



STATE PHARMACEUTICALS MANUFACTURING
CORPORATION OF SRI LANKA

ANNUAL REPORT - 2023

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ESTABLISHMENT OF SPMC & KEY OBJECTIVES

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

In 2023, State Pharmaceuticals Manufacturing Corporation completed 36 years of commercial production of essential Medicinal Drugs for the health care of the Sri Lanka population. SPMC product range consists of 96 products of tablets and capsules. Out of this product range 52 products were actively manufactured during the year. SPMC is the only State Sector Corporation engaged in manufacturing pharmaceuticals in Sri Lanka.

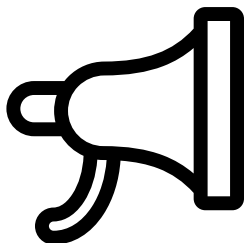


The main functions are,

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

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

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



VISION

To be internationally recognized, model manufacturing and marketing organization for pharmaceuticals and health care products in South Asia.

OUR JOURNEY



1987

Begining of SPMC with
500 million capacity
8 M

1992

Exceeding inception
capacity
600 M



2007

Introduction of new shift
1025 M



2009

Two fold increment in output
1194 M



MISSION

To manufacture safe, effective and affordable medicinal drugs of superior quality up to international standards to the local and international markets.



During the past 36 years SPMC has passed several milestones thriving the excellence.

2023

Expansion of existing Penicillin Zone

2013

Exceeding 2000 million output
2003 M

2022

Launching of 09 new products to the market

2021

Initiation of dedicated Levothyroxine tablets zone

2020

Capacity enhancement with the aid of JICA 3015 M

4 Financial & Operational Highlights

	2023	2022
	Rs.	Rs.
OPERATING RESULT		
Revenue	29,331,718,691	16,620,184,659
Gross Profit	2,949,749,462	2,111,797,411
Operating Profit	1,608,247,748	2,061,371,072
Finance Income	622,548,970	330,531,099
Profit before Tax	2,173,308,106	2,391,594,478
Tax Expenses	654,752,799	717,249,696
Profit for the Year	1,518,555,306	1,674,344,783
Total Comprehensive Income	1,532,049,139	2,213,294,789
FINANCIAL POSITION		
Inventories	3,911,381,608	3,124,019,823
Cash In Hand & At Bank	468,896,309	758,495,754
Current Assets	12,020,335,479	10,597,367,924
Total Assets	16,517,179,749	14,700,781,968
Total Equity	11,478,973,961	7,393,446,129
Non-Current Liabilities	374,934,339	2,981,928,520
Current Liabilities	4,663,271,449	4,325,407,319



Revenue
29,331.7
million

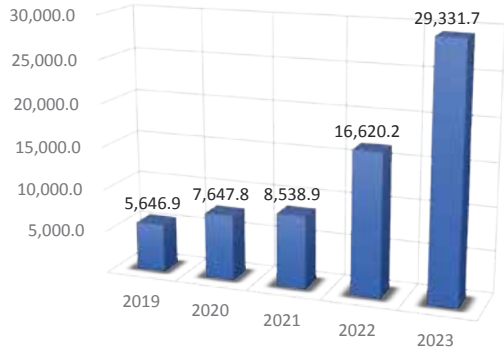


Net Profit
(before tax)
2,173.3
million

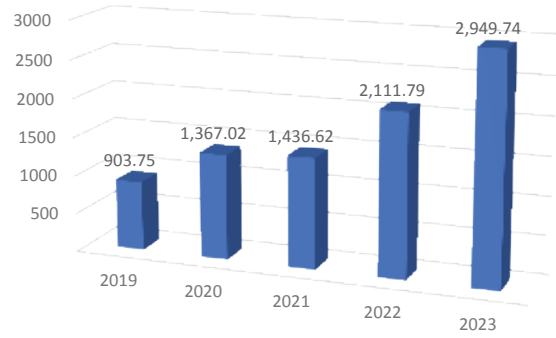


Production
3,560
million

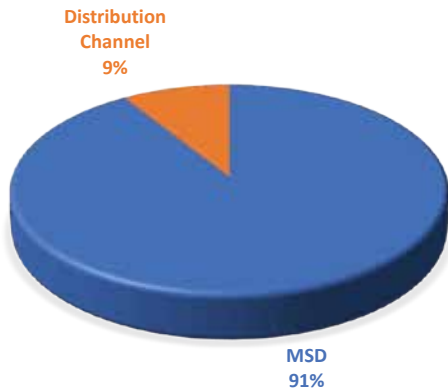
Turnover (Rs.Mn)



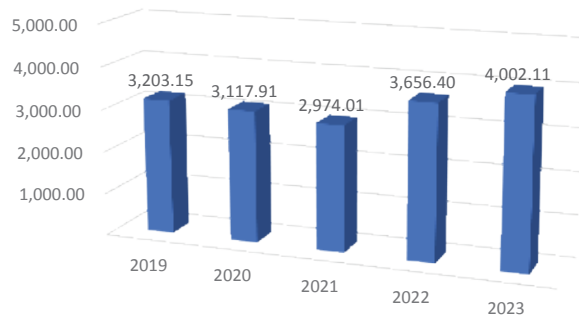
Gross Profit (Rs.Mn)



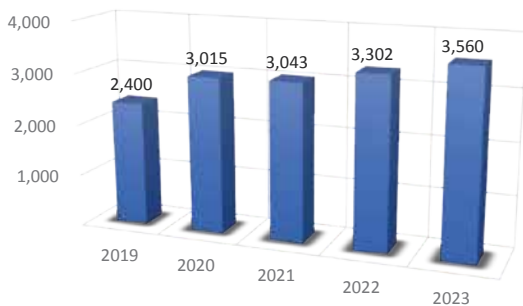
Turnover Composition



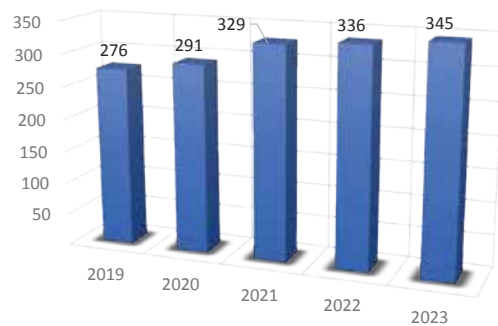
Fixed Assets (Rs.Mn)



Production (Mn)



Number of Employees





“It is with great pleasure that I, on behalf of the Board of Directors present the Annual Report and Audited Financial Statement comprising the Statement of Financial Position, Income Statement, Cash Flow Statement and Auditor General’s report for the year ended 31st December 2023.”

Dr. P. P. G. P. U. Indrawansa

Chairman

State Pharmaceuticals Manufacturing Corporation

28th February 2024

CHAIRMAN’S REVIEW

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 96 drug items under the generic names covering a wide range of pharmacological products. All products manufactured by SPMC have the required quality as per British Pharmacopeia (BP), United State Pharmacopeia (USP) and SPMC standards. Implementation of current Good Manufacturing Practices (cGMP), regulations and procedures are constantly monitored through internal quality auditing and factory inspection.

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

PERFORMANCE

The State Pharmaceuticals Manufacturing Corporation recorded significant Net profit before tax of Rs.2,173 million in the year 2023.

PRODUCTION OUTPUT

The total production output 3,560 million units of tablets/capsules in the year 2023, is recorded as the highest output of SPMC.

TURNOVER

Total turnover for the year 2023 amounted to Rs.29,331.7 million which is the highest turnover since its inception. Out of the total sales, 91% 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 9%.

I am happy to note that SPMC has been well managed with its own resources to earn profits without any assistance of the General Treasury. In fact SPMC has paid Rs.300 million to the Treasury as contribution during the year 2023, fulfilling our responsibility as a public corporation.

DEVELOPMENT WORK

Factory Development

SPMC manufactured 3,560 million tablets & capsules in 2023.

Expansion Project

State Pharmaceuticals Manufacturing Corporation was granted a fund for procurement of pharmaceuticals machineries and expansion of existing Penicillin Zone by the World Bank under Covid -19 Emergency Response and Health Systems Preparedness Project (CERHSP) in 2023.

Research and Formulation Development

Formulation approval has been obtained for the following new products during the period.

Nicorandil Tablets BP 10mg

Metformin SR Tablets IP 500mg

Telmisartan Tablets IP 20mg

Telmisartan Tablets IP 40mg

Mycophenolate Mofetil Tablets USP 250mg

Montelukast Tablets IP 5mg

Montelukast Tablets IP 10mg

HUMAN RESOURCES DEVELOPMENT & WELFARE

SPMC had 345 employees as at 31.12.2023 including 16 SPMC Trainees and 05 Contract basic employees who are engaged on the job training under the guidance of Senior Management of the SPMC for efficient and smooth operation of two shifts.

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

STRATEGY AND PROSPECTS

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

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

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

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

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I thank His Excellency the President of the Democratic Socialist Republic of Sri Lanka Honourable Ranil Wickramasinghe, 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 Dr. Ramesh Pathirana and the Hon. Minister Dr. Keheliya Rambukwella for their valuable guidance and support. We also value the guidance provided by the Secretary of the Ministry of Health Mr. Janaka Chandraguptha , Dr. P.G. Maheepala and other officials of the Ministry of Health. We also appreciate the contribution made by the secretary of Finance Ministry Mr. Mahinda Siriwardena, the Director General of Public Enterprises Mr. P.A.S. Athula Kumara and the officials of various Departments of General Treasury.

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

The commitment of the General Manager, Deputy General Managers, Managers, Executive Staff and all levels of employees of the SPMC in achieving positive results during the year 2023 is greatly appreciated.

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

“State Pharmaceuticals Manufacturing Corporation has been operating in Sri Lanka for more than 36 years. Over this period, our corporation has successfully developed and strengthened its pharmaceutical marketing and manufacturing base, which enabled us to achieve the distinction of being the fastest-growing national pharmaceutical company.”

S.W. Jayasundara

General Manager

State Pharmaceuticals Manufacturing Corporation



MESSAGE FROM THE GENERAL MANAGER

I am proud to say that performance of SPMC in 2023 was excellent with strong growth in sales which was highest sale (Rs. 29 billion) in the history and a higher net profit before tax (Rs. 2 billion).

We are confident that State Pharmaceutical Manufacturing Corporation will continue to grow and move ahead. In the year 2022 – 2026, main focus is to establish a new manufacturing plant namely, Oral Solid Dosage forms plant in Lotus Pharma Project at Horana–Millewa.

Combining the best of values of entrepreneurship, strong work ethics and strict compliance with current Good Manufacturing Practices(cGMP) with a wide range of products, State Pharmaceuticals Manufacturing Corporation has emerged amongst the leading pharmaceutical manufacturers operating in Sri Lanka.

Finally, I would like to thank the Chairman, Board of Directors, Officers of Health Ministry, Officers of the Treasury and all employees of SPMC for their support and commitment given in 2023.

BOARD OF DIRECTORS

Dr. Uthpala Indrawansa
Chairman

Dr. Bandula Wijesiriwardena
Director

Mr. V.G.C. Wickramaratne
Director

Ms. U.S.K. Denawatta
Director

Ms. A.R. Wickramasinghe
Director



DIRECTORS



Dr. Uthpala Indrawansa
Chairman

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

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



Dr. Bandula Wijesiriwardena
Director

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

He presently works for the private health care sector full time. Dr. Wijesiriwardena pioneered the introduction of Clinical Practice Guidelines through the Ceylon College of Physicians which is presently being used island-wide.

With numerous national and international publications to his credit, Dr. Wijesiriwardena won the Presidential Award for his clinical research in 2000 and was awarded Honorary Fellowships by The Royal Australian College of Physicians and Colleges of Medicine in South Africa. He holds an MBBS (Colombo), MD (Colombo) and MRCP (UK) and is a Fellow of the American College of Physicians and the Ceylon College of Physicians.



Ms. A.R. Wickramasinghe
Director

Ms. A.R Wickramasinghe was appointed to the Board of Directors of SPMC in April 2022 and she has more than 17 years' experiences in Public & Private sector organizations in the capacity of a Senior Manager, Director & Board member.

Ms. A.R Wickramasinghe currently serves as a Director to the Department of Public Enterprises (PED), Ministry of Finance / Treasury as well as she acts as a Board Member of Colombo Lotus Tower (Pvt) Ltd.

She has act as a Board Member of Kahatagaha Graphite Lanka Limited (KGLL), BCC (Lanka) Ltd, Sri Lanka State Plantation Corporation (SLSPC) and National Water Supply & Drainage Board (NWSDB). Ms.A.R Wickramasinghe has served as a Senior Manager to the Public Enterprises Reform Commission (PERC) & the Accountant of Time Garments (Pvt) Ltd earlier.

She holds the Bachelor of Science in Business Administration in University of Sri Jayawardenapura , the Master of Business Administration in finance in University of Colombo and Associated Chartered Management Accountant (ACMA – UK).



Mr.V.G.Chaminda Wickramaratne
Director

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

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

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



Ms. U.S.K. Denawatta
Director

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

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

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

FRONT ROW

Mr.R. M. R. M. Ranasinghe
Mr.R. Darmadasa
Mr.S.P. Jayaweera
Mrs.S.W. Jayasundara
Dr. P. P. G. P. U. Indrawansa
Mrs.A.G. De S.Athuraliya
Mr.P. D. Jayasundera
Mrs.C. D. Maginaarachchi
Mrs.A.M.T.P. Kulasekara

SPM

Management Team





BACK ROW

Mrs.A.C.P.Anandakumara

Mrs.C.S.Obesekara

Mr.S. Wickramasinghe

Mr.Y. M. P. Kumara

Mr.J.M.S. Jayasundera

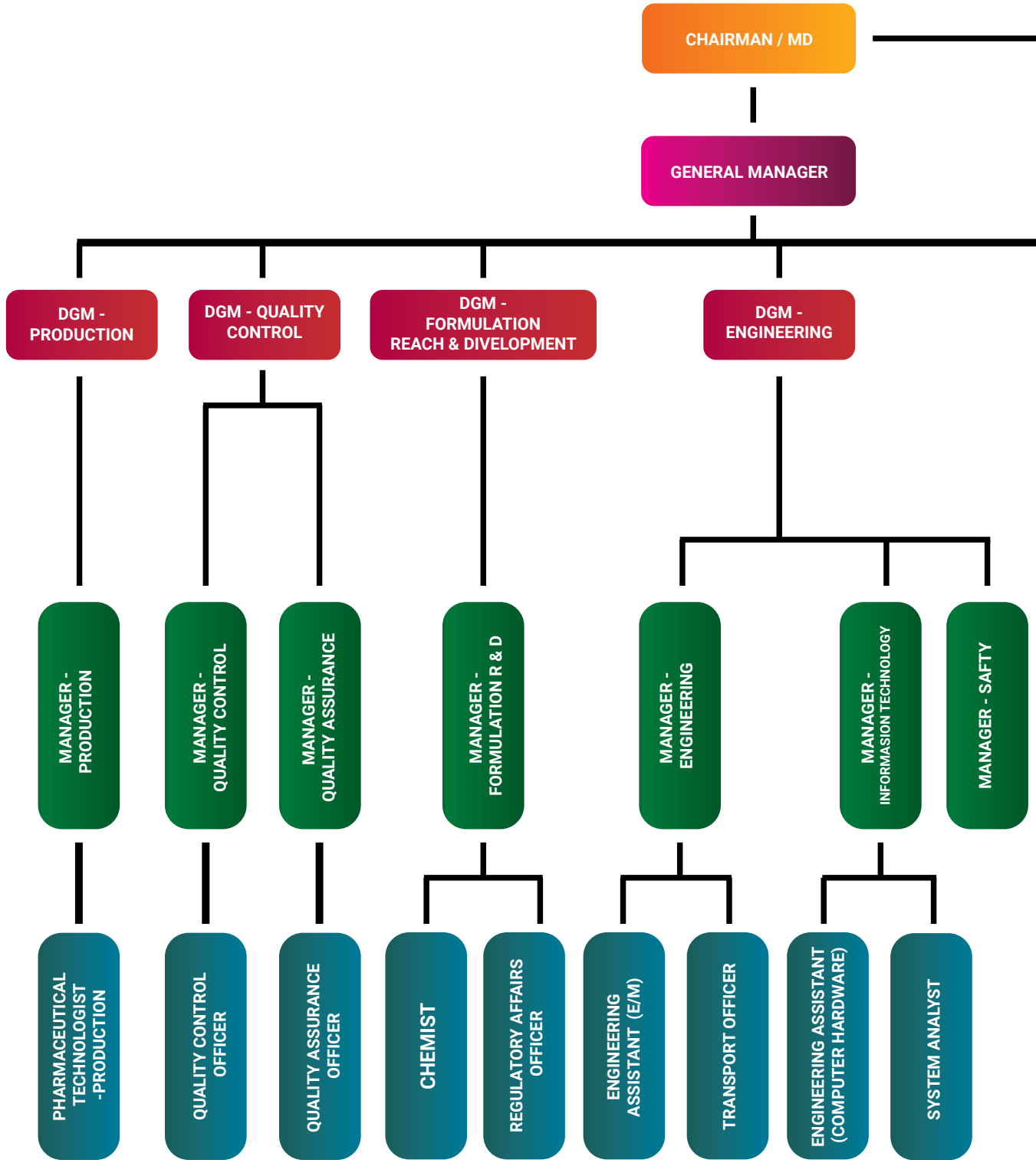
Mr.M. Benaragama

Mr.B. V. H. P. S. Kumara

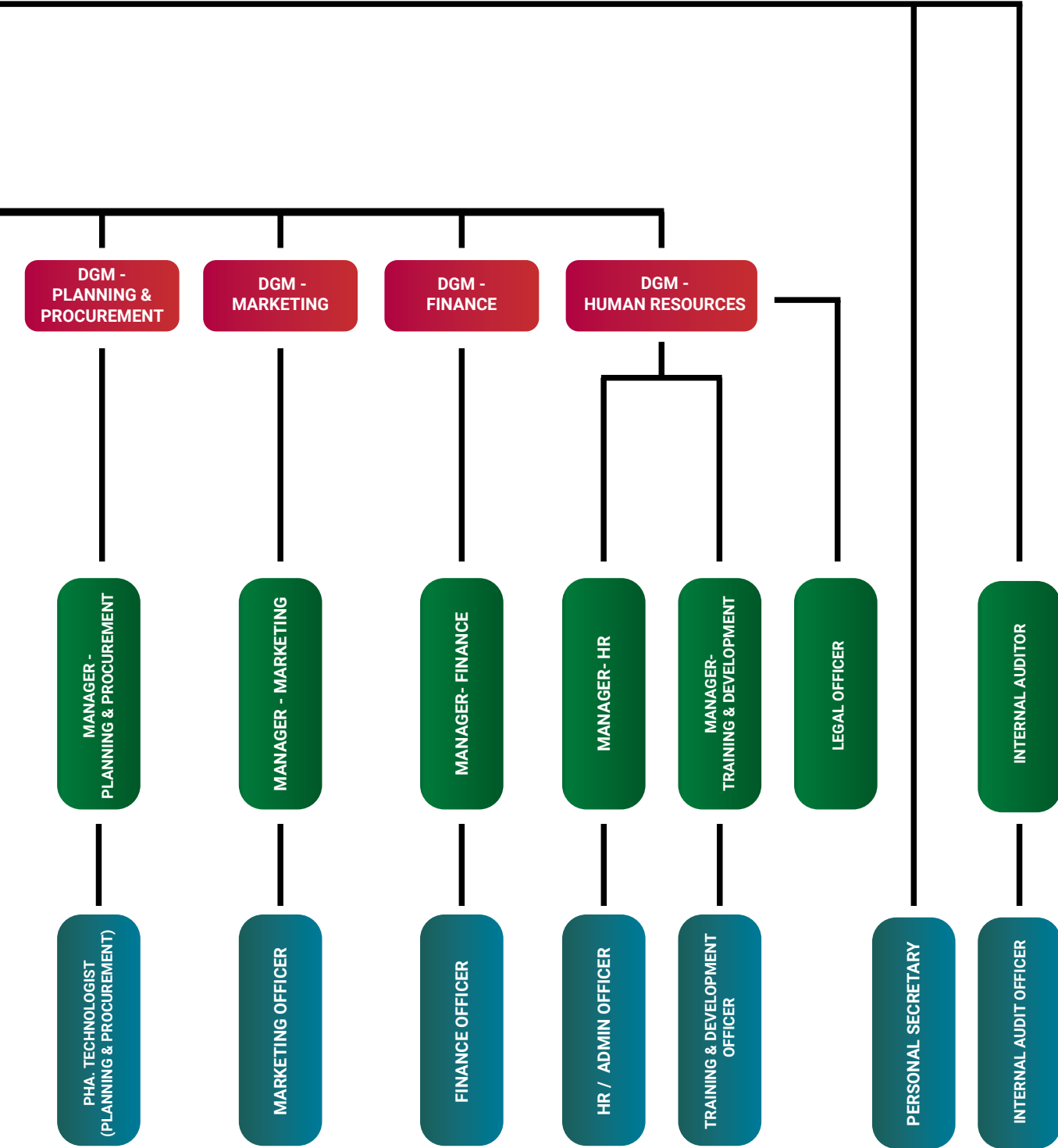
Miss.P. Danthanarayana



ORGANIZATIONAL



STRUCTURE



DIRECTORS' REPORT

The Directors have pleasure in forwarding their Report and Audited Accounts for the year ended 31st December 2023. The Accounts are set out on pages 35-71.

PRINCIPAL ACTIVITIES

The principal activities of the Corporation are,

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

REVIEW OF BUSINESS

The state of affairs of the Corporation as at 31st December 2023 is set out in the Statement of Financial Position on page 36.

TURNOVER & RESULTS

The Turnover, results for the year and the changes in the equity are set out in the Income Statement on page 35 and the statement of changes in equity on page 38 respectively.

PROPERTY, PLANT & EQUIPMENT

The movements in property, plant & equipment during the year are set out in Note 10 in the financial statement on page 62.

DIVIDEND / CONTRIBUTION

The Directors recommended and made a payment of Rs. 300,000,000 by way of dividends to the consolidated fund of the General Treasury.

RESERVES

Total Reserves of the Corporation and their composition have been given in the statement of changes in equity on page 38 in the financial statements.

DIRECTORS

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

Dr. P. P. G. P. U. Indrawansa	-Chairman
Dr. Bandula C. Wijesiriwardena	-Director
Ms. A.R. Wickramasinghe	-Director
V. G. Chaminda Wickramaratne	-Director
Ms. U. S. K. Denawatte	-Director

ACCOUNTING POLICIES

The principal accounting policies of the Corporation are set out on pages 41-52.

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 2023.

Dr. P.P.G.P.U. Indrawansa
Chairman
State Pharmaceuticals Manufacturing
Corporation
28th February 2024

REPORT OF THE AUDIT COMMITTEE - 2023

The Audit Committee (AC) constitutes in accordance with the Guidelines on Corporate Governance for State Owned Enterprises issued by the Public Enterprise Department effective from 17.11.2021.

As per the above guideline, AC was guided by the 'Audit Committee Charter' of SPMC which approved by the Board of Directors on 01.12.2022.

Accordingly, the Audit Committee provides assistance to the Board of Directors in fulfilling its responsibility for, preparation, presentation and adequacy of disclosures in the Financial Statements, in accordance with the Sri Lanka Accounting Standards, Compliance with financial reporting requirements, information requirements of the Establishment Acts, Companies Act, and other relevant financial reporting related regulations and requirements, Process to ensure that the entity's internal controls and risk management procedures are adequate to meet the requirements of the Sri Lanka Auditing Standards, Ensuring performance of the entity's internal audit function, Reporting on related party transactions of Board members and key management personnel.

As per the above guideline,

- The AC comprised three non - executive directors of the Corporation and chaired by the Director representing the Treasury during the year.
- The Audit Superintendent of National Audit Office and the Chief Internal Auditor of Ministry of Health participated to the AC meetings as observers.
- The Internal Auditor of SPMC functioned as the convener of the AC meetings.

The Assistant Auditor General from the National Audit Office participated for two (02) meetings as an observer to discuss the issues in draft Auditor General's report - 2022.

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

During the financial year, five (05) AC meetings were held, fulfilling the requirement of holding a meeting at least once in three months.

In the year 2023, the Committee

- Reviewed fifteen (15) internal audit reports, covering the deficiencies and audit recommendations in the areas of payments, sales, cash handling, raw materials and finished goods stocks, salary conversions, application of accounting standards, trade debtors, payroll and considered the follow up actions taken by the management to overcome the deficiencies highlighted.
- Considered the adequacy and effectiveness of thirteen (13) internal control systems in the areas of inventories, salary payments, cash handling, debtors, sales and made appropriate recommendations to improve the existing controls.
- Considered the five (05) unsolved issues in the Auditor General's (AG's) reports - 2019 and 2020 and paid attention to the follow up actions taken by the management to rectify the issues of construction and contract administration deficiencies, non compliances with rules and regulations relating to employee recruitment, disposal of unusable fixed assets.
- Reviewed the draft AG's report - 2022 and paid attention on the actions taken for accounting and financial reporting deficiencies and non compliances with laws, rules, regulations in relation to employee recruitments, product pricing, payment of employee loans, gratuity and other remunerations relating to transport, attendance, employee work shift, leave balance and made appropriate recommendations on highly judgmental areas.

- Reviewed the final AG's report – 2022 and paid attention on the thirty-one (31) issues repeated over a period of five (05) years including non compliances with laws, rules, regulations and procurement guidelines, deficiencies in relation to construction works, action plan, sales and manufacturing plan, product pricing, sales and distribution, manufacturing efficiency, management of human resources, fix assets, debtors and transactions with joint ventures and made recommendations.
- Reviewed the draft Financial Statements for the year ended 31.12.2022, and made recommendations on misclassification of exchange loss and making provision for doubtful debts.
- Considered the amendments made to existing destruction procedure for raw materials, packing materials, work in progress, finished goods, formulation and research materials, fixed assets, spare parts, redundant and sundry items and made recommendations.
- Paid attention to the accuracy of information generated by the Enterprise Resource Planning (ERP) system in the areas of raw materials, finished goods and sales.
- Considered key areas on the write-off of losses, including the regulatory requirements, comments of the Internal Auditor and representative of the National Audit Office, and made recommendations on rejected stocks.
- Approved the 2024 Internal Audit Plan, which prepared based on risks and their impacts.
- Paid attention on following areas and made recommendations
 - Outstanding balance to SPMC by Medical Supplies Division (MSD)
 - Integrating of existing 'Code HRM' and 'Pay Roll' Systems
 - Annual budget for the year 2024
 - Obtaining the service of an audit firm for the final tax computation to minimize the tax issues.

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

Attendance of the Audit Committee Members

Name of the member	Participated meetings
A R Wickramasinghe	5/5
V G C Wickramaratna	4/5
U S K Denawatta	4/5

Audit Committee Members

A R Wickramasinghe - Chairperson	-Director - SPMC / Director (Acting)- Department of Public Enterprises of Ministry of Finance
V G C Wickramaratna - Member	-Director - SPMC
U S K Denawatta - Member	-Director - SPMC/ Additional Secretary – (Indigenous Medicine Sector) Ministry of Health

A R Wickramasinghe
Chairperson – Audit Committee
21.02.2024

CORPORATE GOVERNANCE REPORT

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

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

DIRECTORS

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

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

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

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

MANAGEMENT COMMITTEE

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

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

Management Committee meets at monthly intervals.

AUDIT COMMITTEE

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

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

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

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

Audit committee report is set out in page 20.

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 Chairman & the Board of Directors.

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

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibilities of directors, in relation to the financial statements, differ from responsibilities of the Auditors, which are set out in the Report of the Auditor General on pages 73-83.

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 73-83 of this report.

Dr. P.P.G.P.U. Indrawansa
Chairman
State Pharmaceuticals Manufacturing
Corporation

RISK MANAGEMENT REPORT

At SPMC, we understand the value of risk management in preserving both the short term and long-term sustainability of our organization. Risk management is an essential component of our corporate strategy and business model since it has a direct impact on our ability to create value over time.

The Purposes of Risk Management are

- Guarantee a long – lasting existence of the corporation.
- Protection of Corporation from the environment & market.
- Protection of employees, corporation's assets and the general public.
- Support for efficient use of resources

The Management of the SPMC has implemented the following measures to manage the risks including liquidity risk, procurement risk, product risk, market risk, exchange rate risk, socio-economical risk & human resource risk.

Liquidity Risk

SPMC Supplies Pharmaceuticals 100% on credit terms to the Medical Supplies Division.

Long-term unsettled bills from the Medical Supplies Division may create liquidity risk. Therefore, to overcome liquidity risk, management has taken steps to get settlements with the involvement of the Treasury from related authorities.

Procurement Risk

Procurement of new materiel is mainly done by following Government Tender Procedures and more than 80% of the raw material is imported. Therefore, there is a risk of continuous supply of raw materials which may affect the production process.

To overcome this risk, availability of raw material is closely monitored by the management and steps have been taken to expand the supplier base through worldwide tender procedures.

Products Risk

All products released on the market meet with our in-house specifications as well as British Pharmacopeias (BP) and United State Pharmacopeias (USP) requirements.

Good Manufacturing Practices (GMP) are regularly monitored and other systems & procedures related to products are continuously reviewed in order to ensure that products are in accordance with required standards.

Market Risk

The market associated with SPMC is at the risk of increasing competition. Pharmaceutical companies involved in importing pharmaceuticals can be identified as the main competitors for our products. Being aware of the risk, we continuously focus on increasing productivity to reduce overall costs.

Exchange Rate Risk

Fluctuation of exchange rates directly affects the pricing of products. Management of SPMC had a pricing committee meeting to overcome these weaknesses.

Socio - Economical Risk

Providing effective drugs at affordable prices to the national health care system and the general public is the main responsibility of the SPMC as a state organization.

Human Resource Risk

There is a risk of migrating skilled employees in the organizations and management has taken the decision to change the no-pay leave procedure.

SUSTAINABLE DEVELOPMENT GOALS

State Pharmaceuticals Manufacturing Corporation as a responsible government organization contributes to achievement of the Sustainable Development Goals through incorporating SDGs to the short, medium and long-term strategies of the corporation.

1 NO POVERTY



Corporation has paid Rs. 543 million as employee cost to upgrade their livelihoods to 345 employees. Further, various welfare activities such as loan schemes, medical facilities, ...etc. are provided with the aim of enhancing the living standards of employees and their families.

SPMC as a state organization, supplies high quality pharmaceuticals at affordable prices with the aim of providing economic relief to the general public.

SPMC as the only state organization manufactures pharmaceuticals, follows internationally recognized standards in the manufacturing process.

Pharmaceuticals (SPMC product range) are continuously supplied to the government hospitals without creating drugs shortages in the government hospitals and are supplied to the private market at affordable prices through distribution channel.

The Corporation has provided benefits to employees including medical benefits through medical scheme covering the employees and their family members, gratuity, maternity leave etc. to enhance the health and well-being.

3 GOOD HEALTH AND WELL-BEING



5 GENDER EQUALITY



The corporation has given equal opportunity to all employees and do not discriminate based on the gender. All the employees are treated with a non – discriminating rewarding policy between men and women leading both parties eligible for the same rewarding scales (1:1) for the same job categories adhering to all the statutory and other requirements.

The Corporation has contributed Rs.1,130 million as various taxes, levies and duties to the Government for the economic growth of the country. As the only State Pharmaceutical Manufacturer, SPMC Supplies pharmaceutical drugs continuously throughout the year to the government hospitals and private sector without creating pharmaceutical shortage in the country.

Further SPMC added economic value and dollar savings to the country over 35% of the total turnover of SPMC in the year of 2023.

8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Under Covid -19 Emergency Response and Health Systems Preparedness Project (CERHSP) of World Bank, existing Penicillin Zone of SPMC was further expanded equipped with new machines to increase the prevailing production capacity. SPMC has planned to establish new plant for manufacturing of oral solid dosage (OSD) oncology drugs and orthopedic equipment at Horana – Millewa.

Having clear equality policies can help to treat everyone fairly in day-to-day activities like trainings, recruitments, task delegations and promotions.

10 REDUCED INEQUALITIES



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



We maintain environmentally sound management system to dispose waste in accordance with agreed international frameworks and ensure non – release to air, water and soil in order to minimize their adverse impacts on human health and the environment. Pharmaceutical waste is disposed based on the internationally accepted methodologies and complying with those laws and regulations

We inbuilt the procedures and practices to minimize and avoid the impacts to climate related hazard and natural disasters. Training and awareness programs are provided to staff for implementation.

13 CLIMATE ACTION



SUPER GOLD AWARD



The State Pharmaceutical Manufacturing Corporation has won the "Super Gold Award" at the "National Industry Excellence Award Ceremony 2023" jointly organized by the Ministry of Industry and the Industrial Development Board of Sri Lanka under the category of large-scale Western, Ayurvedic Pharmaceutical and Allied Industry sector.

SILVER AWARD 2022



State Pharmaceutical Manufacturing Corporation was awarded the Silver Award (Second Place) for the Best Annual Reports and Accounts of Public Sector in 2022 by the Association of Public Finance Accountants of Sri Lanka at the “Best Annual Report and Accounts Award Ceremony – 2023.

CORPORATE SOCIAL RESPONSIBILITIES

State Pharmaceuticals Manufacturing Corporation (SPMC) has made a positive contribution towards public health involving in the manufacturing and distribution of drugs that are importance to the continuous provision of adequate healthcare. In addition to that, the Corporation has taken several steps to contribute health, welfare and sustainable development of the society.

During the year 2023, Corporation has donated some required necessary items such as hand sanitizers, handwash soaps, dustbins with lids, cleaning liquid, cleaning gloves, cleaning brushes, brooms, mops.....etc and display boards to the Maternal and Child Health Care Clinic of Medical Office of Health (MOH) Panadura.



PRODUCTS MANUFACTURED BY SPMC IN 2023

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

Products	Quantity (Mn)
Amoxicillin Capsules BP 250mg	85.13
Amoxicillin Capsules BP 500mg	25.50
Amoxicillin Tablets USP 125mg	8.75
Ascorbic Acid Tablets BP 100mg	29.70
Atorvastatin Tablets IP 10mg	304.50
Atorvastatin Tablets IP 20mg	4.00
Benzhexol Tablets BP 2mg	60.00
Bisoprolol Tablets BP 5 mg	19.50
Carbamazepine Tablets BP 200mg	29.00
Cetrazine Tablets 10 mg	15.60
Ciprofloxacin Tablets 250mg	8.75
Ciprofloxacin Tablets 500mg	10.00
Clarithromycin Tablets 250mg	13.80
Cloxacillin Capsules BP 250mg	24.43
Cloxacillin Capsules BP 500mg	18.90
Co-Trimoxazole Tablets BP (Adult)	4.50
Diclofenac Tablets BP 50mg	26.00
Diethylcarbamazine Tablets BP 50mg	5.40
Diltiazem HCL Tablets 30 mg	66.75
Diltiazem HCL Tablets 60 mg	36.75
Domperidone Tablets 10mg	33.60
Enalapril Maleate Tablets 5mg	68.40
Famotidine Tablets BP 20mg	89.10
Flucloxacillin Capsules BP 250mg	12.78
Flucloxacillin Capsules BP 500mg	14.80
Folic Acid Tablets BP 1mg	64.00

Products	Quantity (Mn)
Frusemide Tablets BP 40mg	33.00
Gabapentin Capsules USP 300mg	10.71
Gliclazide Tablets BP 40mg	194.00
Gliclazide TabletsBP 80mg	506.00
Levothyroxine Tablets IP 50mcg	108.74
Loratadine Tablets USP 10 mg	15.00
Losartan Potassium Tablets 50mg	253.40
Mebendazole Tablets USP 100mg	20.75
Mefanamic acid Tablets BP 500	0.41
Metformin Tablets BP 500mg	43.43
Nimodipine Tablets BP 30 mg	0.22
Omeprazole Capsules IP 20 mg	170.42
Paracetamol Tablets BP 500mg	429.31
Phenoxymethylpenicillin Tablets BP 250mg	27.39
Prednisolone Tablets BP 1mg	0.11
Prednisolone Tablets BP 5mg	308.00
Propranolol Tablets BP 40mg	24.00
Salbutamol Tablets BP 2mg	199.20
Salbutamol Tablets BP 4mg	12.00
Sitagliptin Tablets BP 50 mg	0.77
Spironolactone Tablets USP 25mg	36.00
Theophylline E/R Tablets USP 125mg	4.20
Tramadol Capsules IP 50mg	7.31
Trifluoperazine HCl Tablets BP 5mg	11.22
Verapamil Tablets 40mg BP	23.10
Vitamin B Complex Tablets CHF	42.00

- 1 Acetaminophen Suppositories USP 125mg
- 2 Acetaminophen Suppositories USP 250mg
- 3 Acetaminophen Suppositories USP 500mg
- 4 Acetazolamide Tablets BP 250mg (Blister)
- 5 Aciclovir Tablets BP 200mg
- 6 Aciclovir Tablets BP 800mg
- 7 Alfalcidol Softgelatin Capsules 0.25mcg
- 8 Amantadine HCl Capsules USP 100mg
- 9 Amiodarone Tablets BP 100mg
- 10 Amisulpride Tablets BP 200mg
- 11 Amlodipine Besylate Tablets USP 2.5mg
- 12 Aripiprazole Tablets USP 10mg
- 13 Ascorbic Acid Tablets BP 100mg
- 14 Aspirin Tablets BP 75mg - Gastro Resistant
- 15 Atorvastatin Tablets IP 10mg
- 16 Atorvastatin Tablets IP 20mg
- 17 Atorvastatin Tablets 40mg
- 18 Baclofen Tablets 5mg
- 19 Baclofen Tablets BP 10mg
- 20 Betamethasone Valerate Cream USP 0.1%
- 21 Betamethasone Valerate Ointment USP 0.1%
- 22 Bisacodyl Suppositories USP 10mg
- 23 Bisacodyl Tablets BP 10mg
- 24 Bisoprolol Fumarate Tablets USP 2.5mg
- 25 Bosentan Tablets 62.5mg
- 26 Bosentan Tablets 125mg
- 27 Cabergoline Tablets USP 0.5mg
- 28 Calciferol Tablets 10000IU
- 29 Calcitriol Softgel Capsules 0.25mcg
- 30 Calcium Carbonate - Chewable Tablets BP 500mg
- 31 Calcium Carbonate Tablets 1250mg
- 32 Calcium Gluconate Injection USP 10% w/v, 10ml
- 33 Calcium Lactate Tablets BP 300mg
- 34 Captopril Tablets 12.5mg
- 35 Carvedilol Tablets USP 3.125mg
- 36 Carvedilol Tablets USP 6.25mg
- 37 Carvedilol Tablets USP 12.5mg
- 38 Cetirizine Hydrochloride BP 10mg
- 39 Cetirizine Oral Solution BP 5mg/5ml
- 40 Chlorphenamine Injection BP 10mg/ml, 1ml Ampoule
- 41 Chlorpheniramine Oral Solution USP 2mg/5ml
- 42 Chlorpromazine Tablets BP 50mg (Blister)
- 43 Ciprofloxacin Intravenous Infusion BP 0.2% w/v, 100ml
- 44 Clindamycin Capsules BP 150mg
- 45 Clindamycin Capsules BP 300mg
- 46 Clomipramine Tablets 50mg
- 47 Clopidogrel 75mg Tablets USP
- 48 Clotrimazole Cream BP 1%
- 49 Clozapine Tablets USP 100mg
- 50 Colecalciferol Capsules 1000IU
- 51 Colecalciferol Tablets BP 400IU
- 52 Compound Sodium Lactate Intravenous Infusion BP 500ml
- 53 Cotton Crape Bandage - 5cm - 3m Roll
- 54 Cotton Crape Bandage - 7.5cm - 4.5m Roll
- 55 Cotton Crape Bandage - 7.5cm - 9m Roll
- 56 Cotton Crape Bandage - 10cm - 6m Roll
- 57 Dapsone Tablets BP 25mg
- 58 Dapsone Tablets BP 50mg
- 59 Deferasirox Tablets 100mg
- 60 Deferasirox Tablets 400mg
- 61 Dextran 40 Intravenous Infusion BP 10% w/v, 500ml
- 62 Diazepam 10mg/2ml Ampoule
- 63 Diclofenac - Gastro Resistant Tablets BP 25mg
- 64 Diclofenac Sodium DR Tablets USP 50mg
- 65 Diclofenac Sodium Suppositories 12.5mg
- 66 Diclofenac Sodium Suppositories 25mg
- 67 Diclofenac Sodium Suppositories 100mg
- 68 Diltiazem - Prolonged Release Tablets BP 90mg
- 69 Domperidone Tablets BP 10mg
- 70 Domperidone Suppositories 10mg
- 71 Domperidone Suppositories 30mg
- 72 Domperidone Suppositories 60mg
- 73 Donepezil Hydrochloride Tablets USP 5mg
- 74 Doxepin Capsules BP 50mg
- 75 Enalapril Maleate Tablets USP 5mg
- 76 Ephedrine Injection BP 30mg/ml
- 77 Fentanyl Injection BP 100mcg/ 2 ml Ampoule
- 78 Ferrous Fumarate 91.2mg + Folic Acid Tablets 400mcg
- 79 Ferrous Fumarate 182.4mg + Folic Acid 400mcg Tablets
- 80 Ferrous Sulphate Tablets 200mg
- 81 Fluphenazine HCl USP 5mg
- 82 Frusemide Tablets BP 40mg
- 83 Gabapentin Capsules USP 300mg
- 84 Gliclazide Modified Release Tablets 30mg
- 85 Gliclazide Tab BP 40mg
- 86 Gliclazide Tab BP 80mg
- 87 Glucose Intravenous Infusion BP 5% w/v, 500ml
- 88 Glucose Intravenous Infusion BP 10% w/v, 500ml
- 89 Glucose Intravenous Infusion BP 25% w/v, 25ml
- 90 Glucose Intravenous Infusion BP 50% w/v, 50ml
- 91 Haemodialysis Solution (Part A)
- 92 Haemodialysis Solution (Part B)
- 93 Hydralazine Tablets BP 50mg (Blister)
- 94 Hydrocortisone Acetate Cream BP 1%
- 95 Hydrocortisone Ointment BP 1%
- 96 Hydroxychloroquine Sulfate Tablets USP 200mg
- 97 Isosorbide Mononitrate ER Tablets USP 30mg
- 98 Ketamine HCL Inj. 200mg/20ml Vial
- 99 Ketamine HCL Inj. 500mg/10ml Vial
- 100 Labetalol Tablets BP 100mg
- 101 Lamotrigine Tablets USP 25mg
- 102 Lamotrigine Tablets USP 50mg

- 103 Lamotragine Tablets USP 100mg
- 104 Levamisole Hydrochloride Tablets USP 40mg
- 105 Levetiracetam Tablets USP 250mg
- 106 Levetiracetam Tablets USP 500mg
- 107 Lidocaine 2% Injection BP 5ml Vial
- 108 Lidocaine Injection BP 2% w/v (Preservative free) 20ml vial
- 109 Lithium Carbonate Tablets BP 250 mg
- 110 Losartan Potassium Tablets BP 25mg
- 111 Losartan Potassium Tablets BP 50mg
- 112 Magnesium Sulfate Injection BP 50% w/v, 10ml
- 113 Mannitol Intravenous Infusion BP 20% w/v, 250ml
- 114 Mebendazole Tablets USP 100mg
- 115 Mebendazole Tablets USP 500mg (Chewable)
- 116 Mebendazole Tablets USP 500mg (Sachet)
- 117 Mesalazine Suppositories BP 500mg
- 118 Metaraminol Injection BP 10mg/ml, 1ml Ampoule
- 119 Metformin SR Tablets 500mg
- 120 Metformin Tablets BP 500mg
- 121 Methionine Tablets 500mg
- 122 Methyl dopa Tablets BP 250mg
- 123 Metolazone Tablets USP 5mg
- 124 Metoprolol Tartrate Tablets USP 50mg
- 125 Metronidazole Intravenous Infusion BP 0.5% w/v, 100ml
- 126 Miconazole Nitrate Cream BP 2%
- 127 Midazolam Injection BP 5mg/ ml Ampoule
- 128 Mycophenolate Mofetil Tablets 250mg
- 129 Mycophenolate Mofetil Tab USP 500mg
- 130 Nalidixic Acid Tablets 250mg
- 131 Nicorandil Tablets BP 10mg
- 132 Nimodipine Tablets BP 30mg
- 133 Ofloxacin Intravenous Infusion 0.2% w/v, 100ml
- 134 Omeprazole Magnesium - Gastro Resistant Tablets 10mg
- 135 Omeprazole GR Capsules 20mg
- 136 Oseltamivir Phosphate Capsules USP 30mg
- 137 Oseltamivir Phosphate Capsules USP 45mg
- 138 Oxcarbazepine Tablets USP 150mg
- 139 Oxcarbazepine Tablets USP 300mg
- 140 Paediatric Paracetamol Oral Solution BP 120mg/5ml
- 141 Pancreatin Capsules 150mg
- 142 Paracetamol Tablets BP 500mg
- 143 Penicillamine Capsules USP 250mg
- 144 Phenytoin Sodium Injection 250mg/5ml Ampoule
- 145 Phytomenadione Tablets BP 5mg
- 146 Pizotifen Tablets BP 0.5mg
- 147 Pottasium Chloride 15% Injection 10ml
- 148 Prazosin Tablets 1mg
- 149 Pregabalin Capsules IP 75mg
- 150 Primidone Tablets USP 250mg
- 151 Promethazine Injection BP 25mg/ml, 2ml Ampoule
- 152 Propranolol - Prolong Released Capsules BP 160mg
- 153 Pyridostigmine Tab BP 60mg
- 154 Pyridoxine Tablets BP 10mg
- 155 Pyrimethamine Tabs BP 25mg
- 156 Quetiapine Tablets USP 25mg
- 157 Quetiapine Tablets USP 100mg
- 158 Quetiapine ER Tablets USP 200mg
- 159 Risperidone Tablets USP 1mg
- 160 Risperidone Tablets USP 2mg
- 161 Salbutamol Oral Solution 2mg/5ml
- 162 Sertraline HCl Tablets USP 50mg
- 163 Sildenafil Tablets USP 50mg
- 164 Sitagliptin Tablets USP 50mg
- 165 Sitagliptin Tablets BP 100mg
- 166 Sitagliptin Tablets USP 100mg
- 167 Sodium Bicarbonate Tablets USP 600mg
- 168 Sodium Chloride Intravenous Infusion BP 0.9% w/v, 500ml
- 169 Sodium Chloride & Glucose Intravenous Infusion BP 0.45% & 5% w/v, 500ml
- 170 Sodium Chloride & Glucose Intravenous Infusion BP 0.45% & 10% w/v, 500ml
- 171 Sodium Chloride & Glucose Intravenous Infusion BP 0.9% & 5% w/v, 500ml
- 172 Sodium Chloride & Glucose Intravenous Infusion BP 0.9% & 10% w/v, 500ml
- 173 Sodium Chloride Infusion BP 0.9% w/v, 5ml Ampoule
- 174 Sodium Chloride Injection BP 0.9% w/v, 5ml
- 175 Sodium Chloride Intravenous Infusion BP 3% w/v, 500ml
- 176 Sodium Fusidate Tablets 250mg
- 177 Sodium Valproate - Gastro Resistant Tablets BP 100mg
- 178 Sodium Valproate - Gastro Resistant Tablets BP 200mg
- 179 Solifenacin Succinate Tablets 5mg
- 180 Solifenacin Succinate Tablets 10mg
- 181 Sotalol Hydrochloride Tablets USP 80mg (Blister)
- 182 Sterilised Water for Injections BP-10ml
- 183 Sulfadiazine Tablets USP 500mg
- 184 Sumatriptan Tablets BP 50mg
- 185 Tamsulosin Prolonged Release Capsules BP 0.2mg
- 186 Tamsulosin Prolonged Release Capsules BP 0.4mg
- 187 Theophylline Extended Release Tablets 125 mg
- 188 Thiamine Hydrochloride Tablets USP 10mg
- 189 Thiamine Hydrochloride Tablets USP 100mg
- 190 Thiamine Injection BP 100mg/2ml Ampoule
- 191 Tranexamic Acid Capsules 500mg
- 192 Tranexamic Acid Injection 500 mg/ml
- 193 Trientine Hydrochloride Capsules USP 300mg
- 194 Trifluoperazine Tablets BP 5mg
- 195 Ursodeoxycholic Acid Tablets BP 150mg
- 196 Valganciclovir Tablets USP 450mg
- 197 Venlafaxine Hydrochloride ER Capsules USP 37.5mg
- 198 Venlafaxine Hydrochloride ER Capsules USP 75mg
- 199 Verapamil HCL Injection 2.5 mg/2ml Ampoule
- 200 Verapamil PR Tablets BP 240mg
- 201 Vigabatrin Tablets BP 500mg
- 202 Vitamin A Capsules USP 100000IU
- 203 Voriconazol Tablets 200mg
- 204 Warfarin Sodium Tablets USP 0.5mg
- 205 Warfarin Sodium Tablets USP 1mg
- 206 Warfarin Sodium Tablets USP 3mg
- 207 Warfarin Sodium Tablets USP 5mg
- 208 Zinc Sulfate Tablets USP 10mg (Dispersible)
- 209 Zinc Sulfate Tablets USP 20mg (Dispersible)

FINANCIAL STATEMENTS



Statement of Comprehensive Income

For the Year ended 31st December 2023

(All amounts in Sri Lankan Rupees)

	Note	2023	2022 - Restated
Revenue	1	29,331,718,691	16,620,184,659
Cost of Sales	2	(26,381,969,229)	(14,508,387,248)
Gross Profit		2,949,749,462	2,111,797,411
Other Operating Income	3	14,096,335	780,459,814
Administrative Expenses	4	(396,275,773)	(327,114,999)
Selling & Distribution Expenses	5	(937,035,896)	(472,762,064)
Other Operating Expenses	6	(22,286,381)	(31,009,091)
Operating Profit		1,608,247,748	2,061,371,072
Finance Cost	7	(57,488,612)	(307,693)
Finance Income	8	622,548,970	330,531,099
Profit Before Tax		2,173,308,106	2,391,594,478
Tax Expenses	9	(654,752,799)	(717,249,696)
Profit for the Year		1,518,555,306	1,674,344,783

Statement of Comprehensive Income			
Profit for the Year		1,518,555,306	1,674,344,783
(+/-) Actuarial Gain / (Loss) on Retirement Benefit Obligation		12,513,552	(32,822,249)
Income Tax on Actuarial Gain / (Loss) on Retirement Benefit Obligation	9 (B) (i)	(3,754,066)	9,846,675
		8,759,486	(22,975,574)
(+) Actuarial Gain on Plan Asset		6,763,352	5,612,914
Income Tax on Actuarial Gain on Plan Asset	9 (A)	(2,029,006)	(1,683,874)
		4,734,346	3,929,040
(-) Revaluation Surplus of P,P & E		-	797,137,916
Income Tax on Revaluation Surplus of P,P & E	9 (B) (i)	-	(239,141,375)
Other Comprehensive Income for the Year, Net of Tax		-	557,996,541
Total Comprehensive Income for the Year, Net of Tax		1,532,049,139	2,213,294,789

Statement of Financial Position

As at 31st December 2023

(All amounts in Sri Lankan Rupees)

	Note	2023	2022 - Restated
ASSETS			
Non Current Assets			
Property, Plant and Equipment	10	4,002,112,060	3,656,401,030
Intangible Assets	11	5,488,440	6,258,463
Other Non Current Assets	14	6,818,836	1,361,876
Prepaid Lease	13	319,077,963	322,383,586
Work in Progress - Construction		163,346,971	117,009,089
Current Assets			
Inventories	15	3,911,381,608	3,124,019,823
Trade and Other Receivables	16	1,622,883,799	2,405,400,384
Prepayments	17	42,619,403	68,366,319
Other Financial Assets	18	5,974,554,359	4,241,085,643
Cash In Hand & At Bank	19	468,896,309	758,495,754
		12,020,335,479	10,597,367,924
Total Assets		16,517,179,749	14,700,781,968
EQUITY AND LIABILITIES			
Authorised Capital		850,000,000	850,000,000
Stated Capital	20	3,106,173,043	690,079,000
Retained Earnings		7,376,658,041	6,145,370,588
Revaluation Reserve		557,996,541	557,996,541
Grant - World Bank Health System			
Preparedness Project	21	438,146,336	-
Total Equity		11,478,973,961	7,393,446,129

Non Current Liabilities			
Net Retirement Benefit Obligation	22	(14,557,672)	8,366,568
Deferred Tax Liability	23	389,492,010	557,467,909
JICA Loan - Government Capital Investment	24	-	2,416,094,044
		374,934,339	2,981,928,520
Current Liabilities			
Trade and Other Payables	25	4,052,364,858	3,868,611,101
Tax Payable		610,906,591	456,796,217
		4,663,271,449	4,325,407,319
Total Equity and Liabilities		16,517,179,749	14,700,781,968

The Accounting Policies on Pages 41 to 52 form an integral part of these Financial Statements. The Board of Directors are responsible for the preparation and presentation of these Financial Statements. These Financial Statements are presented to National Audit Office with Board of Directors approval and signed on their behalf.

Chairman : 

Director : 

DGM - Finance : 

Date : **10. 07. 2024**

Statement of Changes in Equity

For the Year ended 31st December 2023

(All amounts in Sri Lankan Rupees)

	Stated Capital	Profit & Loss	Revaluation Reserve	Grant - World Bank Health System Preparedness Project	Total
Balance as at 01.01.2023	690,079,000	6,145,370,588	557,996,541	-	7,393,446,129
Transferd as Government Capital Investment	2,416,094,043	-	-	-	2,416,094,043
Penicillin Zone Development Project (CERHSP)	-	-	-	438,146,336	438,146,336
Profit for the Year	-	1,518,555,306	-	-	1,518,555,306
Other Comprehensive Income	-	13,493,833	-	-	13,493,833
Total Comprehensive Income	-	1,532,049,139	557,996,541	438,146,336	2,528,192,016
Treasury Levy	-	(300,000,000)	-	-	(300,000,000.00)
Prior Year Adjustment	-	(761,686)	-	-	(761,686)
Balance as at 31.12.2023	3,106,173,043	7,376,658,041	557,996,541	438,146,336	10,482,831,084

	Stated Capital Restated	Profit & Loss Restated	Revaluation Reserve Restated	Grant - World Bank Health System Preparedness Project Restated	Total Restated
Balance as at 01.01.2022	690,079,000	4,589,998,197	-	-	5,280,077,197
Profit for the Year	-	1,674,344,781	-	-	1,674,344,781
Other Comprehensive Income	-	(19,046,535)	557,996,541	-	(19,046,535)
Total Comprehensive Income	-	1,655,298,246	557,996,541	-	1,655,298,246
Treasury Levy	-	(100,000,000)	-	-	(100,000,000)
Prior Year Adjustment	-	74,145	-	-	74,145
Balance as at 31.12.2022	690,079,000	6,145,370,588	557,996,541	-	6,835,449,588

Statement of Cash Flow

For the Year ended 31.12.2023

(All amounts in Sri Lankan Rupees)

	2023	2022 - Restated
Cash Flows from Operating Activities		
Net Profit/(Loss) before taxation & extraordinary items	2,173,308,106	2,391,594,478
Prior year Adjustment	(761,686)	(7,645,166)
Adjustments for :		
Depreciation on Fixed Assets	258,320,398	262,466,303
Current Service Cost	9,944,092	13,640,020
Employee Interest Cost	29,768,523	12,688,161
Expected Return on Plan Asset	(28,262,541)	(15,615,371)
Provision for Doubtful Debts	800,926,792	312,417,918
Unrealized Exchange Loss of Creditors	1,182,184	259,021
Profit / (Loss) on Disposal	167,416	374,963
Cost of Damaged & Unused	956,432	433,204
Interest Income	(611,027,968)	(325,885,479)
Operating Profit before Working Capital Changes	2,634,521,748	2,644,728,052
Changes in items of Working Capital		
(Increase) / Decrease in Inventories	(787,361,785)	(1,499,993,382)
(Increase) / Decrease in Debtors & Receivables	(18,410,208)	(2,210,181,820)
(Increase) / Decrease in Deposits & Prepayments	25,746,916	(37,724,130)
Increase / (Decrease) in Liabilities	182,571,573	3,312,135,613
Cash generated from operations	2,037,068,244	2,208,964,333
Gratuity paid	(15,097,410)	(4,101,585)
Tax paid	(674,401,394)	(251,546,593)
Net cash from operating activities	1,347,569,440	1,953,316,155
Cash Flows from Investing Activities		
Short term Investments (Note A)	(1,719,245,538)	(745,071,893)
Acquisition of Fixed Assets	(209,443,180)	(498,564,648)
Proceeds from the sale of Disposal of Property	172,003	485,127
Interest received	596,804,790	146,594,142
Increasing Other Non Current Assets	(5,456,960)	(30,577)
Net cash used in investing activities	(1,337,168,885)	(1,096,587,849)

High Quality Generic Pharmaceuticals Manufacturer to the Nation

Cash Flows from Financing Activities		
Treasury Levy	(300,000,000)	(100,000,000)
Net cash used in Financing activities	(300,000,000)	(100,000,000)
Net Increase / (Decrease) in Cash & Cash Equivalents	(289,599,445)	756,728,306
Cash & Cash Equivalents at the beginning of the period	758,495,754	1,767,448
Cash & Cash Equivalents at the end of the period (Note B)	468,896,309	758,495,754

	2023	2022 - Restated
Note A - Cash flow from investing activities		
Cash Inflows during the period	(250,086,842,213)	86,999,367,276
Cash Outflows during the period	251,806,087,751	(87,744,439,170)
Net Cash Flow	1,719,245,538	(745,071,893)
Note B - Cash & Cash Equivalents		
Bank of Ceylon - Ratmalana Branch	18,550	18,550
Bank of Ceylon - Corporate Branch	2,173,504	1,049,142
Peoples Bank - Ratmalana Branch	136,565	136,590
Peoples Bank - Corporate Branch	48,435	174,433
Dollar Margin - BOC Corporate	466,399,254	757,059,739
Cash Balance	100,000	37,550
Petty Cash	20,000	19,750
	468,896,309	758,495,754

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 2023. The Financial Statements were approved by the Board of Directors of the Corporation on 28th February 2024.

PRINCIPAL ACTIVITIES

The main functions are,

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

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF MEASUREMENT

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

2.3 GOING CONCERN

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 SIGNIFICANT ACCOUNTING POLICIES

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

3.1.1 PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment are stated at fair value based on valuation by external independent valuer, less subsequent depreciation. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. When significant parts of property, plant and equipment are required to be replaced

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

3.1.2 DEPRECIATION

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

Leasehold Land	Over the period of Lease (99 years)
Landscaping Expenses	Over the period of Lease (99 years)
Buildings	40 years
Vehicle Shed	12 years
Plant & Machinery	20 to 1 year
Motor Vehicles	8 to 3 years
Motor Bicycle	7 years
Bicycle & Carts	20 to 7 years
Equipment	25 to 1 years
Computer Accessories	5 to 1 year
Computer Software	5 to 1 year
Furniture & Fittings	20 to 3 years
Tools	15 to 1 year

3.1.3 INTANGIBLE ASSETS

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

3.1.4 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The carry value of property, plant and equipment is reviewed for impairment either annually or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognized in the income statement unless it reverses a previous revaluation surplus for the same asset.

3.1.5 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Corporation assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates 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: 24 of 2017 and the Amendments thereto, the rates specified in the act. Provision for the current year taxation made according to the accounting profit subject to the rate specified by act.

3.1.6.2 DEFERRED TAXATION

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

3.2 INVENTORIES

Inventories are recognized at cost and net realizable value whichever is lower after making due allowance for obsolete and slow-moving items which are valued at 'First In First Out' basis.

3.2.1 MEASUREMENT OF INVENTORIES COST OF INVENTORIES

RAW MATERIALS

Cost of purchases together with any incidental expenses.

WORK IN PROGRESS

Raw material cost and variable manufacturing expenses in full.

FINISHED GOODS

Raw material cost and variable manufacturing expenses in full.

OTHER STOCKS

Cost is arrived at weighted average basis.

3.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method less provision for impairment. The Corporation has provided a Provision of Doubtful Debts for MSD Debtor long outstanding as at 31-12-2023.

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 as follows.

	2023	2022
Short term benefits	2,830,423	2,779,163
Gift Vouchers	180,000	100,000

**TRANSACTIONS WITH STATE AND STATE
CONTROLLED ENTITIES**

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

NATURE OF TRANSACTION

TRANSACTION	2023	2022
Investment in Sri Lanka Government Securities Held by Corporation	6,165,113,878	4,398,099,758
Paid Surplus to Government during the year	300,000,000	100,000,000
Sales to DHS, SPC & Distributors	29,331,718,691	16,620,184,659
OUTSTANDING BALANCES		
Receivable from SPC	8,426,990	33,288,612
Receivable from DHS	2,378,686,753	2,355,035,504

3.2.5 CAPITAL

There is no change in the Authorized Capital during the year ended 31st December 2023.

3.2.6 EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

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

3.2.7 RESEARCH COST

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

4 LIABILITIES AND PROVISIONS

4.1 RETIREMENT BENEFIT OBLIGATION

4.1.1 DEFINED BENEFIT PLAN – RETIREMENT GRATUITY

A Defined Benefit Plan is a Post-Employment Benefit Plan other than a Defined Contribution Plan. The estimation of this liability, determined by an independent, qualified Actuary, necessarily involves long-term assumptions. The Defined Benefit Obligation is calculated annually using the Projected Unit Credit Method. The service of a qualified Actuary is obtained to determine the valuation of the Defined Benefit Obligation for the SPMC that adopted the Actuarial Valuation Method in computing the provision required in accordance with Sri Lanka Accounting Standard (LKAS – 19) – Employee Benefits. This standard also provides actuarial techniques which approximate the actuarial valuation which has been adopted by the company. The Projected Unit Credit method projects the current data using the actuarial assumptions and calculates projected benefits at the participants' assumed retirement date.

The Defined Benefit Obligation recognized in the Statement of Financial Position represents the present value of the Defined Benefit Obligation as reduced by the fair value of Plan Assets. Actuarial gains and losses are recognized as income or expenses in the Statement of Comprehensive Income during the Financial Year in which they arise. The Gratuity Liability of the SPMC is separately identified in part by a Gratuity Fund, with the investment of the fund being mainly in Treasury Bill with a Government Bank. Provision is made for Defined Benefit Plan Liability for all employees from the first year of service in conformity with Sri Lanka Accounting Standard (LKAS – 19) – Employee Benefits.

The actuarial Present Value of the Defined Benefit Obligation (PVDBO) under the PUC method / Accounting Standard is the present value of all benefits accrued to the existing employees of the scheme, based on service up to the valuation date, but with projected final salaries to the probable date of severance from employment [due to ill health, retirement, death, normal retirement or any other reason]. However, under the Payment of Gratuity Act No.12 of 1983, the liability to an employee arises only on completion of five years of continued service.

RECOGNITION OF ACTUARIAL GAINS AND LOSSES

The SPMC recognizes the total Actuarial Gains and Losses in the Other Comprehensive Income during the period in which it occurs.

RECOGNITION OF CURRENT SERVICE COST

Since end of service gratuity defined benefit is a statutory benefit, the recognition of current service cost will arise only if the Payment of Gratuity Act No.12 of 1983 is amended in future to increase the promised benefit in termination

of employment. In such event, the SPMC will adopt the accounting policy currently used for defined benefit plans.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS – DEFINED BENEFIT PLANS

Cost of Defined Benefit Plans are determined using actuarial valuations. Actuarial valuation involves making various assumptions, determining discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and their long – term nature, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, the Management considers the interest rates of Sri Lanka Government Bonds. The mortality rate is based on publicly available mortality tables. Estimate on future salary increases is based on expected future inflation rates and expected future salary increase rate of the SPMC. The investment portfolio of the Plan Assets are exposed to market and credit risks.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The SPMC recognizes gain or loss on the settlement of a defined plan when the settlement occurs.

Retirement Benefit Obligations of State Pharmaceuticals Manufacturing Corporation have been determined based on actuarial valuations carried out by Mr.Munisami Poopalanathan – Actuary of Actuarial and Management Consultants (Pvt) Ltd.

4.1.2 DEFINED CONTRIBUTION PLANS – EMPLOYEES PROVIDENT FUND & EMPLOYEES TRUST FUND

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

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

EMPLOYEES PROVIDENT FUND

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

EMPLOYEES TRUST FUND

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

4.1.3 TRADE AND OTHER PAYABLES

Trade and other payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method less provision for impairment. The corporation has not provided any subsequent measured cost as there is material effect as at 31-12-2023.

4.1.4 PROVISION

GENERAL

Provisions are recognized when the Corporation has a present obligation (legal or Constrictive) as a result of a past event, it is probable that an outflow of resource embodying economic benefit

will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the corporation expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

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

5 INCOME STATEMENT

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

5.1.1 TURNOVER

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

5.1.2 REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The

Corporation assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Corporation has concluded that it is acting as a principal in all of its revenue arrangements.

SALE OF GOODS

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

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

Corporation recognizes revenue from following sources.

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

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

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

Name of the Company	Place of J/Venture Company	Percentage of ownership	Principal Activity
Celogen Lanka (Pvt)Ltd	No.116,Layards Broadway,Colombo 14	10%	Manufacturing,Distributing Pharmaceuticals to MSD through SPMC
Diyatha Pharmaceutical and Healthcare (Pvt)Ltd	No.53/A/1, Batagama North, Ja Ela	10%	Manufacturing,Distributing Pharmaceuticals to MSD through SPMC
Glosante (Pvt)Ltd	No.372, Sir Kudarathwaththe Mawatha,Dodangwala,Kandy	10%	Manufacturing,Distributing Pharmaceuticals to MSD through SPMC
Medicom (Pvt)Ltd	No.20,Vijitha Road,Nadimala,Dehiwala	10%	Manufacturing,Distributing Pharmaceuticals to MSD through SPMC
Yarden Laboratories (Pvt)Ltd	No.67,Norris Canal Road, Colombo 10	10%	Manufacturing,Distributing Pharmaceuticals to MSD through SPMC
Sands Active(Pvt)Ltd	No.36, Abdul Jabbar Mawatha, Colombo 12	10%	Manufacturing,Distributing Pharmaceuticals to MSD through SPMC

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

Share Holding Company	No.of Shares	Issued Date	Value (Rs.)
Celogen Lanka (Pvt) Ltd	3,000,000	21.10.2020	3,000,000
Diyatha Pharmaceutical and Healthcare (Pvt) Ltd	1,500,000	21.10.2020	1,500,000
Premium International Injectable (Pvt) Ltd	16,162	22.12.2020	16,162
Sands Active (Pvt) Ltd	33	15.11.2019	33
Yarden Laboratories (Pvt) Ltd	4,111,111	07.06.2021	4,111,111
Synergy Pharmaceuticals (Pvt) Ltd	10	01.07.2018	10
Glosante (Pvt) Ltd	10	06.06.2022	10

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

ESEGREGATION OF REVENUE

Revenue is desegregated by nature of revenue.

		2023	2022
Medical Supplies Division	– SPMC Products	6,529,310,266	5,365,222,678
	– Joint Venture Products	20,166,340,889	8,562,572,974
SPC	– SPMC Products	-	96,546,063
	– Joint Venture Products	-	11,860,062
Distribution	– SPMC Products	2,432,304,839	2,458,969,992
	– Joint Venture Products	203,762,697	125,012,890

SALES DISCOUNTS

Discounts are given as follows.

Distributors

Credit Sales	9%
Cash Sales	10%

Sales to Franchise Osusala

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

Credit Sales	10%
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5.1.3 EXPENSES

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

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

5.1.4 FINANCING EXPENSES

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

5.1.5 ALLOCATION BETWEEN OVERHEADS

In the Financial Statements, Overheads allocation method as follows.

EXPENSES

- Rates & Taxes, Electricity, Water Charges, Security Charges, Insurance, Maintenance of Equipment, Maintenance – General, Maintenance – Building, Depreciation.
- Insurance of Health Insurance Scheme, Staff Welfare, Uniform & Shoes, Transport Charges.
- 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.
- Staff Benefits & Other Expenses.

ALLOCATION METHOD

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

6. FINANCIAL INSTRUMENTS**6.1 FINANCIAL ASSETS****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.

SUBSEQUENT MEASUREMENT

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

6.1.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial

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

6.1.2 LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking 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.

6.1.3 HELD – TO – MATURITY INVESTMENTS

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to- maturity when the Corporation has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at 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 2023.

6.1.4 AVAILABLE – FOR – SALE FINANCIAL INVESTMENTS

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

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

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

maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available for sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the assets are subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement. The Corporation did not have any available for –sale financial investments during the year ended 31 December 2023.

6.2 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.

6.3 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.

6.4 FINANCIAL ASSETS CARRIED AT AMORTIZED COST

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

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

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

The Corporation is performed specific impairment for each debtor categories.

7 FINANCIAL RISK, MANAGEMENT OBJECTIVES AND POLICIES

FINANCIAL RISK

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

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

Notes to the Financial Statements

for the year ended 31.12.2023

(All amounts in Sri Lankan Rupees)

Note - 1				2023	2022 - Restated	
Revenue						
Sales - SPC	SPMC	1 - A	-		96,546,063	
	Joint Venture		-	-	11,860,062	108,406,125
Sales - MSD	SPMC		6,529,310,266		5,365,222,678	
	Joint Venture		20,166,340,889	26,695,651,155	8,562,572,974	13,927,795,651
Sales - Distribution	SPMC	1 - B	2,432,304,839		2,458,969,992	
	Joint Venture	1 - C	203,762,697	2,636,067,536	125,012,890	2,583,982,882
				29,331,718,691		16,620,184,659

Note - 1 A			
Sales - SPC - SPMC			
Gross Sales		-	106,873,431
(-) Discount - 10%		-	(10,327,368)
Net Sales		-	96,546,063

Note - 1 B			
Sales - Distribution - SPMC			
Gross Sales		2,687,210,197	2,717,457,633
(-) Discount - 5%		-	(18,834)
(-) Discount - 7%		-	(4,148)
(-) Discount - 9%		(122,912,584)	(117,260,866)
(-) Discount - 10%		(131,992,775)	(141,203,793)
Net Sales		2,432,304,839	2,458,969,992

Note - 1 C			
Sales - Distribution - Joint Venture			
Gross Sales		224,545,824	137,029,038
(-) Discount - 5%		-	(3,008)
(-) Discount - 9%		(10,568,519)	(5,383,601)
(-) Discount - 10%		(10,214,609)	(6,629,540)
Net Sales		203,762,697	125,012,890

Note - 2		2023		2022 - Restated	
Cost of Sales					
Cost of Sales - SPC	SPMC	-	-	61,685,652	
	Joint Venture	-	-	11,188,662	72,874,314
Cost of Sales - MSD	SPMC	4,708,703,823		3,794,842,337	
	Joint Venture	19,043,340,361	23,752,044,184	8,067,816,218	11,862,658,556
Cost of Sales - SPMC	SPMC	1,907,567,989		2,011,426,544	
	Joint Venture	189,765,906	2,097,333,896	113,315,495	2,124,742,039
Production Expenses			532,591,149		448,112,339
			26,381,969,229		14,508,387,248

Note 2 A				
Production Cost	Unabsorbed Cost	Absorbed Cost to cost of sale	2023	2022 - Restated
Direct Labour(Production)				
Salaries & Wages	-	61,502,678	61,502,678	58,863,954
Casual Salaries	134,539	1,936,574	2,071,114	2,880,897
Cost of Living	1,098,726	12,326,072	13,424,798	12,694,689
Travelling Incentive	742,259	10,076,879	10,819,138	10,455,206
E.P.F. & E.T.F. - 18%	1,177,327	13,201,606	14,378,933	13,974,062
Overtime	3,417,497	24,154,068	27,571,565	26,361,148
Attendance Incentive	943,837	8,980,438	9,924,274	8,969,717
Performance Incentive	9,597,238	48,060,645	57,657,883	32,701,336
Annual Bonus	-	3,499,285	3,499,285	4,069,007
Current & Past Service Cost	1,829,245	2,260,738	4,089,983	5,027,149
Employee Interest Cost	554,837	-	554,837	(1,045,262)
Shift Incentive	1,207,000	3,681,500	4,888,500	4,596,800
Staff Medical Expenses	1,489,172	5,819,036	7,308,208	3,926,427
Housing Loan Int.Reimb.	995,105	3,492,705	4,487,809	5,035,741
Supervisor Allowance	612,000	-	612,000	666,000
Difficult Working Condition Allowance	820,290	3,512,490	4,332,780	3,948,630
Professional Allowance	191,898	-	191,898	192,000
Monthly Allowance	3,897,910	5,422,285	9,320,195	9,012,360
Staff Cost	4,181,678	-	4,181,678	1,125,401
	32,890,559	207,926,999	240,817,557	203,455,263

Production Cost	Unabsorbed Cost	Absorbed Cost to cost of sale	2023	2022 - Restated
Indirect Manufacturing Cost				
Salaries & Wages	33,744,136	7,701,065	41,445,201	41,626,210
Casual Salaries	561,036	-	561,036	67,000
Cost of Living	8,117,678	-	8,117,678	8,084,214
Travelling Incentive	7,183,955	-	7,183,955	7,030,069
E.P.F. & E.T.F. - 18%	9,647,989	-	9,647,989	9,712,941
Overtime	20,711,556	-	20,711,556	19,307,940
Attendance Incentive	7,323,021	-	7,323,021	7,151,241
Performance Incentive	32,830,268	2,205,297	35,035,565	20,408,534
Annual Bonus	1,721,544	-	1,721,544	2,488,691
Current & Past Service Cost	2,800,092	-	2,800,092	4,200,162
Employee Interest Cost	459,519	-	459,519	(943,559)
Shift Incentive	1,487,113	-	1,487,113	1,370,700
Staff Medical Expenses	4,421,509	-	4,421,509	2,455,392
Housing Loan Int.Reimbursement	2,355,751	-	2,355,751	3,147,311
Supervisor Allowance	135,968	-	135,968	164,323
Difficult Working Condition Allowance	1,846,860	-	1,846,860	1,712,835
Retirement Benefit	92,000	-	92,000	112,000
Professional Allowance	252,484	-	252,484	274,500
Monthly Allowance	5,434,993	-	5,434,993	5,197,843
Staff Cost	2,562,245	-	2,562,245	736,409
Special Acting Allowance	69,042	-	69,042	94,242
Communication Allowance	187,549	-	187,549	262,206
Insurance of Health Ins.Scheme	3,833,981	5,158,924	8,992,905	8,802,738
Staff Welfare	31,178,183	43,793,550	74,971,734	59,217,824
Staff Training	2,288,901	-	2,288,901	1,470,900
Uniforms & Shoes	2,146,505	3,293,923	5,440,428	2,815,294
Water Charges	543,783	6,279,545	6,823,329	3,191,024
Rates & Taxes	-	1,267,918	1,267,918	715,231
Electricity	29,942	108,596,576	108,626,519	61,013,246
Insurance - General	-	4,701,487	4,701,487	3,564,007
Security Charges - Production	6,978,353	549,091	7,527,444	6,143,020
Maintenance of Equipment	1,579,547	4,843,073	6,422,620	4,223,333
Maintenance-Production	9,327,089	28,365,037	37,692,126	24,306,364
Maintenance of Building	1,368,819	4,254,272	5,623,091	4,841,898
Depreciation	215,698,863	-	215,698,863	220,307,800
Transport Charges	448,900	-	448,900	112,205

Consumption - Spare Parts	10,996,848	16,971,900	27,968,748	70,818,283
Consumption - Fuel & Lubricants	4,532,677	48,780,718	53,313,395	43,059,155
Repairs & Maintenance P & M	18,424,559	-	18,424,559	11,940,400
Quality Control Expenses	32,972,640	-	32,972,640	15,565,386
R/M Destruction Charges	3,285,131	-	3,285,131	1,126,441
Cost of Rejected Raw Materials	1,344,532	-	1,344,532	557,087
Cost of Rejected Packing Materials	1,251,655	-	1,251,655	2,490,335
Cost of Rejected Work in Progress	2,087,653	-	2,087,653	685,859
Raw Material Adj-General Drugs	(1,118,496)	-	(1,118,496)	(134,998)
Raw Material Adj-Penicillin Drugs	72,499	-	72,499	(135,136)
Raw Material Adj-Stock Take	(905,325)	-	(905,325)	(143,168)
Packing Material Adj-Stock Take	(2,537,976)	-	(2,537,976)	(654,013)
Packing Material Adj.	(14,561)	-	(14,561)	(23,076)
Stock Take Adjustment - Main	(56,894)	-	(56,894)	29,651
Work-in-Progress Adj-Stock Take	(22,704)	-	(22,704)	319,681
Cost of Sales Invoice Variance	10,019,179	-	10,019,179	14,092,400
	532,591,149	494,689,376	1,027,280,525	898,435,632

Note - 3	2023	2022 - Restated
Other Operating Income		
Miscellaneous Income (Note 3-A)	13,993,363	16,308,763
Raw Material Sales	102,973	211,256
Exchange Gain	-	763,939,795
	14,096,336	780,459,815

Note 3- A		
Miscellaneous Income		
Scrap Sales	7,211,381	8,977,761
Registration of Suppliers	729,000	491,000
Tender Document Fee	3,058,630	3,053,430
Creditor's Balance & Bid Bond Payable balance Write off	1,972,769	1,630,783
General	1,021,583	2,155,790
	13,993,363	16,308,763

Note - 4	2023	2022 - Restated
Administration Expenses		
Salaries & Wages	43,850,364	46,957,564
Casual Salaries	1,351,040	477,994
Cost of Living	7,995,465	8,408,840

Travelling Incentive	15,346,579	15,713,197
E.P.F. & E.T.F. - 18%	9,273,844	9,848,830
Overtime	17,499,593	15,575,387
Attendance Incentive	7,097,780	7,303,228
Performance Incentive	33,207,773	21,225,148
Annual Bonus	1,581,025	2,516,529
Current & Past Service Cost	3,054,017	4,412,708
Employee Interest Cost	491,627	(938,388)
Shift Incentive	582,800	432,300
Staff Cost	2,462,722	736,669
Staff Medical Expenses	4,677,774	2,922,148
Housing Loan Int.Reimbursement	3,767,121	4,904,245
Supervisor Allowance	300,000	252,000
Difficult Working Condition Allowance	542,190	522,945
Professional Allowance	1,060,073	1,029,871
Special Acting Incentive	1,058,360	365,443
Monthly Allowance	5,524,211	5,490,841
Retirement Benefit	472,000	-
Communication Allowance	523,508	597,567
Ins.of Health Insurance Scheme	3,591,617	3,403,932
Staff Welfare	25,983,258	22,783,419
Staff Training	748,156	742,800
Uniforms & Shoes	1,432,006	1,063,170
Travelling - Overseas	666,722	15,000
Directors Fees	320,000	305,500
Other Incentives	7,167,800	10,774,532
Rates & Taxes	545,146	303,854
Electricity	32,908,839	19,027,310
Water Charges	2,858,135	1,366,879
Insurance - General	822,547	956,139
Insurance - Vehicles	331,248	249,957
Repairs & Maintenance of Motor Vehicles	10,425,767	7,880,374
Fuel & Lubricants for Vehicles	15,011,119	13,385,700
Maintenance of Equipment	1,979,551	1,307,042
Maintenance-Administration	6,775,809	7,406,718
Maintenance of Building	294,109	136,340
Depreciation	42,621,535	42,158,503
Transport Charges	921,243	813,173
Postage & Fax	911,268	411,407
Telephone Charges	1,118,724	1,054,542

Security Charges	2,166,244	1,887,036
Donations	392,950	1,250,248
Licence Fee - Vehicles	124,934	115,509
Licence Fee - Drugs	7,749,877	11,707,636
Licence Fee - Others	354,568	265,029
Printing & Stationery	10,589,662	9,546,185
Office Expenses	2,203,723	1,768,996
Audit Fee	1,955,400	1,969,633
Rent Charges	41,796,482	5,522,805
Advertisements	5,869,241	4,872,885
Trade Subs.& Periodicals	123,420	98,640
Legal & Inquiry Expenses	-	333,350
Professional Charges	324,129	2,111,939
Entertainment	2,377,011	1,360,169
Annual Subscription	74,635	50,969
Annual Conference & Meetings	-	11,000
Stamp Fee	62,600	61,500
Cost of Damaged & Unused	956,432	433,204
Stationary Adj-Stock take	-	(553,094)
	396,275,773	327,114,999

Note - 5	2023	2022 - Restated
Selling & Distribution Expenses		
Promotional Discounts	132,015,605	152,704,493
Sales Promotion Expenses	4,093,499	7,639,653
Doubtful Debt	800,926,792	312,417,918
	937,035,896	472,762,064

Note - 6	2023	2022 - Restated
Other Operating Expenses		
Formulation, Research & Dev.	22,112,506	30,582,898
Stock Take Adjustments - FD	6,459	51,230
Loss on Disposal	167,416	374,963
	22,286,381	31,009,091

Note - 7	2023	2022 - Restated
Finance Cost		
Bank Charges	562,502	281,104
O.D.Interest	52,984	26,588
Exchange Loss	56,873,126	-
	57,488,612	307,693

Note - 8		2023	2022 - Restated
Finance Income			
Staff Loan Interest		2,314,357	2,047,143
Treasury Bill Interest		611,027,968	325,885,477
Interest Income - Staff Loan		9,206,645	2,598,479
		622,548,970	330,531,099

Note - 9		2023	2022 - Restated
Income Tax Expense			
Current Tax Expense	Note - 9 A	826,482,763	608,090,125
Deferred Tax Expense	Note - 9 B (i)	(171,729,964)	109,159,571
		654,752,799	717,249,696

Note - 9 A			
Current Tax Expense			
Income Tax on Profit for the year	Note - 9 A (i)	828,511,769	609,773,999
Income Tax on Actuarial Gain on Plan Asset		(2,029,006)	(1,683,874)
		826,482,763	608,090,125

Note - 9 A (i)			
Income Tax on Profit for the year			
Net Profit before Taxation		2,173,308,106	2,391,594,478
(-) Income which does not part of Trading Profit			
Interest on Treasury Bills		(639,290,509)	(341,500,847)
Net Profit from Trading Activities		1,534,017,597	2,050,093,631
(+) Disallowable Expenses		1,101,800,822	606,108,227
(-) Allowable Expenses		(520,312,387)	(516,803,892)
(+) Profit on disposal of Property, Plant & Equipment		146,003	589,526
Taxable Income		2,115,652,035	2,139,987,492

Income Tax rate on Operational Income - 1st six months		30%			18%	
Income Tax rate on Operational Income - 2nd six months		30%			30%	
Income Tax rate on Interest Income - 1st six months		30%			24%	
Income Tax rate on Interest Income - 2nd six months		30%			30%	
Income Tax rate on Operational Income - 1st six months	30%	317,347,805	317,347,805	- 18%	192,598,876	192,598,876
Income Tax rate on Operational Income - 2nd six months	30%	317,347,805		- 18%	192,598,876	
- Tax rate increase		-	317,347,805		128,399,250	320,998,124

Income Tax rate on Interest Income - 1st six months	30%	96,908,079	96,908,079	- 24%	31,828,510	31,828,510
Income Tax rate on Interest Income - 2nd six months	30%	96,908,079		- 24%	51,478,791	
- Tax rate increase		-	96,908,079	- 6%	12,869,698	64,348,489
Total Income Tax			828,511,769			609,773,999

Note - 9 B		2023		2022 - Restated	
Deferred Tax Charge/(Reversal) as Deferred Tax during the year		Temporary Difference		Temporary Difference	
Deferred Tax on Deferred Tax Liabilities - Note - 9 B (vi)		2,589,133,750	776,740,125	2,336,024,964	700,807,489
Deferred Tax on Deferred Tax Assets - Note - 9 B (vii)		(1,290,827,046)	(387,248,114)	(477,798,600)	(143,339,580)
Deferred Tax Liability at the end of the year			389,492,011		557,467,909
Deferred Tax Liability at the beginning of the year			557,467,909		219,013,637
Charge/(Reversal) as Deferred Tax during the year			(167,975,898)		338,454,271
Note - 9 B (i)					
Deferred Tax Adjustment					
Charged to P & L	- Note - 9 B (ii)		(171,729,964)		109,159,571
Charged to OCI	- Note - 9 B (iii)		3,754,066		229,294,700
			(167,975,898)		338,454,271
Note - 9 B (ii)					
Deferred Tax Adjustment - Charged to P & L					
Origination & reversal of Temporary Differences	- Note 9 B (iv)		(171,729,964)		(36,849,519)
Adjustment to opening Deferred Tax Liability resulting from increasing of Tax rate	- Note 9 B (v)		-		146,009,091
			(171,729,964)		109,159,571
Note - 9 B (iii)					
Deferred Tax Adjustment - Charged to OCI					
Deferred tax attributable to Revaluation Surplus of PP & E			-		239,141,375
Tax on Actuarial (Gain)/Loss of Provision for Employee Benefit Liability			3,754,066		(9,846,675)
			3,754,066		229,294,700
Total Deferred Tax Adjustment			(167,975,898)		338,454,271

Note - 9 B (iv)		2023	2022 - Restated	
Deferred Tax Expense/ (Income) related to the origination & reversal of Temporary Differences				
Total Net Deferred Tax for the year		389,492,011	557,467,909	
(-) Opening Deferred Tax Liability		(557,467,909)	(219,013,637)	
Adjustment to opening Deferred Tax Liability resulting from increasing of tax rate		-	(146,009,091)	
Deferred tax attributable to Revaluation Surplus of PP & E		-	(239,141,375)	
Tax on Actuarial (Gain)/Loss of Provision for Employee Benefit Liability		(3,754,066)	9,846,675	
		(171,729,964)	(36,849,519)	
Note - 9 B (v)				
Adjustment to opening Deferred Tax Liability resulting from increasing of tax rate				
Net Temporary Difference at the beginning		2,170,644,282	1,216,742,430	
Adjustment to opening deferred tax liability		-	146,009,091	
Note - 9 B (vi)				
Deferred Tax Assets	Temporary Differences	Tax effect 30%	Temporary Differences	Tax effect 30%
Types of Temporary Differences				
Accelerated Depreciation of PP & E for Tax purposes	2,548,020,849	764,406,255	2,336,024,964	700,807,489
Net Deferred Tax Liability		764,406,255		700,807,489
Note - 9 B (vii)				
Deferred Tax Liability	Temporary Differences	Tax effect 30%	Temporary Differences	Tax effect 30%
Types of Temporary Differences				
Employee Benefit Liability that are deducted for Tax purposes only when paid	(177,482,336)	(53,244,701)	(165,380,682)	(49,614,205)
Provision for Doubtful Debts	(1,113,344,710)	(334,003,413)	(312,417,918)	(93,725,375)
Net Deferred Tax Asset		(387,248,114)		(143,339,580)

Note - 10

Property , Plant & Equipments - Depreciable Assets

Description	Cost/ Revaluation Value As At 01.01.2023	Acquisitions During the Year	2023		Balance As at 31.12.2023	Damaged & Unused Adjustments (Note - 12)	Balance After Adj. of Damaged & Unused As At 31.12.2023
			Disposals During the Year				
Depreciable Assets							
Land Scaping Expenses	6,113,388	-	-		6,113,388	-	6,113,388
Land	49,471,918	-	-		49,471,918	-	49,471,918
Buildings	1,160,828,144	230,241,888	-		1,391,070,033	-	1,391,070,033
Plant & Machinery	2,379,662,018	297,916,626	-		2,677,578,644	(1,116,600)	2,676,462,044
Motor Vehicles	63,450,000	-	-		63,450,000	-	63,450,000
Motor Bicycle	185,000	-	-		185,000	-	185,000
Equipment	196,048,090	61,533,101	-		257,581,191	(1,853,119)	255,728,072
Computer Accessories	23,222,901	5,318,203	(532,850)		28,008,254	(181,800)	27,826,454
Furniture & Fittings	26,788,750	4,292,703			31,081,453	(439,737)	30,641,716
Bicycle & Carts	3,364,532	-	-		3,364,532	-	3,364,532
Tools	3,458,825	-	-		3,458,825	(6,750)	3,452,075
Vehicle Parking Shed	3,200,000	-	-		3,200,000	-	3,200,000
Total	3,915,793,566	599,302,521	(532,850)		4,514,563,237	(3,598,006)	4,510,965,231

Description	Accumulated Dep. As at 01.01.2023	Depreciation For the Year	Acc. Dep. Related to Disposals	Damaged & Unused Adjustments	Balance As at 31.12.2023
Depreciable Assets					
Land Scaping Expenses	2,222,954	60,788	-	-	2,283,742
Land	-	-	-	-	-
Buildings	57,873,263	58,122,062	-	-	115,995,325
Plant & Machinery	150,103,957	144,630,442	-	(165,332)	294,569,067
Motor Vehicles	12,051,310	12,051,309	-	-	24,102,619
Motor Bicycle	26,429	26,428	-	-	52,857
Equipment	25,845,610	26,916,977	-	(1,063,832)	51,698,755
Computer Accessories	6,011,517	6,049,989	(240,606)	(147,801)	11,673,099
Furniture & Fittings	2,905,431	3,327,202		(63,509)	6,169,124
Bicycle & Carts	284,556	327,416	-	-	611,972
Tools	599,744	563,533	-	-	1,163,277
Vehicle Parking Shed	266,667	266,666	-	-	533,333
Total	258,191,438	252,342,813	(240,606)	(1,440,474)	508,853,171

Description	Balance As at 31.12.2023
Depreciable Assets	
Land Scaping Expenses	3,829,646
Land	49,471,918
Buildings	1,275,074,708
Plant & Machinery	2,381,892,976
Motor Vehicles	39,347,381
Motor Bicycle	132,143
Equipment	204,029,317
Computer Accessories	16,153,354
Furniture & Fittings	24,472,592
Bicycle & Carts	2,752,560
Tools	2,288,797
Vehicle Parking Shed	2,666,666
Total	4,002,112,060

Note - 10

Property , Plant & Equipments - Depreciable Assets

Description	2022					
	Cost/ Revaluation Value As At 01.01.2022	Acquisitions During the Year	Disposals During the Year	Balance As at 31.12.2022	Damaged & Unused Adjustments	Balance After Adj. of Damaged & Unused As At 31.12.2022
	Restated	Restated	Restated	Restated	Restated	Restated
Depreciable Assets						
Land Scaping Expenses	6,113,388	-	-	6,113,388	-	6,113,388
Land	49,471,918	-	-	49,471,918	-	49,471,918
Buildings	1,152,699,301	8,128,844	-	1,160,828,145	-	1,160,828,145
Plant & Machinery	2,310,312,770	69,349,248	-	2,379,662,018	(724,250)	2,378,937,768
Motor Vehicles	63,450,000	-	-	63,450,000	-	63,450,000
Motor Bicycle	185,000	-	-	185,000	-	185,000
Equipment	144,884,106	51,267,922	(103,939)	196,048,089	(388,117)	195,659,972
Computer Accessories	16,214,448	7,898,343	(889,890)	23,222,901	(14,600)	23,208,301
Furniture & Fittings	23,669,278	3,130,972	(11,500)	26,788,750	(67,381)	26,721,369
Bicycle & Carts	2,312,944	1,051,588	-	3,364,532	-	3,364,532
Tools	3,459,950	-	(1,125)	3,458,825	(6,750)	3,452,075
Vehicle Parking Shed	3,200,000	-	-	3,200,000	-	3,200,000
Total	3,775,973,104	140,826,917	(1,006,454)	3,915,793,566	(1,201,098)	3,914,592,468

Description	Depreciation				
	Accumulated Dep. As at 01.01.2022	Depreciation For the Year	Acc. Dep. Related to Disposals	Damaged & Unused Adjustments	Balance As at 31.12.2022
	Restated	Restated	Restated	Restated	Restated
Depreciable Assets					
Land Scaping Expenses	2,162,166	60,788	-	-	2,222,954
Land	-	-	-	-	-
Buildings	-	57,873,263	-	-	57,873,263
Plant & Machinery	-	150,180,554	-	(76,597)	150,103,957
Motor Vehicles	-	12,051,310	-	-	12,051,310
Motor Bicycle	-	26,429	-	-	26,429
Equipment	-	26,029,752	(64,092)	(120,050)	25,845,610
Computer Accessories	-	6,241,091	(217,723)	(11,850)	6,011,517
Furniture & Fittings	-	2,913,195	(4,857)	(2,906)	2,905,431
Bicycle & Carts	-	284,556	-	-	284,556
Tools	-	602,756	(720)	(2,292)	599,744
Vehicle Parking Shed	-	266,667	-	-	266,667
Total	2,162,166	256,530,361	(287,392)	(213,695)	258,191,438

Description	Written Down Value	
	Balance As at 31.12.2022	Restated
Depreciable Assets		
Land Scaping Expenses		3,890,434
Land		49,471,918
Buildings		1,102,954,882
Plant & Machinery		2,228,833,811
Motor Vehicles		51,398,690
Motor Bicycle		158,571
Equipment		169,814,362
Computer Accessories		17,196,784
Furniture & Fittings		23,815,938
Bicycle & Carts		3,079,976
Tools		2,852,331
Vehicle Parking Shed		2,933,333
Total		3,656,401,030

Note - 11
Intangible Assets

Cost						
Description	2023					
	Cost/ Revaluation Value As At 01.01.2023	Acquisitions During the Year	Disposals During the Year	Balance As At 31.12.2023	Damaged & Unused Adjustments (Note - 02 A)	Balance After Adj. of Damaged & Unused As At 31.12.2023
Computer Software	8,935,842	1,949,113	(107,500)	10,777,455	-	10,777,455
Total	8,935,842	1,949,113	(107,500)	10,777,455	-	10,777,455
Depreciation						
Description	Accumilated Dep. As at 01.01.2023	Depreciation For the Year	Acc. Dep. Related to Disposals	Damaged & Unused Adjustments	Balance As at 31.12.2023	
Computer Software	2,677,379	2,671,961	(60,325)	-	5,289,015	
Total	2,677,379	2,671,961	(60,325)	-	5,289,015	
Written Down Value						
Description	Balance as at 31.12.2023					
Computer Software	5,488,440					
Total	5,488,440					

Note - 12
Damaged & Unused Adjustment

2023			
Description	Balance as at 01.01.2023	Damaged & Unused identified during the year	Balance as at 31.12.2023
Plant & Machinery	724,250	392,350	1,116,600
Equipment	388,117	1,465,002	1,853,119
Computer Accessories	14,600	167,200	181,800
Furniture & Fittings	67,382	372,355	439,737
Tools	6,750	-	6,750
Total	1,201,099	2,396,907	3,598,006

Note - 13
Prepaid Lease

Cost				
Description	2023			
	Cost As At 01.01.2023	Acquisitions During the Year	Disposals During the Year	Cost As At 31.12.2023
Leasehold Land	327,327,643	-	-	327,327,643
Total	327,327,643	-	-	327,327,643
Depreciation				
Description	Accumilated Dep. As at 01.01.2023	Depreciation For the Year	Acc. Dep. Related to Disposals	Balance As at 31.12.2023
Leasehold Land	4,944,057	3,305,623	-	8,249,680
Total	4,944,057	3,305,623	-	8,249,680
Written Down Value				
Description	Balance as at 31.12.2023			
Leasehold Land	319,077,963			
Total	319,077,963			

Lease of Land 99 Years

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

Note - 11
Intangible Assets

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

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

Written Down Value	
Description	Balance as at 31.12.2022 Restated
Computer Software	6,258,463
Total	6,258,463

Note - 12
Damaged & Unused Adjustment

2022					
Description	Balance as at 01.01.2022 Restated	Damaged & Unused identified during the year Restated	Disposals during the year Restated	Reuse during the year Restated	Balance as at 31.12.2022 Restated
Plant & Machinery	330,500	393,750	-	-	724,250
Equipment	170,968	217,149	-	-	388,117
Computer Accessories	-	14,600	-	-	14,600
Furniture & Fittings	50,632	16,750	-	-	67,382
Tools	2,100	4,650	-	-	6,750
Total	554,200	646,899	-	-	1,201,099

Note - 13
Prepaid Lease

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

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

Written Down Value	
Description	Balance as at 31.12.2022 Restated
Leasehold Land	322,383,586
Total	322,383,586

Note - 14

Other Non-Current Assets	2023	2022 - Restated
Deposits	6,397,360	970,000
Security Deposits	421,476	391,876
	6,818,836	1,361,876

Note - 15

Inventories	2023	2022 - Restated
Raw Materials	2,267,953,484	1,541,108,443
Packing Materials	247,821,565	210,011,927
Finished Goods	975,563,478	140,154,066
Work-in-Progress	140,495,164	316,824,341
Goods in Transits - R/M	6,870,851	687,672,229
Inventory - Formulation, Research & Development	26,414,306	27,143,834
Spare Parts - Plant & Machinery & Consumables	216,624,072	192,524,751
Fuel & Lubricants	4,931,857	4,515,967
Inventory - Stationery	4,014,966	4,025,183
Inv. Control - Loan Given	20,691,867	39,081
	3,911,381,608	3,124,019,823

Note - 16

Trade Debtors & Receivables	2023	2022 - Restated
Debtors - SPC	3,780,000	5,373,799
(-) Provision for Doubtful Debts	(3,780,000)	-
Debtors - MSD	2,378,686,753	2,355,035,504
(-) Provision for Doubtful Debts	(1,108,484,710)	(312,417,918)
Debtors - Distributors	166,083,051	226,920,453
(-) Provision for Doubtful Debts	(1,080,000)	-
Distress Loans	55,245,938	54,934,168
Receivables	118,741,956	64,025,240
Cycle Loans	10,456,982	9,950,138
Paye Tax Payable	979,329	-
Festival Advance	1,492,500	531,000
Import Deposits Refunds	762,000	1,048,000
	1,622,883,799	2,405,400,384

Note - 17		
Pre-Payments	2023	2022 - Restated
Advance Payments	3,822,429	19,690,504
Advance Payments - Machinery & Spare Parts	19,444,864	29,069,685
Prepayments	7,818,969	7,713,580
Prepaid Staff Cost	11,533,141	11,892,551
	42,619,403	68,366,319

Note - 18		
Other Financial Assets	2023	2022 - Restated
Treasury Bills	5,974,554,359	4,241,085,643
	5,974,554,359	4,241,085,643

Investment in Treasury Bills

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

Note - 19		
Cash In Hand & at Bank	2023	2022 - Restated
Bank of Ceylon - Ratmalana	18,550	18,550
Bank of Ceylon - Corporate	2,173,504	1,049,142
Peoples Bank - Ratmalana	136,565	136,590
Peoples Bank - Corporate	48,435	174,433
Dollar Margin - BOC Corporate	466,399,254	757,059,739
Cash in Hand	100,000	37,550
Petty Cash	20,000	19,750
	468,896,309	758,495,754

Note - 20

Stated Capital

Stated Capital is made up by Grant amounting to JY. 2,564 million converted at the average rate of Rs. 0.186 amounting to Rs. 476,904,000 and the funds contributed by the General Treasury amounting to Rs. 208,375,000.00 & Rs.2,416,094,044 as a Government Capital Investment and also the value of land amounting to Rs. 4,800,000.00 transferred from the State Pharmaceuticals Corporation.

Note 21

World Bank Health System Preparedness Project

This project, approved on 7th May 2023, has been implemented through two separate procurements. The first tender focused on acquiring pharmaceutical manufacturing machinery, while the second tender was dedicated to expanding the existing Penicillin Zone. SPMC capitalized the following categories with their respective amounts for the year 2023

	Amount (Rs.)
Mixing Machine	17,510,835
Capsule Filling Machine	53,961,607
Bulk Packing Line for small bottles	77,421,689
Tablet Compression Machine	56,357,730
Blister Packing Machine with Carton Packing	35,897,384
Penicillin Zone Refurbishment	196,997,091
	438,146,336

Note - 22	2023	2022 - Restated
Net Retirement Benefit Obligation		
Present value of Defined Benefit Obligation	177,482,336	165,380,681
Fair value of Plan Asset	(192,040,008)	(157,014,115)
Net Retirement Benefit Obligation	(14,557,672)	8,366,566
Movement of the Retirement Benefit Obligation		
Balance as at 01st of January	165,380,683	110,331,837
Interest Cost for the period	29,768,523	12,688,161
Current Service Cost for the period	9,944,092	7050961
Past Service Cost for the period	-	6,589,058
Gratuity paid / payable during the period	(15,097,410)	(4,101,585)
Actuarial (Gain) / Loss on PV-DBO	(12,513,552)	32,822,249
Balance as at 31st December	177,482,336	165,380,681
Movement of the Plan Asset		
Value of Plan Asset as at 01st of January	157,014,115	135,785,831
Expected Return on Plan Asset	28,262,541	15,615,371
Contribution paid in to Plan Asset	-	-
Benefits paid out by the Plan Asset	-	-
Actuarial Gain / (Loss) on Plan Asset	6,763,352	5,612,914
Value of Plan Asset as at 31st December	192,040,008	157,014,116

	2023	2022 - Restated
Plan Asset consist of the following		
Investment in Treasury Bill at NSB	192,040,008	157,014,115
	192,040,008	157,014,115
Amounts recognised in the Income Statement		
Current and Past Service Cost	9,944,092	13,640,019
Interest Cost	29,768,523	12,688,161
Expected Return on Plan Asset	(28,262,541)	(15,615,371)
Net Amount	11,450,074	10,712,809
Amounts recognised in the Other Comprehensive Income		
Actuarial Gain / (Loss) on PV - DBO	12,513,552	(32,822,249)
Actuarial Gain / (Loss) on Plan Asset	6,763,352	5,612,914
Total	19,276,904	(27,209,335)

Details of actuarial assumptions of the SPMC is as follows

Actuarial Assumptions	As at 31.12.2023	As at 31.12.2022
Discount Rate	13.00 %	18.00 %
Future Salary Increases	11.00 %	15.00 %
Staff Turnover Rate	2.00 %	1.50 %

The changes in Actuarial assumptions are due to the changes in market rates and changes in expected salary increases. There are no changes to the method and assumptions used in the sensitivity analysis performed in 2023 and 2022.

Mortality & Disability

Mortality	Age	20	25	30	35	40	45	50	55
Rates	Rate	0.00089	0.00069	0.00065	0.00086	0.00144	0.00264	0.00479	0.00844
Disability	Age	20	25	30	35	40	45	50	55
Rates	Rate	0.000089	0.000069	0.000065	0.000086	0.000144	0.000264	0.000479	0.000844

Sensitivity of assumptions employed in Gratuity Liability Valuation

The following table demonstrates the impact on the Defined Benefit Obligation and Statement of Comprehensive Income of the changes in the significant actuarial assumptions employed with all other variables held constant in the Employee Benefit Liability measurement.

Variable changed (while all other assumptions remain unchanged)	Present Value of Defined Benefit Obligation (Rs.)
One Percentage Point Increase (+1%) in Discount Rate	164,088,956
One Percentage Point Decrease (-1%) in Discount Rate	192,931,923
One Percentage Point Increase (+1%) in Salary Escalation Rate (including allowance)	193,154,276
One Percentage Point Decrease (-1%) in Salary Escalation Rate (including allowance)	163,677,383

Employee Data

Summary of the active Employee data is set out below

Age Group	No. of Employees	Total Monthly Salaries Rs	Average Past Service in years	Average Future Working Lifetime as per the assumptions made years
20 to 24	7	241,060	1.6	25.5
25 to 29	58	2,193,500	3.5	23.1
30 to 34	53	2,151,835	6.0	20.7
35 to 39	69	2,823,420	10.7	17.7
40 to 44	36	1,705,445	14.0	14.2
45 to 49	28	1,412,455	16.9	11.0
50 to 54	43	2,496,010	24.0	7.1
> 55	25	1,675,515	29.5	2.7
Total	319	14,699,240	12.6	15.8

Note - 23	2023	2022 - Restated
Deferred Tax Liability		
Balance at the Beginning of the Year	557,467,909	219,013,638
Charge/(Reversal) as Deferred Tax during the year	(167,975,898)	338,454,271
	389,492,010	557,467,909

Note - 24

JICA Loan - Government Capital Investment

SPMC received Japanese Yen 1,239,888,000 (Rs. 2,416,094,044) in 2018, under JICA funded Project between Japan International Cooperation Agency and the Government of the Democratic Socialist Republic of Sri Lanka for Improvement of Basic Social Services Targeting Emerging Regions (Loan Agreement No. SLP-105 dated 28th March 2012). This JICA Loan already included as a Government Loan of Sri Lanka. SPMC portion of this JICA funded Project for procurement of Equipment, Design Services, Building Refurbishment and Construction Installation and other services amounting to Japanese Yen - 1,239,888,000 as described below.

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

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

Note - 25

Trade and Other Payables	2023	2022 - Restated
Creditors Control - Packing Materials	48,943,051	45,766,600
Creditors Control - Raw Materials	44,383,924	40,554,200
Creditors Control - Stationery	4,058,194	623,980
Creditors Control - Equipment & Machinery	4,893,920	2,579,215
Creditors Control - Welfare	-	1,855,033
Creditors Control - General	409,031,466	408,482,568
Creditors Control - Bank	92,353,154	60,050,797
Creditors Control - Employees	4,413,901	4,525,824
Creditors Control - Services	11,348,245	9,684,956
Creditors Control - Joint Ventures	3,397,477,435	3,254,473,281
Employee Security Guarantee - Finance	11,194	10,882
Employee Security Guarantee - Stores	410,282	380,994
Bid Bonds Payable	34,311,367	31,970,121
EPF & ETF Payables - 28%	(2,432)	-
Salaries Control	46,355	-
Inventory Control - Loan taken	684,802	7,652,650
	4,052,364,858	3,868,611,101

Note 26

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	26,695,651,155
State Pharmaceuticals Corporation			
- Through Distribution	Customer	Sale of Goods	75,474,864
- Through Tenders	Customer	Sale of Goods	-
Distribution			2,560,592,672
			29,331,718,691

AUDIT REPORT





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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



MSU/C/SPMC/1/23/50

On 25th July 2024

Chairman
 State Pharmaceutical Manufacturing Corporation

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirement of the State Pharmaceutical Manufacturing Corporation for the year ended 31 December 2023 in terms of Section 12 of the National Audit Act, No.19 of 2018

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the State Pharmaceutical Manufacturing Corporation for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No.19 of 2018 and Finance Act No. 38 of 1971. In accordance with Article 154 (6) of the Constitution, my report will be tabled in Parliament in due course.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Corporation as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities under those standards are further described in the Auditor's Responsibility for the audit of the financial statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

1.3 Other Information Included in the Annual Report 2023 of the Corporation

Information, included in the Annual Report – 2023 of the Corporation anticipated to be provided to me subsequent to the date of this audit report, but not included in the financial statements and in my audit report thereon is called as the other information. Management is responsible for the other information.

My opinion on financial statements does not cover any other information and I do not express any kind of assurance or opinion on it.

In relation to my audit on the financial statements, it is my responsibility to read the other information identified above when such information is available and to consider in reading so whether other information is materially inconsistent with the financial statements or with my knowledge obtained during the audit or otherwise.

If I conclude that there are material misstatements when reading the Annual Report 2023 of the Corporation, those matters should be communicated to Those Charged with Governance for correction. If there are any further unrectified misstatements, they will be included in the report, which will be tabled in Parliament by me in due course in accordance with Article 154 (6) of the Constitution.

1.4 Responsibilities of the Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.



As per sub section 16 (1) of the National Audit Act No. 19 of 2018, the Corporation is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Corporation.

1.5 Auditor's Responsibility for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on

the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 Specific provisions are included in the following requirements of the National Audit Act, No. 19 of 2018.

2.1.1 I have obtained all the information and explanations necessary for the audit according to the requirements as specified in Section 12 (a) Section of the National Audit Act, No. 19 of 2018, and as far as appears from my examination, the Corporation has maintained proper financial records.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of Section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of Section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.2.1 To state that any member of the governing body of the Institution has any direct or indirect interest in any contract entered into by the Institution which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

2.2.2 To state that the Institution has not complied with any applicable written law, general and special directions issued by the governing body of the Institution as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for the following observation.



Reference to Laws, Rules and Regulations

Non-compliance

- (a) The Financial Regulations of the Democratic Socialist Republic of Sri Lanka
F.R. 103, 104, 105
- Even though inquiries had been conducted in terms of the Financial Regulations pertaining to a financial loss amounting to Rs.1,551,283 incurred in the manufacturing sector, action had not been taken to recover the loss incurred to the government.
- (b) Paragraph 2 of the Public Administration Circular No. 6/97 dated 03 February 1997.
- An officer had been appointed on acting basis for more than 05 years continuously for the post of Deputy General Manager Formulation and Research. In addition, two female officers had been appointed for the posts of Deputy General Manager Human Resources and Deputy General Manager Marketing on acting basis for more than a year. Even though applications had been invited in 04 occasions during the period of 2018 to 2021 for the two posts of Deputy General Manager Formulation, Research and Development and Deputy General Manager Quality Control, it had not been possible to recruit a suitable person.
- (c) 3.4 (X) of the Operational Manual for State Owned Enterprises (SOE) dated 16 November 2021 and Paragraph VI of Management Services Circular No. 02/2020 dated 26 October 2020
- Even though a formal succession plan should be prepared to fill the relevant vacancies when the employees of the approved staff retire, action had not been taken accordingly.
- (d) Paragraph 2.6 of the Circular, "Guidelines on Corporate Governance for State Owned Enterprises", bearing No. 01/2021 dated 16 November 2021
- The Corporation has not yet taken steps to recruit a Board Secretary.

- (e) Paragraph 7 (g) of Inland Revenue Circular bearing No: SEC/2023/E/01 dated 29 September 2023
- The Corporation had not taken steps to obtain a primary employment declaration and a dual employment declaration for the Members of the Board of Directors, and action had not been taken to deduct the advance personal income tax in relation to that.
- (f) Section 2.8 of the FIDIC Guidelines for the Selection of Consultants and Section 4.6 of the Guidelines for the Selection and Employment of Consultants of August 2007
- The agency providing consultancy services for the Penicillin Zone Expansion Project had not submitted the Professional Liability Insurance certificate to cover the risks arising from professional negligence.
- (g) Decision of the Board of Directors bearing No. BP/30/15 dated 04 June 2015 and No. BP/62/22 dated 22 September 2022
- Bicycle loans paid to employees had been increased from Rs. 20,000 to 75,000 without the approval of the Director General of the Department of Public Enterprises.
- (h) Agreement for joint venture
- (i) Section No. 5.2.4
- Although the investors should start the construction activities of their plants within 03 months after signing the agreement, the Corporation had not received confirmation on the readiness of 08 investors to supply the relevant products.
- (ii) Section No. 10
- According to the selected sample, the period of aforementioned performance security offered by the first selected private company to supply 978,587 vaccines valued at Rs.362,851,044 to the State Pharmaceutical Manufacturing Corporation had expired, and the Corporation had failed to review in that regard and extend the said performance security.



(iii) Section No. 2.1.1

Although the selected private institution had issued 4,111,111 shares equal to 10 percent of its share capital to the State Pharmaceutical Manufacturing Corporation, it had not been disclosed under the schedules of the Annual Report issued for the year 2022.

(iv) Section 1 of Schedule 1

The relevant parties have not conducted a price review for the vaccines provided by the selected private company from the second half of the year 2023 until now.

2.2.3 To state that the Institution has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.

2.2.4 To state that the resources of the Institution had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act No. 19 of 2018.

(a) In the procurement carried out to purchase 9000kg of Amoxicillin pharmaceutical ingredients under Order No. 20231556AA for the requirement of Amoxicillin pharmaceutical ingredients for the year 2023, the procurement committee had not considered the recommendation given by the technical evaluation committee, where the majority of the members were the officials in the State Pharmaceutical Manufacturing Corporation, and the recommendation of the Quality Assurance Division of the Corporation to procure 25kg initially, without importing the entire quantity of pharmaceutical ingredients at once, and to continuously check the structural stability of the products obtained and if the progress is successful, to import the remaining quantity. Due to the failure of the quality of the pharmaceutical ingredients purchased through the aforesaid procurement carried out expeditiously without checking the progress of pharmaceutical ingredients, the pharmaceutical ingredients remained idle in the premises of the Corporation for a period of 10 months until the date of audit in the year under review and the cost incurred for that purpose amounting to Rs. 104,844,337 had been uneconomical.

(b) Pharmaceutical ingredients had been supplied under 09 batches, contradictory to the 09 categories of pharmaceutical ingredients confirmed by the pre-sampling test as emphasized to be supplied by the contract award letter issued by the Corporation to the supplier under Order No. 20231556AA. Subsequent to receiving the pharmaceutical ingredients to the Corporation and entering them in the stock ledger, the Corporation had informed the

supplier on 07 September 2023 that the batch numbers of the supplied Pharmaceutical ingredients had not been matched with the batch numbers that the Corporation had checked the pre-samples and confirmed the quality. The Corporation had to receive a stock of pharmaceutical ingredients that had not been conformed with the Conditions as an internal control system had not been maintained to confirm the compliance with the relevant Conditions by conducting a pre-inspection before receiving the goods. The Officer-in-Charge had to issue a certificate that the supplied goods had been in conformity with the specifications and other agreed terms as per 8.12.3 (a) of the Procurement Guidelines, and such a practice had not been maintained in the Corporation when receiving the imported pharmaceutical ingredients to the Corporation.

2.3 Other Matters

- (a) The provision of US\$ 15,350,621 equal to Rs. 4,373,072,154 made in the year 2022 by the Treasury Operations Department (TOD) for the import of pharmaceutical ingredients with the objective of continuing the manufacturing activities of the pharmaceuticals by the State Pharmaceutical Manufacturing Corporation in view of the foreign exchange crisis in the year 2022 had not been utilized duly by the end of the year 2023.
- (b) The manufacture of pharmaceuticals of Rosuvastatin Tablets IP 10mg and Aspirin GR Tablets BP 75m, out of the 10 new pharmaceuticals introduced in the year 2022, had not reached the expected production progress in the year under review and the blister pack, which had the market demand, had not been produced due to the insufficient machine capacity. Therefore, 572 kg of pharmaceutical ingredients which had been purchased at the cost of Rs.14,315,960 with the expectation of manufacturing the relevant medicine, had remained idle during the year and it had not been planned to produce these two batches of pharmaceuticals even in the year 2024.
- (c) Even though about 25 new pharmaceuticals had been introduced (except Omeprazole Gr Capsules IP 20mg, Levothyroxine (Thyroxine), Atorvastatin, Flucloxacillin, Cetirizine BP 10mg, Diltiazem Hydrochloride Tablets USP 30mg) during the period of 2018 to 2023, those introductions had not contributed enough to the company's product mix as sufficient attention had not been paid to the continuous production and promotion of the newly introduced pharmaceuticals.
- (d) Even though the production of Clopidogrel Tablets USP 75 mg (500 Pack Size) had been introduced in the Corporation as a new medicine in the year 2020, the production of this medicine in the Corporation had failed due to the weaknesses in its product Formula and as a result, the dissolution of the medicine had not been conformed with the due



requirement. Even though there had been an opportunity to achieve a profit of 10 percent if the product formula had been developed and this medicine had been produced in the Corporation and supplied for the requirements of the Medical Supplies Division, action had not been taken accordingly.

- (e) The Corporation had incurred a loss of Rs. 15,265,626 in the year under review due to selling 10 pharmaceutical items that had been produced by the Corporation in the year 2023 to the private market (distributors) at a price less than the production cost of the pharmaceuticals.
- (f) The need to install an efficient cooling system that meets the cooling demand had been pointed out due to the inadequacy of the cooling system currently used in the Corporation and although the proposal had been approved by the Board of Directors of the Corporation, it had not been implemented until the end of the year under review. This had negatively affected the economical energy consumption of the Corporation.
- (g) Construction of a two-storied warehouse building on Kandawala road had been started in the year 2018 for storing the finished medicine stocks produced by the Corporation, and its construction had been stopped midway and a sum of Rs. 46,032,361 had been spent by 31 December 2023 for the construction of this building. The project had been restarted by the date of audit, and it had been in the bid evaluation stage. Due to the delay in the construction of this two-storied warehouse building by 06 years from the year 2018, the expected objectives had not been fulfilled. As a result, an expenditure of Rs.41,796,482 had been incurred in the year under review for obtaining storage facilities on hire basis to fulfil the storage facilities of the Corporation.
- (h) The purchase order had been issued to an institution for the purchase of 300,000 injection units of Tranexamic Acid Injection 500mg/5ml Ampoule for a total cost of Rs.27,735,000 at the rate of Rs.92.45 per unit for the General Order bearing No. 2023/SPM/N/R/P/000467 of the Medical Supplies Division. Although 300,000 units of vaccines had to be supplied to the State Pharmaceutical Manufacturing Corporation as per the given time frame, an extra time of 04 months had been taken to complete the said order. According to the decision of the price committee met on 06 April 2023, the price of this vaccine had been revised and as a result, the State Pharmaceutical Manufacturing Corporation had to pay an additional sum of Rs. 7,980,713 to the supplier for 30,540 injection units under Lot No. YA230012 that had been supplied with a delay by the private company.
- (i) Even though the Corporation had entered into agreements with 15 potential investors for the supply of pharmaceuticals in the years 2018, 2019 and 2021 under the proposal of initiating joint ventures between the State Pharmaceutical Manufacturing Corporation



and suitable private investors to expand the process of manufacturing pharmaceuticals locally, the Corporation had purchased pharmaceuticals only from 05 investors by the end of the year under review.

- (j) A private company had supplied Midazolam Injection BP 5mg Ampoule, which was a dangerous drug, in 7 instances based on the price of Rs. 330 per one unit of the injection, and although the price of this injection had decreased in the local market since May 2023, the National Medicines Regulatory Authority had purchased this injection at the maximum retail price of Rs.330 that had been fixed for this injection.
- (k) A quantity of 600kg of pharmaceutical ingredients for Chloroquine Phosphate BP worth Rs. 6,698,610 purchased in the year 2020 with the expectation of using it as a remedy for the Covid-19 pandemic situation and of which the shelf life had to be expired by 31 March 2025 had remained idle in the warehouse premises.
- (l) The Corporation had failed to prepare an age analysis for the balance amounting to Rs.2,368,675,503, receivable to the Corporation from the Medical Supplies Division by 31 December 2023 as it had not been possible to properly settle the invoices of the Medical Supplies Division.
- (m) Five hundred and thirty-five (535) items costed at Rs.370,965,843 and included in non-current assets as at 31 December 2023 had not been verified at the physical stock survey carried out in the year under review.
- (n) The approved number of employees of the Corporation as at 31 December 2023 had been 430, and the actual number of employees had been 328 and the number of vacancies had been 106. However, the number of vacancies had been 106 as at 31 March 2024 comprised of 25 posts in executive grades including 01 post of Head of Department for Quality Control Division, which is a very important Division for the production process similarly to the formulation, research and development Division, and 51 posts of non-executive grade and 30 posts of minor employees. Action had not been taken to fill these vacancies.
- (o) As recommended by the Official Committee appointed by the Cabinet of Ministers for the implementation of the proposed joint ventures, the quality control, management and technical support of the production process of the investor entered in to contract for the joint ventures shall be provided by the Corporation, and for that purpose, the said investor shall issue 10 percent of the shares in the business to the Corporation. However, 08 investors had not issued shares to the Corporation.



- (p) Although it had been planned to establish 05 manufacturing factories in the Lotus Pharma new manufacturing plant to cover the fundamental need for pharmaceuticals in the country, US\$ 13.1 million equal to Rs. 4,349.2 million had been estimated for the establishment of a factory for the production of oral solids (tablets and capsules) as the first phase of it after 03 years. Even though it had been stated according to the Board Paper BP/44/22 dated 20 October 2022 and the decision of the Board dated 07 October that the area of 20 acres had been sufficient to construct the 03 factories expected under this project, reasons for purchasing 65 acres by incurring a sum of Rs. 322.4 million had not been obvious. Although the Cabinet Appointed Procurement Committee met on 02 February 2024 had informed that a Comprehensive Feasibility Study should be carried out by covering all the fields related to the project within a period of 03 months from that date, the time allocated for that had expired even by 06 May 2024, which had been the date of audit. Although it had been expected to finalize this project in 03 years according to the five-year plan from 2022 to 2026, 02 years and 05 months have passed from the expected period of completion of the project by 15 May 2024, the date of audit and the physical progress of it had been zero.
- (q) A four-storied building located in Bulathsinghala area had been purchased in the year 2017 with the objective of establishing a public testing laboratory and a training school, and it had not been used for those purposes even by the year under review. Therefore, 30 auditorium chairs and 10 verandah chairs, which had been obtained for the said purposes, had not been used for 04 years and these items had been destroying.
- (r) Action had not been taken to recover from the joint ventures the value of Rs.884,136,286, charged by the Medical Supplies Division from the Corporation on the variation of unit prices of the pharmaceuticals for invoices related to the pharmaceuticals of joint ventures supplied to the Medical Supplies Division from the year 2018 to the year 2023 included in the Debtor DHS accounts of the Corporation and as Delivery Late Charges due to not supplying pharmaceuticals during the prescribed period.
- (s) The Corporation had no policy on what value an asset should be recognized as a fixed asset in the recognition of fixed assets.

W.P.C. Wickramaratne
Auditor General

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2.2.2

- (a) According to the request made by those officials in relation to the related financial loss, the Board of Directors have informed to recover an amount of Rs. 2,000.00 each per month for a period of 5 years. The above decision has been taken considering their experience, service period and the fact that the full amount had not been charged financially from them in the previous incidents. Accordingly, action will be taken to recover the amount from them.
- (b) The post of Deputy General Manager - Formulation, Research and Development became vacant on 19.04.2017. Therefore, applications had been invited on 04.10.2018 / 24.02.2019 / 08.09.2019 / 20.09.2020 and interviews had been held on 01.12.2021. Since there was no qualified person, it was not possible to recruit an officer for the post. Later, applications were called on 12.12.2021 also and there was no qualified applicant. Therefore, according to the decision of the Board of Directors, an officer has been appointed as follows to act in the post of Deputy General Manager - Formulation, Research and Development, which is a senior position of the Corporation.

- From 19.04.2017 to 30.06.2022
- From 01.07.2022 to 30.09.2022
- From 01.10.2022 to 31.12.2022
- From 01.01.2023 to 30.06.2023
- From 01.07.2023 to 31.12.2023
- From 01.01.2024 to 30.06.2024

An officer was recruited for the post of Deputy General Manager - Human Resources on 18.01.2022 and the said officer resigned on 01.12.2022. Therefore, the position became vacant from that date. Since this position is also a senior position, an officer has been appointed as follows according to the decision of the Board of Directors to act in that post.

- From 01.12.2022 to 28.02.2023
- From 01.03.2023 to 31.08.2023
- From 01.09.2023 to 29.02.2024
- From 01.03.2024 to 31.08.2024

An officer had been recruited for the post of Deputy General Manager - Marketing on 18.01.2022 and the said officer resigned on 13.10.2022, and the position became vacant from that date. Since this position is also a senior position, an officer has been appointed as mentioned below to act in the post with effect from 01.12.2022 as per the decision of the Board of Directors.

- From 01.12.2022 to 28.02.2023
- From 01.03.2023 to 31.08.2023
- From 01.09.2023 to 29.02.2024
- From 01.03.2024 to 31.08.2024

Moreover, a proposal to reduce the experience to be considered for HM 1-1 positions from 12 to 10 years in order to fill the vacancies quickly and due to the shortage of experienced applicants for these positions was also presented on 16.06.2023 in the discussion held with the Director General and the team of the Department of Management Services. It was said that the experience could not be reduced.

Furthermore, approval has been requested from the Department of Public Enterprises on 15.12.2022 to fill vacancies in the post of Deputy General Manager - Formulation, Research and Development, post of Deputy General Manager - Human Resources and Deputy General Manager – Marketing according to the National Budget Circular No. 3/2022 issued on Controlling Public Expenditure, and it was approved by the letter dated 22.03.2024. At present, arrangements are being made to conduct interviews for the post of General Manager for which applications have been invited, and it was decided in the meeting of the management committee of the Corporation that it is appropriate to invite applications for these positions immediately after making recruitment for the post of General Manager.

- (c) It has been scheduled to prepare a succession plan in the future.
- (d) A request was submitted to the Department of Management Services to revise the designation of Lega Officer as Legal Officer / Board Secretary to include the duties related to Board Papers and Board Meetings in addition to the duties mentioned in the job description of the legal officer position. According to the reply letter dated 31.05.2024 received for that request and the decision of the Board of Directors, the necessary activities are being carried out to fulfill the service requirement of the position of Board Secretary by an outsourcing institution.
- (e) A primary employment statement will be obtained from the members of the Board of Directors and tax will be levied in the future as per tax table number 07.
- (f) Since Meridian has provided a bank guarantee amounting to US\$ 50,000.00 as a professional liability insurance for the SPMC Lotus Pharma project and a performance bond amounting to US\$ 19,285.00, a separate professional liability insurance has not been obtained for this World Bank project.
- (g) A letter has been sent to the Director General of the Department of Public Enterprises regarding the relevant allowances and the approval has been requested to make all the revised payments. Arrangements will be made to get the approval for those allowances as soon as possible.

In particular, bicycle loans were given to employees who had no access to transport facilities of the Corporation during the Corona pandemic, and these bicycle loans are recovered with interest, and therefore, the Corporation can obtain a profit.

- (h)
- (i) We are monitoring the construction of the factories of the investors who have established joint ventures, and Greentrough institutions have already informed the Corporation to visit and view their factory construction.

- (ii) Even though the period of validity of the performance securities has expired, they cannot obtain its value without their true copies. Therefore, each such security was returned at least one month after the date of last supply of the respective item.

Copies of the securities with notes of returning of all the performance securities are attached herewith as Annexure-85.

Furthermore, attention has been focused on extending the validity period of the performance securities over the period of supply.

- (iii) Since the annual report for the year 2022 has been submitted to the Parliament, action will be taken to present this correctly in the annual report for the year 2023.
- (iv) Although several requests have been made to the office of the Health Secretary of the Ministry of Health by phone and in writing (Attachment-64) by requesting for the revision of prices in relation to Yadan Laboratories and other joint ventures related to SPMC, any response has not yet been received. Furthermore, a price committee meeting is being requested in this regard.

2.2.4

- (a) At least 06 months have to be spent for Accelerated Stability testing to test Amoxicillin finished product and the Amoxicillin finished product should be kept under the relevant environmental conditions for two years, which is the lifetime of the finished product of Amoxicillin, for Real Time Stability testing. The success of the progress can be checked thereafter.

The recommendation made by the Technical Evaluation Committee for a procurement to be carried out after such a long period of time was not a practical solution to the situation of zero stock of Amoxicillin pharmaceutical ingredients, which is being developed in the near future.

- (b) Even though batch numbers as confirmed by pre-sample inspections had been accurately indicated in all the pre-shipment documents checked and verified by the procurement entity, the supplier had shipped a stock with 09 batch numbers that were contradictory to 09 batch numbers of pharmaceutical ingredients indicated in pre-shipment documents checked and verified by the procurement entity.

2.3

- (a) Relevant rectifications have been made in the financial statements.
- (b) Aspirin AR Tablets 75 mg - There are several technical issues in this pharmaceutical item and the pharmaceutical item cannot be manufactured until the work is completed by the Formulation Development Division.

Rosuvastatin 10 mg - The art work of the aluminum packaging boxes required to introduce this pharmaceutical to the market as blister pack has been completed, and approval has been obtained and purchases have been made. Moreover, stability studies required for packing in Blister method have been completed and approval has been obtained. These activities take a

considerable time. It has been planned to release this pharmaceutical as blister pack in the year 2024 and the activities will be carried out in the months of June and July.

- (c) It is essential to obtain sufficient orders for the continuous production of newly introduced pharmaceuticals. Due to non-receipt of such orders, continuous production could not be carried out. Production capacity can be increased after receiving orders in the future.
- (d) Research is underway to correct the weaknesses in the product formula. We hope to complete this development work as soon as possible and produce this pharmaceutical in our corporation. (Clopidogrel Tablets USP 75 mg)
- (e) Products sold to the private market (distributors) may in some cases be sold at a lower price than the total cost. That is, if we do not supply the market at a price equal to or lower than the current market prices in competitively marketing our products with the various brands of pharmaceuticals in the market, we will not be able to sell our pharmaceuticals and the pharmaceuticals may be expired and have to be destroyed. Moreover, the prices of these pharmaceuticals are determined based on the cost sheets related to one month and those prices are maintained for a period of 6 months. As there is no fixed cost system in our corporation. There is a situation where our cost sheets change throughout the year. The cost takes a different value in every month of importing the pharmaceutical ingredients. However, the audit has considered only the cost of one month and taken it as the basis. Moreover, in selling pharmaceuticals competitively in the market, we try to sell most of our pharmaceuticals with profits and we try to sell most of the pharmaceuticals mentioned in the annexure by covering at least the variable cost or by even covering the costs of pharmaceutical ingredients and labour cost. If not, we could lose our market as well as our pharmaceuticals may be expired and have to be destroyed and written off from profits. Arrangements will be taken to expeditiously increase the prices of the relevant pharmaceuticals mentioned in the annexure and to submit them to the market.
- (f) Project to install a new cooling system

The following are the delays in the implementation of the process of obtaining procurement approvals required to appoint a consulting company for this project according to the decision of the Board of Directors dated 20.04.2021 given for the Board paper submitted by M/s. Sri Lanka Energy Managers Association, which was the institution that had carried out the energy audit in 2019, seeking the approval to implement the project by that institution itself.

- According to the approval of the Board of Directors, the General Manager directed the appointment of M/s Sri Lanka Energy Managers Association as the consulting body to the Planning and Procurement Division on 16-05-2021.
- Accordingly, the Procurement Division had requested proposals from that institution, and they have provided their proposal by indicating a sum of Rs.3,492,750.00 as the charges for that to the Procurement Division on 16-06-2021.
- While seeking approval for this proposal, it has been referred to the Departmental Procurement Board subsequent to recommending to appoint a committee for further evaluation by the report of the Technical Evaluation Committee dated 29-06-2021.

- The Departmental Procurement Board has appointed a five-member committee for this purpose on 07-07-2021.
- The said committee has mentioned by submitting their report on 15.09.2021 that the Technical Evaluation Committee has the experience and expertise for this task and the Committee should take action as per the approval granted by the Board of Directors to appoint the consultancy institute.
- Technical Evaluation Committee has forwarded their recommendations to the Procurement Committee on 20-01-2022 to appoint M/s Sri Lanka Energy Managers Association as the Consultancy institute under a charge of Rs.3,492,750.00.
- The procurement committee gave its approval for this on 28.01.2022, and accordingly, the tender for appointing the consultancy firm was awarded on 11.02.2022.

Matters have been submitted in detail in this regard to the audit query MSU/A/SPMC/I/2021/AQ 11.

Accordingly, M/S Sri Lanka Energy Managers Association, the selected consultancy company, and the technical committee of the Corporation negotiated and finalized the design of the system as indicated below.

Date	Description
16.03.2022	The consultancy company presented their explanation regarding the relevant work.
18.05.2022	Even though the cooling load in the year 2019 had been 385 RT, it was revealed that it has increased up to 499 RT by the year 2022. Accordingly, the relevant plans are being prepared.
02.09.2022	Designing and related drawings, Tender Document, BOQ were reviewed.
11.10.2022	It was decided to appoint engineers related to the respective subjects as TEC members.
04.11.2022	Tentative project time frame and finalization of bidding documents.

Matters have been submitted in detail in this regard to the audit query MSU/A/SPMC/I/2022/AQ 02.

As indicated above, the consultancy firm had finalized the preparation of the necessary Bidding Document and Specifications for the selection of a contractor and the following tasks were carried out for the procurement activities of this project.

Date	Description
2022-10-13	Letter submitted by requesting to appoint Mechanical and Electrical, Civil Engineers as committee members for Technical Evaluation Committee (TEC) of the Procurement Board of the Ministry.

2022-11-18	Review and revision of bidding documents.
2022-11-28	The letter sent by the Ministry by appointing the members for the technical evaluation committee.
2022-12-12	The letter for informing the holding of the meeting of the Technical Evaluation Committee on 14-12-2022.
2022-12-19	The letter for informing the holding of the meeting of the Technical Evaluation Committee on 22-12-2022.
2022-12-23	Submitted to separately obtain the comments and observations of the members of the technical evaluation committee regarding the bidding documents and the newspaper advertisement.
2022-12-28	Comments and observations of the Director of the Ministry of Finance were given.
2023-01-04	It was submitted to obtain the approval of the Department of Public Enterprises of the Ministry of Finance for budget allocations.
2023-01-18	Comments and observations of the Electrical Engineer were given.
2023-01-24	Comments and observations of the Mechanical Engineer were given.
2023-01-24	The comments and observations of the aforementioned members of the technical evaluation committee were presented to the consultancy firm.

After submitting the comments and observations of the members of the technical evaluation committee to the consultancy firm, the following tasks were carried out.

Date	Description
2024-03-13	The bidding documents edited by the consultancy firm were again submitted to the Technical Evaluation Committee of the Ministry and the consulting firm provided the revised bidding documents according to the comments made at the Technical Evaluation Committee of the Ministry.
2023-03-14	Those bidding documents were forwarded to the members of the Technical Evaluation Committee of the Ministry via e-mail.
2023-03-17	The letter of approval for the SPMC capital budget utilization for the year 2023 has been forwarded to the Chairman of the Technical Evaluation Committee of the Ministry by the letter dated 17-03-2023.
2023-03-28	The Technical Evaluation Committee of the Ministry met on 29-03-2023, and the officials of the committee further discussed regarding the technical and civil parts of the tender document.
2023-05-03	The approval of the Department of Public Enterprises of the Ministry of Finance was granted for the budget allocation.

2023-05-04	The revisions of the technical and civil sections of the bidding document were edited by the consultancy firm and the bid documents were again submitted to the Technical Evaluation Committee of the Ministry.
2023-05-15	The Technical Evaluation Committee of the Ministry met on 15-05-2023 and the bidding documents were recommended for approval of the Procurement Board of the Ministry for inviting bids through newspaper advertisements.
28-07-2023	In view of the increased cooling capacity compared to 2019 when the procurement was initiated by the consultancy firm and the foreign exchange rates following the financial crisis in the country, the engineering estimate was revised as Rs. 699 million and submitted. Accordingly, it was submitted to the Ministry of Health to revise the budget allocation for the year 2023.
02-08-2023	The Ministry of Health submitted it to the Ministry of Finance to get the approval for the revision of budget allocation.
21-08-2023	Ministry Procurement Committee "A" has recommended to submit this procurement to Standing Cabinet Appointed Procurement Committee (SCAPC) and to get its approval as this procurement exceeds Rs. 500 million. The comments and observations of the aforementioned members of the technical evaluation committee were presented to the consultancy firm.
05-09-2023	The Department of Public Finance has appointed the Technical Evaluation Committee for the Standing Cabinet Appointed Procurement Committee.
11-09-2023	The Ministry of Health has informed the Technical Evaluation Committee that the bidding documents must be provided to submit them to the Standing Cabinet Appointed Procurement Committee (SCAPC) before 25-09-2023.
21-09-2023	Mr. K.D.N.D. Kuruppu, the Civil Engineer of the Ministry of Health was appointed for Mrs. S.P. Senaviratne, the Civil Engineer of the Technical Evaluation Committee.
23-10-2023	Technical Evaluation Committee met on 23-10-2023 and recommendations were again made to revise the bidding documents.
31-10-2023	The bidding documents corrected by the consultancy firm were emailed to the Chairman of the Technical Evaluation Committee to provide them to the members of the Technical Evaluation Committee.
24-11-2023	It was instructed to follow the "Major Contracts" CIDA Publication No. CIDA/SBD/102, March 2023 Third Edition instead of "Major Contracts" CIDA Publication No. CIDA/SBD/02, 2009 Second Edition followed so far and accordingly, the revised bidding documents were provided by the Consulting Firm.
2023-11-27	The reminder made by Additional Secretary- Procurement, of the Ministry of Health to the Chairman of the Technical Evaluation Committee for submitting the drafted bidding documents.

2023-12-22	The Chairman of the Technical Evaluation Committee had submitted the report of the Technical Evaluation Committee and the drafted bidding documents to the Additional Secretary - Procurement, of the Ministry of Health.
2024-02-05	The Standing Cabinet Approved Procurement Committee (SCAPC) met on 02-02-2024 approved the bidding documents and accordingly, the Additional Secretary - Procurement, of the Ministry of Health informed to publish the newspaper advertisement.

I would like to inform you that the delay in the pre-procurement process is beyond our control and I will make arrangements to accurately select the most appropriate contractor for this project by implementing the procurement guidelines, and to achieve the economical energy consumption of the Corporation as soon as possible.

The fact that the weaknesses in the existing cooling system had been pointed out in the observation report made by NMRA is a completely wrong observation. They have mentioned that there is a Standard Operating Procedure (SPMC/SOP/ENG/005) for the cleaning and replacement process of Air Handling Unit -AHU and HEPA filter integrity should be checked in accordance with that, and but, it is not in place due to central HEPA filters of old HVAC system.

Here we have specified that HEPA filter integrity should be checked for the Standard Operating Procedure (SOP) as this cleaning and replacement process should be carried out in a manner that it will be appropriate as well for the system that will be installed in the future. NMRA has not made recommendations to rectify it promptly. That is, even if this new cooling system is installed, there is no need to change the existing Air Handling Unit -AHU. The existing Air Handling Unit -AHU can be used for several years further.

(g) Two-storied warehouse building for storing finished pharmaceuticals in Kandawala

In the year 2017, our production capacity had been increased after the JICA project for expansion of production and accordingly, the construction of this building was started for the storage requirement. The construction has been awarded to the contractor selected under design and build. The scope of work and soil investigation report were given and accordingly, they prepared the plans and started the construction.

Meanwhile, our company had to undergo financial difficulties as the Ministry of Finance delayed to provide the outstanding balance (2018 outstanding balance -Rs 445.80 million and 2019 outstanding balance -Rs 1482.40 million) to be recovered from the Medical Supplies Division of the Government, which was the main buyer of the products of the Corporation's products in the years of 2018 and 2019. Due to the delay in making the following payments, delays in the construction had been occurred during the implementation of this project.

- Even though the payment of the advance of 20%, out of the contract value, as the first payment to KSJ Construction Pvt Ltd, the contracting company had been submitted to the accounts department on 18-05-2018, the payment had been completed after 7 months i.e., on 12-2018 07 due to the above reason.
- The first bill (Interim Payment No. 1) had been submitted in January 2019, but the payment had been made with a delay of about 6 months.

Meanwhile, according to a policy decision made by the Government came to power in the year 2019, our corporation introduced new products to the country under the concept of “new medicine for a new country”, which was a concept of the State Minister of Pharmaceuticals Production, Supply and Regulation.

The factory has to be expanded to meet this requirement. The Management identified the ground floor of the E zone building, where the Marketing Division is being maintained currently, as the most appropriate place for this purpose. We had decided to establish the Marketing Division in the two-storied warehouse building, which had been constructed in the land bearing No. 105, after the completion of work in the building, and to develop the vacant space thereafter as a new factory. It was decided to change the original plan of the previously planned warehouse building and prepare the building plans according to the new requirements and to consider the storage capacity according to the increasing production capacity.

The assistance of the Central Engineering Consultancy Bureau (CECB), which is an institution related to the government construction, was obtained for this. Accordingly, they take action to analyze the design of the steel structure of this building. In addition to their recommendations, it was recommended to verify the base. Accordingly, a further report was obtained from M/S Soil Matter Pvt Ltd, which had conducted the soil investigation. Accordingly, the construction company agreed to carry out the project in accordance with the new plan at the same BOQ Rates that the tender had been awarded.

Moreover, the construction work had to be stopped temporarily due to various obstacles caused by the Covid pandemic situation.

Furthermore, due to the large price increase in the construction industry in the year 2022, the contracting company submitted a detailed analysis report for recommending the compensation for the project overruns due to prevailing market condition of Sri Lanka and then a revised BOQ was submitted on 13.09.2021 for carrying out the balance work.

It was submitted to the Ministry Procurement Committee for carrying out the balance work as per the revised BOQ, and the Ministry Procurement Committee "A" has made the following recommendations for that.

1. To identify the requirements of the Corporation and to submit the revised BOQ to the Consultancy Firm (M/S CECEB) and to obtain the consultant's review estimate with the clients' requirements.
2. To submit for the approval of Department of National Planning/Ministry of Finance after obtaining the approval of the Board of Directors.

Accordingly, the Consultancy Firm prepared plans according to our requirements and they were submitted to the Ministry of Health on 28-07-2023 for the revision of the budget allocation for the year 2023.

Since this procurement exceeds Rs. 500 million, the approval should be obtained by submitting it to the Standing Cabinet Appointed Procurement Committee (SCAPC). Accordingly, revisions were recommended by the Ministry Technical Evaluation Committee for the bidding documents prepared by M/s CECEB, the consulting firm, and they were submitted on 20-11-2023.

After making the revisions, indicated by the Technical Evaluation Committee of the Ministry, by the consultancy firm, they were submitted to the Standing Cabinet Appointed Procurement Committee (SCAPC) held on 02-02-2024. Accordingly, the Additional Secretary-Procurement approved the bidding documents and informed the Procurement Division of the Corporation to publish newspaper advertisements.

According to the above facts, not properly conducting the feasibility study for the project and stating that the work has been stopped midway due to the weakness of the soil of the land and the changes made to the design were incorrect observations and we have prepared the plans as per the requirement of the Corporation and carried out the construction through the procurement process.

According to the above facts, it is a wrong observation that the work has been stopped in the middle due to the failure of the feasibility study for the project, due to the weakness of the soil and changes in the design, and we have prepared the plans and carried out the construction through the procurement process as per the requirement of the corporation.

Until this construction is completed and utilized, it is compulsory to rent out warehouses outside our warehouses to store our products and the finished pharmaceuticals produced by our joint venture companies and the prices payable for warehouses have also increased due to the increase in our production capacity.

- (h) The Medical Supplies Division had provided a purchase order dated 22/11/2022 to our company for Tranexamic Acid injection 500mg/5ml manufactured by Yaden Laboratories (Pvt) Ltd, a joint venture company of the SPMC, and it has been requested to supply the entire order mentioned therein, that is, all 300,000 ampoules on 01 January. Accordingly, Yaden Laboratories (Pvt) Ltd supplied 70,000 units of this item on 27 January 2023, and they had manufactured the stock in December 2022.

Furthermore, this manufactured item has been produced in the months of January, February and March 2023 and, the balance quantities, except for the quantity of 30540 units of the total order, have been supplied from January to March. Moreover, this joint venture company had notified us in March 2023 that it had not been possible to supply the above-mentioned 30540 units as scheduled.

Therefore, Yaden Laboratories has forwarded the invoice, related to the balance quantity of order, to us on 12.07.2023 and made arrangements to supply the relevant stock to the Medical Supplies Division.

However, since there was no methodology to identify such late supplies in the ERP system that we are currently using for invoicing, requests have been made through the IT department of the Corporation to EWIS, which currently manages the computer data system of our institution, to update this computer data system to get those facilities. Since it is expected that the necessary facilities will be provided to this information system in the future to obtain the above information, we hope that it will be easier in the future to identify how such situations will affect prices if aforementioned supply variations occur.

- (i) In the year 2023, the following 05 investors, out of the investors who have established joint venture companies with the Corporation, have supplied medicines to the Medical Supplies Division.

1. Diyatha Pharmaceuticals & Healthcare (Pvt) Ltd.
2. Glosante (Pvt) Ltd.
3. Celogen Lanka (Pvt) Ltd.
4. Sands Active (Pvt) Ltd.
5. Yaden Laboratories (Pvt) Ltd.

- (j) Even though the State Pharmaceutical Manufacturing Corporation had taken action to revise the prices of pharmaceuticals provided by all of these joint venture companies in 6 months as scheduled, and though the Secretary of Health had requested a price committee meeting during the past period, the opportunity has not yet been provided and after a price committee meeting is held in the future, the prices of all the items will be revised.
- (k) In the year 2020, the Covid-19 pandemic spread very acutely and the pharmaceutical called as Chloroquine Phosphate BP 250mg was recommended to be used for Covid-19 pandemic all over the world. We were able to produce five million Chloroquine Phosphate BP 250mg tablets within a very short period of time using the stock of pharmaceutical ingredient namely, Chloroquine Phosphate that we had at that time and to deliver that to the Medical Supplies Division to be used for the needs of the country.

The demand for this pharmaceutical ingredient namely, Chloroquine Phosphate had been very high in the world market with the recommendation to use the pharmaceutical called as Chloroquine Phosphate for the Covid-19 pandemic, and believing that our corporation was responsible for providing this pharmaceutical for the people of Sri Lanka, we made arrangements to promptly procure a quantity of 600 kg of this pharmaceutical ingredient as per the instructions of the Medical Supplies Division. This procurement had been done with the noble aim of fulfilling the mission that we have to accomplish for the people of the country in such a pandemic situation.

However, this pharmaceutical had not been used as expected, and this stock could not be used.

IPCA Laboratories – India (19/01/2021, 27/02/2023) has been informed to look into the possibility of re-exporting this stock. Moreover, it has also been requested to look into the possibility of giving this stock or its products to United Nations Children Fund – Thailand (29/06/2020).

Furthermore, requests have been made to the Additional Secretary (Health Services) of the Ministry of Health to coordinate to provide this stock of manufactured pharmaceuticals or pharmaceutical ingredients to a local or foreign party if such a party requires the stock, and we have been informed that the possibility of providing the stock to a Fiji Island as a donation is being explored. Currently, those coordination activities are going on.

- (l) A significant number of written requests have been made to the Medical Supplies Division throughout the year 2023 to take action in relation to the unsettled bills and the said written requests can be submitted for audit and the relevant officials of the Department of Health Services have been constantly made aware of the related information held by the State Pharmaceutical Manufacturing Corporation. However, a clear solution has not been provided for that.

- (m) Relevant rectifications have been made to the financial statements.
- (n) Recruitments were limited according to the National Budget Circular No. 3/2022 issued on the Control of Public Expenditure, and the approval of the Board of Directors and the Department of Public Enterprises to make all the recruitments. Moreover, action is being taken to recruit persons for the new posts, for which approval had been granted, and the posts, of which the schemes of recruitment have been approved. The details of those vacant posts are attached herewith.
- (o) The rest of the joint venture companies have not issued shares as they have not started their production process since they are still completing their factories. Action will be taken to obtain 10% stake of shares immediately after completing their factories and after starting their production process.
- (p)
- i. Due to the collapse of the economy of Sri Lanka in the year 2022 as a result of the Corona pandemic, a background, where foreign banks refused to issue performance securities through local banks, had been created. After informing this firstly to us by the Consultancy Firm by a letter of Canara Bank, the related consulting firm has taken steps to credit the money of the performance security to the account of the Corporation. The mentioning of "Bid Bonds Payable Performance bond for Millewa land" should be corrected as "Performance Bond for Millewa land" in the receipt number 202203765 issued by the Corporation for the money transfer to Meridian Engineers and Consultancy Services, the consulting firm. The security (USD 50,000.00) offered by Canara Bank, an Indian bank mentioned in the audit query, has been offered as a liability insurance.
 - ii. There is no need to obtain a bid bond in the procurement process of selecting a consultancy firm. A value of USD 50,000/- for professional liability insurance and a bank insurance certificate valid till 24 March 2025 was submitted through Canara Bank. The relevant (USD 19,285.00) Rs. 6,942,500/- mentioned in the audit query and remitted was the value exchanged as explained in the aforementioned reply as a substitute security for the Performance Security Certificate. Indicating that as Bind Bond was a misunderstanding. The description in the receipt No. 202203765 issued for that money transfer should be corrected as Performance Bond for Millewa land. Apart from that, the documents submitted for performance security and liability insurance in questions i and ii have been considered by mismatching the documents and the query has been referred.
 - iii. Finally, it was decided to carry out this consulting service only for the functions of Review and Evaluation of Design and Contract Proposals, Advice the Client on Technology Transfer. It was decided to hand over the designing activity of the manufacturing plant of the project to

the contractor. After that, the title has been maintained as Review and Evaluation of Design and Contract Proposals, Advice the Client on Technology Transfer at the time of publishing the advertisement for the invitation of bids in newspapers, which was the initial stage of the procurement process.

Accordingly, obtaining the service of designing part has been removed from the consultancy firm from the time of calling for bids.

The total bid amount raised by this contractor valued at USD 386,100/- was for the consultancy activities of the 03 proposed manufacturing plants viz, Oral Solid Dosage (General Products), Oncology Drugs, Orthopedic and Neurosurgical Implants. It had been planned to complete the payments for consultancy work of each manufacturing plant under 14 phases.

Furthermore, the full contractual amount of USD 386,100/- has not been paid to the consultancy firm and only USD 90,000/- has already been paid only for the completed works.

- iv. Although this project was expected to be completed according to the relevant plans, the requirements related to it had to be met during the procurement process and finally there were 9 institutions that expressed their interest for the construction of an Oral Solid Dosage manufacturing factory under this project. The approval was obtained from The Standing Technical Evaluation Committee (STEC) and the Standing Cabinet Approved Procurement Committee (SCAPC) to invite bids from the 9 institutions for the construction of this factory. Among them, only two institutions had submitted bids, and when they were referred for evaluation, both of them failed to meet the minimum technical requirements and their bids were rejected by STEC and SCAPC. The financial feasibility report made at the commencement of the project was valid only for 3 years. Because of that and due to the economic collapse in Sri Lanka due to the Corona pandemic, the Cabinet Appointed Committee has decided to conduct a full feasibility study related to this project. After that, it has been intended to carry out the project successfully.
- v. Due to the high local demand for essential pharmaceuticals, it was proposed to get the contribution of this project to supply pharmaceuticals through government intervention. This project has been carried forward up to this moment with the intervention of the Secretary of the Ministry of Finance and as per the approval of the Cabinet of Ministers, and the work has been carried out under the guidance of the steering committee of the project. As this Corporation is already engaged in pharmaceutical manufacturing, only a financial feasibility study has been submitted for approval when the project was originally proposed. Later, due to the economic instability of the country, the Standing Cabinet Approved Procurement Committee (SCAPC) has decided to conduct a full feasibility study.

- vi. Even though the decision of the Standing Cabinet Approved Procurement Committee (SCAPC) was given on 02 February 2024, it was formally received on 01 March 2024. After that, a request to appoint a procurement committee for this purpose was made on 04 March 2024, and as a successful response for that, a committee was appointed on 10 April 2024.

The committee is currently in the final stages of preparing the documents related to inviting for bids as per the procurement guidelines.

- vii. The State Pharmaceutical Manufacturing Corporation was established in 1987 as a donation from the Japanese government with an initial capacity of 550 million tablets and capsules. This capacity was planned to be expanded to 3000 million tablets and capsules under the second phase of JICA assistance in the year 2012 and the project was completed in the year 2018. Accordingly, we have achieved our production capacity as mentioned below.

31 December 2019: - 2400 million tablets and capsules

31 December 2020: - 3015 million tablets and capsules

31 December 2021: - 3040 million tablets and capsules

31 December 2022: - 3302 million tablets and capsules

According to the second phase of the aforementioned production capacity expansion project of JICA, the maximum capacity of 3000 million tablets and capsules was planned to be produced in the year 2023. However, we were able to pass the target of 3000 million tablets and capsules in the year 2020 itself due to the hard work of all the employees in the face of the Covid pandemic prevailed at that period.

Accordingly, with the increase in production capacity, after obtaining the approval of the National Medicines Regulatory Authority (NMRA), our Formulation Development Division prepared plans to launch new drugs and to produce more drugs imported into the country. However, we realized that we had no capacity to manufacture newly introduced pharmaceuticals as we are manufacturing pharmaceuticals at the maximum capacity.

Accordingly, a proposal to increase the local supply of medical goods in Sri Lanka was made by the State Pharmaceutical Manufacturing Corporation, and the proposal was referred to the then Secretary of Health by the letter dated 11-04-2020. Accordingly, the Secretary of Health appointed a committee consisted of the following 08 members to develop the capacity of the State Pharmaceutical Manufacturing Corporation to increase the production of pharmaceuticals in the country.

1. Mrs. Kanthi Gunawardena - Additional Secretary (Administration 1) - Chairman
2. Dr. Uthpala Indrawansa - Chairman, S.P.M.C. - Member
3. Mrs. Sujeeva Jayasundara - General Manager, S.P.M.C. - Member
4. Mr. G.G. Weerakkody - Mechanical Engineer, Former Deputy Municipal Commissioner - Member
5. Dr. Jayaruwan Bandara - Director, Medical Research Institute - Member
6. Mrs. W. D. Wijeratne - Former Chief Financial Officer, Ministry of Lands - Member
7. Mr. M.M.C.I. Herath - Director Buildings (Engineering) - Member
8. Mr. Manjula Gunawardena - Sri Lanka Institute of Nanotechnology - Member

The committee studied this matter and identified the batches of essential pharmaceuticals that were being imported to our country and gave a report in this regard. It has been identified that pharmaceuticals were imported by incurring a large cost, and these pharmaceuticals can be produced locally and foreign exchange can be saved for our country, thereby it was possible to provide high-quality pharmaceuticals to the people at affordable prices.

Here, 5 categories of pharmaceutical manufacturing plants were identified, and it was proposed to start 3 manufacturing plants in the first phase and to plan the other manufacturing plants under the second phase. In this connection, the approval of the Board of Directors was obtained for 5 manufacturing plants.

Phase 01

01. Manufacturing plant for Orthopedic & Neuro Surgical Implants
02. Manufacturing plant for Oncology Drugs
03. Manufacturing plant for Oral Solid Dosage

Phase 02

01. Manufacturing plant for Cardiac Stents
02. Manufacturing plant for Intra Ocular lenses

Moreover, I made a formal presentation at the discussion held on 05.07.2020 with His Excellency the President, the Secretary to the President, the Secretary of the Ministry of Finance, and the Chairman of the State Pharmaceutical Corporation (SPC) regarding the production of pharmaceuticals. His Excellency the President and the participants of that discussion have understood the matters and highly appreciated them. His Excellency the President has informed Mr. P.B. Jayasundara, the Secretary to the President, to take action to provide a land from the Urban Development Authority to establish these manufacturing plant.

Mr. P.B. Jayasundara, Secretary to the President has informed Mr. Nimal Perera, the Secretary of the Urban Development Authority to give a suitable land to SPMC for this purpose. Accordingly, a number of meetings were held in this regard, and a suitable land was searched for us in the Colombo area. There, a 15-acre land belonging to the Kotelawala Defense University and a land related to the Ministry of Irrigation were recommended, it was decided that those lands were questionable lands and were unsuitable due to the existence of unauthorized constructions.

In parallel to this, the Urban Development Authority had informed us that there was a land in extent of 800 acres in Millawa area of Horana. We were informed that the land consisted of five clusters and one part has been set aside for establishing Welikada Prison and another part has been set aside for a university and we were informed to observe the land and to see if it is suitable.

We selected the main cluster and the smallest cluster, of the above 5 clusters, in extent of 65 acres 17.66 perches (26.3492 hectares) close to the main road. In selecting this piece of land, it was also taken into consideration that Navesta, a private pharmaceutical manufacturing factory, was located nearby. In other words, in carrying out this project, we considered that having a factory related to the production of pharmaceuticals nearby would also be convenient in obtaining the approvals of the Environmental Authority.

Moreover, the matters such as this land was of commercial value, and the location of this land as well as the presence of a 5-acre portion on one side of the main road and a 60-acre portion on the other side made it suitable for the implementation of Good Manufacturing Practices (GMP) and standards in the future were also considered in the selection of this land in extent of 65 acres.

Furthermore, this land was selected considering that there was enough space not only for the construction of these 5 proposed manufacturing plants, but also for expanding the production in the future. That is, more manufacturing plants as well as storage facilities, employee dormitories, welfare centres etc. are required for this premises. At the time of establishing our Ratmalana manufacturing plant in 1987, 4 acres of land was used, but after the implementation of production expansion projects as well as the construction of warehouses, there was no enough space in this land and there is no space available for further expansion of the manufacturing plants. We have considered that too.

Rough plan of 65 acres of land

A - Oncology Plant
B - Administration Block
C - Orthopedic Implants Manufacturing Plant
D - Oral Solid Dosage Plant
E - Pharmacology Technical College & hostels
F - Centralized RM/Finished Goods warehouse
G – Staff Housing



After selecting this land by us, the then Prime Minister as well as the Minister in charge of the Ministry of Urban Development and Housing (Mr. Mahinda Rajapaksa) has granted approval for this by submitting a cabinet memorandum under the heading of, "Leasing out a piece of land from the Millawa area of Horana to Sri Lanka State Pharmaceutical Manufacturing Corporation" bearing No. 21/1380/306/070. That is, this land was owned by the government and it was leased out to us at a price lower than the assessed value of the land, and accordingly, the approval of the Cabinet of Ministers has been granted to provide this land to the State Pharmaceutical Manufacturing Corporation subject to the tax value of Rs 296.90 million and an annual nominal ground rent (Rs. 25,000.00) assigned by the Chief Government assessor for a lease period of 99 years.

In that way, it is a great opportunity for SPMC to be able to get this land at a price lower than the assessment value of the Government and it is a very valuable investment.

After acquiring this land to us in the year 2022, before starting the construction of the manufacturing plants, a lot of work has to be carried out for this project as mentioned below.

- Hiring a consultancy firm
- Designing of construction of manufacturing plants
- Obtaining relevant approvals as per procurement guidelines
- Selection of a contracting company for construction and preparation of necessary documents for that
- Obtaining certificates in accordance with the recommendations of the Environment Authority and updating them
- Survey work for proposed construction

As well as the above activities, we have to carry out the project in the face of crisis conditions that our country has not faced so far. Therefore, indicating that the land has been idle when many works that should be carried out before the construction of manufacturing plants in the land were being carried out is unacceptable.

The documents for Request for Proposals (RFP) prepared for the Oral Solid Dosage Plant were revised by the Standing Technical Evaluation Committee (STEC). After obtaining the approval of the Standing Cabinet Appointed Procurement Committee (SCAPC) for these Request for Proposal (RFP) documents, Request for Proposals (RFP) will be issued to the bidders (9 bidders have expressed their interest), who have submitted their Expression of Interest (EOI) for Oral Solid Dosage Plant. Accordingly, after STEC evaluates their proposals, they will be submitted to obtain the SCAPC approval. The construction activities of the Oral Solid Dosage Plant will be awarded to the bidder, who meets the highest qualifications.

Moreover, soil investigation is currently being carried out at the construction site.

The approval of the Board of Directors was obtained to recruit to the posts of Project Co-Ordinator and Project Secretary on contract basis to commence and operate this project. Moreover, a position of Legal Advisor was created for the legal affairs of the Corporation and the legal affairs of this project and the approval of the Board of Directors was also obtained for this. Accordingly, recruitment has been made for the 3 posts.

Simultaneously, the letter No. SPMC/HR/Cadre/2021/21 dated 14.09.2021 was referred by the Secretary of the Ministry to get the approval of the Department of Management Services and the Department of Management Services has informed that it was not possible to agree to that by the letter bearing No. DMS/1754/ SPMC/2020 dated 22.11.2021.

However, action has been taken to make a request again from the Department informing that it was required to make these recruitments to carry out this project.

The relevant allowances have been paid for these officers based on the approval of the Board of Directors and the Management Services Circular No. 01/2019.

It is appropriate in all respects to produce pharmaceuticals locally as much as possible to face the current situation in the country. (To be able to produce high-quality pharmaceuticals with affordable prices, to be able to save foreign exchange that is paid to foreign countries, to be able to create new job opportunities...) Therefore, a minimum number of staff members is required even at the initial stage of this project to make this project for constructing manufacturing plants in Millawa area of Horana a success.

Accordingly, the Cabinet of Ministers has approved the post of Project Co-Ordinator for the Project Management Committee. Legal advice is essential when undertaking such projects. Therefore, since there had been no permanent post of lawyer in SPMC at that time, a Legal Advisor had been recruited to SPMC on contract basis with the approval of the Board of Directors, and the

Legal Advisor, who is currently employed in SPMC, has also been selected for the Lotus Pharma project in Millawa area of Horana. We have obtained the services of Legal Advisor for both the legal advisory functions of the State Pharmaceutical Manufacturing Corporation and the legal advisory functions of the Lotus Pharma project in Millawa area of Horana.

The position of Project Secretary is also essential in such a project. Therefore, recruitment was made to the position of Project Secretary on contract basis subject to the approval of the Board of Directors to commence and carry forward this project. Accordingly, steps have already been taken to obtain the approvals of the Department of Management Services for all these 3 positions [Project Co-Ordinator, Legal Advisor and Project Secretary] for the successful completion of this pharmaceutical production project, which is a national requirement.

Newspaper advertisements have been published on 27 February 2022 subject to the pending approval of the Chairman on 24 February 2022 prior to obtaining the approval of the Departmental Procurement Committee (DPC) for the publication of newspaper advertisements regarding the calling for bids for the construction of the border fence and the project office. Subsequently, the covering approval of the Departmental Procurement Committee (DPC) has been obtained on 21 March 2022.

Due to the severe economic crisis and inflationary situation prevailed during the period of closing the bids for the construction of the border fence and the project office, the construction works were temporarily suspended under the National Budget Circular 3/2022 and the Public Enterprises Circular 4/2022.

Even the minimum bid received was significantly higher than the engineering estimate for the construction of this fence and the construction of the site office. Therefore, the second calling for bids was intended only for the construction of the fence based on the priority, and the bidding documents revised in two ways and newspaper advertisements for this construction has been prepared and submitted to the procurement committee. Accordingly, it is expected to call for bids for the construction of the fence according to the decision given by the procurement committee.

Furthermore, action has also been taken for this purpose according to the minutes of the steering committee meeting held on 04-03-2022. This committee was presided by the chairman of the committee, the secretary of the Ministry of Finance.

Moreover, the project management committee members who have been appointed for this project are experts in the field of pharmaceuticals and they are performing their duties in the Corporation and they use their technical knowledge to perform duties of this project.

If we hire full-time officers for this purpose, we will have to incur a huge cost and we also have to incur an expenditure to provide office facilities etc.

Accordingly, we have obtained a financial profit for the Corporation through these recruitments.

Action is being taken to obtain the approval of the Department of Management Services for these appointments.

The Standing Technical Evaluation Committee (STEC) has recommended and the Standing Cabinet Appointed Procurement Committee (SCAPC) has approved to select M/s Meridian Engineers & Consultancy Service, the bidder, who has obtained the highest score (87 points) for the technical and financial bid evaluation as an independent consultant for the project at a total cost of US\$ 386,100 (Three Hundred Eighty Six Thousand and One Hundred United States Dollars) for the selection of an independent consultant for the SPMC Lotus Pharma project of the State Pharmaceutical Manufacturing Corporation.

Accordingly, the approval of the Cabinet of Ministers was obtained on 08-03-2022 to appoint M/s Meridian Engineers & Consultancy Services located at Plot No. 43 in Srinivas Colony (W) of Hyderabad – 500038 of Telangana in India and to make payments in parts as per the stages of completion of work.

Although the letter of acceptance was issued on 10 March 2022, the relevant Indian bank rejected the content of the performance bond related to the agreement and the provision of the guarantee requested by foreign banks due to the economic and political instability in Sri Lanka. The said time was spent to discuss about it and to grant the approval by the concerned Indian Bank. The strong commitment and interest of the SPMC officials, who had worked for it, was the reason for the possibility of completing the consultancy service agreement even during this period.

The validity period of the bank guarantee was determined in relation to the date of the letter of acceptance subsequent to receiving that letter. However, this time gap has occurred due to the unexpected postponement of the date of signing the agreement. However, the validity period of this bank guarantee can be extended again as required. Accordingly, the consultancy firm has informed us that the validity period of the bank guarantee will be extended as required. Therefore, this does not pose a risk in the future.

According to the agreement entered in to with the consultancy firm, this entire project was consisted of 14 Milestones. The relevant payment amounting to US\$ 52,500 (US \$ 17,500 x 3) for the scope No. 01 of the RFP and TOR for the Orthopedic & Neuro Surgical Implants manufacturing

plant, Oncology Drugs manufacturing plant and Oral Solid Dosage manufacturing plant, which have been the works currently been completed out of the 14 milestones have been made as per the relevant agreement. The mode of making the payment for the tasks completed by the consultancy firm has been specified in the contract agreement and accordingly, the payment should be made at the end of the relevant task.

After conducting a proper study by the State Pharmaceutical Manufacturing Corporation, a proposal to increase the local supply of medical goods in Sri Lanka was prepared by the State Pharmaceutical Manufacturing Corporation, and a reputed Accountant's Firm supported us for this study without any charge. The proposal was forwarded to the then Health Secretary through the letter dated 11-04-2020. Accordingly, a committee consisted of 08 members was appointed by the Health Secretary to develop the capacity of the State Pharmaceutical Manufacturing Corporation to increase the production of pharmaceuticals in the country.

The committee studied this matter and identified the essential pharmaceuticals imported to our country batch wise and gave a report in this regard, it was identified that pharmaceuticals are imported by incurring a large expenditure, and these drugs can be produced locally by saving foreign currency for the country, and thereby providing high-standard pharmaceuticals at affordable prices to the people. Five (05) categories of pharmaceutical manufacturing plants were identified and it was proposed to start 3 manufacturing plants in the first phase and to plan the other manufacturing plants under the second phase.

Accordingly, M/s. Selandiva Investment, a government company, was appointed as the Project Manager for this project under the approval of the Cabinet of Ministers, and they conducted a financial study and prepared a report as it was not possible to prepare a feasibility report after spending huge amounts due to the issues prevailed in financial allocation at that time. It should be mentioned that any amount has not been incurred by the Corporation in this regard.

According to the Returns on Investment report prepared by them, they have indicated that returns for all 3 production plants of this project will be very good. In other words, this project for the local production of imported pharmaceuticals to meet the need for pharmaceuticals in this country will not incur losses at all and the money invested for this purpose can be earned back very easily.

Moreover, a comprehensive analysis report was prepared for all these 3 production plants by obtaining the services of two professors from the University of Moratuwa selected using the list of experts given by the Central Environment Authority on their website for obtaining the approval of the Central Environment Authority, which should be obtained for this project. After submitting it to the Authority, the Central Environment Authority conducted a field inspection. Accordingly,

they considered the Environmental Impact Identification (EII) and gave the relevant approvals to carry out the proposed 03 manufacturing plants on the respective land.

Accordingly, it is obvious from all the pre-feasibility studies conducted for this project that there is the feasibility for carrying out this project.

Letters have been referred to the Department of Management Services on 14.09.2021, 07.03.2023 and 30.06.2023 requesting the approval for the positions of legal advisor, project coordinator, project secretary and project manager recruited on contract basis for the Lotus Pharma project, for which the approval of the Cabinet of Ministers have been granted. It has been informed by the letter dated 10.10.2023 to take action as per the Management Services Circular No. 01/19 and it was forwarded to Planning and Procurement Division on 05.02.2024 for appointing the procurement committee. A letter was referred on 14.03.2024 to discuss this matter further. A letter was sent to the Department of Management Services through the Secretary of the Ministry of Health on 28.05.2024 to discuss this again and it was informed by the letter dated 04.06.2024 that it has been recommended by the Ministry of Health and forwarded to the Department of Management Services for taking necessary action.

Accordingly, I would like to inform you that it is possible to take action in relation to the above posts as notified by the Department of Management Services in the future.

- viii. This land is a very small portion of a land acquired from a land in extent of a total of 800 acres. It was acquired from the Urban Development Authority through a Cabinet Paper. It was acquired at a very low value than the assessment value of the Government. It is strongly understood when considering the Ratmalana premises of this Corporation that it is essential to save space for future plans of this project, as there had been no space for new construction in the Ratmalana premises of this Corporation.

Because of that reason and as there was a plan to expand this project as a long-term pharmaceutical zone, it has been planned to construct 3 manufacturing plants in its first phase, and then to build staff quarters for employees to report to work on time and to maximize efficiency, a shopping complex to buy essential goods, and to construct a formulation development institute. It has also been planned to affiliate universities with these manufacturing plants and to direct to follow courses. The objectives were to provide opportunities for other investors to build factories on other lands. This land in extent of 65 acres has been acquired for the purpose of using that land for all of the above activities.

- ix. The Corporation is in the process of extending the validity period of the Environmental Assessment Report and the letter issued pertaining to the first observations of the Environment Authority in this regard and the environmental assessment report with the extended validity period have been

attached herewith. Accordingly, despite the delay in the process of obtaining the environmental report, the Corporation has managed to extend the environmental recommendations.

- x. This total amount was an expense incurred for the land acquired for the project and for the wages of the recruited officials, survey fees, legal consultancy fees, checking of the lands.
- xi. The summarized information of the expenses incurred for pre-procurement activities as at 31 December 2023 have been indicated here. All the payments, except for the payments made to the consultancy firm, reconciled with the cash payment amounting to Rs. 20 million indicated in the audit query.

Procurement method of the Government has been followed in relation to this project and as there has been no successful bidder, the project has been temporarily stopped. According to the decision of the SCAPC after conducting a full feasibility study, a suitable contractor would be selected through a re-tendering process and the project can be taken forward.

- (q) The fixed assets in this building have been handed over to the Industrial Development Board (IDB) for assessment and after receiving the assessment report in relation to the 30 auditorium chairs and 10 lobby chairs, the Corporation will take action as per the decisions of the assessment committee.
- (r) The Corporation will take action to offset the deductions made for pharmaceuticals purchased from joint venture businesses and supplied to Medical Supplies Division amounting to Rs. 884,136,286.00 from the settlements to be made for the related joint venture companies and therefore, any allocation has not been made for those deductions in the final accounts.

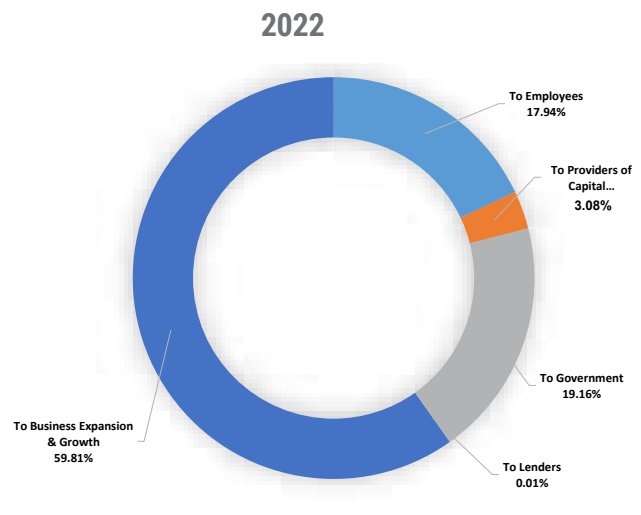
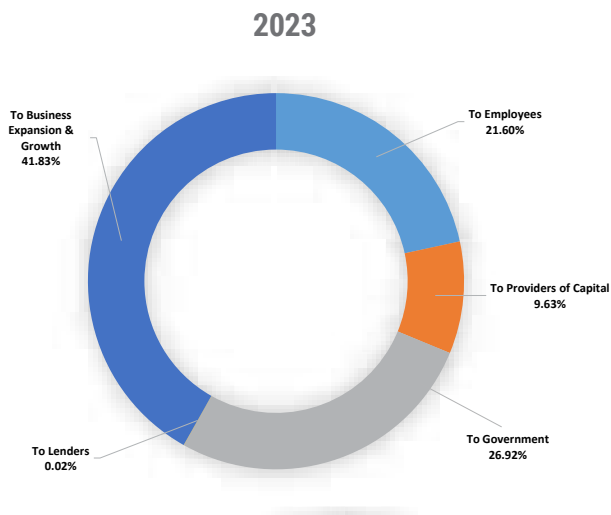
Moreover, the Minister of Health, the higher officials including the Secretary of the Ministry of Health has been informed in this regard in writing and has requested to provide relief to this institution, which is a public institution, and an approval is sought in this regard.

- (s) After submitting a proposal to the Fixed Assets Committee, conducted in relation to property, plant and equipment of our corporation, to implement a fixed asset identification policy, necessary steps will be taken in the future.

Value Added Statement

	2023 Rs.'000	2022 Rs.'000
Value Creation		
Revenue	29,331,719	16,620,185
Other Income	636,645	1,110,991
	29,968,364	17,731,176
Goods and Services purchased from other sources	(26,853,048)	(14,480,345)
	3,115,316	3,250,831

Value Distribution		%		%
To Employees - Salaries, Wages & Other Benefits	672,968	21.60	583,294	17.94
To Providers of Capital - Treasury Levy	300,000	9.63	100,000	3.08
To Government - Taxes & Regulatory Fees	838,617	26.92	622,943	19.16
To Lenders - Interest & related charges	615	0.02	308	0.01
To Business Expansion & Growth				
- Depreciation	258,320	8.29	262,466	8.07
- Retained Income	1,044,796	33.54	1,681,820	51.74
	3,115,316		3,250,831	



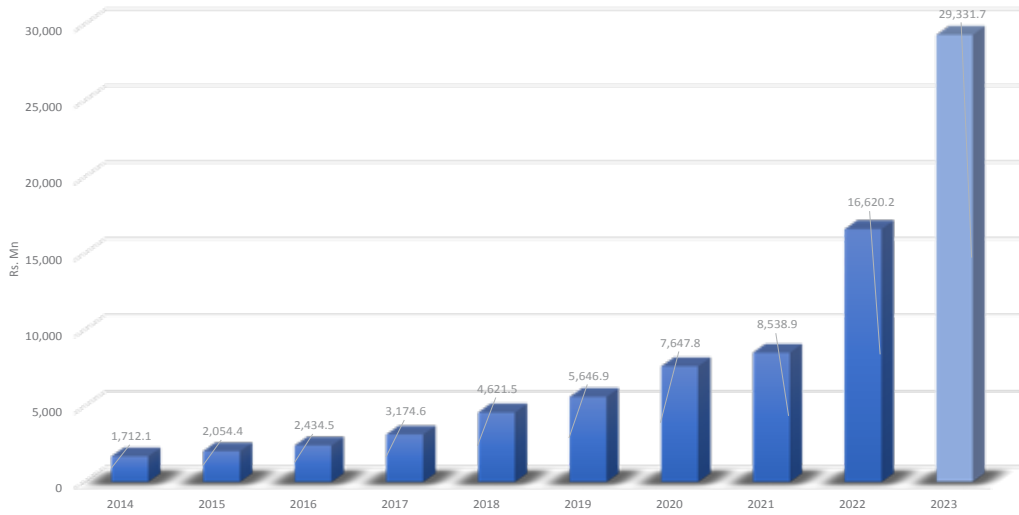
- To Employees
- To Government
- To Business Expansion & Growth

- To Providers of Capital
- To Lenders

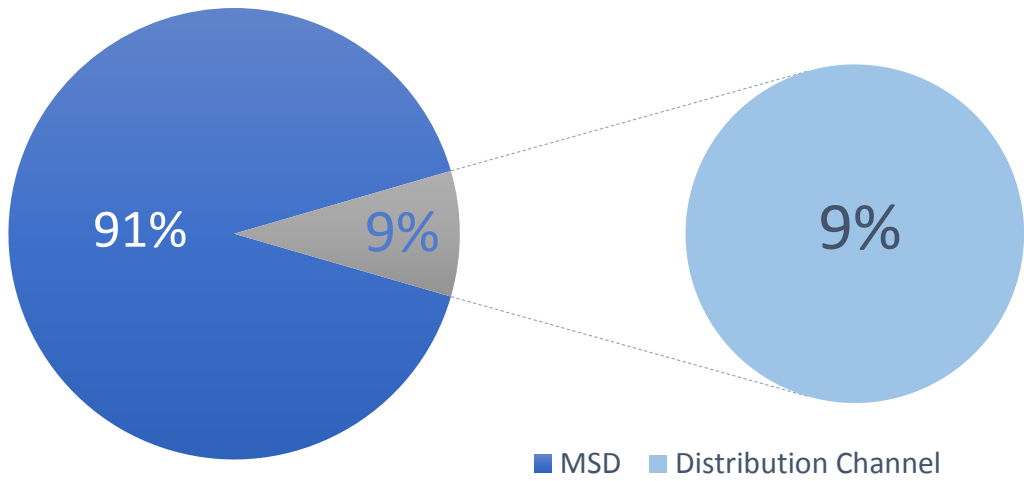
GRAPHICAL REVIEWS



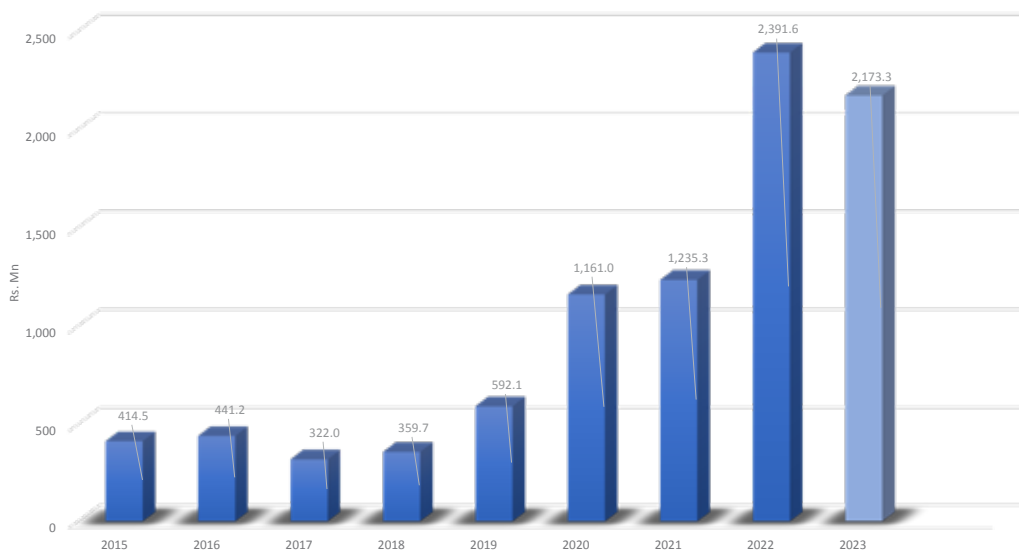
Turnover



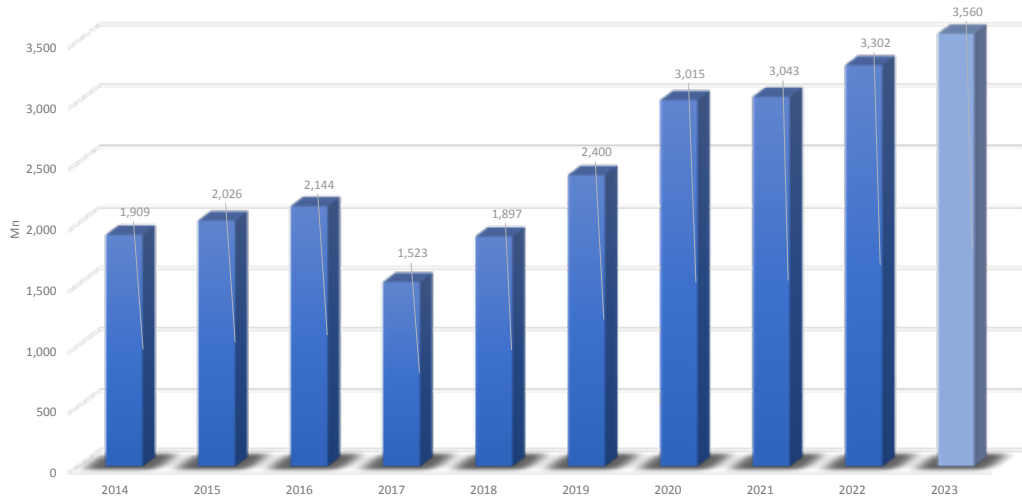
Turnover Composition



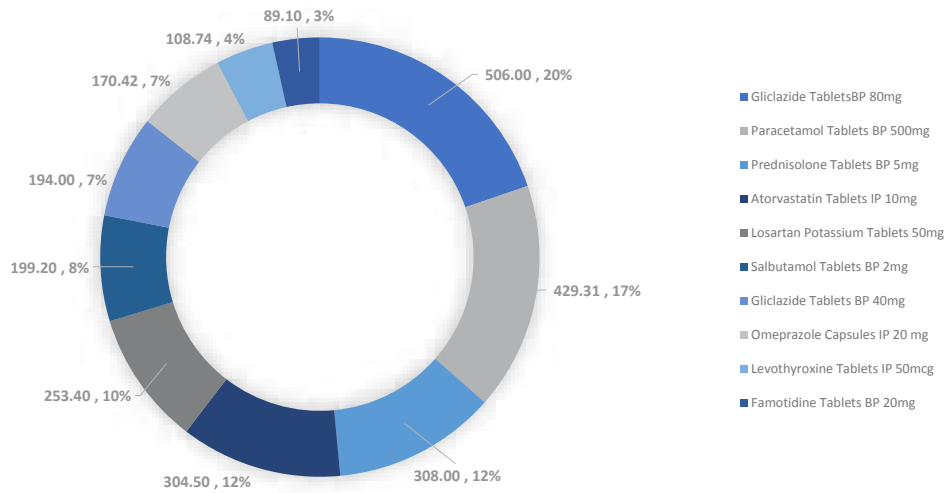
Net Profit Before Tax



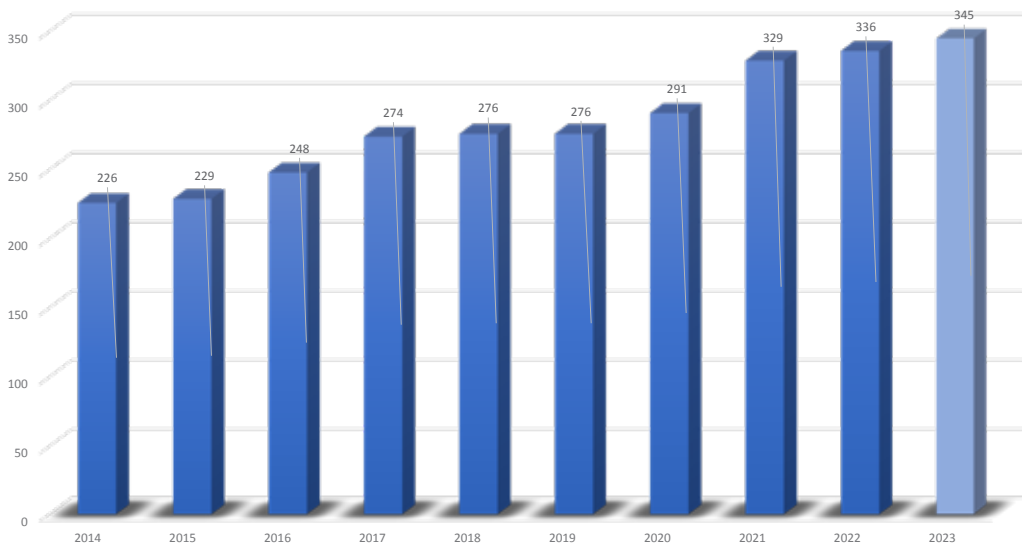
Production



Major Contribution to the Production in 2023 (Mn)



Number of Employees



High Quality Generic Pharmaceuticals Manufacturer to the Nation

Financial Highlights for Past 10 Years

RS.000

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Turnover	1,712,105	2,054,363	2,434,508	3,174,612	4,621,537	5,646,878	7,647,780	8,538,944	16,620,185	29,331,719
Cost of Sales	1,319,715	1,539,441	1,888,256	2,666,683	3,990,801	4,743,125	6,280,757	7,102,322	14,508,387	26,381,969
Gross Profit	392,391	514,921	546,252	507,928	630,736	903,752	1,367,023	1,436,621	2,111,797	2,949,749
Operational Profit	224,758	364,845	353,776	244,987	308,741	564,411	1,067,020	1,078,814	2,061,371	1,608,248
Admin. Overhead	133,933	125,469	165,788	204,579	242,218	237,694	247,137	244,271	327,115	396,276
Interest Income	44,196	53,586	87,629	77,401	51,659	28,093	94,487	156,792	330,531	622,549
Net Profit before Tax	266,481	414,501	441,164	321,982	359,680	592,057	1,160,997	1,235,327	2,391,594	2,173,308
Net Profit after Tax	183,848	262,323	296,646	223,907	251,262	434,777	1,017,364	1,006,185	1,674,345	1,518,555
Fixed Assets	780,718	762,560	798,657	802,775	3,133,903	3,203,159	3,117,911	2,974,013	3,656,401	4,002,112
Short Term Investments	913,443	1,027,388	1,175,754	926,461	369,761	474,984	3,040,316	3,452,508	4,241,086	5,974,554
Total Assets	2,386,449	2,700,885	2,902,284	3,073,637	6,229,453	7,185,386	7,829,711	8,680,301	14,700,782	16,517,180
No. of Employees	226	229	248	274	276	276	291	329	336	345
Total Assets = Net Book Value of Total Non Current Assets + Total Current Assets										

NAME OF THE ORGANIZATION

State Pharmaceuticals Manufacturing Corporation of Sri Lanka

LEGAL FORM

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

DATE OF INCORPORATION

June 04, 1987

REGISTERED OFFICE

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

BOARD OF DIRECTORS

Dr. P. P. G. P. U. Indrawansa	-	Chairman
Dr. Bandula Chandranath Wijesiriwardena	-	Director
A.R. Wickramasinghe	-	Director
V. G. Chaminda Wickramaratne	-	Director
U. S. K. Denawatte	-	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
A.G. De S.Athuraliya	-	DGM (Finance)
S.P. Jayaweera	-	DGM (Production)
P. D. Jayasundera	-	DGM (Engineering)
R. Darmadasa	-	DGM (Planning & Procurement)
R. M. R. M. Ranasinghe	-	Acting DGM (Formulation cum Research & Development)
H.K. P.A.Senadheera	-	Acting DGM (Quality Control)
A.M.T.P.Kulasekara	-	Acting DGM (Sales Promotion / Marketing)
C. D. Maginaarachchi	-	Acting DGM (Human Resources)
J.M.S. Jayasundera	-	Manager (Finance)
A.C.P. Anandakumara	-	Manager (Planning & Procurement)
V.J. Bandarawatte	-	Internal Auditor
A.N. Hewagama	-	Manager (Production)
P. Danthanarayana	-	Manager (Production)
B. V. H. P. S. Kumara	-	Manager (Engineering)
S. Wickramasinghe	-	Manager (Production)
Y. M. P. Kumara	-	Manager (Planning & Procurement)
A.P.M. Wickramanayake	-	Manager (Production)
M. Benaragama	-	Manager (Engineering)
A.T.M. Jayasekara	-	Manager (Production)
M. Vithushan	-	Manager (Quality Control)
R.O.N. Dissanayake	-	Manager (Engineering)