671
Housing Loan Int.Reimb.	2,985,994	4,536,727	7,522,722	6,352,750
Additional Monthly Incentive	-	-	-	222,000
Supervisor Allowance	108,000	-	108,000	108,000
Difficult Working Condition Allowance	2,793,990	487,800	3,281,790	3,516,276
Professional Allowance	249,000	-	249,000	212,000
Retirement Benefit	256,000	-	256,000	120,000
Staff Cost	1,568,984	-	1,568,984	1,313,224
	18,787,877	119,791,265	138,579,143	134,388,638
<b>Indirect Manufacturing Cost (Q/C,F/D,Plan/Main)</b>				
Salaries & Wages	11,912,205	20,587,239	32,499,444	32,322,559
Casual Salaries	1,630,593	-	1,630,593	1,590,908
Cost of Living	3,605,058	3,559,415	7,164,472	7,716,456
Travelling Incentive	4,501,713	1,190,187	5,691,901	5,497,580
E.P.F. & E.T.F. - 18%	4,000,420	3,614,631	7,615,051	7,638,126
Overtime	3,755,495	6,118,660	9,874,155	9,737,379
Attendance Incentive	5,150,533	143,999	5,294,531	5,134,377
Performance Incentive	4,146,053	7,237,692	11,383,746	9,490,663
Annual Bonus	1,726,496	-	1,726,496	1,726,342
Current Service Cost	1,238,368	-	1,238,368	11,079,949
Employee Interest Cost	2,269,478	-	2,269,478	1,233,681
Shift Incentive	1,341,200	-	1,341,200	1,067,884
Staff Medical Expenses	2,610,339	194,566	2,804,905	2,692,775
Housing Loan Int.Reimbursement	5,342,078	137,209	5,479,287	3,468,908
Additional Monthly Incentive	-	-	-	222,000
Supervisor Allowance	147,000	-	147,000	210,000
Difficult Working Condition Allowance	1,630,185	-	1,630,185	1,939,337
Professional Allowance	307,500	-	307,500	269,067
Retirement Benefit	-	-	-	120,000
Staff Cost	1,016,536	-	1,016,536	1,014,538
Special Acting Allowance	167,358	-	167,358	167,358
Telephone Bill Reimbursement	371,052	-	371,052	436,553
Insurance of Health Ins.Scheme	6,713,839	4,651,460	11,365,299	6,485,184
Staff Welfare	22,009,198	7,642,287	29,651,485	27,165,442
Staff Training	2,795,065	107,895	2,902,960	1,574,193
Uniforms & Shoes	1,503,506	-	1,503,506	1,244,900
Water Charges	170,342	2,137,930	2,308,272	1,734,320
Rates & Taxes	383,536	355,307	738,843	654,593
Electricity	705,492	29,814,382	30,519,874	22,770,787
Insurance - General	358,219	1,202,325	1,560,543	1,003,451
Security Charges - Production	6,765,469	684,216	7,449,685	7,875,261
Maintenance of Equipment	125,598	3,201,931	3,327,529	2,137,857
Maintenance-Production	3,133,378	19,507,141	22,640,519	10,300,189
Maintenance of Building	4,762,812	-	-	-
Depreciation	160,667,919	-	160,667,919	91,457,715
Transport Charges	1,624,282	42,960	1,667,242	1,720,571
Consumption - Spare Parts	2,413,737	22,412,559	24,826,296	41,456,553
Consumption - Fuel & Lubricants	910,807	15,985,980	16,896,788	11,887,170
Repairs & Maintenance P & M	4,998,499	1,216,934	6,215,434	3,008,433
Quality Control Expenses	727,816	-	727,816	332,725
R/M Destruction Chrges	651,722	-	651,722	707,373
Cost of Rejected Raw Materials	181,733	-	181,733	6,385,506
Cost of Rejected Paking Materials	-	-	-	(282,061)
Cost of Rejected Work in Progress	599,820	-	599,820	1,341,104
Cost of Damaged Raw Materials	(24,000)	-	(24,000)	(24,000)
Raw Material Adj-General Drugs	(8,579)	-	(8,579)	101,013
Raw Material Adj-Penicillin Drugs	(7,913)	-	(7,913)	4,595
Raw Material Adj-Stock Take	(2,371,993)	-	(2,371,993)	(1,063,082)
Packing Material Adj-Stock Take	74,580	-	74,580	(949,075)
Packing Material Adj.	580,479	-	580,479	-
Stock Take Adjustment - Main	37,818	-	37,818	87,647
Spares Adj.	1,848,201	-	-	-
Work-in-Progress Adj-Stock Take	1,250,160	-	1,250,160	154,180
	299,239,077	271,538,170	564,166,234	478,437,622

**Note 24****Retirement Benefit Obligation**

The amounts recognized in the Financial Position are as follows.

	<b>31.12.2019</b>	<b>31.12.2018</b>
Net Liability at the beginning of the Year	67,741,454	41,213,529
Current Service Cost	4,343,654	2,634,241
Interest Cost	8,467,682	4,286,207
Past Service Cost	-	37,397,708
(Gain)/loss due to changes in assumptions	-	(5,316,323)
Actuarial (gain)/loss	2,182,882	(7,053,368)
	<b>82,735,672</b>	<b>73,161,994</b>
Less:		
Payment made during the Year	(7,706,911)	(5,420,540)
	<b>75,028,761</b>	<b>67,741,454</b>

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	4%	4%
Discount Rate	10.75%	12.5%
Staff Turnover Factor	1.00%	1.45%

The amounts recognized in the Income Statement are as follows.

Current Service Cost	4,343,654	40,031,949
Interest Cost	8,467,682	4,286,207

An Actuarial valuation was to assess the present value of the Financial Position date 31st December 2019 to bring their best estimates

**Note 25****Related Party Disclosures**

Details of significant related party disclosures are as follows.

Organization	Relationship	Nature of Transaction	Sales During the year
Medical Suppliers Division	Customer	Sale of Goods	4,692,787,326
State Pharmaceuticals Corporation - Through Distribution	Customer	Sale of Goods	95,065,740
- Through Tenders	Customer	Sale of Goods	5,885,075
Distribution			853,140,276

**Note 26****Receivables**

Analysis of Receivables are as follows

Receivable Amount for Theophylline Anhydrous USP - 1000Kg	831,780
Receivable for Phenoxymethylpenicillin-1000 Kgs	5,124,650
Receivable from NMRA for Drug Registration fee	11,490
Under Settlement of Cash Advances	2,000
Insurance claim receivable for Damaged Raw Materials	166,093
Deemed Dividend Tax Receivable	62,140,762
	<u>68,276,775</u>



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## தேசிய கணக்காய்வு ஆலுவலகம்

### NATIONAL AUDIT OFFICE



HSM/A/SPMC

August 21<sup>st</sup> 2020

/1/19/52

Chairman,

**State Pharmaceuticals Manufacturing Corporation of Sri Lanka**

Auditor General's Report in terms of Section 12 of the National Audit Act No. 19 of 2018 regarding the financial statements and other legal and regulatory requirements for the year ended 31st December 2019 of the Sri Lanka State Pharmaceutical Manufacturing Corporation

## 1. Financial statements

### 1.1 Opinion

The audit of financial statements of the State Pharmaceuticals Manufacturing Corporation of Sri Lanka for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 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, 2019 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 Qualified Opinion

- (a) As per Paragraph 110 of the Standard No. 15 of the Sri Lanka Financial Reporting Standards, though the policies to identify the income of the agreements entered into with the customers should be revealed, policies to identify the income incurred by the agreements entered into by the Corporation with joint ventures and pharmaceutical distributors.
- (b) As per Paragraph 22 of the Standard No. 16 of the Sri Lanka Financial Reporting Standards, the right of use and lease liability of the lessee should be recognized as the commencement date of the lease. Also as per Paragraph 26 of the said Standard the lease liability should be valued at the present value of the outstanding lease not paid by the lessee as at that date. As per Paragraphs 47 (a) and (b) of the same Standard, the lessee should reveal the assets of the right of use and lease liability in the presentation of the Statement of the Financial Position or in the notes. However, the Corporation has not taken action as per the above Standards on the leased land valuing of Rs. 4.92 million that is used by the Corporation.



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 தேசிய கணக்காய்வு அலுவலகம்  
 NATIONAL AUDIT OFFICE

- (c) As per Paragraph 51 of the Standard No. 16 of the Sri Lanka Accounting Standards, though fixed assets of Rs. 294.82 million has been depreciated as a result of not reviewing annually the residue value and the useful life time of the non-current assets, they were in use continuously. Actin had not been taken to revise the estimated error as per Standard 8 of the Sri Lanka Accounting Standards.
- (d) Though in order to correct an accounting error in the previous year, around Rs. 150,397 had to be debited in the additional shares Account and credited to the Profit and Loss Account, it had not been done and instead, an amount of Rs. 2.95 million had been accounted.
- (e) Expenditure of Capital nature of Rs. 1.28 million that had been spent in the year under review, had been considered as revenue expenditure and cut off against the profit.
- (f) Rs. 3.34 million being the cost of the expired and unqualified stock that was a part of the balanced stock as at 31<sup>st</sup> December 2019, had been cut off against the profit.
- (g) Though the selling cost of 13 drug items produced by the Corporation was Rs. 35.07 million as per the computer system, the value was Rs. 34.66 million as per the Schedules and the difference was Rs. 0.41 million.
- (h) Correct work orders and journal entries had not been presented for the audit in order to ascertain the selling cost value of Rs. 10.44 million in the year under review.

I have performed the audit according to the Sri Lanka Auditing Standards. 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 qualified opinion.

### 1.3 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.

### 1.4 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 were briefed on key audit findings, key internal control deficiencies and other issues identified during my audit.

## 1 Report on other legal and regulatory requirements

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

- 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.
- 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.
- 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, except for the observations in Paragraphs 1.2 (a) and (b) of this report.

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

- 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.
- 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.



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 NATIONAL AUDIT OFFICE

### Reference to Laws and Rules

### Description

- (a) Public Finance Circular No. 438 of 13 November 2009 Action had not been taken to dispose of the stocks of raw material stock of Rs. 5.89 million that remained unusable as at 31 December 2018, unfinished goods stock of Rs. 6.030 million and fixed assets of 309 units of Rs. 54.1 million that had a zero book value.
- (b) Treasury Circular No. IAI/2002/02 dated 28<sup>th</sup> November 2002 Had not maintained a fixed assets registry on the computers, equipment and software that had a total cost of Rs. 42.34 million as at 31<sup>st</sup> December 2019.
- (c) Public Enterprise Circular No. PED 12 dated 02<sup>nd</sup> June 2003. Though 04 audit committee meetings should be held annually, not a single meetings had been held in the year under review.
- (d) Section 10 of Chapter XXIV of the Public Administration Circular and Establishments Code No. 30/2008 dated 31<sup>st</sup> December 2008 The maximum amount of distress loan that can be paid to an officer should be limited to Rs. 250,000 but in 2018, 45 officers had been paid Rs.3.42 million exceeding the limit.
- (e) Section 06 (2) (a) of the Provisions Act No. 12 of 1983 Though employee provisions should be allocated based on half a month salary or remuneration for each of the completed year of service, employee provisions had been allocated based on full monthly salary. Therefore, a provision allowance more than Rs. 3.85 million had been given to 05 retired officers.
- (f) Paragraph No. 02-01 of the Management Services Department letter addressed to the Secretary, Ministry of Health, Nutrition and Indigenous Medicine No. DMS/E4/10/4/090/2 dated 09<sup>th</sup> March 2009
- (i) Though the transport allowance for the executive and non-executive officers of the Corporation should be paid considering the distance, a transport allowance of Rs. 4,700 and Rs. 3,000 had been paid monthly from the year 2009 without considering the distance. From the year under review, this monthly allowance had been increased by a decision of the Director Board as to Rs. 8,000 and Rs. 6,000.
- (ii) Though a monthly product incentive allowance of Rs. 4,000 can be paid to the staff members, contrary to this, a product incentive allowance of maximum Rs. 12,000 had been paid to the whole staff from 01<sup>st</sup> July 2011. Therefore, an additional total product incentive allowance of Rs. 102.23 million had been paid in excess during the year under review, during the period from July 2011 to 31<sup>st</sup> December 2019.

- 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.
- 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.



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## 2 Other Audit Observations

- (a) The following observations are made on the product efficiency and the productivity of the Corporation:
- (i) The Corporation had failed to fulfill the expected production of 25 drugs out of 45 drugs in the year review as per the monthly product and packaging plans of the Corporation.
  - (ii) During the year under review, the Corporation had failed to supply exceeding 80 per cent of the total annual demand of 20 drugs out of 38 drugs ordered by the Medical Supplies Division. Though the Medical Supplies Division had ordered for another 13 drugs, it had failed to supply at least 50 per cent of the total annual demand.
  - (iii) As the Tolbutamide Tablets BP 500 mg drug that was introduced in the year 2016, had not been produced in the year under review, it had failed to fulfill the annual demand of 2 million units of the Medical Supplies Division.
  - (iv) Due to reasons such as the absence of the specifications of the air inside the drug factory, lack of adequate employees for the production and packing, lack of raw materials for the production as well as the delays in supply and lack of packing, the Corporation had not been able to supply 18 types of drug units of Rs. 408.23 million out of the drug units of Rs. 528.86 million that were ordered by the Medical Supplies Division during the year under review.
  - (v) An additional cost of Rs. 21.64 million 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.
  - (vi) 224 kilo grams of dug raw materials costing of Rs. 2.50 million had been purchased for 04 drugs that are in the research stage in the year under review and it had been failed to product these drugs commercially as at the audit date of 13<sup>th</sup> July 2020. Information such as the dates the researches had been commenced and completed, details on the registration at the National Drug Regulatory Authority and the reasons for not commencing its production had not been presented to the audit. Drug raw materials of 200 kilo grams of Flucloxaullin Sodium BP of Rs. 1.70 million purchased in the previous year for research purposes had not been used and stored at the drug raw material store as at the audit date of 16<sup>th</sup> July 2020.
  - (vii) The Corporation that produces around 2,000 million of 45 drugs has not established a cost control unit and even a post of cost accountant had not been approved. Therefore, controlling of costs of the productions of the Corporation as well as the productions purchased from local production companies as per the joint venture agreements had not been done.
  - (viii) It was confirmed in the physical audit inquiry conducted on 23<sup>rd</sup> October 2019, that 5,466 kilo grams of finished drugs that had completed the production process had been stored at the factory until approved by the quality control division as a result of the lack of capacity in that section and 2,355 kilo grams of finished drugs had been stored at the factory until they are packed as the capacity of the quality control unit was not adequate.
  - (ix) Though in the year 2018, 200 kilo grams of Clopidogrel Bisulphate drug raw materials had been purchased for a cost of Rs. 1.91 million, it has failed to obtain the production license and the registration certificate for producing the Clopidogrel Bisulphate Tab 75 mg drug even as at 10<sup>th</sup> June 2020.

As a result, 38 million of the said tablet that had been ordered by the Medical Supplies Division during the year under review, had been purchased from the joined venture by spending a cost of Rs. 75.56 million. However, the Corporation's standard production cost of the said drug had been around Rs. 66.72 million. Therefore, the additional cost the Corporation had to bear for purchasing this drug from the joined venture without producing it in the Corporation, had been Rs. 8.84 million.

- (b) During the year under review, it had failed to achieve the selling target of Rs. 353.95 million of 41 drug types and the percentage of not achieving the expected target had been within a range of 06 to 92 per cent.



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- (c) In order to expand the local drug production process, under the proposal to initiate joined ventures between the State Pharmaceutical Production Corporation and suitable private investors, the Corporation has entered into agreements with 17 potential investors in the year 2018 and 2019 for supplying drugs. The following observations are made on the interactions of the Corporation with the said joined ventures in the year 2019:
- (i) Though the official committee appointed by the Cabinet of Ministers for establishing joined ventures had recommended that the Corporation should enter into joined venture agreement with the drug manufacturing companies (Producer), on the contrary, the Chairman of the Corporation had entered into with a three-party contract with a local manufacturer and an intervened company for the production and supply of surgical items.
  - (ii) As recommended by the official committee appointed by the Cabinet of Ministers, the Corporation has to provide assistance on the quality control of the production process, management and technical assistance to the investigator under the joint venture agreement and in return, the investor should issue 10 per cent of the shares of the investor to the Corporation. However, in the year under review, 15d drug items of Rs. 2,172.65 and 05 surgical items of Rs. 42.41 million had been purchased from two private companies which had not issued shares to the Corporation and sold to the Medical Supplied Division. At the same time, the Corporation had not supplied any quality control, management or technical assistance for the production of the said two companies.
  - (iii) The contract investor of the joined venture had to decide on the selling price of the drugs manufactured by adding a 20 per cent profit margin to the drug production cost. During the year under review, the total production cost of 11 drug items that had been sold to the Medical Supplies Division purchased from one such investor, had been Rs. 614.26 million. A profit of Rs. 84.31 million had been added to this amount and had been supplied to the Corporation with an invoice value of Rs. 698.57 million. The Corporation had added another service charge of Rs. 57.87 million to this invoice value and had sold to the Medical Supplied Division for an amount of Rs. 756.44 million. The investor had earned a profit margin of 13.37 per cent out of the total production cost and the Corporation had earned a service charge of 8.28 per cent of the invoice price of these 11d rugs. Accordingly, the selling price has been decided by adding 23.15 per cent of the total production cost as the profit and the service charge.
  - (iv) Though the official committee appointed by the Cabinet of Ministers for establishing joined ventures had recommended that the Corporation should enter into joined venture agreements only with drug and medical equipment manufacturing companies, contract had been signed for a joined venture with a private company that only distributes surgical items without manufacturing them. During the year under review, the said investor had purchased 05 items of the surgical equipment for a cost of Rs. 35.02 million from other suppliers at 08 occasions and had supplied them to the Corporation for a cost of Rs. 42.41 million, by keeping an intervene profit of Rs. 7.39 million and the Corporation had added another Rs. 2.67 million as service charges and supplied to the Medical Supplies Division for a cost of Rs. 45.08 million. At one of the above occasions, the same investor had purchased this item from the real manufacturer by way of another intervenient. The Corporation had not paid any attention to the production cost of this real manufacturer. When considering the price of the surgical items supplied to the Medical Supplies Division by this intervenient investor at 08 occasions, it was revealed that the investors and the Corporation had kept a profit and a service charge of a range of 56 to 115 per cent of the selling price of the real manufacturer.
  - (v) It was conformed that the cost sheets on the surgical items presented by the said private company that only distributes surgical items as mentioned in (iv) above without manufacturing them, had been incorrect and that they had not been prepared including the real production cost of the original manufacturer. None of the responsible officers of the Corporation had taken action to confirm the accuracy of the said cost sheets and verify the data contained in the cost sheets through an independent party.



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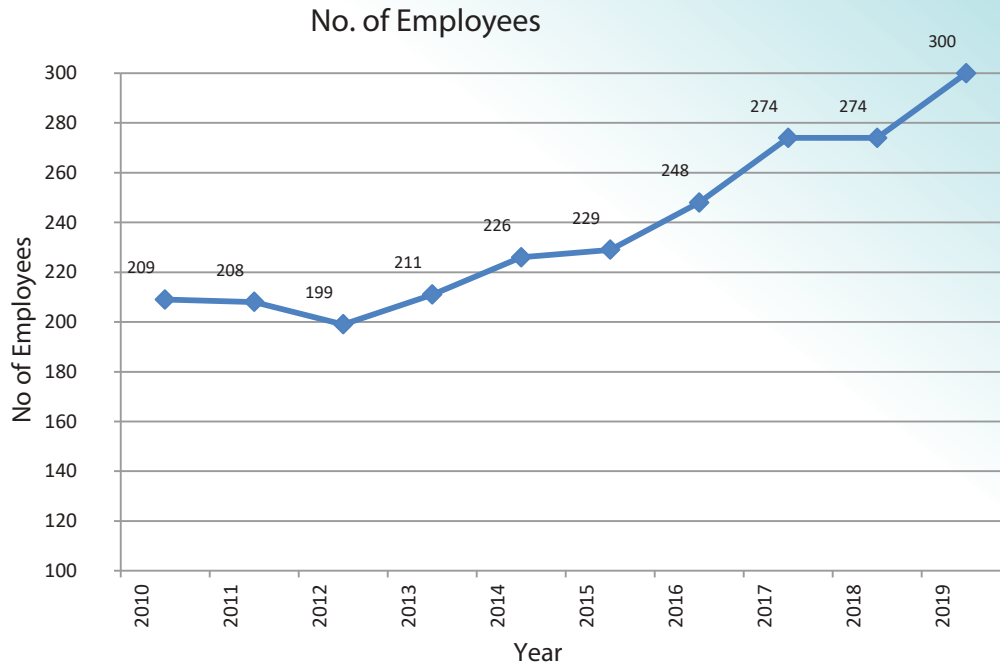
- (vi) As a result of the profit earned by the investor and the service charges earned by the Corporation, a joint venture had not been formed and the target of obtaining drugs under a minimum cost had not been achieved as expected. This had created a process that turns the public finance the State incurs for medical supplies, into the income of some intervenient companies. The Corporation, being the main partner in the joined venture, had not performed adequate supervision, guidance or control on this.
- (vii) The GMP certificate and the license for producing surgical equipment had not been obtained for the surgical equipment from the National Pharmaceutical Regulatory Authority by the contractual investor. Though the GMP certificate that should be obtained by one real manufacturer for his products had been obtained on 02<sup>nd</sup> January 2010, and the production license had been obtained on 20<sup>th</sup> November 2020, they had not been updated by the National Pharmaceutical Regulatory Authority.
- (viii) The quality assessments had not been performed on 02 drug items that had been supplied to the Medical Supplies Division after purchasing from the joined venture during the year under review, and the Corporation did not have the facilities required to perform quality assessments on 05 surgical items. Therefore, the suppliers had forwarded the samples of each product category to the Industrial Technology Institute and the quality of the drugs had been assessed based on the examination reports issued by the said institute. Therefore, adequate independent assessment had not been performed on the quality of the drugs supplied to the Medical Supplies Division under the joined venture.
- (ix) As per Section 7.1 in relation to the quality assurance and the control of medical supplies that are included in the joined venture agreement, the Corporation had not performed any physical examination on the production process or product quality of the two real manufacturing companies that had supplied medical items in the years 2018 and 2019 under the joined venture agreements as at the audit date of 13<sup>th</sup> November 2019. Therefore, medical items had been manufactured under the brand name of the Corporation without an adequate independent confirmation of the quality of the products or their manufacturing standards and had been supplied to the Medical Supply Division.
- (x) Though printing the labels including the brand name of the Corporation and the state emblem in the items when drugs and surgical items are packed had been performed by an outside company, the Corporation had not performed any adequate supervision or control in that regard. Therefore, there were no obstructions for low quality drugs and surgical items being introduced to the market that may cause issues on the brand name and goodwill of the Corporation.
- (xi) The Corporation had failed to decide on the product combination after analytically assessing the most profitable purchase or product to the Corporation and the national economy in general, after conducting a cost benefit analysis on the items that could be supplied to the Medical Supply Division with a low cost.
- (xii) As per Section 10 of the joint venture agreement, in the year under review, the Corporation had not obtained performance bonds for 10 types of drugs of the value of Rs. 824.95 million.
- (d) The following observations are made on the building that was purchased and renovated with the objective of establishing a common test laboratory and a training school:
- (i) In the years 2017 and 2018, an amount of Rs. 131.39 million had been spend for purchasing the land with the building and to renovate the building and after the renovation, the Corporation had undertaken it on 18<sup>th</sup> August 2019. However, as at the audit date of 20<sup>th</sup> May 2020, the building had remained closed without been utilized and even the Compliance certificate (COC) had not been obtained from the local authority.
- (ii) The Corporation's plans or preparedness were not observed for completing the other requirements that should be fulfilled after the renovation of the building in order to establish the common test laboratory and a training school.

- (e) It was observed in the physical examinations held on 12th February and 01st July 2020 that there were grave defects regarding the four-story building that was opened on 12th October 2018 after constructing with a sum of Rs. 118.58 million. These defects included the cracks in the building, leaking of rain water at several spots in the building, constructing less than as mentioned in the size papers and paying the full value of the items irrespective of the defects. It was further confirmed from the report obtained on 12th June 2020 of the Central Consultant Bureau, that all these defects had occurred due to the non-compliance of the standard construction practices regarding the construction of this building.
- (f) Though the contractor had renovated the Cephalexin Factory during the year under review after spending a sum of Rs. 88.42 million and handed it over on 09th August 2019 by the contractor, it had been unable to commence the manufacturing of the Cephalexin Capsules USP 250 mg drug as the good manufacturing practices certificate and the registration at the National Drug Regulatory Authority had not been obtained.
- (g) A stock of 1,000 kilo grams of the Phenoxymethyl penicillin Potassium BP 2015 raw material that had been purchased at a cost of Rs. 5.12 million in the year 2017, had been failed in quality as it did not comply with the British Pharmacopia Standards. It had been unable to charge Rs. 1.67 million from the suppliers even as at the audit date.
- (h) There was a loss Rs. 781,553 as result of the quality failure of 178 kg of drug raw materials and 448 kg of unfinished drugs during the year under review.

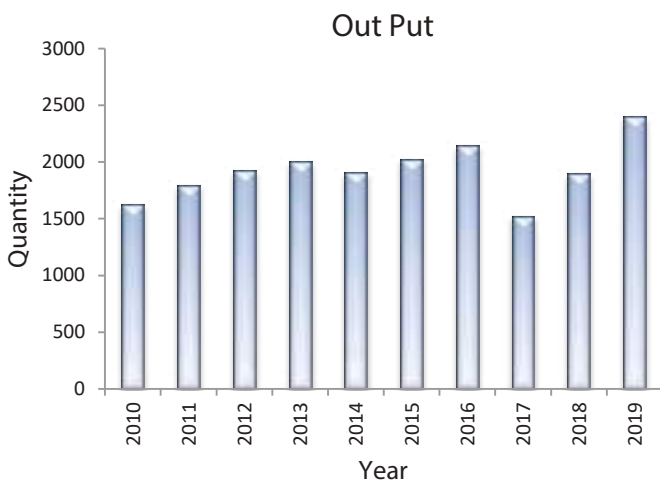
W.P.C. Wickramarathna  
Auditor General

# GRAPHICAL REVIEW

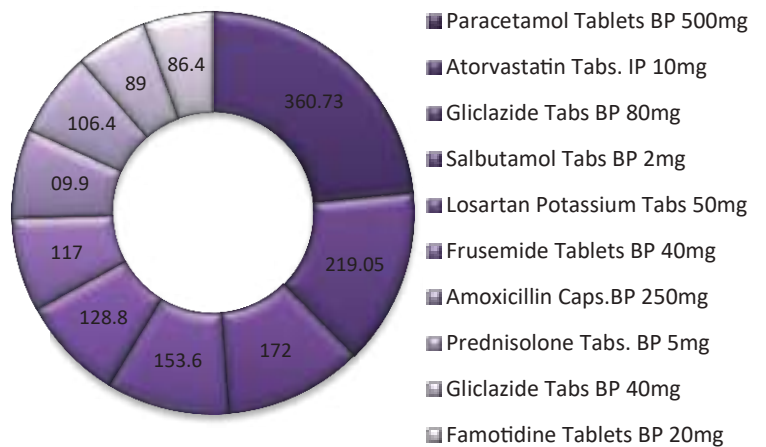
## HUMAN RESOURCES



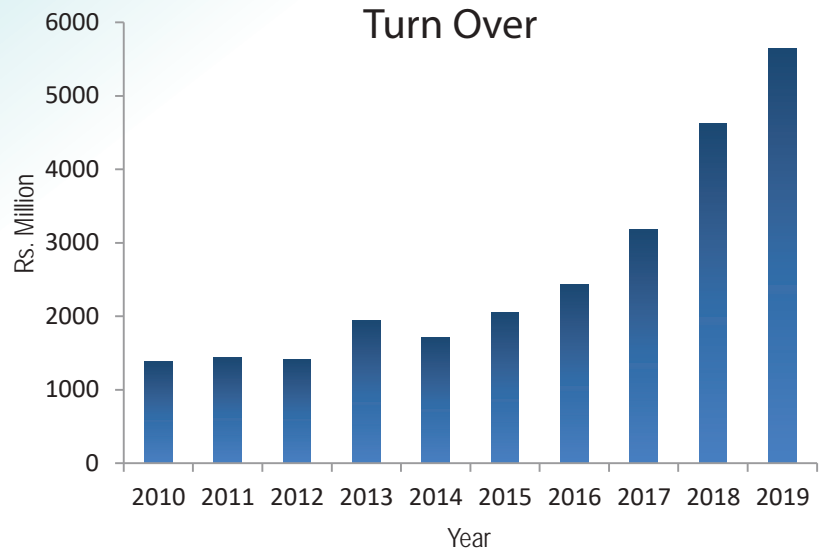
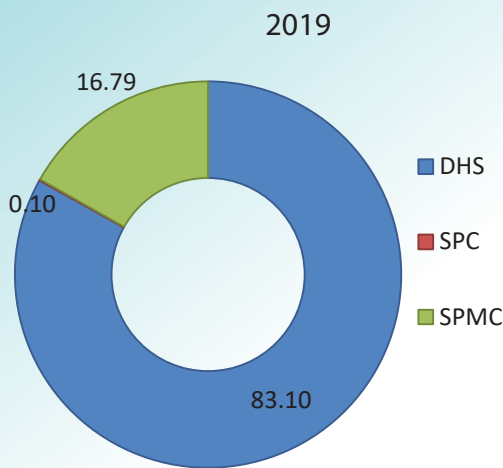
## PRODUCTION



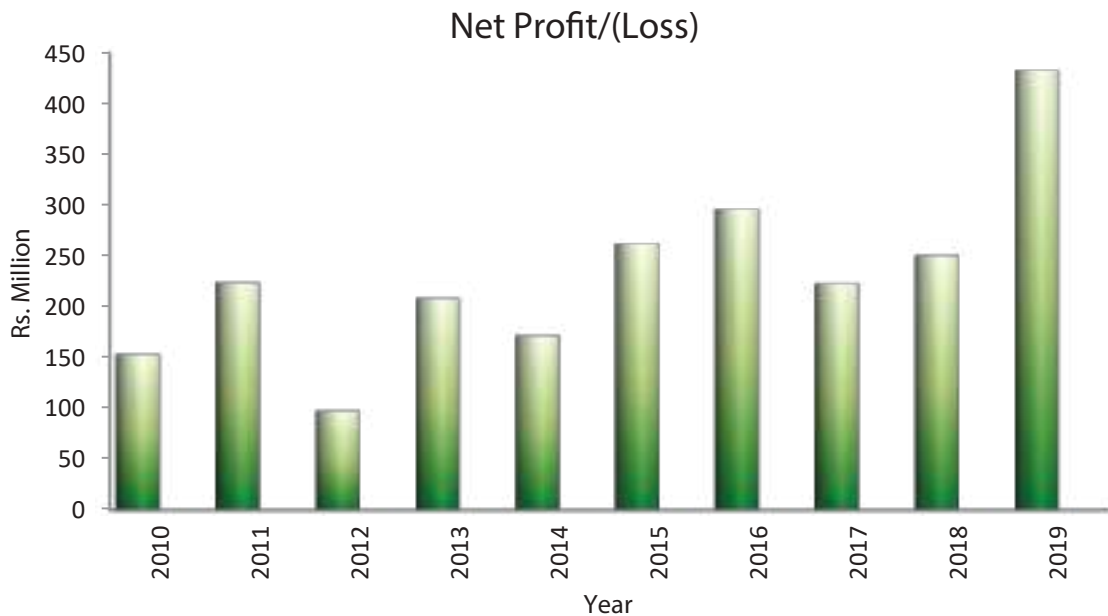
Major Contribution to the Production in 2019



## MARKETING



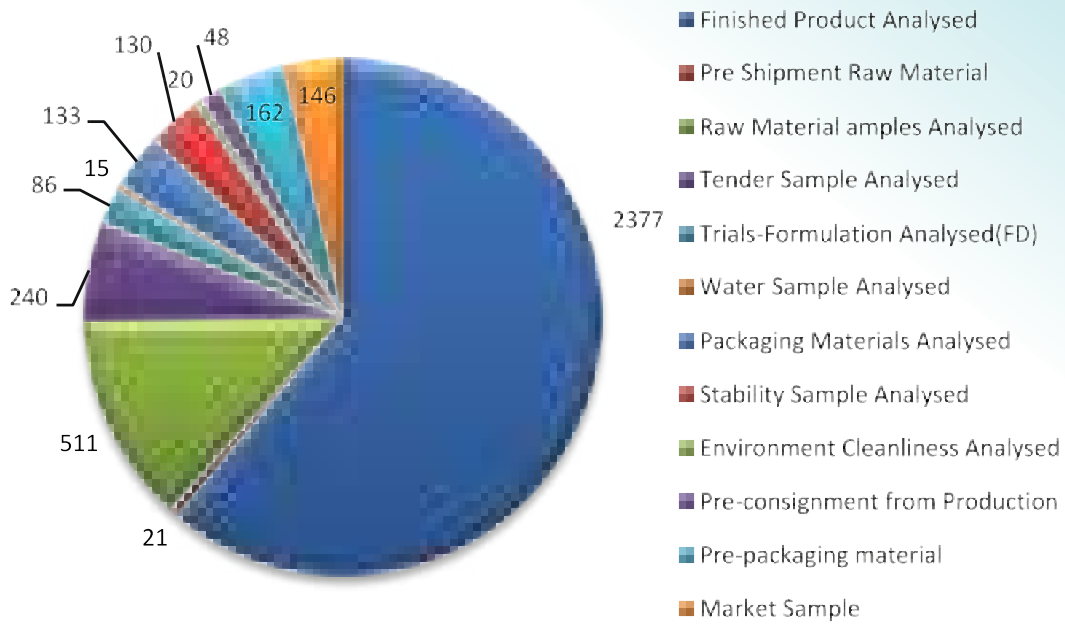
## FINANCE





# QUALITY CONTROL

## Analysis of Performance - 2019



# FINANCIAL HIGHLIGHTS FOR THE PAST 10 YEARS

(Rs.000)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Turnover	1,379,652	1,431,655	1,414,546	1,941,182	1,712,105	2,054,363	2,434,508	3,174,612	4,621,537	5,646,878
Cost of Sales	1,030,545	1,127,409	1,220,523	1,513,899	1,319,715	1,539,441	1,888,256	2,666,683	3,990,801	4,743,125
Gross Profit	349,107	304,246	194,023	427,283	392,391	514,921	546,252	507,928	630,736	903,752
Operational Profit	266,166	222,469	85,292	304,176	224,758	364,845	353,776	244,781	308,741	564,411
Administration Overhead	62,869	72,730	82,390	106,096	133,933	125,469	165,788	204,579	242,218	237,694
Interest Income	30,752	23,702	34,251	28,059	44,196	53,586	87,629	77,607	51,659	28,093
Net Profit Before Tax	292,317	244,792	117,136	329,968	266,481	414,501	441,164	321,982	359,680	592,057
Net Profit After Tax	154,538	193,029	98,561	209,154	183,848	262,323	296,646	223,907	251,262	434,777
Fixed Assets	914,716	864,779	804,305	762,641	780,718	762,560	798,657	802,775	3,133,903	3,203,159
Short Term Investment	243,264	331,779	210,691	429,896	913,443	1,027,388	1,175,754	926,461	369,761	474,984
Total Assets	1,887,430	1,945,347	2,003,258	2,294,113	2,386,449	2,700,885	2,902,284	3,073,471	6,229,453	7,185,386
No. of Employees	209	208	199	211	226	229	248	274	276	276
<b>Total Assets = Net book value of total non current assets + total current assets</b>										

**ලිපිනය**

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ෆැක්ස් : 2634771, 2626621, 2623553  
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වෙබ් අඩවිය : www.spmcnanka.lk

**සභාපති**

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

සමුහායතන අධ්‍යක්ෂ  
දුර : 2636968 (සෘජු)  
2635353, 2637574 (සාමාන්‍ය)

**සාමාන්‍යාධිකාරී**

දුර : 3153835 (සෘජු)  
2635353, 2637574 (සාමාන්‍ය)

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දුර : 2623521 (සෘජු)

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දුර : 2623298 (සෘජු)

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දුර : 2637124 (සෘජු)

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දුර : 3163308 (සෘජු)

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නිෂ්පාදන සාමාන්‍යාධිකාරී - නෂ්ට පාලන  
දුර : 3012945 (සෘජු)

වටිනාකම, පර්යේෂණ හා සංවර්ධන දෙපාර්තමේන්තුව  
නිෂ්පාදන සාමාන්‍යාධිකාරී  
- වටිනාකම, පර්යේෂණ හා සංවර්ධන  
දුර : 3012950 (සෘජු)

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

මූල්‍ය සමුහායතන  
දුර : 2623276 (සෘජු)

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

සමුහායතන - ඉංජිනේරු  
දුර : 2623239 (සෘජු)

සහකාරී ධනාත්‍ය දෙපාර්තමේන්තුව  
සහකාරී ධනාත්‍ය  
දුර : 2626619 (සෘජු)

මානව සම්පත් දෙපාර්තමේන්තුව  
මානව සම්පත් සමුහායතන  
දුර : 2636234 (සෘජු)

**දුරකථන අංක**

11, 11th Floor, Mawatha, Rathmalana, Colombo.

දුර : 2635353, 2637574, 2636966, 2636967 (ADSL)  
ෆැක්ස් : 2634771, 2626621, 2623553  
E - mail : spmcnanka@sltnet.lk  
වෙබ් අඩවිය : www.spmcnanka.lk

**දුරකථන**

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

**සමුහායතන පාලක**

දුර : 2636968 (සෘජු)  
2635353, 2637574 (සාමාන්‍ය)

**සාමාන්‍යාධිකාරී**

දුර : 3153835 (සෘජු)  
2635353, 2637574 (සාමාන්‍ය)

**නිෂ්පාදන දෙපාර්තමේන්තුව**

නිෂ්පාදන සාමාන්‍යාධිකාරී - නිෂ්පාදන  
දුර : 2623521 (සෘජු)

සැලසුම් හා ප්‍රවේශන දෙපාර්තමේන්තුව  
නිෂ්පාදන සාමාන්‍යාධිකාරී  
- සැලසුම් හා ප්‍රවේශන  
දුර : 2623298 (සෘජු)

සමුහායතන - සැලසුම් හා ප්‍රවේශන  
දුර : 2637124 (සෘජු)

**අලෙවි දෙපාර්තමේන්තුව**

අලෙවි සමුහායතන  
දුර : 3163308 (සෘජු)

නෂ්ට පාලන දෙපාර්තමේන්තුව  
නිෂ්පාදන සාමාන්‍යාධිකාරී - නෂ්ට පාලන  
දුර : 3012945 (සෘජු)

වටිනාකම, පර්යේෂණ හා සංවර්ධන දෙපාර්තමේන්තුව  
නිෂ්පාදන සාමාන්‍යාධිකාරී  
- වටිනාකම, පර්යේෂණ හා සංවර්ධන  
දුර : 3012950 (සෘජු)

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

මූල්‍ය සමුහායතන  
දුර : 2623276 (සෘජු)

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

සමුහායතන - ඉංජිනේරු  
දුර : 2623239 (සෘජු)

සහකාරී ධනාත්‍ය දෙපාර්තමේන්තුව  
සහකාරී ධනාත්‍ය  
දුර : 2626619 (සෘජු)

මානව සම්පත් දෙපාර්තමේන්තුව  
මානව සම්පත් සමුහායතන  
දුර : 2636234 (සෘජු)

**Registered Office**

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Fax : 2634771,2626621,2623553  
email : spmcnanka@sltnet.lk  
Web : www.spmcnanka.lk

**Chairman**

Tel : 2623238 | Direct |  
2635353, 2714771 (General)

**Managing Director**

Tel : 2636968 | Direct |  
2635353, 2637574 (General)

**General Manager**

Tel : 3153835 | 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 : 3163308 | Direct |

**Quality Control Dept.**

DGM Quality Control  
Tel : 3012945 | Direct |

**Formulation, Research & Development Dept.**

DGM Formulation, Research & Development  
Tel : 3012950 | 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.**

Manager Human Resources  
Tel : 2636234 | Direct |



**SPMC**

[www.spmclanka.lk](http://www.spmclanka.lk)