

ANNUAL REPORT 2023



STATE PHARMACEUTICALS CORPORATION OF SRILANKA

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YOUR HEALTH IS OUR CONCERN



OUR VISION

To become the prime partner in developing a healthier Nation

OUR MISSION

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

OUR GOALS

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

OUR SLOGAN

Your health is our concern

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

FINANCIAL HIGHLIGHTS

DESCRIPTION	2023 Rs: ' 000 '	2022 Rs: ' 000 '	Variation (%)	2021 Rs: ' 000 '
Revenue - SPC	11,746,644	9,945,849	18.1	9,446,822
Supplies to DHS	62,948,425	40,973,117	53.6	70,853,255
Total Revenue	74,695,069	50,918,966	46.7	80,300,077
Gross Trading Profit SPC	3,901,069	2,069,584	88.5	2,224,536
Gross Surplus DHS	3,243,417	2,635,384	23.1	4,584,027
Gross Surplus	7,144,486	4,704,968	51.8	6,808,564
Other Income	612,566	107,110	471.9	88,531
Administrative Expenses	(2,479,525)	(2,068,280)	(19.9)	(1,967,159)
Other Operating Expenses	(727,141)	(1,979,136)	63.3	(1,158,052)
Finance Cost	(15,595)	(13,974)	(11.6)	(10,556)
Overdraft Interest	(3,274,891)	(3,052,165)	(7.3)	(569,624)
Finance Income	7,816	7,643	2.3	6,943
Profit Before Tax	1,267,716	(2,293,834)	155.3	3,198,647
Defined Benefit Plan	112,091	86,102	30.2	57,438
Re valuation gain (Mv)	-	71,351	100.0	-
Taxation	494,181	(611,992)	180.7	782,231
Total Comprehensive Income	885,626	(1,524,389)	158.1	2,473,854
Retained Earnings	12,667,520	11,781,893	7.5	14,007,731
Contributed Capital & Reserve	125,117	125,117	-	125,117
Revaluation Surplus	71,351	71,351	-	-
Non Current Assets	2,964,391	2,627,937	12.8	2,351,604
Current Assets	53,742,607	54,544,508	(1.5)	56,650,953
Non Current Liabilities	5,901,912	8,004,715	26.3	9,904,471
Current Liabilities	37,941,098	37,189,369	(2.0)	34,965,237
Net Current Assets	15,801,509	17,355,139	(9.0)	21,685,716
Ratios				
Gross Profit Ratio (%) SPC	33.2	20.8		23.5
Gross Profit Ratio (%) DHS	5.2	6.4		6.5
Gross Surplus to Sales (%)	9.6	9.2		8.5
Return on Capital Employed (%)	24.2	3.8		15.7
Interest Cover (times)	1.4	0.25		6.6
Equity to total Assets (times)	1:4.5	1:4.7		1:4.2
Turnover to Capital Employed (time)	4:1	2.6:1		3.3:1
Current Ratio (time)	1:1.4	1:1.4		1:1.6
Liquidity Ratio (time)	1:1.2	1:1.38		1:1.5
Stock Turnover Ratio -SPC (time)	1.6	2.8		2.8
OTHER INFORMATION				
Number of Employees	876	919		948
Earning per Employee (Rs.)	1,447	(2,496)		3,374
Sales per Employee (Rs.)	85,268	55,407		84,705

Board of Directors & Corporate Information

Board of Directors

Dr. U. Ajith Mendis - Chairman

Dr. Upul Ajith Mendis (MBBS, DLM/MCMA/FCMA) holds an MBBS from the University of Colombo and a Diploma in Legal Medicine from the Post Graduate Institute of Medicine, University of Colombo.

After University education, he started as a House Officer at the General Hospital, Badulla and gradually reached the highest administrative position of the health sector, becoming the Director General of Health Services, in a span of over 35 years of service in the active health service. During the period in between he held the posts of Medical Superintendent, Regional Director of Health Services, Provincial Director of Health Services, Director – Medical Supplies Division, Director – Medical Technology and Supplies and Deputy Director General of Laboratory Services, in Health Department and Ministry.

Thereafter, Dr. Mendis worked as the Country Director of Population Services Lanka, an NGO involved in providing family planning and general health care services to the community all over the island. He was then appointed as the Chairman, Dr. Neville Fernando Teaching Hospital, which post he held till May 2022. He has also served as a Member of the Board of Directors of the State Pharmaceuticals Manufacturing Corporation, too.

Deviating from a nearly 45 years of illustrious career in both government and private health sector, Dr. Ajith Mendis was appointed as the Vice Chairman, Airport and Aviation Services Sri Lanka (Pvt) Limited (AASL) in June 2022, where he played a significant role in the upliftment of activities of AASL, till August 2023.

Dr. Mendis re-emerged to the health sector when he was appointed as the Chairman of the State Pharmaceuticals Corporation of Sri Lanka, in August 2023 and holds this position to date.

Dr. Ajith Mendis, at present, serves as a Member of the Board of Directors of the Sri Lanka Ports Authority as well.

Mr. M.L. Subasinghe Arachchi - Managing Director

Mr. M.L. Subasinghe Arachchi is a renowned Chief Executive Officer, an Economist, a Banker and a Business Consultant by profession. He holds a BA Degree from University of Peradeniya and a Master's Degree in Economics from University of Kelaniya, as his Sri Lankan qualifications. He started his career at Commercial Bank of Sri Lanka. He has also served as a Lecturer in Economics and Banking. He counts over

30 years of managerial experience and served as the Managing Director/CEO for leading private companies.

With extensive experience in administration and management in State-Owned Enterprises in the past decades, Mr. Subasinghe Arachchi has served as the Working Director of the National Film Corporation of Sri Lanka, Chairman of the Land Reform Commission of Sri Lanka and the Chairman of Urban Settlement Development Authority of Sri Lanka. He presently serves as the Managing Director of the State Pharmaceuticals Corporation of Sri Lanka.

Mr. Subasinghe Arachchi is a renowned administrator who is also known for practicing good governance and leading institutes towards high profitability with zero corruption.

Prof. Dushantha Madegedara

Prof Dushantha Madegedara obtained MBBS Degree from the University of Peradeniya and MD from the Post Graduate Institute of Medicine, University of Colombo. He is an examiner for MBBS.MD and DTCD, and has given many lectures locally and internationally. He is awarded the fellowship of the American College of Chest Physicians, Royal College of Physicians Edinburg, Asia Pacific Society of Respiriology and Ceylon College of Physicians.

He has authored many research papers and over 240 publications in both Local and International reputed Journals, while co-authoring many National Guidelines. He is a reviewer of several National and International Journals and a Member of the Editorial Board of many International and National Journals including Respiriology, and was an associate Editor of the Prestigious European Respiriology Journal open research and currently is the Chief Editor of Respire, an official journal of Sri Lanka College of Pulmonologists.

He was the recipient of three Prestigious orations namely Bibile Memorial Oration and research price oration of the Kandy Society of Medicine and CJ Urugoda oration of Sri Lanka College of Pulmonologists. He was the recipient of the merit research Award 2013 and 2015 from the National Research Council Sri Lanka. He is the Scientific Chair of the Sri Lanka College of Pulmonologists, Chairman of the Respiratory Board 2021-2015, Postgraduate Institute of Medicine, Deputy Head, Head Elect and Head of Clinical Respiratory Medicine in Asia Pacific Respiratory Society 2016-2022. Was a Council Member at the University of Peradeniya and has held many official positions in various medical societies including being The Secretary, Treasurer, Past President of the Kandy Society of Medicine and also the first Secretary of the Association of Pulmonologists and Past President, Chief Editor of Sri Lanka College of

Pulmonologist. Currently, He is head of E-Health APSR, head of pleural disease assembly of APSL. Currently working as Chair Professor, the Department of Medicine, the University of Wayamba and Senior Consultant Respiratory Physician, National Hospital, Kandy.

Dr Chinthaka De Silva

Dr. Chinthaka de Silva is a senior consultant physician at Sri Jayawardenapura General Hospital and Consultant Physician of the Police Hospital. He is a board member of PGIM and immediate past secretary of the Postgraduate Institute of Medicine.

Mrs. Malarmathy Gangatharan

Mrs. Malarmathy Gangatharan is a Special Grade officer of the Sri Lanka Planning Service and currently serves as the Director General of the Department of Development Finance at the Ministry of Finance in Sri Lanka. She has been working in the public service for 30 years, starting as an Assistant Director at the Department of National Planning in 1994. Over the years, she has worked in several departments of the General treasury, including the Department of National Planning, Department of National Budget and the Department of External Resources. During her tenure, Mrs. Gangatharan has been promoted to various positions within the General Treasury, from Assistant Director, Deputy Director, Director, Additional Director General, and her current position as Director General since 2023.

She has represented the General Treasury as a Board Director in several statutory institutions and currently she serves as a member of the Board of Directors in National Institute of Education, National Livestock Development Board and State Pharmaceutical Corporation of Sri Lanka. In addition, she served and contributed in policy related development matters to several Cabinet Appointed Procurement Committees, Cabinet Appointed Negotiation Committees, Technical Evaluation Committees and Presidential Task Force.

Mrs. Malarmathy Gangatharan holds a Master's in Transport Economics from the University of Leeds, UK. She also holds two Post Graduate Diploma in Transportation from University of Moratuwa and Development Studies from Institute of Developing Economies Advanced School (IDEAS), Japan. She is a graduate from the University of Jaffna earned BA (Hons) Degree in Economics, Sociology and Political Science

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

CORPORATE INFORMATION

Board of Directors

Mr. Sarath Liyanage	Chairman	(Till 15.08.2023)
Dr. U Ajith Mendis	Chairman	(From 17.08.2023)
Dr. M.Y.K.Wilfred	Managing Director	(Till 20.11.2023)
Dr. Chinthaka de Silva	Director	
Prof. R.M.D. Madegedara	Director	
Mr. E.A.Rathnaseela	Director	(Till 25.04.2023)
Ms. Malarmathy Gangatharan	Director	(From 24.05.2023)

Audit Committee

Mrs. Malarmathy Gangatharan	Chairperson	(From 12.07.2023)
Prof. R.M.D. Madagedara	Member	
Dr. Chinthaka De Silva	Member	(From 07.08.2023)

Auditors

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

Bankers

Bank of Ceylon
Corporate Branch, Bank of Ceylon Mawatha, Colombo 1.

People's Bank

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

Standard Chartered Bank

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

Commercial Bank of Ceylon Ltd.

City Office, 98 York Street, Colombo 1.

Registered Office

No.75 Sir Baron Jayatillake Mawatha, Colombo 1.
Business Office
16th Floor, No 41, "Mehewara Piyasa" Kirula Road, Colombo 05.

Date of Incorporation

September 22, 1971

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA MANAGEMENT TEAM



Mr. K M D R Dassanayake - General Manager

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



**Ms. Hiranya Sammandapperuma - Deputy General Manager
(Technical & Laboratory)**

Mrs Hiranya Sammandapperuma joined the SPC as the Management Accountant on 01st July 2007. She has more than 24 years' experience in the field of financial management, Management Accounting & Auditing. She is an Associate Member of Institute of Chartered Accountants of Sri Lanka. (ICASL) & Certified Management Accountants of Sri Lanka (CMA) & awaiting Membership of Association of Chartered Certified Accountants (ACCA- UK).

She obtains Bachelor of Business Administration with honors, specialization in finance, from University of Colombo in 2001. She is holder of MBA from University of Colombo.



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

Mrs. M.R. Nimmika Thushari joined the SPC as Deputy General Manager (HR & Administration) with effect from 01.08.2018 She holds a Bachelor of Science (Human Resources) Special Degree from the University of Sri Jayawardenapura, Post Graduate Diploma in Human Resources Advancement and Master of Human Resources Management from the University of Colombo. She has more than 25 years' experience in the field of Human Resources Management and Administration.



**Mrs. Ayanthi Alwis - Deputy General Manager
(Procurement & Imports - Pharmaceuticals)**

Mrs. A H Alwis the Deputy General Manager Procurement & Import Pharmaceuticals, holds a Bachelor of Science Management Degree (General) and Master of Business Administration from the University of Sri Jayawardenapura. She is further a Diploma holder in Public Procurement and Contract Administration from SLIDA.

She coordinates and manage procurement activities of the four units falls under her purview meeting challenging time frames



**Ms. D N Dewasurendra - Actg. Deputy General Manager
(Finance)**

Ms. D N Dewasurendra joined the SPC as an Accountant on 01st March 2000. She has more than 32 years' experience in the field of Accounting, Financial management & Auditing. She is a member of AATSL & has completed her exams at ICASL up to the final level 1. She holds a Bachelor of Commerce (General) degree from the University of Sri Jayawardenapura & Master of Business in Finance (MBF) degree from the University of Kelaniya.

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA MANAGEMENT TEAM

Senior Management

Ms. S.M.A.D.S.H Sammandapperuma	D.G.M. (Finance)	(Till 06.11.2023)
	D.G.M. (Technical & Laboratory)	(From 07.11.2023)
Mr. W.A.K.P.Warna Kumara	D.G.M. (Procurement & Imports) Surgical	(Till 07.08.2023)
Mrs. L.K.S. Roshanie	D.G.M. (Technical, Lab & Production)	(From 15.09.2023 to 31.10.2023)
Mrs. D.N.Devasurendra	Accountant – Revenue	
	Actg. D.G.M- Finance	(From 07.11.2023)
Mr. M.A.V.I. Kumarasiri	Field Manager (Monitoring of Distribution Systems)	
Mr. D.P. Ajith Liyanage	Manager - Management Information Systems	
Mr. P.K.R. Fernando	Manager Wharf	
Miss. C.S.Withanage	Manager - CPU	
Mrs. P.A.U.Wijewardana	Legal Officer & Secretary to the Board	
Mr. P.M.B.R.Somathilaka	Manager – Production	
Mr. A.P. Hapangama	Accountant – Book keeping	
Mr. D.G. D. J. Pushpakumara	Manager – Stores & Inventory Control	(Till 02.02.2023)
Mrs. L.W. Damayanthi	Accountant – Salaries	
Mrs. M.A.S. Karunaratne	Accountant - Rajya Osusala	(Till 06.11.2023)
	Accountant – Payments	(From 07.11.2023)
Mr. D.K.A.P. Dassanayake	Manager – Administration	
Mr. K.D.F.N.Perera	Manager – Sales	
Mr. B.A.K. Madusanka	Manager – Human Resources	
Mrs. D.D.S. Tharangamala	Manager – Procurement	
Mrs. R. P. Withanage	Manager – Procurement	
Mrs. K.G.S. Perera	Accountant – Payment	(Till 06.11.2023)
	Accountant - Rajya Osusala	(From 07.11.2023)
Mr. M.A.D.S.S. Munasinghe	Manager – Imports	
Mr. C.U.M.M. Bandara	Manager- Stores & Inventory Control	(Till 01.11.2023)
Mr. M.K.C. Krishantha	Manager – Rajya Osusala	
Mr.W. Jayantha	Manager – Rajya Osusala	
Mr.M.R.M. Rifkhan	Manager – Surgical	
Mrs.E.M.H.N.T.K. Ekanayake	Manager – Technical	
Mr. H.N.J.Indunil	Internal Auditor	
Mr. W.A.T Premawardhane	Manager – Rajya Osusala	
Ms. I.G.W.S Wimalasena	Manager- Research & New Projects	
Mr. P.A.S. Pathirana	Accountant – Stock & Pricing	
Mrs. E.K.P.A. Priyadarshani	Manager – Promotion & Publicity	
Mr. W.K.M.S. Wanniarachchi	Manager – Post Delivery Operations	
Mr. M.A.S.G.T.Perera	Manager- Stores & Inventory Control	(From 20.10.2023)

CHAIRMAN REPORT



I am honored to present to you the annual report of State Pharmaceuticals Corporation for the year 2023 on behalf of the Board of Directors. Despite the uncertainties and disruptions caused by economic fluctuations, our commitment to ensuring the availability of essential pharmaceuticals to the nation remains steadfast.

Performance Review

In 2023, we achieved substantial growth and operational excellence. Our turnover increased by 46.7%, reaching Rs. 74,695 million, while our Net Profit before Tax saw an impressive rise of 155%, totaling Rs. 1,268 million for the year 2023.

The Indian credit line facility was used for both DHS operations and SPC open market operations to ensure product availability. Although this mechanism involved a lengthy import process, SPC was able to address liquidity issues to a certain extent. As a financially viable entity under state ownership, we managed to pay Rs. 100 million to the General Treasury as a dividend despite arrears and delays in settling the dues by the Medical Supplies Division. Additionally, Rs. 901 million was paid to the Inland Revenue Department by way of income tax.

Market Expansion

Our efforts to expand SPC open market operations included establishing new Rajya Osusalas and appointing new distributors and franchised Osusalas within the country. This year, we established one Rajya Osusala in Manikhinna & appointed two distributors & one Franchised Osusala. Our main focus remains on providing "Service to the Nation" by offering quality assured healthcare products at affordable prices to the people of the country.

Appreciation & Conclusion

I extend my deepest gratitude to our dedicated employees, whose hard work and commitment are the cornerstone of our success. I sincerely thank the Hon. Minister of Health, the Secretary to the Ministry of Health, officials of the Ministry of Health, the Auditor General and his staff, the officials of the Ministry of Finance, the Managing Director, and other Board Members for their unwavering support and cooperation. Our suppliers and customers have also been instrumental in our achievements, and we look forward to continuing our productive collaborations.

We hope and wish that we will be able to contribute even more to our motherland in the years to come.

A handwritten signature in black ink, appearing to read "U. Ajith Mendis". Below the signature is a horizontal line, and below the line is the date "29/05/2024" written in the same ink.

Dr. U. Ajith Mendis
Chairman

MANAGING DIRECTOR'S REVIEW



It is with great pleasure that I am presenting the Managing Director's Report with regard to the performance of the year 2023.

SPC is the key importer of Healthcare items to the 'Medical Supplies Division' to ensure the continuous supply of quality-assured Pharmaceuticals and Healthcare items to Government Hospitals. SPC also imports and sells in the open market through our own Rajya Osusala Outlets, Franchised Osusala outlets, & Distributors to cover the entire island. In addition, some pharmaceutical items such as Jeevani and Glucose are manufactured by the SPC at our own Production plant located in Rathmalana.

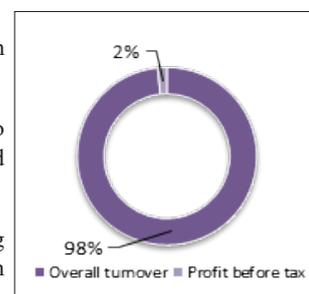
FINANCIAL PERFORMANCE

Overall Performance

During the year under review, SPC recorded a turnover of Rs.74,695 million. This is an increase of 46.7% as against the previous year's turnover of Rs.50,919 million.

In 2022, SPC had to bear an overdraft interest of Rs.3052 million that was generated due to delaying settlements from the treasury for the Pharmaceuticals and Healthcare items supplied to the Medical Supplies Division.

Despite the above challenges faced, SPC could turn around its financial situation by recording a Profit before Tax of Rs. 1,268 million in 2023, mainly due to the growth recorded in the open market operation.



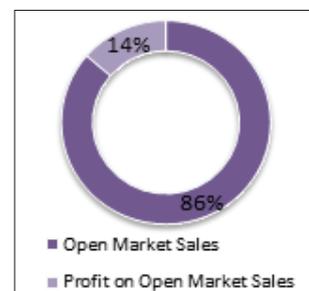
Supplies to Medical Supplies Division

SPC supplied healthcare items to the 'Medical Supplies Division' worth of Rs.62,948 million during the year, as against Rs.40,973 million in 2022. This is an increase of 53.6%. However, a loss of Rs.592 million was recorded at the end of 2023 due to the substantial overdraft interest of Rs. 3,274 million.

Open Market Operation

The turnover of Open Market Operations has been recorded as Rs.11,747 million during 2023. It is an increase of 18.1% in comparison with the turnover of Rs. 9,946 million recorded in 2022. The main reasons were increasing the demand for pharmaceuticals and health care items.

In 2023, Profit before tax was Rs.1,860 million representing a significant increase against the previous year's figure of Rs. 479 million.



TAXATION

The Corporation paid Rs.901 million as Income tax to the Government Treasury.

SALES & TRADE PROMOTIONS

SPC participated in Medical and Trade Exhibitions, setting up promotional and trade stalls to educate the general public on the benefits of using generic drugs. The central theme was "Rational use of Medicine". Apart from conducting promotional stalls during the Annual Academic Sessions for Medical Professionals, SPC also sponsored clinical meetings for Medical Professionals across the country.

Medicare 2023

Medicare - The National Healthcare Exhibition is Sri Lanka's biggest healthcare service exhibition's 12th Edition held from 3rd to 5th March at Sirimavo Bandaranayake Memorial Exhibition Hall with the participation of more than 230 local and international medical sector stalls with more than 150,000 general public.



Industry Expo 2023

Industry Expo - Galle Edition took place at the Galle Samanala Ground from December 28



to 30, 2023, in collaboration with multiple industry leaders. Our participation at the event involved setting up a stall with promotional displays.

Inaugural Annual Academic Sessions-2023 (Uva Wellassa Medical Association)

Inaugural Annual Academic Sessions-2023 of Uva Wellassa Medical Association held on 10th & 11th October with the participation of more than 230 Doctors in Monaragala District.



Medical Camp held at Sripada with Ananda College Sawukiyadana Unit

SPC, with the partnership with Ananda College Sawukiyadana Unit had a great Medical Camp for the Sripada pilgrims.



TECHNICAL & LABORATORY

SPC continued its commitment to maintaining and upgrading the quality standard of the Quality Assurance Laboratory. In 2023, the Corporation shifted its Quality Assurance Laboratory to a newly constructed building at the premises of Rajya Osusala Colombo 07.

All SPC drugs are tested in four stages, “Tender Samples”, “Pre Shipment Samples”, “Pre Distribution Samples” and “Market Complaints”, to maintain the quality standards of the pharmaceuticals supplied by the SPC all the time.

HUMAN RESOURCES DEVELOPMENT

Our committed and motivated workforce was the key contributory factor to the success of the Corporation. During the year under review, the total workforce was 1012, out of which 136 were trainees in order to provide them with a career path within the organization and to improve their skills. In 2023, a total of 104 employees were participated for local training programs.

Although some of the Annual events were given up, staff welfare benefits, which prevailed in the Corporation before 2022, were continued during the year 2023 too.

CORPORATE SOCIAL RESPONSIBILITY

As part of our Corporate Social Responsibility, SPC continues to offer a 5% discount on Pharmaceuticals purchased for Children less than 05 years of age, Pregnant Mothers and Senior Citizens (Over 55 years).

FUTURE

SPC continues to successfully fulfill its prime objective of “serving the nation with a wide range of safe, effective and quality assured health care products at reasonable prices” and expands its Rajya Osusala branch network island wide, while operating the Corporation as a profit-earning entity.

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M.L. Subasinghe Arachchi
Managing Director

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of the Corporation has pleasure in presenting their Annual Report together with the audited financial statements for the year ended 31st December 2023.

FORMATION

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

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are given on the pages 21 to 30 There were no changes to the accounting policies adopted by the Corporation during the year under review.

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.

RESULTS

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

REVIEW OF BUSINESS

The state of affairs of the Corporation as at 31st December 2023 is set out in the Statement of Financial Position and assessment of the Corporation during the financial year is given in the Managing Director's Review of the Annual Report.

PROPERTY, PLANT & EQUIPMENT

The movements in Property, Plant & Equipment during the year are set out in Note No.16 to the financial statements. The value shown therein is not materially different from its current market value.

MAIN ACTIVITIES

Main activities of the Corporation are,

- Import, Purchase, Sales & Distribution of Pharmaceuticals and Health Care Items in the open market.
- Import & Supply Pharmaceuticals and Health Care Items to the Department of Health Services.
- Manufacturing and Marketing Jeevanee, Glucose & Benzyl Bensovate Cream.
- Providing medical tests and laboratory services.

Activities of the Corporation have not changed materially from the last financial year.

RESERVES

Total reserves of the Corporation and its composition has been given in the Statement of Changes in Equity.

DIRECTORS

Directors of the corporation as at 31st December 2023 were as follows,

Mr. Sarath Liyanage	Chairman	(Till 15.08.2023)
Dr. U Ajith Mendis	Chairman	(From 17.08.2023)
Dr. M.Y.K. Wilfred	Managing Director	(Till 20.11.2023)
Mr. E.A.Rathnaseela	Director	(Till 25.04.2023)
Dr. Chinthaka de Silva	Director	
Dr. R.M.D. Madegedara	Director	
Ms.Malarmathy Gangatharan	Director	(From 02.09.2023)

AUDIT COMMITTEE

Audit committee of the Corporation is constituted in accordance with the provisions of Public Enterprises Guidelines for good governance. The Audit Committee report is given in page No 13

EMPLOYMENT

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

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to employees and the Government of Sri Lanka have been made up to date.

ENVIRONMENTAL PROTECTION

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

CONTRIBUTION TO THE GOVERNMENT

The Corporation has paid Rs.901 million by the way of Income tax to the Government Treasury.

CORPORATE SOCIAL RESPONSIBILITY

During the year the Corporation contributed Rs. 124,130/- for charitable purpose.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 35 to the Financial Statements.

POST BALANCE SHEET EVENTS

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

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.

By Order of the Board



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

REPORT OF THE AUDIT COMMITTEE

Constitution of the Audit Committee.

The Audit Committee consists of Three Non-Executive Directors of the Board. The Director who represents the General Treasury would function as Chairman of the Committee. During the Financial year ended 31st December 2023, following members attended to the Meetings of the Audit Committee.

Mrs. Malarmathy Gangatharan	- Chairperson	(From 12.07.2023)
Prof. Dushantha Madagedara	- Member	
Dr. Chinthaka De Silva	- Member	(From 07.08.2023)

Chief Internal Auditor of the Ministry of Health, Senior Asst. Auditor General of National Audit Office and Audit Superintendent of National Audit Office of SPC were participated to the Committee Meetings as Observers. Board Secretary and the Internal Auditor functioned as the Secretary to the Committee and Convener respectively.

The Functions of the Audit Committee.

The main functions of the Audit Committee are to review and monitor internal controls of the Corporation and assist the Board of Directors by reviewing and making recommendations on all aspects of audit and financial activities of the Corporation. During the year under review, the Committee attended to following matters.

1. Review and evaluate the internal control systems and recommend modifications where necessary.
2. Review and approve Internal Audit Plan for the year 2023.
3. Review Internal Auditor's reports, and monitor management's responsiveness to the findings and recommendations of the Internal Auditor and submit the Committee recommendations to the Board of Directors for necessary actions.
4. Review External Auditors Audit Queries and the matters raised by them in the reports in terms of section 13(7) (a) and 14 (2) (c) of the Finance Act No. 38 of 1971 and submit the Committee recommendations to the Board of Directors for necessary actions.
5. Review of implementation of recommendations of the Committee of Public Enterprises (COPE).

Recommendations of the Audit Committee.

Under the guidance of the Audit Committee, an approved Internal Audit work plan was carried out by the Internal Audit Division of the Corporation during the year under review and submit recommendations to the Board of Directors and the Management of the Corporation to take necessary actions for the Financial losses, deficiencies and frauds identified through the National Audit Queries and the Internal Audit Queries. Further, the Internal Audit Division conducted Financial and System Audit to eliminate inefficient procedures, improve the internal controls, minimize the losses and possible instances of frauds and errors.

Meetings

During the year 2023, four Audit Committee meetings were held and Committee has submitted its comments on the identified deficiencies and recommendations to the Director Board and Management. Accordingly, it is concluded that considering the identified deficiencies and recommendations, the SPC's Management should have taken actions with more accountability to rectify the identified deficiencies and recommendations.

Malarmathy Gangatharan
Chairperson of the Audit Committee

CORPORATE GOVERNANCE REPORT

Corporate Governance is the total system by which organizations establish a mechanism for the effective utilization of resources, direction and control of the organization in the best interest of all categories of stakeholders. The primary responsibility for Good Governance lies with the Chairman and the Board of Directors of the Corporation.

DIRECTORS

Members of the Board of Directors should have the highest professional and personal ethics and values coupled with their experience in related field.

- The Chairman and 5 other Directors are appointed by the Hon. Minister of Health from among persons who appear to the Minister to have wide experience in and qualification.
- A representative of the General Treasury is nominated by the Ministry of Finance.

BOARD MEETING

The Board meetings are scheduled by providing adequate notice to enable the Directors and Management to prepare all the key and strategic information required for deliberation in the meetings. The Directors are provided with the Agenda and Board papers at least seven days before each meeting giving them adequate time to study the contents. Heads of the Divisions attend the Board meetings by invitation as and when required to present additional information and provide further clarity to the Board.

Thirteen Board meetings were convened during the year and the attendance of the Board members are as follows:

MANAGEMENT COMMITTEE

The Management Committee comprises Heads of the Departments of the Corporation chaired by the Chairman. The Management Committee at its meetings carefully perused all policy matters when referred and also the implementation of decisions taken before they were referred to the Board of Directors for approval and concurrence. To enable this process and to avoid any delays, the Management Committee meets once a month and decisions were taken. The Management Committee had three meetings during the year.

Name of the Board Member	Position	Duration of the period of the appointments	Attendance
Dr. U.A. Mendis	Chairman	From 17.08.2023 to date	5/13
Ms. Malarmathy Gangatharan	Non-Executive Director	From 24.05.2023 to date	7/13
Dr. R.M.D. Madegedara	Non-Executive Director	From 02.09.2022 to date	11/13
Dr. Chinthaka de Silva	Non-Executive Director	From 02.09.2022 to date	10/13
Resigned			
Mr. Sarath Liyanage	Chairman	Till 15.08.2023	8/13
Dr. M.Y.K.Wilfred	Managing Director	Till 20.11.2023	12/13
Mr. E.A.Rathnaseela	Non-Executive Director	Till 25.04.2023	5/13

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.

The Audit Committee review of Internal Auditor's Reports and Government Audit Reports and follow up of their recommendations are implemented through the Board, the Audit Committee also ensures that the Corporation has process and mechanisms in place to identify risks both financial and operational and that risk are managed and addressed through a well-defined action plan.

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

Name of the Member	Position	Attendance
Mr. E.A.Rathnaseela	Chairman Till 25.04.2023	1/4
Ms. Malarmathy Gangatharan	Chairman (From 12.07.2023)	3/4
Dr. R.M.D. Madegedara	Member	4/4
Dr. Chinthaka de Silva	Member (From 07.08.2023)	2/4

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 the circular No 2 of 2016 of the Department of Management Services of the General Treasury.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

The Directors confirm that they have reviewed the effectiveness of the systems of risk management and internal controls which operated during the period covered by these financial statements and up-to-date of this report.

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.

As per the requirements of the department of public enterprises, arrangements have been initiated to appoint a Risk Committee to identify & evaluate risk profile of the Corporation.

INTERNAL AUDIT

The main focus of the Internal Audit Division is to conduct an independent review on the overall prevailing system of internal control by evaluating the adequacy, integrity, and effectiveness of internal controls and makes recommendation to the Management to strengthen the internal controls. The Internal Audit regularly reported to the Chairman on the adequacy and effectiveness of internal controls and compliance with laws and regulations and established policies and procedures of the Corporation.

ACCOUNTABILITY TO THE GOVERNMENT AS THE KEY SHAREHOLDER

The Corporation has regular dialogue with the Hon. Minister and the Secretary, Ministry of Health, who guide the Board to set clear directions and strategic objectives to be achieved. Besides, as required by the General Treasury of the Ministry of Finance, the Corporation forwarded a Business Plan for three years. Apart from that Annual Report, Annual Accounts, Annual Budgets, Quarterly Performance Reports are forwarded to the Ministry of Health and Public Enterprises Department of General Treasury.

Annual Report comprising audited financial statements and current performance is tabled in Parliament for review by the members of Parliament.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

Under the Finance Act No 38 of 1971, Directors of the Corporation have responsibility for ensuring that the Corporation keeps proper books of accounts of all the transactions and prepares financial statements that give a true and fair view of the state of affairs and of the profit /loss for the year. Accordingly, the Directors have directed the Corporation to maintain proper books of accounts and reviewed the financial reporting system at their regular meetings and through the Audit Committee.

In preparing the financial statements exhibited in this Annual Report, Directors have considered adopting appropriate Accounting Policies on a consistent basis and supported by reasonable and prudent judgments and estimates.

The Directors have taken such steps as are reasonably open to them to safeguard the assets of the Corporation and to prevent and detect frauds and other irregularities. In this respect, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal check, internal audit and financial and other controls required to carry out the operations of the Corporation in an orderly manner, to safeguard its assets and secure as far as practicable the accuracy and reliability of our records.



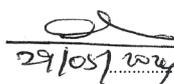
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By order of the Board
Secretary to the Board

STATEMENT OF FINANCIAL POSITION

As at 31st December	NOTE	2023 Rs.	2022 (Restated) Rs.
ASSETS			
Property Plant and Equipment	16	2,054,608,762	2,147,568,201
Right-of-use Assets	17	49,721,211	52,875,747
Lease Assets paid in Advance	18	20,509,274	21,286,748
Capital Work in Progress		69,984,764	42,266,490
Intangible Assets -Software	19	5,171,925	6,748,551
Income Tax recoverable		525,525,498	120,067,119
Deferred Tax Assets	20	238,869,772	237,125,035
Total Non- Current Assets		2,964,391,205	2,627,937,891
Current Assets			
Inventories - SPC	21	6,919,844,576	3,189,711,730
Stock in Transit - DHS	22	2,369,595,569	40,000,547
Trade & Other Receivables	23	38,801,758,400	45,650,222,340
Prepayments	24	112,379,093	50,797,070
Cash and Cash Equivalents	25	5,539,030,064	5,613,777,091
Total Current Assets		53,742,607,703	54,544,508,777
Total Assets		56,706,998,908	57,172,446,668
EQUITY AND LIABILITIES			
Contributed Capital	31	59,055,258	59,055,258
Retained Earnings		12,667,520,371	11,781,893,868
Revaluation Reserves		71,350,931	71,350,931
General Reserves	32	66,061,447	66,061,447
Total Equity		12,863,988,006	11,978,361,504
Non- Current Liabilities			
Retirement Benefit Obligation	26	417,463,649	457,544,429
Lease Liabilities	17.1	36,604,255	38,781,989
Long Term Loan	27	5,447,844,429	7,508,388,884
Total Non- Current Liabilities		5,901,912,333	8,004,715,302
Current Liabilities			
Trade and Other Payables	28	17,240,992,962	19,249,279,868
Lease Liabilities	17.1	22,921,431	23,252,962
Current Financial Liabilities	29	18,616,639,731	15,937,903,698
Long Term Loans	27	2,060,544,445	1,978,933,334
Total Current Liabilities		37,941,098,569	37,189,369,862
Total Equity & Liabilities		56,706,998,908	57,172,446,668

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

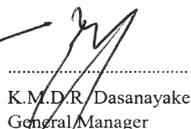
Approved and signed for and on behalf of the Board by,


29/05/2024

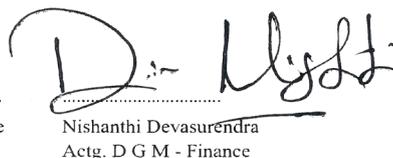
U. Ajith Mendis
Chairman



M. S. Subasinghe Arachchi
Managing Director



K.M.D.R. Dasanayake
General Manager



Nishanthi Devasurendra
Actg. D G M - Finance

The accounting policies and notes on pages 21 to 62 form an integral part of the financial statements.

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

STATEMENT OF CHANGES IN EQUITY

	Contributed Capital Rs.	General Reserves Rs.	Revaluation Reserve Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 01st January 2021	59,055,258	66,061,447	-	11,533,877,223	11,658,993,928
Tax paid for the Y/A 2019/2020				(192,401,778)	(192,401,778)
Tax paid for the Y/A 2020/2021				(140,846,355)	(140,846,355)
Total Comprehensive Income for the year					
Net Profit for the year				2,384,563,878	2,384,563,878
* Revision of estimated error in depreciation (net) -(Note d)				38,048,243	38,048,243
Correction of incorrectly understated storage charges receivables from the Medical Supplies Division (net)				31,852,134	31,852,134
Tax paid for the Y/A 2021/2022				(121,640,334)	(121,640,334)
Gain/ losses on defined benefit plan (Note 26.3)				57,438,433	57,438,433
Balance as at 31st December 2021	59,055,258	66,061,447	-	13,590,891,445	13,716,008,150
Balance as at 01st January 2022	59,055,258	66,061,447	-	13,590,891,445	13,716,008,150
Total Comprehensive Income for the year					
Treasury Levy Paid			-	(350,000,000)	(350,000,000)
Net Profit for the year			-	644,723,214	644,723,214
Revaluation gain on P.P.E (Motor Vehicles)			71,350,931	-	71,350,931
Gain/ losses on defined benefit plan (Note 26.3)			-	86,102,461	86,102,461
* Correction of understated direct settlements made by World Bank and ADB (net) -(Note a)				(64,350,060)	(64,350,060)
*Change in accounting policy in accounting MSD deductions (net)- (Note b)				132,024,320	132,024,320
*Correction of understated overdraft interest (net)- (Note c)				(2,250,868,593)	(2,250,868,593)
* Revision of estimated error in depreciation (net) -(Note d)				(6,628,920)	(6,628,920)
Balance as at 31st December 2022	59,055,258	66,061,447	71,350,931	11,781,893,868	11,978,361,504
Balance as at 01st January 2023	59,055,258	66,061,447	71,350,931	11,781,893,868	11,978,361,504
Total Comprehensive Income for the year					
Net Profit for the year			-	773,534,817	773,534,817
Gain/ losses on defined benefit plan (Note 26.3)			-	112,091,686	112,091,686
Balance as at 31st December 2023	59,055,258	66,061,447	71,350,931	12,667,520,371	12,863,988,006

Note (a)

Following errors have been rectified by restating the financial statement 2022 as given below:

	Value Rs	Tax effect avarage (30% & 25%) Rs.	Net Bal Rs.
(a) Correction of erroneously understated supplier payments made by the World Bank and Asian Development Bank on behalf of the Medical Supplies Division. Net effect due to foreign exchange difference (Note 36.1)	(87,254,318)	22,904,258	(64,350,060)
(b) Correction of erroneously understated MSD deductions for short supplies, quality failure, administration charges, etc, by considering it as a direct expenditure. (Note 36.2)	179,016,027	(46,991,707)	132,024,320
(c) Correction of understated overdraft interest due to recording as receivable in the year 2022. (Note 36.3)	(3,052,025,211)	801,156,618	(2,250,868,593)
(d) The Corporation reviewed the residual value and useful life of the already depreciated Furniture Fittings, Equipment, and Computers as at 31.12.2023 and revised the estimated error as stated in the LKAS 8.	42,602,473	(11,183,149)	31,419,324
	(2,917,661,029)	765,886,020	(2,151,775,009)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December	Note	SPC OPERATIONS 2023 Rs.	DHS OPERATIONS 2023 Rs.	TOTAL OPERATIONS 2023 Rs.	TOTAL OPERATIONS 2022 (Restated) Rs.
Income	7	11,746,644,244	62,948,425,588	74,695,069,832	50,918,966,607
Less					
Direct Expenses - MSD	8		59,705,008,034	59,705,008,034	38,337,733,487
Cost of Sales - SPC	9	7,698,921,165		7,698,921,165	7,758,197,644
Cost of Production - ORS	10	146,654,024		146,654,024	118,067,057
Gross Profit/ Surplus		3,901,069,055	3,243,417,554	7,144,486,609	4,704,968,419
Add: Other Operating Income	11	180,642,523	431,924,475	612,566,998	107,109,942
Less					
Administrative Expenses	12	1,705,154,870	774,370,315	2,479,525,184	2,068,280,826
Other Operating Expenses	13	508,136,268	219,004,855	727,141,123	1,979,136,740
Operating Profit		1,868,420,440	2,681,966,859	4,550,387,299	764,660,796
Less: Finance Expenses	14	16,181,396	3,274,305,937	3,290,487,333	3,066,139,074
Add: Finance Income (Staff Loan)		7,816,715	-	7,816,715	7,643,459
Profit Before Tax		1,860,055,759	(592,339,078)	1,267,716,682	(2,293,834,819)
Income Tax Expenses	15	613,826,821	(119,644,957)	494,181,865	(611,991,568)
Profit After Tax		1,246,228,939	(472,694,121)	773,534,817	(1,681,843,250)
Other Comprehensive Income:					
Revaluation gain on P.P.E (Motor Vehicles)		-	-	-	71,350,931
Gain/ Losses on defined benefit plan	26	49,320,342	62,771,344	112,091,686	86,102,461
Total comprehensive income for the year		1,295,549,281	(409,922,777)	885,626,503	(1,524,389,859)

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

STATEMENT OF CASH FLOW

For the year ended 31st December	NOTE	2023	2022
		Rs.	(Restated) Rs.
Cash flow from operating activities			
Net profit before taxation,		1,267,716,682	(2,293,834,819)
Adjustments for:			
Depreciation	16	111,464,247	108,034,522
Impairment/ adjustment for P.P.E	16	-	4,226,358
Gratuity provision for the year	26.3	111,720,011	95,592,723
Lease amortisation	18	777,474	777,474
Profit/loss on disposal of fixed assets		-	(1,634,771)
Amortisation charges (software)	19	1,771,117	1,299,862
Unrealized profit	7	(13,962,081)	(7,013,753)
Lease Interest (Osusala)		12,411,244	12,819,529
Amortisation of (ROU) Assets		27,428,158	28,712,905
Bad debt recoveries -SPC	11	-	2,026,781
Provision for bad debts -DHS	13	180,335,734	451,738,502
Stock losses	13	1,227,912	430,137
Provision for damaged & outdated stock - SPC	13	291,745,815	60,402,156
Provision for damaged & outdated stock DHS	13	9,290,161	69,863,409
Interest expenses	14	3,274,891,468	3,052,165,328
Operating profit before working capital changes		5,276,817,942	1,585,606,342
Increase/Decrease in trade and other receivable	23	6,668,128,205	(154,210,368)
Increase/Decrease in deposit & prepayments	24	(61,582,023)	(8,891,364)
Increase/Decrease in inventories		(4,009,144,492)	(847,124,481)
Increase/Decrease in Goods in Transit	22	(2,338,885,183)	826,879,098
Increase/Decrease in trade & Other payables	28	(2,008,286,906)	9,478,744,398
Increase/Decrease in Deferred Income		-	(1,471,313)
Cash generated from operations		3,527,047,542	10,879,532,312
Income tax paid		(901,384,981)	(687,931,172)
Surcharge tax paid		-	(692,831,419)
Treasury Levy/ Dividend paid		-	(350,000,000)
Gratuity paid	26	(39,709,106)	(22,119,094)
Interest paid	14	(3,274,891,468)	(3,052,165,328)
Cash flow before extraordinary items		(4,215,985,555)	(4,805,047,013)
Net cash from operating activities		(688,938,012)	6,074,485,299
Cash flow from investing activities			
Purchase of property, plant and equipment	16	(18,504,808)	(54,142,634)
Increase/Decrease in work in progress		(27,718,274)	(3,955,130)
Computer Software	19	(194,490)	(5,481,140)
Disposal of fixed assets		-	3,086,775
Net cash used in investing activities		(46,417,573)	(60,492,129)
Cash flow from financing activities			
Repayment of long term loan	27	(1,978,933,344)	(1,978,933,334)
Payments of Lease rent		(39,194,131)	(38,586,571)
Net cash used in financing activities		(2,018,127,475)	(2,017,519,905)
Net increase in cash and cash equivalents		(2,753,483,060)	3,996,473,265
Cash and cash equivalents at beginning of period		(10,324,126,607)	(14,320,599,871)
Cash and cash equivalents at end of period (Note A)		(13,077,609,667)	(10,324,126,607)
Note A : Cash and cash equivalents		2023	2022
		Rs.	Rs.
Cash in hand & at bank	25	5,539,030,064	5,613,777,091
Bank overdraft	29	(18,616,639,731)	(15,937,903,698)
Cash and cash equivalents		(13,077,609,667)	(10,324,126,607)

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

01. REPORTING ENTITY

1.1 Domicile & Legal Form

State Pharmaceuticals Corporation is a Government Corporation incorporated in 1971 under the State Industrial Corporations Act No. 49 of 1957 and domiciled in Sri Lanka. It is a Government Corporation located at No 75, Sir Baron Jayathilake Mawatha, Colombo 01. Presently operating its functions at "Mehewara Piyasa" Colombo 05.

1.2. Financial period

The financial period of the Corporation represents a twelve month period from 1 January 2023 to 31 December 2023.

1.3. Principal activities and nature of operations

The main functions are,

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

2. BASIS OF PREPARATION

2.1. Statement of compliance

The principle accounting policies adopted in preparation of Financial Statements are given under the Note 3-6 & such policies have been consistently applied, unless otherwise stated. The financial statements of the Corporation have been prepared in accordance with Sri Lanka Accounting Standards (commonly referred as "SLFRS"/ "LKAS") laid down by the Institute of Chartered Accountants of Sri Lanka. These financial statements comprise of the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes thereto.

2.2. Responsibility for financial statements

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

2.3 Approval of financial statements

The financial Statements were approved by the Board of Directors of the Corporation and authorized for issue on 06.03.2024.

2.4. Basis of measurement

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

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

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

2.5 Functional and Presentation Currency

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

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Corporation, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in profit or loss.

2.6. Comparative information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements, in order to enhance the understanding of the financial statements of the current period and to improve comparability. The comparative information has been reclassified where ever necessary to conform with the current year's classification in order to provide a better presentation.

2.7. Statement of Cash flows

The Statement of Cash Flows has been prepared by using the direct method in accordance with the Sri Lanka Accounting Standard – LKAS 7 (Statement of Cash Flows), whereby gross cash receipts and gross cash payments of operating activities, financing activities and investing activities have been recognized.

2.8. Significant Accounting Judgments, Estimates and Assumptions.

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

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

Note 25	-	Recognition of deferred tax assets/liabilities
Note 21	-	Provisions for impairment.
Note 24	-	Measurement of retirement benefit obligations; key actuarial assumptions.
Note 18	-	Leases
Note 16	-	Fare value measurement of Equipment, Furniture, Computers and Motor Vehicles

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

2.9. Measurement of Fair Values

A number of the Corporation's accounting policies and disclosures require the measurement of fair value for both financial and non-financial assets and liabilities. The current economic crisis in Sri Lanka has resulted in significant volatility in the financial markets. However the corporation did not require reclassifying any of its financial assets as a result of the significant volatility created by the current economic crisis.

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Significant Accounting Policies

The Accounting Policies applied by the Corporation are, unless otherwise stated, consistent with those used in the previous year. Previous year's figures and phrases have been rearranged, wherever necessary, to conform to the current year's presentation

3.2 Going Concern

In determining the basis of preparing the financial statements for the year ended 31 December 2023, based on available information, the management has assessed the existing and anticipated effects of the economic crisis of the Country on the Corporation and the appropriateness of the use of the going concern basis.

After evaluating wide range of factors such as Disruptions in the Pharmaceutical supply, significant changes in demand and their effects for the working capital and resulting liquidity issues that affect the going concern in the operations and the Board is not aware of any

material uncertainties that may cast significant doubt upon the corporation's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on going concern basis.

In determining the above significant management judgments, estimates and assumptions the impact of the economic crisis has been considered as of reporting date and specific considerations have been disclosed under the relevant notes.

3.3. New Accounting Standards issued during the year/Changes to already existing Accounting Standards

There were no new accounting standards issued by the Institute of Chartered Accountants of Sri Lanka during the year ended 31st December 2023. The amendments to the following existing Sri Lanka Accounting Standards which were effective from 01st January 2024 did not have a material impact on the Financial Statements.

- Amendment to IFRS 16 Leases on sale and leaseback
- Amendment to IAS 1 – Non-current liabilities with covenants
- Amendment to IAS 7 and IFRS 7 - Supplier finance
- IFRS S1, 'General requirements for disclosure of sustainability - related financial information
- IFRS S2, 'Climate-related disclosures'
- Amendments to IAS 21 - Lack of Exchangeability (01.01.2025)

3.4 Property Plant and Equipment

3.4.1 Basis of recognition

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

3.4.2. Basis of measurement

Items of property, plant and equipment are measured at cost/revaluation less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site at which they are located and capitalised borrowing costs.

Subsequent costs

The cost of replacing a component of an item of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Corporation and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognized in the income statement as incurred.

Cost model

The Corporation applies the cost model to all property, plant and equipment except Equipment, Furniture Fittings, Computers and Motor Vehicles; and is recorded at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

Revaluation model

The Corporation revalues its motor vehicles which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

On revaluation, any increase in the revaluation amount is credited to the revaluation reserve in equity unless it off sets a previous decrease in value of the same asset that was recognised in the statement of profit or loss. A decrease in value is recognised in the statement of profit or loss where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

Equipment, Furniture and Computers are measured at fair value. Furniture, Equipment and Computers were revalued by Mr. J.M. Senanayaka Bandara, Govt. Deputy Chief Valuer (Rtd.) as at 31.12.2015.

3.4.3. Depreciation

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

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

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

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

Accordingly, the residual value and useful life of the already depreciated Furniture Fittings, Equipment, and Computers were reviewed, and estimated errors were corrected prospectively. This effect of the depreciation account for the year is given below,

Current period	Rs.17.5 Million
Future periods	Rs.38.8 Million
Redundant items derecognized	Rs. 33.5 Million

3.4.4. De-recognition

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

3.4.5 Impairment of non-financial assets

The Corporation continues its operations through alternate working arrangements, whilst strictly adhering to and supporting government directives. Property, Plant and Equipment (PPE) is not significantly under-utilised. The Management believes that it has adequate liquidity and business plans to continue to its operation whilst mitigating the risks associated with the economic crisis situation in the Country and concluded that no impairment is required on Plant and Equipment at the reporting date.

3.5 Capital work in progress

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

3.6 Intangible assets

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

The Corporation's intangible assets are amortized using

the straight-line method to write down the cost over its estimated useful economic lives.

3.7 Leases

Leases are recognized as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Corporation. The Corporation has leases for the Osusala buildings, Stores facilities and some IT equipment. With the exception of short term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

(a) ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(b) Lease liabilities

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

The Corporation presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in comprehensive income.

(c) Re-measurement of lease liabilities

The Corporation is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rates take effect, the lease liability is re measured and adjusted against the ROU assets.

(d) Lease payments not recognized as a liability

The Corporation has elected not to recognize a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

3.8 Taxation

3.8.1 Current taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Taxation Authorities in respect of the current as well as prior years. The tax rate and tax laws used to compute the amounts are those that are enacted or substantially enacted by the Balance Sheet date. Accordingly, provision for taxation is made on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provision of the Inland Revenue Act No: 24 of 2017 and the Amendments thereto, the rates specified in the act. Provision for the current year taxation made according to the accounting profit subject to the rate specified by act.

3.8.2 Deferred taxation

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized

3.9 Inventories

Inventories are recognized at cost or 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. Stocks at Osusala outlets were measured, excluding the stock transfer margin which was worked out using an average margin of stock transferred from the Main stores to the Osusala outlet.

The Corporation's Pricing Committee decides the price of drugs based on formula while considering market prices.

3.9.1 Measurement of inventories

Cost of Inventories – ORS

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.

3.10 Cash & Cash Equivalents

Cash and cash equivalents comprise cash in hand and at bank, Treasury bill investments, other short-term highly liquid investments with original maturities of twelve months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

3.11 Research costs

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

4 LIABILITIES AND PROVISIONS

4.1 Retirement Benefit Obligations

4.1.1 Defined benefit plan – Retirement Gratuity

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

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

An actuarial valuation was carried out by Mr. M. Poopalanathan, AIA, of Messrs' Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries as at 31st December 2022. The assumptions based on which the results of the actuarial valuation were determined, are included in Note 26 to the financial statements.

4.1.2 Defined Contribution Plans- Employee Provident Fund & Employee Trust Fund

The Corporation contributes to Employees' Provident Fund contribution and Employees' Trust Fund contribution is covered by relevant contribution funds in line with respective regulation. Obligations for contributions to the plans covering the employees are recognized as an expense in the income statement.

Employees' Provident Fund

The Corporation and Employees contribute to provident fund at 12% and 10% respectively on fixed salary except travelling allowance.

Employees' Trust Fund

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

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 Revenue Recognition

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

The Corporation recognizes revenue when the performance obligations are satisfied.

In the comparative period, revenue is recognized on an accrual basis when it is probable that the economic benefits will flow to the Corporation and the revenue and associated costs incurred or to be incurred can be reliably measured regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

5.1.1 Nature of goods and service

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

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

The Corporation recognizes revenue from following sources;

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

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

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

iii. Production of Pharmaceuticals and health care items

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

- Jeevani
- Glucose
- Benzyl Bensovate Cream

based on requirement Corporation may repack certain other items.

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

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

5.1.2 Sale with a right of return

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

- The products sold are close to expiry
- Products are spoilt or discolored at the time of issue
- Issue of wrong products due to an error Such sale of products with a right to return shall be recognized by the Corporation as;
- Revenue for the transferred products in the amount of consideration to which the Corporation expects to be entitled a refund liability; and
- An asset (and corresponding adjustment to cost of sales) for its right to recover products from customers on settling the refund liability.

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

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

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

5.2 Other Income

Other income is recognized on an accrual basis.

5.3 Claims Receivable from Suppliers

Claims receivable from suppliers for Short Supplies and Damages have not been recognized in the Financial Statement due to uncertainty of the outcome. However, when the realization of income is virtually certain, the claim is recognized in the income statement.

There were pending supplier claims worth Rs 3,544 Million at the end of the year 2023. (From 01.01.2018 to 31.12.2023)

5.4 Expenses

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

5.4.1 Financial Expenses

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

5.4.2 Allocation between overheads

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

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

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

6 FINANCIAL INSTRUMENTS- INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

6.1 Initial Recognition and Measurement

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

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

6.1.1 Financial Assets

6.1.1.1 Classification and subsequent measurement

The Corporation classifies its financial assets in the following measurement categories

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

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

Debt instruments

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

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

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

6.1.1.1.1 Amortized cost

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

6.1.1.1.2 Fair value through other comprehensive income (FVOCI)

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

6.1.1.1.3 Fair value through profit or loss

Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not a part of a hedging relationship is recognized in profit or loss presented in the profit or loss statement in the period which it arises, unless it arises from debt

instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in the profit and loss statement. Interest income from these financial assets is included in "Other Operating income" using effective interest rate method. Currently the Corporation does not hold any financial asset under this category.

• Business model:

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

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

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

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

6.1.1.2 Impairment

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

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

Probability of Default (PD), Loss Given Default (LGD) computed as at 31.12.2023 & Economic Factor Adjustment (EFA) considered in the computation of “provision for impairment on trade receivables” for the Corporation as at 31st December 2023 have led to increase the such provision significantly. Natures of dues were considered in EFA to arrive at a reasonable provision. As updated GDP information not available in world Economic outlook previous years’ EFA has been considered.

Impairment of trade receivables have been calculated based on the advisory services provided by the “Moore Stephan Aiyar” in adoption of SLFRS 09. Accordingly, incurred loss on provision for impairment of trade receivables are calculated, based on loss rate derived

from probability of default (PD) & accordingly, expected credit loss (ECL) is calculated by adjusting economic factor Adjustment (EFA).

Debt balances for impairment have been fully provided if the such balances are long outstanding & its recoveries are highly doubtful. EFA has not been adjusted for such provision.

Impairment calculations have been done based on significant impairment & collective impairment under 4 categories given below.

- Significant collective impairment - (Government sector debtors – Forces, Government Hospitals)
- Other collective impairment- (Government Sector others & Private sector debtors)
- Highly significant Customers (Debtors with long outstanding dues & under litigation)
- Specific impairment on MSD debts.

The probability of default (PD) is calculated considering MSD debt balance as a ratio of the total MSD sales for a given year & use historical data (yearly balance) for this purpose. Loss rate is derived based on the outstanding balance. When obtaining the outstanding balance, term loan received (as per note 27 to the financial statements) has been considered as a receipt since we received the same in settlement of MSD outstanding.

6.1.1.2.1 Measurement of the Expected Credit Loss (ECL) allowance

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

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

- Expected credit loss is the discounted product of the Probability of Default (PD), Loss Given Default (LGD) and Economic Factor Adjustment (EFA). PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months or over the remaining lifetime of

the obligation.

- LGD represents the Corporation's expectation of the extent of loss on a defaulted exposure. LGD is computed on lifetime basis, where Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.
- The Corporation forecasts the economic growth for 5 years basing historical Economic growth data for 11 years and the economic factor adjustment (EFA) is arrived by using a weighted probability of the impact of growth on the Corporation. The economic growth of Sri Lanka is used for EFA as the main factor impacting growth of the Corporation due to the nature of the major customers.

6.1.1.3 De-recognition

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

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

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

6.1.2 Financial Liabilities

6.1.2.1 Classification and subsequent measurement

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

Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to

changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge an accounting mismatch in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss. The Corporation's financial liabilities include trade and other payables, bank overdrafts.

6.1.2.2 De-recognition

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

6.2 Measurement methods

Amortized cost and Effective Interest Rate

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

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

NOTES TO THE FINANCIAL STATEMENTS

7 REVENUE

For the year ended 31st December	2023	2022
	Rs.	Rs.
Revenue - SPC		
Bulk trading	3,688,759,178	1,931,939,808
ORS sales	247,579,960	142,735,292
Osusala sales (Note 30)	7,398,681,385	7,834,498,737
Provision for Unrealized Profit	(13,962,081)	(7,013,753)
Credit Insurance	-	1,471,313
Claims Received from Suppliers/Un-claimed bills	425,585,803	42,217,721
Total	11,746,644,244	9,945,849,118
Revenue - DHS		
Import supplies	37,139,542,684	27,257,000,998
Local supplies	23,865,788,809	12,827,156,588
Import of vaccines	715,016,213	141,465,149
CPU supplies	-	65,452,439
Additional charges	229,558,155	130,650,127
Claims Received from Suppliers/Un-claimed bills	994,125,558	525,708,055
Penalties on delayed Supplies	4,394,168	25,684,133
Total	62,948,425,588	40,973,117,489
Total Revenue	74,695,069,832	50,918,966,607

7.1 SALE WITH A RIGHT OF RETURN

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

8 COST OF SALES / DIRECT EXPENSES - DHS

For the year ended 31st December	2023	2022
	Rs.	Rs.
Revenue	62,948,425,588	40,973,117,489
DIRECT COST		
C & F value of DHS supplies	33,110,183,701	24,249,130,219
Custom duties & taxes	1,280,020,671	623,715,657
Cost of local supplies	23,030,867,265	12,333,881,836
CPU purchases to DHS	-	62,935,038
Deductions for short supplies, quality failure, administration charges, etc.	1,857,719,786	153,710,506
Total	59,278,791,422	37,423,373,256
OTHER DIRECT COST		
Clearing charges (Bank charges, Stamp fee , Commission & LC chg.)	790,541,145	672,352,293
Landing charges	87,269,024	56,653,061
Import licenses fee	143,797,308	225,355,423
Total	1,021,607,476	954,360,778
TOTAL COST	60,300,398,898	38,377,734,033
Less: Stock in transit	595,390,865	40,000,547
Direct expenses/ Cost of sales	59,705,008,034	38,337,733,487
Gross profit/surplus	3,243,417,554	2,635,384,003

NOTES TO THE FINANCIAL STATEMENTS

9 COST OF SALES -SPC

For the year ended 31st December	BULK	OSUSALA	TOTAL	TOTAL
	TRADING	TRADING	TRADING	TRADING
	Rs.	Rs.	Rs.	Rs.
Stock In trade at the beginning of the year	822,010,839	2,156,818,710	2,978,829,549	2,312,402,281
Add :				
Imported drugs	8,553,118,063		8,553,118,063	2,705,749,515
Consumables for the laboratory	1,123,695		1,123,695	179,555
Local purchases (SPC tenders)	723,590,660		723,590,660	1,120,740,016
Laboratory testing chg.	-	-	-	-
C.P.U - Purchases	846,415,265		846,415,265	246,734,447
Local purchases (Osusalas) (Note 30.1)	-	1,728,571,817	1,728,571,817	4,411,664,961
Transfers (Note 30.1)	(4,250,715,849)	4,250,715,849	-	-
STOCK AVAILABLE FOR SALES	6,695,542,672	8,136,106,376	14,831,649,047	10,797,470,775
Less: Stock In trade at end of the year	5,031,595,970	2,101,131,912	7,132,727,882	3,039,273,131
COST OF SALES & TRANSFERS	1,663,946,702	6,034,974,464	7,698,921,165	7,758,197,644

10 COST OF MANUFACTURING GLUCOSE, JEEWANEE AND BB CREAM

For the year ended 31st December	2023	2022
	Rs.	Rs.
Opening stock of raw materials	1,814,570	854,087
Add: purchases of raw materials	55,146,793	45,063,530
Less: closing stock of raw materials	4,615,220	1,814,570
Cost of raw materials consumed	52,346,143	44,103,047
Add: Manufacturing cost (Note 10.1)	94,465,565	74,430,841
Production cost of goods	146,811,708	118,533,888
ORS TRADING		
For the year ended 31st December	2023	2022
	Rs.	Rs.
Opening stock (finished goods)	466,831	-
Add: Production cost of goods	146,811,708	118,533,888
Less: Closing stock (finished goods)	624,515	466,831
Cost of sale	146,654,024	118,067,057
Sales	247,579,960	142,735,292
Less: Cost of sale	146,654,024	118,067,057
Gross profit	100,925,936	24,668,235

NOTES TO THE FINANCIAL STATEMENTS

10.1 MANUFACTURING COST

For the year ended 31st December	2023	2022
	Rs.	Rs.
Salaries & wages	31,828,468	33,541,526
Overtime.	1,856,718	1,947,238
Uniforms.	37,800	238,730
Insurance for staff	457,199	1,032,110
Provident fund (EPF & ETF).	3,098,520	4,018,216
Annual bonus	480,000	600,000
Attendance bonus	575,100	640,200
Annual incentive bonus	5,276,759	1,857,267
Staff welfare	1,047,915	1,122,214
Medical expenses	435,622	463,697
Power	3,750,580	2,905,316
Depreciation	10,454,106	9,349,596
Repairs & maintenance	7,066,825	3,893,673
Packing materials used	28,099,952	12,821,059
Total	94,465,565	74,430,841

11 OTHER OPERATING INCOME

For the year ended 31st December	2023	2022
	Rs.	Rs.
SPC		
Sales of tender forms.	73,538,030	22,590,813
Rent received	9,179,815	704,339
Treasury bill interest	22,089,532	13,166,696
Scrap sales	447,225	125,645
Interest income	14,806,064	35,369,962
Miscellaneous income	25,991,764	27,541,591
Pre qualification charges	-	2,251,750
Stock excesses	1,044,516	397,021
Sample testing income		2,366,194
Foreign exchange gain/loss	32,007,074	-
Prescriber	4,925	6,700
Training expence recoveries	709,297	
Int. on returned cheques/ delays	824,281	954,460
Profit on disposal of fixed assets	-	1,634,771
Total	180,642,523	107,109,942
DHS		
Foreign exchange gain	431,924,475	-
Total	431,924,475	-
Grand Total	612,566,998	107,109,942

NOTES TO THE FINANCIAL STATEMENTS

12 ADMINISTRATIVE EXPENSES

For the year ended 31st December	SPC TRADING			TOTAL	TOTAL	TOTAL	TOTAL
	OSUSALAS	O.R.S.	BULK	TRADING SPC	TRADING DHS	TRADING 2023	TRADING 2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
PERSONNEL EMOLUMENTS							
Salaries, Wages & Allowances.	575,282,746	-	328,625,946	903,908,693	418,251,204	1,322,159,897	1,115,517,732
Overtime.	31,883,063	-	7,656,939	39,540,002	5,104,626	44,644,628	44,210,206
Staff training expenses.	-	-	297,649	297,649	378,826	676,475	2,197,822
Uniforms.	5,568,223	-	1,089,888	6,658,110	1,387,130	8,045,240	6,823,746
Insurance for staff	7,201,429	-	4,808,416	12,009,845	6,119,803	18,129,648	15,762,542
Provident fund (EPF & ETF).	55,715,136	-	30,833,179	86,548,315	39,242,228	125,790,544	128,745,333
Annual bonus	7,155,982	-	3,963,182	11,119,163	5,044,049	16,163,212	17,235,541
Monthly attendance bonus.	9,777,000	-	4,404,620	14,181,620	5,605,880	19,787,500	18,912,079
Sports club expenses	-	-	371,890	371,890	473,315	845,205	1,481,367
Annual per inc. bonus.	85,939,303	-	46,652,961	132,592,264	59,376,496	191,968,759	69,253,459
Gratuity. (Note 26.3)	-	-	49,156,805	49,156,805	62,563,206	111,720,011	95,592,723
Land/ Housing loan interest	3,227,257	81,506	4,061,384	7,370,147	5,169,035	12,539,182	8,582,635
SPC Anniversary payment	-	-	781,088	781,088	994,112	1,775,200	3,769,005
Total	781,750,138	81,506	482,703,948	1,264,535,592	609,709,910	1,874,245,502	1,528,084,190
TRAVELING EXPENSES							
Overseas travelling expenses- others.	-	-	29,180	29,180	3,242	32,422	-
Local travelling expenses - others.	1,281,484	5,170	2,191,908	3,478,562	243,545	3,722,107	3,928,436
Total	1,281,484	5,170	2,221,088	3,507,742	246,788	3,754,529	3,928,436
SUPPLIES & REQUISITES							
Printing & stationery.	10,814,624	1,643,626	11,946,388	24,404,638	3,982,129	28,386,767	45,599,003
Board meeting expenses.	-	-	84,594	84,594	28,198	112,793	42,160
Entertainment - others.	-	-	710,561	710,561	236,854	947,414	356,772
Repairs to motor vehicles.	-	-	11,091,155	11,091,155	3,697,052	14,788,207	12,237,093
Fuel & lubricants.	-	-	14,395,943	14,395,943	4,798,648	19,194,591	17,421,703
License fees of motor vehicles.	-	-	176,783	176,783	58,928	235,711	194,454
Total	10,814,624	1,643,626	38,405,425	50,863,674	12,801,808	63,665,482	75,851,185
REPAIRS & MAINTENANCE							
Buildings.	5,007,988	-	7,421,666	12,429,654	7,421,666	19,851,320	12,208,021
Furniture, fittings & equipment	5,164,184	-	4,907,432	10,071,616	4,907,432	14,979,049	8,292,235
Computer	2,419,694	-	4,547,301	6,966,994	4,547,301	11,514,295	10,331,827
Total	12,591,865	-	16,876,399	29,468,264	16,876,399	46,344,664	30,832,082

NOTES TO THE FINANCIAL STATEMENTS

12 ADMINISTRATIVE EXPENSES

For the year ended 31st December	SPC TRADING			TOTAL	TOTAL	TOTAL	TOTAL
	OSUSALAS	O.R.S.	BULK	TRADING	TRADING	TRADING	TRADING
	SPC	DHS	2023	2022	2023	2022	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
TRANSPORTATION, COMMUNICATION UTILITIES & OTHER SERVICES							
Rent/Amortization of ROU Assets (Note 17.2)	34,050,863	-	2,487,402	36,538,265	-	36,538,265	33,376,314
Rent - "Mehewarapiyasa"	-	-	6,450,000	6,450,000	6,450,000	12,900,000	12,850,000
Lease rent amortization	618,474	-	160,000	778,474	-	778,474	779,474
Rates & taxes.	1,360,767	-	1,820,704	3,181,471	1,820,704	5,002,175	5,484,161
Water bills	1,498,255	153,585	878,488	2,530,328	878,488	3,408,815	2,529,766
Electricity.	47,380,735	-	21,446,565	68,827,299	21,446,565	90,273,864	46,655,834
Fuel for Generator	1,135,045	-	-	1,135,045	-	1,135,045	3,676,005
Postage, Telegrams & Telephones.	2,766,644	44,893	10,594,899	13,406,436	10,594,899	24,001,335	20,201,387
Trade subscriptions, Periodicals & Publications.	665,485	-	280,544	946,029	280,544	1,226,573	785,415
Professional charges.	-	-	2,543,633	2,543,633	2,543,633	5,087,265	2,693,683
Insurance.	-	-	2,485,632	2,485,632	2,485,632	4,971,263	3,273,174
Press notification.	-	-	6,087,465	6,087,465	14,204,085	20,291,550	13,856,480
Security services.	31,356,807	266,013	8,210,974	39,833,793	8,210,974	48,044,768	44,974,657
Depreciation	35,736,643	-	32,636,749	68,373,392	32,636,749	101,010,141	98,297,894
Amortisation- Computer Software	1,050,248	-	720,869	1,771,117	-	1,771,117	1,299,862
License fees for drugs.	2,405,945	-	46,793,612	49,199,557	-	49,199,557	26,113,952
Sundry expenses.	84,027	-	314,810	398,837	148,146	546,983	264,650
Directors fees.	-	-	320,000	320,000	320,000	640,000	590,000
Audit fees.	-	-	1,667,400	1,667,400	1,667,400	3,334,800	2,326,215
Tender board expenses.	-	-	4,378,926	4,378,926	10,217,494	14,596,420	19,679,746
Staff welfare.	23,847,689	-	13,122,742	36,970,431	16,701,672	53,672,103	46,066,785
Staff medical expenses.	5,588,174	-	3,243,764	8,831,938	4,128,426	12,960,364	13,508,232
Donations	-	-	124,130	124,130	-	124,130	495,596
Holiday bungalow expenses	-	-	-	-	-	-	2,962
Head office shifting expenses	-	-	-	-	-	-	29,802,689
Total	189,545,801	464,490	166,769,306	356,779,598	134,735,410	491,515,008	429,584,933
TOTAL ADMINISTRATIVE EXPENSES	995,983,912	2,194,792	706,976,166	1,705,154,870	774,370,315	2,479,525,184	2,068,280,826

NOTES TO THE FINANCIAL STATEMENTS

13 OTHER OPERATING EXPENSES

For the year ended 31st December	SPC TRADING			TOTAL	TOTAL	TOTAL	TOTAL
	OSUSALAS	O.R.S.	BULK	TRADING SPC	TRADING DHS	TRADING 2023	TRADING 2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
SELLING & DISTRIBUTION EXPENSES							
Sales promotion expenses.	-	-	9,808,999	9,808,999	-	9,808,999	14,077,674
Transport charges.	-	-	18,550,111	18,550,111	-	18,550,111	10,996,784
Provision for bad debts	-	-	5,552,339	5,552,339	174,783,396	180,335,734	453,765,283
Discount on osusala sales	-	-	21,267,762	21,267,762	-	21,267,762	20,739,517
Additional discounts	-	-	133,811,593	133,811,593	-	133,811,593	69,691,568
Value Added Tax	-	-	7,090,332	7,090,332	21,270,997	28,361,329	15,668,372
Stock losses	-	-	1,227,912	1,227,912	-	1,227,912	430,137
Pro. for outdated & damaged drugs	8,095,709	-	283,650,106	291,745,815	-	291,745,815	60,402,156
Pro. for outdated & damaged drugs - DHS	-	-	-	-	9,290,161	9,290,161	69,863,409
Stamp fee	-	-	547,025	547,025	-	547,025	452,625
Setting up expenses	-	-	326,495	326,495	-	326,495	2,037,077
Storage charges	-	-	-	-	10,876,847	10,876,847	16,378,729
Foreign exchange gain/loss	-	-	-	-	-	-	1,207,283,296
Sundry packing materials.	17,964,915	-	242,370	18,207,285	-	18,207,285	11,782,369
TOTAL	26,060,624	-	482,075,043	508,135,668	216,221,400	724,357,067	1,953,568,995
RESEARCH & DEVELOPMENT							
Drugs for testing	-	-	600	600	1,115	1,716	9,515
Testing charges for samples DHS	-	-	-	-	469,462	469,462	-
Testing charges for samples	-	-	-	-	-	-	219,239
TOTAL	-	-	600	600	470,578	471,178	228,754
(c) Legal Compensation	-	-	-	-	2,312,878	2,312,878	25,338,990
TOTAL OTHER OPERATING EXPENSES	26,060,624	-	482,075,644	508,136,268	219,004,855	727,141,123	1,979,136,740

14 FINANCE EXPENSES

For the year ended 31st December	SPC TRADING			TOTAL	TOTAL	TOTAL	TOTAL
	OSUSALAS	O.R.S.	BULK	TRADING SPC	TRADING DHS	TRADING 2023	TRADING 2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
O/D interest	-	-	585,531	585,531	3,274,305,937	3,274,891,468	3,052,165,328
Lease interest charge for the year (Note 17.2)	-	-	12,411,244	12,411,244	-	12,411,244	12,819,529
Bank charges	-	-	3,184,621	3,184,621	-	3,184,621	1,154,217
TOTAL FINANCE COST	-	-	16,181,396	16,181,396	3,274,305,937	3,290,487,333	3,066,139,074

NOTES TO THE FINANCIAL STATEMENTS

15 MAJOR COMPONENT OF TAX EXPENSES

For the year ended 31st December	2023	2023	2023	2022
	SPC	DHS	Total	Total
	Rs.	Rs.	Rs.	Rs.
Current tax expenses (Note 15.1)	614,699,189	(118,772,588)	495,926,601	-
Over/Under provision in respect of previous years		-	-	(535,198,410)
Adj. Deferred tax Income/Expenses relating to the origination -		-	-	(76,793,158)
- and reversal of temporary differences (Note 20)	(872,369)	(872,369)	(1,744,737)	
Tax expenses	613,826,821	(119,644,957)	494,181,864	(611,991,568)

15.1 RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSES

For the year ended 31st December	2023	2023	2023	2022
	SPC	DHS	Total	Total
	Rs.	Rs.	Rs.	Rs.
Profit Before Tax	1,860,055,759	(592,339,078)	1,267,716,682	(2,293,834,819)
Disallowable expenses	493,047,214	284,624,789	777,672,002	1,109,761,779
Qualifying payments	(304,105,676)	(88,194,340)	(392,300,015)	(217,471,663)
Taxable Income	2,048,997,297	(395,908,628)	1,653,088,669	(1,401,544,703)
Income Tax @ 30%	614,699,189	(118,772,588)	495,926,600.68	-
Income tax on current year profit	614,699,189	(118,772,588)	495,926,601	-
Over/Under provision in respect of previous years	-	-	-	(535,198,410)
Adj. Deferred tax Income/Expenses relating to the origination -				
and reversal of temporary differences (Note 20)	(872,369)	(872,369)	(1,744,737)	(76,793,159)
Tax expenses	613,826,821	(119,644,957)	494,181,864	(611,991,568)
Effective Tax Rate %	29.96		-	-

NOTES TO THE FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT

	Freehold land		Buildings		Motor Vehicles		Delivery Cycles		Furniture & Fittings		Equipment		Plant & Machinery		Computers		Total		
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		
COST OF DEEMED COST																			
At 1 January 2022	1,199,639,630		744,784,444		165,947,731		34,100		112,936,330		197,817,567		46,454,370		122,520,480				2,590,134,651
Additions	-		-		-		-		4,549,703		26,372,060		-		23,220,872				54,142,634
Adjustments	-		(9,187,915)		-		-		61,762		4,458,693		-		54,070				(4,613,390)
Revaluation	-		-		10,102,269		-		-		-		-		-				10,102,269
Disposals	-		-		(2,500,000)		-		-		(190,989)		-		-				(2,690,989)
At 31 December 2022	1,199,639,630		735,596,529		173,550,000		34,100		117,547,794		228,457,331		46,454,370		145,795,422				2,647,075,176
Additions	-		303,452		-		-		4,755,453		4,241,929		1,667,500		7,536,474				18,504,808
At 31 December 2023	1,199,639,630		735,899,982		173,550,000		34,100		122,303,247		232,699,260		48,121,870		153,331,896				2,665,579,984
DEPRECIATION & IMPAIRMENT																			
At 1 January 2022	-		141,842,966		62,312,298		34,100		46,124,564		113,531,584		33,026,216		57,475,404				454,347,132
Depreciation charge for the year	-		18,554,224		17,379,658		-		11,566,261		25,487,590		4,956,537		21,101,886				99,046,156
Disposals	-		-		(1,088,294)		-		-		(150,691)		-		-				(1,238,985)
Correction of estimated error in depreciation	-		233,788		-		-		-		6,659,904		238,339		1,856,335				8,988,366
Adjustments in 2022	-		(678,723)		-		-		(521,540)		809,070		-		4,161				(387,032)
Revaluation	-		-		(61,248,662)		-		-		-		-		-				(61,248,662)
At 31 December 2022	-		159,952,255		173,555,000		34,100		57,169,285		146,337,457		38,221,092		80,437,786				499,506,975
Depreciation charge for the year	-		18,788,261		17,355,000		-		11,747,040		33,264,359		4,952,116		25,357,471				111,464,247
At 31 December 2023	-		178,740,517		34,710,000		34,100		68,916,325		179,601,816		43,173,208		105,795,256				610,971,222
NET BOOK VALUE																			
At 31 December 2023	1,199,639,630		557,159,465		138,840,000		-		53,386,922		53,097,443		4,948,662		47,536,640				2,054,608,762
At 31 December 2022	1,199,639,630		575,644,274		156,195,000		-		60,378,509		82,119,874		8,233,278		65,357,636				2,147,568,201
At 31 December 2021	1,199,639,630		602,181,826		103,635,433		-		66,811,766		51,139,738		12,664,810		48,123,477				2,084,196,680

Fully Depreciated and not in Use -

The cost of fully depreciated, damaged, and unusable Property, Plant, and Equipment is Rs.47,955,128/- at the end of the year 2023.

NOTES TO THE FINANCIAL STATEMENTS

17 Right-of-use Assets

As at 31st December	Land and Building 2023 RS.	Land and Building 2022 RS.
Carrying amount at the beginning of the year	52,875,747	44,133,149
Contracts terminated during the year	(97,907)	-
Additions during the year	24,371,529	37,455,503
Amortization during the year (Note No 17.2)	(27,428,158)	(28,712,905)
Carrying amount at the end of the year	49,721,211	52,875,747

17.1 Lease Liability

Obligation to Make the Lease Payments

As at 31st December	2023 RS.	2022 RS.
Gross Lease Liabilities - Minimum Lease Payments	78,688,779	84,511,868
Obligations under Lease		
No later than One Year	31,406,430	32,667,634
Later than one year but no later than five years	46,201,257	48,865,562
Later than five years	1,081,091	2,978,672
	78,688,779	84,511,868
Future finance charges on leases	(19,163,093)	(22,476,917)
The present value of lease liabilities	59,525,686	62,034,951
<i>The present value of lease liabilities is classified as:</i>		
Current Liabilities	22,921,431	23,252,962
Non-current Liabilities	36,604,255	38,781,989

17.2 Amounts recognized in profit & loss

	2023 Rs.	2022 Rs.
Amortization of "Right-of-Use" (ROU) Assets for the Year	27,428,158	28,712,905
Expenses not included in the measurement of lease liabilities - short-term lease, variable lease payments, low-value assets etc.	9,110,107	4,663,409
Administration Expenses (Note 12)	36,538,265	33,376,314
Interest paid/payable for lease liabilities (Note 14)	12,411,244	12,819,529

NOTES TO THE FINANCIAL STATEMENTS

18 Lease Assets paid in advance

As at 31st December		2023	2022
		RS.	RS.
Ratmalana Land	99 year	8,920,000	9,080,000
Osusala Badulla (Bus Stand)	50 year	3,106,350	3,221,400
Osusala Badulla (CWE)	33 year	3,519,697	3,728,788
Osusala Nugegoda	30 year	4,963,227	5,256,560
Total rent paid in advance		20,509,274	21,286,748

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

19 Intangible Assets - Computer Software

	2023	2022
	Rs.	Rs.
Cost		
As at the beginning of the year	6,748,551	2,567,274
Acquisition/Incurred during the year	194,490	5,481,140
As at the end of the year	6,943,042	8,048,414
Amortisation		
Amortisation charge for the year	1,771,117	1,299,862
Carrying Amount		
As at the end of the year	5,171,925	6,748,551

20 DEFERRED TAX ASSETS/ LIABILITIES

	Balance 1st January 2023	Recognised in profit & loss	Balance 31st December 2023	Balance 1st January 2022	Recognised in profit & loss	Balance 31st December 2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
On Property plant & equipment	134,649,396	11,210,171	145,859,567	105,616,327	29,033,069	134,649,396
Deferred tax liability	134,649,396	11,210,171	145,859,567	105,616,327	29,033,069	134,649,396
On Retirement benefit obligation	(137,263,329)	12,024,234	(125,239,095)	(112,841,583)	(24,421,746)	(137,263,329)
Provision for disputed items	(234,511,103)	(24,979,142)	(259,490,245)	(153,106,622)	(81,404,481)	(234,511,103)
Deferred tax Assets	(371,774,432)	(12,954,908)	(384,729,340)	(265,948,204)	(105,826,227)	(371,774,432)
Net Deferred Tax Assets/ Liability	(237,125,035)	(1,744,737)	(238,869,772)	(160,331,877)	(76,793,158)	(237,125,035)

Deferred income tax is provided using a principal tax rate of - 30%

NOTES TO THE FINANCIAL STATEMENTS

21 TRADING STOCK

2023

2022

As at 31st December	2023				2022				
	Bin Balance	Stock Adj.	Trading Stock in Hand	Prov. for Damaged & Outdated Stock	Prov. for Damaged & Outdated Stock	Trading Stock in Hand	Prov. for Damaged & Outdated Stock	Prov. for Unrealized Profit	Stock (as at 31st Dec)
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stock in Transit	43,925,437	-	43,925,437	-	43,925,437	191,846,910	-	-	191,846,910
Bulk Stores	5,031,595,970	491,278	5,032,087,249	493,653,211	4,537,554,202	874,255,056	396,478,899	-	477,776,158
Trading Stock Osusala (NOTE 30.4)	2,101,131,912	553,238	2,101,685,150	8,095,709	2,015,493,812	2,165,415,096	8,596,386	65,013,383	2,091,805,327
Finished Products-ORS	624,515	-	624,515	-	624,515	466,831	-	-	466,831
Raw Materials -ORS	4,615,220	-	4,615,220	-	4,615,220	1,814,570	-	-	1,814,570
Total	7,181,893,053	1,044,516	7,182,937,570	501,748,920	6,602,213,186	3,233,401,442	405,075,285	65,013,383	2,763,709,796
SUNDRY STOCKS									
Printing Stationery	22,193,699	-	22,193,699	-	22,193,699	24,652,179	-	-	24,652,179
Packing Materials	63,010,937	-	63,010,937	-	63,010,937	54,632,647	-	-	54,632,647
Miscellaneous Stocks	22,423,649	-	22,423,649	-	22,423,649	2,482,427	-	-	2,482,427
Total	107,628,286	-	107,628,286	-	107,628,286	81,767,253	-	-	81,767,253
Disputed items	210,003,105	-	210,003,105	-	210,003,105	344,234,681	-	-	344,234,681
Total	7,499,524,444	1,044,516	7,500,568,960	501,748,920	6,919,844,576	3,659,403,376	405,075,285	65,013,383	3,189,711,730

NOTES TO THE FINANCIAL STATEMENTS

22 STOCKS IN TRANSIT - DHS

As at 31st December	2023	2022
	Rs.	Rs.
Stock in Transit	595,390,865	40,000,547
Add: Disputed Items - DHS		
Disputed stock as at 31.12.23	2,122,819,524	362,024,648
Disputed balances as at 31.12.23	14,603,745	14,603,745
Total Transit Value	2,732,814,133	416,628,940
Less: Provision for unsalable		
Carrying amount at the beginning	376,628,393	307,759,412
Provision for the period	9,290,161	74,138,326
Amount used/Charged against the provision	(22,699,990)	(5,269,345)
Carrying amount at the end of the period	363,218,564	376,628,393
Goods in Transit - DHS	2,369,595,569	40,000,547

The Corporation made 100% provision for disputed items when they were rejected by DHS due to quality failure, damage, and short self-life and remained in the stores with no movement for more than 12 months.

23 TRADE AND OTHER RECEIVABLES

As at 31st December	2023	2022
	Rs.	Rs.
Total Dues From DHS (Note 23.1)	38,853,759,374	43,951,072,699
Trade Debtors (Note 23.1)	1,175,411,631	1,488,412,962
Staff Loans (Note 23.1)	93,475,546	102,788,825
Other Staff Advances (Note 23.1)	7,606,998	234,105
Deposits and Advances (Note 23.1)	645,021,072	2,211,244,050
Other Receivables & Recoverable (Note 23.1)	368,691,817	58,342,002
Total	41,143,966,438	47,812,094,643
Less: Provision for bad & doubtful debts	2,342,208,038	2,161,872,304
Trade and Other Receivables	38,801,758,400	45,650,222,340

23.1 DEBTORS ANALYSIS

As at 31st December	2023	2022
	Rs.	Rs.
TOTAL DUES FROM DHS		
Local Purchase on DHS Tenders	920,317	920,317
DHS Turnover Tax & Custom Duty	51,927,472	51,927,472
Purchase Clearing - DHS	158,744,103	158,744,103
Department of Health Services *	38,642,167,482	43,739,480,807
Total	38,853,759,374	43,951,072,699

NOTES TO THE FINANCIAL STATEMENTS

23.1 DEBTORS ANALYSIS - Cont.

As at 31st December	2023	2022
	Rs.	Rs.
TRADE DEBTORS		
Distributors	380,182,684	291,029,393
Private Sector Organizations	90,434,301	84,817,845
Forces	504,598,941	795,977,477
Franchise Osusalas	33,305,177	30,502,324
Authorized retailer	1,569,254	1,068,791
Hospitals- Government	81,439,670	190,400,296
Hospitals- Private	22,095,779	16,494,597
Government Dept. & Corporations	31,949,923	48,218,335
Disputed Debtors - Government Sector	16,947,075	16,964,658
Disputed Debtors - Private Sector	2,448,776	2,499,196
Debtors under litigation	10,440,051	10,440,050
Total	1,175,411,631	1,488,412,962
STAFF LOANS		
Welfare fund	186,697	-
Staff Loan	93,288,849	102,788,825
Total	93,475,546	102,788,825
OTHER STAFF ADVANCES		
Cycle Loans	-	5,585
Festival Advance	249,770	228,520
Recoverble Performance Incentive	7,357,228	-
Total	7,606,998	234,105
DEPOSITS AND ADVANCES		
Advance Payments to Suppliers	584,369,721	424,423,099
General Advance	1,583,938	1,421,501
Marginal Deposit -DHS	59,067,414	1,785,399,450
Total	645,021,072	2,211,244,050
OTHER RECEIVABLES & RECOVERABLE		
General Treasury - Term Loan Interest	35,269,296	-
Sundry Debtors	12,287,503	13,813,461
E Channeling control A/c	25,556	25,556
Insurance Claim Receivables	917,538	689,077
Claim receivable from supplier	306,753,939	29,816,825
Agency Commission Receivable	13,437,985	13,997,082
Total	368,691,817	58,342,002
TOTAL DEBTORS AND OTHER RECEIVABLES	41,143,966,438	47,812,094,643

NOTES TO THE FINANCIAL STATEMENTS
23.2 DEBTORS ANALYSIS - Cont.

(Rs.Million)

Age Analysis -DHS

	Over 5 Years	4 to 5 Years	3 to 4 Years	2 to 3 Years	1 to 2 Years	Less Than 1 Year	Total
DHS - Outstanding	16,038	10,684	6,335	18,310	(7,627)	(5,098)	38,642
Deductions -Claim from Suppliers	-	-	-	-	-	-	-
Import, Local & Custom duty	211	-	-	-	-	-	211
	16,249	10,684	6,335	18,310	(7,627)	(5,098)	38,853

Age Analysis -SPC

	OVER 5 YEARS	1 TO 5 YEARS	184 - 365 Days	93 - 184 Days	32 - 92 Days	0 - 31 Days	Grand Total
Trade Debtors	32	30	113	151	399	450	1,175

NOTES TO THE FINANCIAL STATEMENTS

24 PREPAYMENTS

As at 31st December	2023 Rs.	2022 Rs.
Pre- Payments	65,791,193	9,969,284
Employee Security Investments	441,636	441,636
Deposits - Postal Franking Machine	691,462	558,682
Pre paid Staff Expenses	16,465,051	13,236,966
Advance Payments to Port Authority	169,512	817,247
Miscellaneous Deposits	11,774,281	11,460,231
Container Deposits - SPC	3,424,792	2,293,340
Container Deposits - DHS	13,621,166	12,019,684
Total	112,379,093	50,797,070

25 CASH AND CASH EQUIVALENTS

As at 31st December		2023 Rs.	2022 Rs.
People's Bank	A/C - 90210892	263,517,780	208,085,618
Commercial Bank	A/C 150701	2,585,789	602,065
Bank of Ceylon	A/C -1438	593,303,032	717,022,793
Bank of Ceylon	A/C -1425	284,367,810	-
Bank of Ceylon	A/C -70556680	3,288,713,416	1,305,750,630
Bank of Ceylon	A/C -84740710	13,114,154	13,012,796
Standard Chartered Bank	A/C -1171968 01	9,778,196	12,900,562
Commercial bank	A/C -150401	55,007	55,007
Sampath Sanhida	A/C 10218	4,242,342	5,827,630
Bank of Ceylon	A/C -0087595324	162,550,999	89,879,740
* People's bank	A/C -07-0204137	415,656,088	2,583,991,755
National Savings Bank	A/C-100640401196	41,506	40,344
Bank of Ceylon - Marging Account		366,100,096	565,192,224
Investments			
Treasury Bill - Credit Insurance Scheme		90,605,151	74,865,927
Treasury Bill - Supplier Convention		43,495,173	35,685,473
Petty Cash Impress - Control		903,524	864,526
Total		5,539,030,064	5,613,777,091

26 EMPLOYEE RETIREMENT GRATUITY

As at 31st December	2023 Rs.	2022 Rs.
Gratuity opening balance	457,544,430	470,173,261
Interest Cost (Note 26.3)	82,357,997	54,069,925
Past Service Cost	-	7,346,532
Current Service Cost (Note 26.3)	29,362,014	34,176,266
Actuarial Gain /Loss (Note 26.3)	(112,091,686)	(86,102,461)
Benefit paid/ payables during the year	(39,709,106)	(22,119,094)
Total	417,463,649	457,544,429

An actuarial valuation was carried out by Mr. M. Poopalanathan, AIA, of Messrs.' Actuarial and Management Consultants (Pvt) Ltd., a firm of professional actuaries as at 31st December 2023.

NOTES TO THE FINANCIAL STATEMENTS

26.1 The principal actuarial valuation assumptions used are as follows:

As at 31st December	2023	2022
Discount %	13% p.a.	18% p.a.
Future salary increase %	10% p.a.	15% p.a.
Allowance increase %	11% p.a.	18% p.a.
Retiring age	60 Years	60 Years
Staff Turnover Factor	3.0%	2.0%

26.2 Sensitivity Analysis

A one percentage change in the assumptions would have the following effects to employee defined benefit plan - gratuity

As at 31 December	Present Value of Defined Benefit Obligation	Present Value of Defined Benefit Obligation
	2023	2022
Discount Rate:		
1% Increase	387,485,480	421,278,807
1% Decrease	451,673,248	499,278,667
Salary Escalation Rate (Including Allowances):		
1% Increase	452,031,091	499,236,085
1% Decrease	386,713,671	420,746,024

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

As at 31st December	2023	2022
	Rs.	Rs.
Past Service Cost	-	7,346,532
Current service cost	29,362,014	34,176,266
Interest charges for the year	82,357,997	54,069,925
Actuarial gain/loss charged	-	-
Gratuity include in the staff cost (Note 12)	111,720,011	95,592,723
Actuarial gain/loss - OCI	(112,091,686)	(86,102,461)
Total	(371,675)	9,490,262

27 LONG TERM LOANS

As at 31st December	Bank of Ceylon Rs.	People's Bank Rs.	Total value Rs.
Loan amount	5,876,000,000	6,000,000,000	11,876,000,000
Balance as at 01.01.2023	4,570,222,218	4,917,100,000	9,487,322,218
Total Paid	979,333,344	999,600,000	1,978,933,344
Balance as at 31.12.2023	3,590,888,874	3,917,500,000	7,508,388,874
Balance to be paid			
Not later than one year	1,060,944,445	999,600,000	2,060,544,445
Later than one year	2,529,944,429	2,917,900,000	5,447,844,429

The Government Treasury has arranged the above Term loans in enabling SPC to maintain its liquidity within the already approved overdraft facility limits and undertake to settle the same with interest. The Corporation repaid the loan as the settlements received from the Treasury.

NOTES TO THE FINANCIAL STATEMENTS

28 TRADE AND OTHER PAYABLES

As at 31st December	2023	2022
	Rs.	Rs.
Accrued charges & provision	641,918,250	224,116,822
Interest received in advance - Government Treasury		13,602,763
Creditors control	2,061,808,990	5,208,767,562
Special order advance	982,510	21,134,366
Customer advance	1,496,035	1,010,236
Security deposits	628,001	630,001
Salaries control	2,933,737	18,681,594
Bank bills payable - SPC	216,035,278	375,003,996
Bank bills payable - DHS	14,120,040,975	13,239,790,836
Interest on cash security deposits	104,248	102,529
Tender deposits	11,063,916	4,368,977
Loans & other recoveries (staff)	14,980,812	15,628,273
Gratuity payable	15,077,809	76,247
P.A.Y.E	580,590	-
Seva Vanitha	178,530	103,280
Welfare fund	-	469,774
Contributed Staff welfare	7,947,745	7,947,745
Fund for Evaluation of Sinopharm Vaccine *	3,693,550	3,727,518
Fund for Covid 19 relief assistance**	8,027,301	8,027,301
Cash Deposit in lieu of Bank Guarantee	18,481,413	11,147,101
Agency commission	75,068,590	55,700,423
Value added tax	39,944,683	39,242,523
Total	17,240,992,962	19,249,279,868

* Ceyoka Pvt Ltd granted 7.5 million to conduct Sinopharm post-marketing surveillance research and related activities. The Corporation is carrying out research and related activities. The balance remaining as at 31st December 2023 is given above.

**The Government of Pakistan granted Rs. 8 million to utilize as relief assistance for Covid 19. This fund will be utilized for the requirements related to Covid -19 pandemic in the year 2024.

29 CURRENT FINANCIAL LIABILITIES

As at 31st December		2023	2022
		Rs.	Rs.
Bank of Ceylon	A/C -1435	8,691,229,735	7,844,581,222
Bank of Ceylon	A/C -1425	-	83,539,088
People's bank	A/C -90210929	9,925,409,996	8,009,783,388
Total		18,616,639,731	15,937,903,698

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA

NOTES TO THE FINANCIAL STATEMENTS

30 OSUSALA INCOME

For the year ended 31st December 2023	APURA		MAHARAGAMA		J. PIRA		KARAPITHA		NEGOMBO		BADULLA-CWE		DIYATHALAWA		JAFFNA		POLONNARIWA		RATHMALANA		TANGALLE		RAGAMA		OSU SALA BANDARAGAMA		OSU SALA PORT	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sales	137,412,695	168,130,296	277,680,377	136,691,319	112,426,600	116,390,838	59,770,197	90,459,939	150,884,813	29,693,680	196,206,374	160,801,381	61,454,923	100,571,405														
Cost of Sales (Note 30.1)	105,741,692	138,126,047	224,161,457	114,330,185	90,649,676	92,755,375	49,574,007	73,098,503	125,403,659	23,975,584	164,598,797	135,936,232	49,258,693	82,024,865														
Gross Profit on Sales & Transfers	31,671,003	30,004,249	53,518,920	22,361,134	21,776,924	23,635,463	10,196,189	17,361,436	25,481,155	5,718,097	31,607,577	24,865,149	12,196,230	18,546,539														
ADMINISTRATIVE EXPENSES (Note 30.2)																												
Personnel Expenses	14,666,126	20,585,004	35,965,665	20,109,790	14,940,812	15,655,769	8,157,929	9,817,378	14,562,676	4,378,642	15,519,905	15,744,731	9,649,540	11,703,339														
Travelling Expenses	1,600	1,358	13,467	11,880	3,760	18,550	-	146,370	7,270	22,810	15,921	41,790	4,432	26,055														
Supplies & Requisites	181,269	157,203	392,419	144,377	265,407	92,722	395,536	42,370	97,651	13,180	33,580	176,927	251,589	108,830														
Repairs & Maintenance	51,141	299,054	315,017	293,217	117,744	141,066	21,895	185,977	249,508	20,132	306,685	312,838	112,329	151,289														
Transportation, Communication, Utilities & Other	3,783,136	4,508,347	6,066,146	4,708,387	3,719,298	3,212,877	1,338,444	2,176,205	3,847,881	445,308	3,253,358	3,799,051	1,723,849	3,188,559														
OTHER OPERATING EXPENSES (Note 30.3)																												
Selling & Distribution Expenses	299,544	337,841	853,041	301,159	514,617	472,069	157,700	87,537	611,996	82,848	148,968	470,938	279,137	95,519														
TOTAL OVERHEADS	18,982,815	25,888,808	43,605,755	25,568,809	19,561,637	19,593,052	10,071,504	12,455,836	19,376,982	4,962,921	19,278,417	20,546,274	12,020,876	15,273,591														
NET PROFIT/(LOSS)	12,688,189	4,115,441	9,913,164	(3,207,675)	2,215,287	4,042,411	124,685	4,905,600	6,104,172	755,176	12,329,160	4,318,874	175,355	3,272,948														

30.1 COST OF SALES

Stock in Trade - at the beginning of the year	21,249,774	60,590,658	53,995,260	38,324,010	18,908,649	34,190,052	16,942,659	35,813,191	38,804,581	9,208,728	44,044,753	52,496,286	13,185,689	21,361,932
Local purchases	21,655,043	35,077,465	89,510,776	20,355,460	20,377,928	15,737,464	8,472,372	21,984,161	28,627,913	4,188,549	4,213,294	22,077,406	11,492,772	18,111,250
Transfers	80,320,627	101,325,037	140,423,607	92,874,566	72,701,434	74,371,014	39,658,821	56,069,212	98,885,373	17,332,064	173,886,859	101,670,179	40,783,419	63,935,147
STOCK AVAILABLE FOR SALE	123,225,443	196,993,159	283,929,643	151,554,035	111,988,011	124,298,529	65,073,852	113,866,563	166,317,867	30,729,341	222,144,906	176,243,872	65,461,881	103,408,329
Stock in trade at year end (Note 30.4)	17,483,751	58,867,112	59,768,186	37,223,851	21,338,335	31,543,154	15,499,844	40,768,061	40,914,209	6,753,758	57,546,109	40,307,639	16,203,188	21,383,463
COST OF SALES & TRANSFERS	105,741,692	138,126,047	224,161,457	114,330,185	90,649,676	92,755,375	49,574,007	73,098,503	125,403,659	23,975,584	164,598,797	135,936,232	49,258,693	82,024,865

NOTES TO THE FINANCIAL STATEMENTS

30 OSUSALA INCOME

For the year ended 31st December 2023	BORIELLA		EMBILIPITTA		KODI-RAILWAY		GAMPAHA		NAGODA		BERIWALA		PIIYANDALA		NINTHAYUR		AKKARAPATTU		MONARAGALA		PERADENYA		ANAMADIWA		KDU		OSU SALA		OSU SALA		OSU SALA	
	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.	TRADING	Rs.		
Sales	54,256,780	57,138,976	92,417,263	136,579,664	112,458,540	76,568,669	81,416,783	41,548,912	45,347,647	100,904,012	169,981,222	27,330,070	57,024,275	96,576,099																		
Cost of Sales (Note 30.1)	43,213,448	44,755,343	73,125,494	113,707,281	93,987,152	63,086,168	67,102,707	34,757,829	37,922,560	84,440,185	133,775,799	21,678,342	49,564,861	76,656,441																		
Gross Profit on Sales & Transfers	11,043,332	12,383,632	19,291,769	22,872,383	18,471,387	13,482,501	14,314,077	6,791,083	7,425,088	16,463,827	36,205,423	5,651,728	7,459,414	19,919,658																		
ADMINISTRATIVE EXPENSES (Note 30.2)																																
Personnel Expenses	7,977,634	11,040,478	11,206,822	14,061,767	10,542,539	11,198,527	10,126,751	8,071,305	7,591,181	10,248,982	13,161,550	4,166,818	7,299,607	11,448,662																		
Travelling Expenses	-	85,170	4,840	31,500	15,900	-	1,772	5,400	16,231	4,324	11,194	3,540	38,120	37,196																		
Supplies & Requisites	24,786	183,014	106,831	308,302	425,419	49,021	182,623	70,076	31,214	281,694	630,834	4,331	195,498	211,552																		
Repairs & Maintenance	268,116	121,105	101,432	282,680	85,414	119,795	115,567	12,490	19,847	32,090	114,116	12,215	84,500	120,348																		
Transportation, Communication, Utilities & Other	1,141,194	2,788,220	2,345,171	3,400,542	2,523,615	3,139,831	3,679,238	2,464,601	2,603,982	2,806,704	2,433,992	2,340,862	1,156,368	3,471,258																		
OTHER OPERATING EXPENSES (Note 30.3)																																
Selling & Distribution Expenses	88,293	216,757	259,873	380,085	212,052	262,511	267,424	198,508	212,245	154,592	323,544	193,246	583,970	257,904																		
TOTAL OVERHEADS	9,500,023	14,434,745	14,024,970	18,464,876	13,804,939	14,769,684	14,373,375	10,822,380	10,474,700	13,528,386	16,675,230	6,721,012	9,358,064	15,546,920																		
NET PROFIT/(LOSS)	1,543,309	(2,051,112)	5,266,799	4,407,507	4,666,448	(1,287,183)	(59,298)	(4,031,297)	(3,049,612)	2,935,441	19,530,194	(1,069,284)	(1,898,650)	4,372,738																		

30.1 COST OF SALES

Stock in Trade - at the beginning of the year	14,993,008	18,202,292	19,317,441	47,712,307	30,138,494	20,002,387	23,701,425	11,329,223	11,684,609	26,840,865	22,123,918	7,959,134	31,337,665	35,457,275
Local purchases	7,100,218	6,982,225	8,255,088	18,666,336	25,449,858	10,993,234	14,312,498	2,431,125	4,707,150	13,626,036	28,815,463	3,272,080	24,051,580	13,160,882
Transfers	32,230,895	40,994,732	65,316,467	104,021,129	83,968,643	48,018,677	54,508,907	32,607,161	30,933,238	64,866,664	109,431,603	24,492,781	25,345,513	63,363,668
STOCK AVAILABLE FOR SALE	54,324,120	66,179,248	92,888,997	170,399,772	139,556,994	79,014,298	92,522,829	46,367,509	47,324,996	105,333,566	160,370,985	35,723,995	80,734,759	111,981,825
Stock In trade at year end (Note 30.4)	11,110,672	21,423,905	19,763,503	56,692,491	45,569,842	15,928,130	25,420,123	11,609,680	9,402,437	20,893,380	26,595,186	14,045,652	31,169,898	35,325,384
COST OF SALES & TRANSFERS	43,213,448	44,755,343	73,125,494	113,707,281	93,987,152	63,086,168	67,102,707	34,757,829	37,922,560	84,440,185	133,775,799	21,678,342	49,564,861	76,656,441

NOTES TO THE FINANCIAL STATEMENTS

30 OSUSALA INCOME

For the year ended 31st December 2023	OSU SALA TRADING MATALE		OSU SALA TRADING B.S.BADULLA		OSU SALA TRADING MATHUGAMA		OSU SALA TRADING NARAIENPITA		OSU SALA TRADING MADAWACHCHIVA		OSU SALA TRADING PITAKOTTE		OSU SALA TRADING HORANA		OSU SALA TRADING HOMAGAMA		OSU SALA TRADING NITTAMBURA		REGIONAL STORES KANDY		OSUSALA TOTAL TRADING ACTIVITIES	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sales	113,789,414	38,146,413	77,660,877	17,914,940	33,502,157	102,158,396	58,135,569	76,209,010	48,548,893	212,479,528	7,398,681,385											
Cost of Sales (Note 30.1)	86,231,366	30,141,841	63,623,049	14,522,715	28,622,479	84,315,788	47,283,515	63,936,934	39,262,633	140,137,412	6,034,974,464											
Gross Profit on Sales & Trnsfers	27,558,048	8,004,571	14,037,828	3,392,225	4,879,677	17,842,608	10,852,054	12,272,076	9,286,260	72,342,116	1,363,706,921											
ADMINISTRATIVE EXPENSES (Note 30.2)																						
Personnel Expenses	8,668,872	7,474,564	7,823,166	4,094,925	4,722,385	10,319,655	7,132,831	9,597,326	6,414,497	11,172,057	781,750,138											
Travelling Expenses	850	27,896	12,010	66,300	41,510	1,300	1,675	580	2,600	55,520	1,281,484											
Supplies & Requisites	142,397	100,737	282,969	715	53,713	177,343	122,210	242,137	72,792	153,345	10,814,624											
Repairs & Maintenance	46,264	52,325	63,801	59,886	282,693	80,595	84,712	77,658	21,080	156,910	12,591,865											
Transportation, Communication, Utilities & Other	2,960,868	1,997,130	2,828,147	984,991	2,835,784	4,163,352	2,627,935	4,252,185	3,154,809	5,316,603	189,545,801											
OTHER OPERATING EXPENSES (Note 30.3)																						
Selling & Distribution Expenses	267,907	119,863	245,769	158,929	1,148,397	103,784	139,298	305,373	263,841	207,903	25,507,386											
TOTAL OVERHEADS	12,087,157	9,772,516	11,255,862	5,365,745	9,084,482	14,846,030	10,108,662	14,475,259	9,929,619	17,062,338	1,021,491,298											
NET PROFIT/(LOSS)	15,470,891	(1,767,944)	2,781,967	(1,973,521)	(4,204,805)	2,996,578	743,392	(2,203,183)	(643,358)	55,279,778	342,215,622											

30.1 COST OF SALES

Stock in Trade - at the beginning of the year	17,456,496	13,642,018	23,262,122	8,710,146	35,657,569	39,998,210	18,965,190	24,959,501	19,963,835	70,148,285	2,156,818,710
Local purchases	17,011,049	6,502,212	24,325,248	1,436,329	(8,186,588)	32,672,319	10,310,743	16,388,520	14,094,360	-	1,728,571,817
Transfers	79,688,084	29,648,351	50,372,953	8,978,359	22,675,304	51,948,392	39,046,458	47,116,668	37,664,286	111,101,183	4,250,715,849
STOCK AVAILABLE FOR SALE	114,155,629	49,792,581	97,960,324	19,124,835	50,146,285	124,618,921	68,322,391	88,464,690	71,722,480	181,249,468	8,136,106,376
Stock in trade at year end (Note 30.4)	27,924,263	19,650,740	34,337,275	4,602,120	21,523,805	40,303,133	21,038,876	24,527,756	32,459,847	41,112,056	2,101,131,912
COST OF SALES & TRANSFERS	86,231,366	30,141,841	63,623,049	14,522,715	28,622,479	84,315,788	47,283,515	63,936,934	39,262,633	140,137,412	6,034,974,464

30.2
NOTES TO THE FINANCIAL STATEMENTS
OSUSALA-OVERHEADS

For the year ended 31st December 2023	OSUSALA TRADING Col.07		OSUSALA TRADING Col.01		OSUSALA TRADING KANDY		OSUSALA TRADING NUWEGODA		OSUSALA TRADING AVISSAWELLA		OSUSALA TRADING RATAPURA		OSUSALA TRADING PANADURA		OSUSALA TRADING GALLE		OSUSALA TRADING MATARA		OSUSALA TRADING KURNEGALA		OSUSALA TRADING AMPARA		OSUSALA TRADING H. TOTA	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
A. ADMINISTRATIVE Ex																								
PERSONNEL EMOLUMENTS																								
Salaries, Wages & Allowances.	75,509,779	15,686,541	14,392,561	14,679,760	26,868,658	11,284,825	13,593,773	14,623,124	17,459,489	15,801,255	19,066,888	8,365,986	7,715,508											
Overtime.	5,278,398	865,339	516,228	1,105,294	1,226,943	421,695	427,062	512,702	392,595	320,798	1,056,952	565,706	833,718											
Uniforms.	793,126	166,510	160,300	170,920	271,158	104,993	110,362	122,066	143,961	133,656	175,429	81,609	70,321											
Insurance for staff	1,086,931	172,864	178,620	261,851	256,754	261,851	115,799	130,457	243,091	209,145	209,330	43,426	92,000											
Provident fund (E.P.F & E.T.F)	7,301,202	1,512,180	1,433,156	1,404,004	2,686,742	1,100,563	1,323,415	1,398,089	1,714,650	1,561,472	1,866,235	773,827	767,254											
Annual bonus	1,000,000	180,000	166,000	200,000	267,851	140,000	160,000	80,000	200,000	240,000	240,000	120,000	100,000											
Annual per inc. bonus.	11,636,127	1,981,543	2,155,025	2,259,115	3,459,134	1,740,172	2,011,766	1,793,811	2,502,760	2,380,468	2,828,035	1,326,024	1,104,245											
Housing loan interest	226,361	207,317	-	-	433,249	157,295	-	61,418	-	2,223	-	-	-											
Attendance bonus	1,161,000	276,750	225,000	223,650	412,350	203,250	253,200	103,800	240,150	260,100	346,500	160,950	120,900											
Total	103,992,925	21,049,043	19,226,890	20,304,594	35,882,839	15,263,370	17,995,376	19,030,541	22,950,546	21,027,453	25,791,591	11,437,528	10,803,946											
TRAVELLING EXPENSES																								
Local travelling expenses	49,103	100,750	57,968	2,746	23,694	61,470	69,080	67,929	14,200	2,100	3,540	10,025	8,718											
Total	49,103	100,750	57,968	2,746	23,694	61,470	69,080	67,929	14,200	2,100	3,540	10,025	8,718											
SUPPLIES & REQUISITES																								
Printing & stationery.	1,264,690	153,488	552,018	258,791	399,121	49,017	265,901	311,282	258,264	107,138	221,213	52,451	98,581											
Total	1,264,690	153,488	552,018	258,791	399,121	49,017	265,901	311,282	258,264	107,138	221,213	52,451	98,581											
REPAIRS & MAINTENANCE																								
Buildings.	1,102,320	211,050	43,153	79,558	1,940,010	28,303	46,415	24,931	114,271	140,179	61,539	17,625	29,523											
Furniture, fittings & equipment	487,766	165,175	199,814	226,714	52,168	172,978	103,799	93,428	242,154	75,410	209,142	65,688	117,430											
Computer	576,016	68,855	72,295	-	95,471	2,000	74,412	67,355	78,711	69,355	72,857	69,355	80,555											
Total	2,166,102	445,080	315,261	306,273	2,087,649	203,280	224,627	185,713	435,135	284,943	343,539	152,668	227,507											
TRANSPORTATION, COMMUNICATION UTILITIES & OTHER SERVICES																								
Rent/Amortization of ROU Assets	-	-	-	410,500	337,818	410,500	30,681	435,600	1,583,421	1,140,000	1,957,060	288,000	577,841											
Lease rent amortization	-	-	-	294,333	-	-	-	-	-	-	-	-	-											
Rates & taxes.	381,160	225,086	193,250	121,205	78,825	14,086	8,850	3,000	19,992	35,685	-	3,000	11,638											
Water bills	318,054	43,692	41,020	41,020	70,731	28,286	136,037	3,814	43,247	30,285	66,976	26,193	32,079											
Electricity.	7,147,558	1,591,346	864,000	1,579,917	1,259,176	832,966	1,895,067	630,265	962,283	1,006,254	1,349,775	1,106,259	794,296											
Fuel for Generator	16,500	1,645	-	56,605	-	13,960	73,370	34,865	10,760	18,300	132,860	8,400	40,270											
Postage, Telegrams & Telephones.	203,268	54,497	66,801	85,221	58,836	45,731	49,062	56,255	48,539	47,343	86,570	68,039	53,957											
Depreciation	5,772,090	1,040,876	590,637	953,958	748,701	807,439	753,162	195,782	864,304	291,789	758,334	888,093	341,088											
Amortisation- Computer Software	-	-	-	38,898	-	38,898	-	-	-	-	-	-	-											
Trade subscriptions, Periodicals & Publications.	104,010	750	14,580	42,180	34,840	37,370	14,520	24,200	17,580	40,820	-	-	-											
Security services.	4,320,434	1,159,685	463,044	465,876	1,600,175	464,103	455,782	1,145,933	466,740	470,603	1,146,667	456,942	445,976											
License fees for drugs.	48,331	48,494	48,544	48,531	48,558	47,416	48,558	48,331	88,604	55,696	48,544	45,510	40,093											
Sundry expenses.	-	3,000	-	-	750	700	-	1,125	2,000	2,055	2,000	450	900											
Staff welfare.	2,990,124	626,278	483,524	546,050	1,091,079	391,244	414,993	442,827	766,474	635,345	812,422	328,513	333,978											
Staff medical expenses.	772,389	153,099	180,000	160,132	278,733	105,000	113,035	75,000	135,000	158,968	164,890	75,000	60,000											
Total	22,073,917	4,948,449	2,945,399	4,433,726	5,608,221	3,227,699	3,993,118	4,913,760	4,015,733	4,536,941	6,526,098	3,294,398	2,732,115											
TOTAL ADMINISTRATIVE COST	129,546,737	26,696,810	23,097,537	25,306,129	44,001,524	18,814,846	22,548,102	24,610,385	27,673,878	25,958,575	32,885,981	14,947,070	13,870,868											

NOTES TO THE FINANCIAL STATEMENTS

30.2 OSUSALA -OVERHEADS

For the year ended 31st December 2023	OSU SALA APURA		OSU SALA MAHARAGAMA		OSU SALA J.PURA		OSU SALA KARAVITVA		OSU SALA NEGOMBO		OSU SALA BADULLA-CWE		OSU SALA DIVATHALAWA		OSU SALA JAFFNA		OSU SALA POLONNARIWA		SATHOSA OUTLET		OSU SALA TAGALLE		OSU SALA RAGAMA		OSU SALA BANDARAGAMA		OSU SALA FORT		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
A. ADMINISTRATIVE COST																													
PERSONNEL EMOUMENTS																													
Salaries, Wages & Allowances.	10,677,755	15,253,516	25,367,481	14,983,435	10,811,519	11,188,109	6,130,990	7,329,948	10,875,408	3,290,855	11,419,163	11,344,267	7,333,430	8,806,957															
Overtime.	668,423	585,389	2,048,187	511,196	706,952	776,422	407,917	392,485	559,973	27,739	357,186	728,463	315,184	158,633															
Uniforms.	107,889	147,115	251,722	127,657	100,368	113,919	56,651	72,010	101,193	25,198	124,018	128,918	60,595	87,325															
Insurance for staff	3,700	304,100	493,472	324,851	44,543	244,852	-	-	99,090	91,425	1,243,370	713,094	37,228	127,779															
Provident fund (E.P.F & E.T.F)	1,038,319	1,458,632	2,456,535	1,493,874	995,628	1,102,823	432,761	676,975	1,070,352	322,325	1,124,370	1,073,514	664,309	833,242															
Annual bonus	139,000	200,000	359,000	180,000	143,388	120,000	80,000	100,000	120,000	40,000	123,388	120,000	80,000	120,000															
Annual per inc. bonus.	1,571,049	2,338,952	4,207,088	2,253,367	1,939,664	1,654,301	926,460	1,128,210	1,567,910	527,100	1,815,438	1,366,418	1,022,893	1,383,438															
Housing loan interest	259,741	-	305,481	9,810	-	282,093	-	-	-	-	205,403	47,757	-	31,465															
Attendance bonus	200,250	297,300	476,700	225,600	198,750	173,250	123,150	117,750	168,750	54,000	184,200	222,300	135,900	154,500															
Total	14,666,126	20,585,004	35,965,665	20,109,790	14,940,812	15,655,769	8,157,929	9,817,378	14,562,676	4,378,642	15,519,905	15,744,731	9,649,540	11,703,339															
TRAVELLING EXPENSES																													
Local travelling expenses	1,600	1,358	13,467	11,880	3,760	18,550	-	146,370	7,270	22,810	15,921	41,790	4,432	26,055															
Total	1,600	1,358	13,467	11,880	3,760	18,550	-	146,370	7,270	22,810	15,921	41,790	4,432	26,055															
SUPPLIES & REQUISITES																													
Printing & stationery.	181,269	157,203	392,419	144,377	265,407	92,722	395,536	42,370	97,651	13,180	33,580	176,927	251,589	108,830															
Total	181,269	157,203	392,419	144,377	265,407	92,722	395,536	42,370	97,651	13,180	33,580	176,927	251,589	108,830															
REPAIRS & MAINTENANCE																													
Buildings.	17,268	54,800	5,145	7,823	33,237	24,692	17,195	46,342	65,077	8,578	78,174	24,249	33,293	20,035															
Furniture, fittings & equipment	23,265	176,899	241,818	217,799	17,152	49,019	400	72,280	117,076	11,554	117,265	201,936	11,682	63,900															
Computer	10,608	67,355	68,055	67,595	67,355	67,355	4,300	67,355	67,355	-	111,246	86,652	67,355	67,355															
Total	51,141	299,054	315,017	293,217	117,744	141,066	21,895	185,977	249,508	20,132	306,685	312,838	112,329	151,289															
TRANSPORTATION, COMMUNICATION, UTILITIES & OTHER SERVICES																													
Rent.	777,399	1,647,905	1,440,000	1,406,063	1,090,841	-	-	-	-	-	-	-	-	-															
Lease rent amortization	-	-	-	-	-	209,091	-	-	-	-	-	-	-	-															
Rates & taxes.	13,545	14,300	-	13,703	11,000	10,273	-	6,250	12,700	-	79,409	-	-	-															
Water bills	24,673	10,423	-	28,203	28,198	22,921	14,344	-	79,051	-	13,501	31,794	20,692	6,481															
Electricity.	1,004,136	1,082,637	1,526,892	1,287,904	1,125,268	810,155	73,833	973,295	1,297,720	-	1,144,480	1,006,602	533,334	568,311															
Fuel for Generator	28,974	22,360	-	63,990	4,000	53,440	-	-	10,180	-	8,400	3,060	37,820	3,425															
Postage, Telegrams & Telephones.	71,125	49,465	48,974	77,904	64,271	70,465	36,127	59,070	72,815	14,020	66,051	55,774	41,684	43,039															
Depreciation	754,049	424,424	482,252	531,862	287,102	887,783	267,989	220,701	776,588	234,939	823,394	358,908	255,099	467,230															
Amortisation- Computer Software	38,898	-	-	-	-	-	38,898	-	-	-	38,898	-	-	-															
Trade subscriptions, Periodicals & Publications.	-	38,090	51,510	-	17,400	-	-	37,690	-	-	15,180	-	17,220	-															
Security services.	455,782	464,460	1,133,717	460,631	459,384	458,808	-	455,782	1,129,313	-	451,804	1,159,685	449,256	448,391															
License fees for drugs.	47,524	68,272	41,705	48,558	48,494	38,381	55,691	44,128	37,712	37,898	63,991	45,510	45,669	43,161															
Sundry expenses.	-	1,177	1,270	1,273	1,850	2,000	-	-	4,000	-	-	-	260	11,500															
Staff welfare.	462,031	534,849	1,009,826	653,539	496,288	529,561	258,761	304,289	307,804	119,554	464,648	565,683	262,333	307,022															
Staff medical expenses.	105,000	149,987	350,000	134,758	85,202	120,000	67,919	75,000	120,000	-	122,500	135,000	59,881	90,000															
Total	3,783,136	4,508,347	6,066,146	4,708,387	3,719,298	3,212,877	1,338,444	2,176,205	3,847,881	445,308	3,253,358	3,799,051	1,723,849	3,188,559															
TOTAL ADMINISTRATIVE COST	18,683,271	25,550,966	42,752,714	25,267,650	19,047,021	19,120,983	9,913,805	12,368,299	18,764,986	4,880,073	19,129,449	20,075,336	11,741,738	15,178,072															

NOTES TO THE FINANCIAL STATEMENTS

30.2 OSUSALA -OVERHEADS

For the year ended 31st December 2023	OSU SALA BORELLA		OSU SALA TRADING KDY-RAILWAY		OSU SALA GAMPARA		OSU SALA NAGODIA		OSU SALA BERUWALA		OSU SALA PILDANDALA		OSU SALA NINTHAVUR		OSU SALA AKKARAPATTU		OSU SALA MONARAGALA		OSU SALA PERADENYA		OSU SALA ANAMADUWA		OSU SALA KDU		OSU SALA DAMBILLA			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
A. ADMINISTRATIVE COST																												
PERSONNEL EMOLUMENTS																												
Salaries, Wages & Allowances.	5,958,608	8,332,326	8,057,317	10,537,632	8,018,070	7,796,328	7,213,100	6,044,230	5,470,866	7,653,809	9,728,627	3,087,726	5,227,608	8,438,675														
Overtime.	208,111	362,523	729,274	535,056	180,120	734,336	550,673	351,614	497,796	449,026	530,445	254,986	88,432	492,639														
Uniforms.	57,896	73,120	79,180	100,390	72,565	77,120	66,521	61,001	60,521	61,001	92,709	28,338	40,067	93,429														
Insurance for staff	94,929	76,076	55,347	21,503	63,585	36,700	124,212	28,975	20,722	20,722	157,444	23,950	101,561	35,007														
Provident fund (E.F.F & E.T.F)	556,987	797,433	791,069	999,884	762,985	767,809	859,191	563,326	531,792	738,254	971,631	275,067	496,817	838,905														
Annual bonus	80,000	100,000	100,000	120,000	100,000	140,000	100,000	80,000	80,000	100,000	120,000	27,851	83,306	120,000														
Annual per inc. bonus.	931,703	1,198,350	1,156,413	1,513,990	1,156,768	1,491,584	1,073,975	877,368	810,981	1,114,720	1,329,905	424,200	1,140,420	1,289,606														
Housing loan interest	-	-	83,121	42,663	21,946	-	-	-	-	-	36,688	-	53,746	-														
Attendance bonus	89,400	100,650	155,100	190,650	166,500	154,650	138,750	94,800	110,250	111,450	194,100	44,700	67,650	140,400														
Total	7,977,634	11,040,478	11,206,822	14,061,767	10,542,539	11,198,527	10,126,751	8,071,305	7,591,181	10,248,982	13,161,550	4,166,818	7,299,607	11,448,662														
TRAVELLING EXPENSES																												
Local travelling expenses	-	85,170	4,840	31,500	15,900	-	1,772	5,400	16,231	4,324	11,194	3,540	38,120	37,196														
Total	-	85,170	4,840	31,500	15,900	-	1,772	5,400	16,231	4,324	11,194	3,540	38,120	37,196														
SUPPLIES & REQUISITES																												
Printing & stationery.	24,786	183,014	106,831	308,302	425,419	49,021	182,623	70,076	31,214	281,694	630,834	4,331	195,498	211,552														
Total	24,786	183,014	106,831	308,302	425,419	49,021	182,623	70,076	31,214	281,694	630,834	4,331	195,498	211,552														
REPAIRS & MAINTENANCE																												
Buildings.	152,824	12,075	5,906	13,252	17,317	11,920	24,295	11,740	5,847	25,862	37,572	9,715	76,993	73,918														
Furniture, fittings & equipment	47,937	41,675	95,407	266,703	68,097	107,875	91,272	-	14,000	920	76,544	-	7,027	46,430														
Computer	67,355	67,355	119	2,725	-	-	-	750	-	5,308	-	2,500	480	-														
Total	268,116	121,105	101,432	282,680	85,414	119,795	115,567	12,490	19,847	32,090	114,116	12,215	84,500	120,348														
TRANSPORTATION, COMMUNICATION, UTILITIES & OTHER SERVICES																												
Rent.	-	654,022	-	989,914	505,648	859,924	1,238,322	463,172	666,314	563,388	591,322	556,466	302,657	870,524														
Lease rent amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	-														
Rates & taxes.	-	10,287	-	5,000	-	6,700	-	-	-	-	26,011	3,000	-	8,140														
Water bills	-	14,897	2,376	-	24,322	10,734	32,893	17,384	-	10,858	-	15,885	-	35,479														
Electricity.	-	634,167	446,466	772,968	617,831	506,982	840,422	524,403	503,605	498,841	207,191	340,283	180,000	733,415														
Fuel for Generator	-	19,210	-	24,830	10,060	13,912	33,060	49,455	26,905	24,500	3,480	26,800	-	22,157														
Postage, Telegrams & Telephones.	22,370	30,426	83,740	46,273	58,839	30,355	45,024	40,012	54,953	76,900	36,511	62,857	20,294	49,998														
Depreciation	373,093	453,181	740,689	477,203	471,016	748,824	591,664	306,256	520,561	533,924	837,605	555,660	328,223	733,561														
Amortisation- Computer Software	-	-	38,898	38,898	38,898	38,898	38,898	38,898	38,898	38,898	38,898	38,898	38,898	38,898														
Trade subscriptions, Periodicals & Publications.	-	-	-	-	-	-	-	-	-	-	34,265	17,340	-	-														
Security services.	467,605	457,183	471,760	460,853	457,407	452,756	444,694	455,782	449,474	455,782	454,157	454,157	455,766															
License fees for drugs.	45,438	69,630	45,384	44,188	49,737	48,208	18,492	35,628	48,044	48,001	32,384	42,911	37,801	58,094														
Stundry expenses.	-	10,217	350	-	1,870	2,200	-	-	-	150	1,800	16,100	200	-														
Staff welfare.	172,981	360,000	440,643	473,020	212,987	345,337	305,768	258,611	238,653	480,462	549,524	180,505	202,097	360,438														
Staff medical expenses.	59,708	75,000	74,865	67,396	75,000	75,000	90,000	75,000	56,575	75,000	75,000	30,000	46,198	104,789														
Total	1,141,194	2,788,220	2,345,171	3,400,542	2,523,615	3,139,831	3,679,238	2,464,601	2,603,982	2,806,704	2,433,992	2,340,862	1,156,368	3,471,258														
TOTAL ADMINISTRATIVE COST	9,411,730	14,217,987	13,765,097	18,084,791	13,592,887	14,507,173	14,105,951	10,623,872	10,262,455	13,373,794	16,351,686	6,527,765	8,774,094	15,289,016														

30.2 NOTES TO THE FINANCIAL STATEMENTS
OSUSALA -OVERHEADS

For the year ended 31st December 2023

	OSU SALA		OSU SALA		OSU SALA		OSU SALA		OSU SALA		OSU SALA		OSU SALA		OSU SALA		OSU SALA		TOTAL TRADING ACTIVITIES
	TRADING MAYALE	TRADING RSBADIILA	TRADING MATHUGAMA	TRADING NARAHENPTA	TRADING MADAWAKIRIYIA	TRADING PIYAKOTTE	TRADING HORANA	TRADING HOMAGAMA	TRADING NITTAMBURA	TRADING KANDY	TRADING KANDY	TRADING KANDY	TRADING KANDY	TRADING KANDY	TRADING KANDY	TRADING KANDY	TRADING KANDY	TRADING KANDY	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
A. ADMINISTRATIVE COST																			
PERSONNEL EMOLUMENTS																			
Salaries, Wages & Allowances.	6,568,116	5,773,657	5,890,290	2,877,460	3,615,405	7,104,278	5,143,600	6,811,937	4,496,602	8,047,331	575,282,746								
Overtime.	338,329	206,131	261,202	241,267	206,789	845,669	198,408	617,582	477,537	466,207	31,883,063								
Uniforms.	45,621	44,007	37,797	27,898	41,607	78,294	49,536	61,151	43,622	98,319	5,568,223								
Insurance for staff	6,800	24,293	31,373	121,424	-	49,602	18,334	21,575	94,456	124,737	7,201,429								
Provident fund (E.P.F. & E.T.F)	608,116	551,313	543,668	268,729	340,565	686,724	492,063	697,394	430,108	824,211	55,715,136								
Annual bonus	61,570	60,000	60,000	40,000	40,000	100,000	44,628	100,000	60,000	120,000	7,155,982								
Annual per inc. bonus.	934,271	753,963	726,845	449,147	431,668	1,066,599	968,236	1,160,337	703,297	1,353,853	85,939,303								
Housing loan interest	-	-	181,390	-	-	220,488	119,026	-	9,874	-	3,227,257								
Attendance bonus	106,050	61,200	90,600	69,000	46,350	168,000	99,000	127,350	99,000	137,400	9,777,000								
Total	8,668,872	7,474,564	7,823,166	4,094,925	4,722,385	10,319,655	7,132,831	9,597,326	6,414,497	11,172,057	781,750,138								
TRAVELLING EXPENSES																			
Local travelling expenses	850	27,896	12,010	66,300	41,510	1,300	1,675	580	2,600	55,520	1,281,484								
Total	850	27,896	12,010	66,300	41,510	1,300	1,675	580	2,600	55,520	1,281,484								
SUPPLIES & REQUISITES																			
Printing & stationery.	142,397	100,737	282,969	715	53,713	177,343	122,210	242,137	72,792	153,345	10,814,624								
Total	142,397	100,737	282,969	715	53,713	177,343	122,210	242,137	72,792	153,345	10,814,624								
REPAIRS & MAINTENANCE																			
Buildings.	13,221	10,029	13,345	50,963	28,835	13,517	21,654	5,080	15,390	44,050	5,007,988								
Furniture, fittings & equipment	33,043	42,296	50,456	8,923	251,858	67,079	63,058	17,003	5,690	112,860	5,164,184								
Computer	-	-	-	-	2,000	-	-	55,575	-	-	2,419,694								
Total	46,264	52,325	63,801	59,886	282,693	80,595	84,712	77,658	21,080	156,910	12,591,865								
TRANSPORTATION, COMMUNICATION, UTILITIES & OTHER SERVICES																			
Rent.	902,655	-	512,494	446,563	614,099	1,509,009	642,431	1,439,265	1,045,678	1,648,153	34,050,863								
Lease rent amortization	-	115,050	-	-	-	-	-	-	-	-	618,474								
Rates & taxes.	6,250	-	4,500	-	-	-	18,871	3,000	3,000	3,000	1,360,767								
Water bills	17,956	16,296	-	-	-	27,611	7,696	10,960	26,536	39,399	1,498,255								
Electricity	364,505	281,807	646,227	10,000	731,007	974,791	509,343	1,096,462	587,214	769,719	47,380,735								
Fuel for Generator	5,550	58,280	41,790	-	46,500	15,595	3,560	14,075	14,130	38,012	1,135,045								
Postage, Telegrams & Telephones.	34,854	38,617	39,421	26,029	39,834	35,151	44,921	20,510	27,465	57,944	2,766,644								
Depreciation	719,356	619,928	705,476	268,339	582,715	662,646	540,931	832,104	714,840	1,090,206	35,736,643								
Amortisation- Computer Software	38,898	38,898	38,898	38,898	38,898	38,898	38,898	38,898	38,898	38,898	1,050,248								
Trade subscriptions, Periodicals & Publications.	40,660	-	-	-	-	-	-	-	-	27,320	665,485								
Security services.	455,782	462,058	461,009	-	458,584	461,314	461,165	445,232	462,322	1,146,667	31,356,807								
License fees for drugs.	43,181	43,889	44,009	56,110	46,329	26,927	39,496	46,126	27,318	36,540	2,405,945								
Sundry expenses.	670	1,600	2,000	-	2,000	-	1,470	-	1,040	2,000	84,027								
Staff welfare.	270,551	305,708	287,324	94,052	260,818	351,409	274,471	260,797	178,658	328,746	23,847,689								
Staff medical expenses.	60,000	15,000	45,000	45,000	15,000	60,000	44,683	44,756	27,711	90,000	5,588,174								
Total	2,960,868	1,997,130	2,828,147	984,991	2,835,784	4,163,352	2,627,935	4,252,185	3,154,809	5,316,603	189,546,801								
TOTAL ADMINISTRATIVE COST	11,819,250	9,652,653	11,010,093	5,206,816	7,936,085	14,742,246	9,969,563	14,169,886	9,665,778	16,854,435	995,983,912								

30.4 OSUSALA TRADING STOCK

NOTES TO THE FINANCIAL STATEMENTS

2023

2022

As at 31st December	Bin Balance		Stock Adj.		Trading Stock in Hand		Prov. for Damaged & Outdated Stock		Prov. for Unrealized Profit		Stock	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Location												
Colombo 07	253,080,852	215,381	253,296,233	469,226	5,722,506	247,104,502	295,772,724	191,558	295,964,283	1,475,890	3,737,105	290,751,288
Colombo 04	179,636,727	38,048	179,674,774	1,570,611	5,074,269	173,029,894	145,381,624	7,168	145,388,793	-	2,647,625	142,741,168
Colombo 01	116,917,008	10,494	116,927,502	1,327,266	3,194,037	112,406,199	124,095,901	85,617	124,181,518	491,032	1,959,233	121,731,252
Kandy	74,698,685	(10,598)	74,688,086	690,352	2,917,516	71,080,218	92,568,463	13,677	92,582,140	1,317,718	2,904,155	88,560,267
Nugegoda	47,531,438	(10,384)	47,521,054	157,814	1,220,567	46,142,672	45,556,536	(34,884)	45,521,652	121,253	797,004	44,603,395
Avissawella	18,559,589	(1,280)	18,558,309	34,392	779,108	17,744,809	15,990,999	(7,920)	15,983,079	842	667,040	15,315,198
Rathnapura	32,843,298	138,455	32,981,753	297,873	1,370,555	31,313,325	29,773,182	(113,769)	29,659,413	58,057	745,142	28,856,214
Minuwangoda	21,313,328	18,545	21,331,872	51,569	984,023	20,296,280	25,023,349	(11,783)	25,011,566	2,832	1,199,343	23,809,391
Panadura	70,085,380	(7,559)	70,077,821	219,609	3,035,896	66,822,317	72,943,719	101,436	73,045,155	144,818	2,792,514	70,107,823
Galle	37,228,993	42,864	37,271,856	273,366	1,375,469	35,623,022	36,747,329	38,266	36,785,595	94,432	1,235,170	35,455,993
Matara	37,756,090	(26,585)	37,729,506	59,122	1,572,503	36,097,880	53,855,343	73,960	53,929,303	45,437	1,289,464	52,594,402
Kurunegala	63,702,296	3,548	63,705,843	45,290	2,449,018	61,211,535	101,493,913	(2,689)	101,491,224	185,581	3,639,806	97,665,837
Annapara	31,665,783	12,559	31,678,343	-	1,693,148	29,985,194	22,709,639	15,238	22,724,877	231,208	1,188,003	21,505,666
Hambantota	38,081,632	3,286	38,084,918	197,271	1,378,077	36,509,570	46,045,003	1,741	46,046,743	7,170	1,681,796	44,357,777
Anuradhapura	17,483,751	3,222	17,486,973	-	899,183	16,587,790	21,262,583	691	21,263,274	13,500	1,084,710	20,165,064
Maharagama	58,867,112	26,488	58,893,599	25,995	2,362,331	56,505,274	60,576,551	31,999	60,608,549	17,892	1,648,660	58,941,998
Jayawardanapura	59,768,186	8,406	59,776,593	12,193	1,884,317	57,880,083	54,058,932	(8,262)	54,050,670	55,410	1,309,643	52,685,617
Karapitiya	37,223,851	8,699	37,232,550	15,706	1,640,565	35,576,279	38,335,140	9,507	38,344,647	20,637	1,152,816	37,171,194
Negombo	21,338,335	42,923	21,381,258	9,168	924,245	20,447,845	18,862,475	51,330	18,913,805	5,156	431,916	18,476,733
Badulla - CWE	31,543,154	7,524	31,550,678	40,329	1,360,897	30,149,451	34,419,157	(57,589)	34,361,569	171,517	1,052,728	33,137,324
Diyathalawa	15,499,844	(25,610)	15,474,235	84,160	799,200	14,590,875	17,002,573	-	17,002,573	59,914	744,481	16,198,178
Jaffna	40,768,061	4,255	40,772,316	-	2,197,677	38,574,639	35,807,249	6,847	35,814,096	905	1,489,923	34,323,268
Polonnaruwa	40,914,209	(966)	40,913,243	2,510	1,984,268	38,926,465	38,813,743	(3,883)	38,809,861	5,279	2,026,696	36,777,885
Ratmalana	6,753,758	26,078	6,779,836	8,186	283,569	6,488,081	9,231,754	(15,404)	9,216,350	7,622	408,336	8,800,393
Tangalle	57,546,109	11,144	57,557,253	28,071	3,214,710	54,314,473	44,063,824	3,993	44,067,816	23,063	2,464,952	41,579,800
Ragama	40,307,639	20,694	40,328,334	-	1,929,992	38,398,342	52,484,950	11,337	52,496,286	-	2,013,785	50,482,501

NOTES TO THE FINANCIAL STATEMENTS

30.4 OSUSALA TRADING STOCK

2023

As at 31st December	Bin Balance		Stock Adj.		Trading Stock in Hand		Prov. for Damaged & Outdated Stock		Prov. for Unrealized Profit		Stock	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bandaragama	16,203,188	9,286	16,212,474	3,192	770,823	15,438,459						
Fort - Station	21,383,463	7,462	21,390,925	-	801,734	20,589,191						
Borella	11,110,672	498	11,111,170	8,673	411,382	10,691,115						
Embiliptiya	21,423,905	5,106	21,429,011	32,424	981,051	20,415,535						
KDY-Railway	19,763,503	3,895	19,767,398	54,221	936,674	18,776,503						
Gampaha	56,692,491	(13,835)	56,678,656	53,058	2,858,299	53,767,299						
Nagoda	45,569,842	32,813	45,602,654	3,737	2,022,063	43,576,854						
Beruwala	15,928,130	3,548	15,931,679	38,283	790,102	15,103,294						
Piliyandala	25,420,123	(1,939)	25,418,183	42,879	1,065,762	24,309,543						
Ninthavur	11,609,680	(31,104)	11,578,577	105,335	532,009	10,941,233						
Akkaraipattu	9,402,437	(15,204)	9,387,233	47,878	402,844	8,936,511						
Monaragala	20,893,380	25,917	20,919,297	14,599	1,164,997	19,739,702						
Peradeniya	26,595,186	(276)	26,594,910	4,550	1,054,672	25,535,689						
Anamaduwa	14,045,652	(2,224)	14,043,428	91,302	641,972	13,310,153						
Kotala wala defence Academy	31,169,898	(38,247)	31,131,651	154,786	860,574	30,116,291						
Dambulla	35,325,384	4,411	35,329,795	57,943	1,724,473	33,547,379						
Matale	27,924,263	10,551	27,934,815	164,081	1,324,681	26,446,053						
Badulla Bus stand	19,650,740	(11,346)	19,639,394	54,123	906,106	18,679,164						
Mathugama	34,337,275	(29,245)	34,308,030	40,383	1,160,832	33,106,814						
Narahenpita	4,602,120	700	4,602,820	103,600	179,632	4,319,588						
Medawachchiya	21,523,805	467	21,524,272	1,066,228	1,037,377	19,420,667						
Pitakotte	40,303,133	(2,937)	40,300,197	28,673	1,225,734	39,045,789						
Horana	21,038,876	8,211	21,047,087	6,277	863,396	20,177,414						
Homagama	24,527,756	1,262	24,529,018	32,073	1,067,275	23,429,670						
Nitambuwa	32,459,847	25,834	32,485,682	75,376	1,063,516	31,346,789						
Regional Stores Kandy	41,112,056	-	41,112,056	191,957	-	40,920,099						
Total	2,101,131,912	553,238	2,101,685,150	8,095,709	78,095,628	2,015,493,812						

2022

Bin Balance	Stock Adj.		Trading Stock in Hand		Prov. for Damaged & Outdated Stock		Prov. for Unrealized Profit		Stock	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
13,180,493	6,546	13,187,039	1,350	517,124	12,668,565					
21,345,010	16,921	21,361,932	-	629,332	20,732,600					
15,015,039	1,768	15,016,808	23,800	428,401	14,564,607					
18,260,491	1,318	18,261,810	59,518	546,129	17,656,163					
19,391,433	(636)	19,390,797	73,356	798,426	18,519,015					
47,837,502	(54,270)	47,783,232	70,925	2,576,115	45,136,192					
30,178,873	35,181	30,214,054	75,560	1,219,067	28,919,427					
20,003,110	3,056	20,006,166	3,779	925,135	19,077,252					
23,716,299	(1,824)	23,714,475	13,050	943,891	22,757,533					
11,491,947	(23,704)	11,468,243	139,020	549,483	10,779,740					
11,728,999	(5,412)	11,723,587	38,979	502,861	11,181,748					
26,908,195	21,471	26,929,665	88,800	1,523,195	25,317,670					
22,123,295	2,591	22,125,885	1,967	764,921	21,358,997					
8,010,601	(5,883)	8,004,719	45,585	425,210	7,533,923					
31,521,440	(128,308)	31,393,132	55,467	761,836	30,575,830					
35,608,503	1,190	35,609,693	152,417	1,764,074	33,693,201					
17,498,469	9,065	17,507,534	51,038	650,944	16,805,552					
13,819,700	(1,001)	13,818,699	176,680	541,670	13,100,348					
23,288,497	8,034	23,296,531	34,409	814,025	22,448,097					
8,748,731	(2,417)	8,746,314	36,168	384,060	8,326,086					
35,658,346	(303)	35,658,043	474	2,032,017	33,625,552					
40,015,201	(2,023)	40,013,178	14,967	1,185,104	38,813,106					
18,925,724	40,767	18,966,490	1,300	718,364	18,246,826					
24,987,206	(24,714)	24,962,491	2,990	900,131	24,059,370					
19,961,675	9,462	19,971,137	7,302	599,820	19,364,014					
73,021,006	(2,399)	73,018,606	2,870,321	-	70,148,285					
2,165,122,438	292,657	2,165,415,096	8,596,386	65,013,383	2,091,805,327					

NOTES TO THE FINANCIAL STATEMENTS

31. CAPITAL

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

CONTRIBUTED CAPITAL

Contributed Capital is made up by government grants amounting to Rs 59,055,258 as at 31 Dec 2023.

32. GENERAL RESERVE

General Reserve	2023	2022
Balance as at 31st December	Rs. 66,061,447/-	Rs. 66,061,447/-

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

33. LIABILITIES AND PROVISIONS

The following legal cases are pending as of 31st December 2023, and the Corporation has been advised by the legal counsel that it is only possible, but not probable that the action will succeed. Accordingly, no provision has been made in these financial statements.

33.1. Contingent liabilities

The Corporation is a defendant in seven cases where legal actions instituted by stakeholders of entities involved, claiming Rs.220 million. These cases are being contested by the corporation and no provision has been made in the financial statements.

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

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

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

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

33.1.3 Consumer Affairs Authority (Galle) Vs SPC –45913

The Case has been filed in the Magistrate Courts, Galle against SPC by the Consumer Affairs Authority for a labelling issue.

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

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

33.1.5 Scott-Edill Advance Research Laboratory & Education Ltd. VS SPC

Above Arbitration has been filed by the above mentioned supplier for nonpayment of USD 611,460.00 (Rs Million 198/-) due to Product withdrawal.

33.1.6 Vitromed Healthcare India vs SPC

Above mentioned Supplier has initiated arbitration for encashment of performance bond values USD 39,578/- (LKR 12.8 Million) and USD 29,692.50 (LKR 9.6 Million).

NOTES TO THE FINANCIAL STATEMENTS

33.2 The corporation is the plaintiff in four Cases claiming Rs Million 20.8 with legal interest for the damages.

33.2.1 Osusala – Negombo - Case No. L 30202

Rs Million 3.9 Cash loss reported at Rajya Osusala Negombo as a result of misappropriation of Osusala Funds by the Cashier. This contingent asset was not recognized in the Financial Report as the realization was not certain.

33.2.2 SPC Vs Nestor Pharmaceuticals Limited, India

A case has been filed by SPC against the M/S Nestor Pharmaceuticals Limited, India for not settling the Debit Note value USD 41,896 (Rs Million 13.5) against quality failures reported in their supplies.

33.2.3 SPC Vs Unibios Laboratories Ltd, India and Others

This case has been filed by SPC against the above-mentioned supplier for not settling the Debit Note value USD 10,604.80 (Rs Million 3.4) against quality failures reported in their supplies.

33.3 Financial Commitments

Document credit established for purchases of pharmaceuticals as at 31.12.2023 amounts to Rs.15,657 million

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Corporation's principal financial liabilities comprise of borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Corporation's operations. The Corporation has trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Corporation is exposed to credit risk and liquidity risk. The Corporation's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below.

Credit risk

Trade receivables

Customer credit risk is managed by each business unit.

	2023	2022
SPC	Rs. 1,175,411,631	Rs. 1,488,412,962
DHS	Rs. 38,642,167,482	Rs. 43,739,480,807

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

Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2023:	(Rs)	Maturity
Interest-bearing loans and borrowings	18,616,639,730	OD – Payable on demand
Long Term Loans	7,508,388,874	Repayable within 60 months
Trade and other payables	17,233,635,735	Usually 03 months

Year ended 31 December 2022:	(Rs)	Maturity
Interest-bearing loans and borrowings	15,937,903,697	OD – Payable on demand
Long Term Loans	9,487,322,218	Repayable within 60 months
Trade and other payables	19,249,279,868	Usually 03 months

	2023	2022
	Rs	Rs
Interest-bearing loans and borrowings	18,616,639,730	15,937,903,697
Long Term Loans	7,508,388,874	9,487,322,218
Trade and other payables	17,233,635,735	19,249,279,868
Less: cash and short-term deposits	(5,539,030,063)	(5,613,777,091)
Net debt	37,819,634,276	39,060,728,692
Equity		
Capital and net debt	37,878,689,534	39,119,783,950

35. RELATED PARTY TRANSACTIONS

35.1 Transactions with State and State Controlled Entities

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

Nature of the Transaction	2023	2022
Transactions:	RS	RS
Sales -	62,953,629,802	40,973,117,489
Outstanding Balances :		
Receivable from Medical Supplies Division	38,642,167,482	43,744,480,807
Receivable from Forces	504,598,941	795,977,477
Receivable from Government hospitals	81,439,669	190,400,296
Receivable from Other Government Institutions	31,949,923	48,218,335

35.2 Key Management Compensation

The Corporation's key management personnel include the Board of Directors, Minister of Health Sri Lanka and the Secretary to the Ministry of Health.

	2023	2022
	RS	RS
Short term employment benefits	2,521,774	3,658,236

36. RESTATEMENT OF FINANCIAL REPORT 2022

36.1 World Bank and Asian Development Bank direct settlements

The Corporation Corrected understated supplier payments directly made by the World Bank and Asian Development Bank on behalf of the Medical Supplies Division. This error has been corrected restating the financial report 2022 as given below,

	Rs.
Trade Creditors	
Asian Development Bank	83,770,130
World Bank	6,222,656,530
Receivable from DHS	(6,393,680,978)
Foreign exchange gain/loss	87,254,318

36.2 MSD Deductions

The correction is relevant to the recorded MSD deductions on short supplies, damages, quality failure, administration charges & etc. 100% provision has already been made thereon & periodically charged to the profit & loss account. Hence, there is no effect on the profitability of the previous years. However, replacements included in the provision in respect of these deductions remain as it is in the respective accounts. This revision has made fair presentation in the Financial Report.

The net effect has been worked out as given below.

	2022	2021 & Prior periods
	Rs.	Rs.
MSD deductions	153,710,506	1,272,342,783
Provision for MSD deduction	(153,710,506)	(1,272,342,783)
Replacement received	179,016,027	-
	179,016,027	-

36.3 Overdraft Interest

The Corporation recorded the overdraft interest relevant to DHS operation as receivable from the Treasury, based on the letter issued by the Secretary – Ministry of Health. Subsequently, the matter has been forwarded to the Cabinet. The Cabinet of Ministers has been forwarded to the Secretary to the Treasury to obtain a directive for the same. In response to that, the Secretary to the Treasury has informed that there is no adequate budgetary allocation to reimburse the said overdraft interest and to take action within the entity itself to manage such cost. Hence, OD interest relevant to the year 2022 has been considered as expenditure.

36.4 Revision of estimate error in depreciation

A Committee appointed by the Chairman reviewed the residual value and useful life of already depreciated Furniture, Fittings, Equipment and Computers as of 31st December 2023. Accordingly, revise the estimated error in depreciation by restating the financial report 2022 as stated in LKAS 8. This adjustment effected as given below,

	Before 2021	2022	2023	2024	2025	2026	2027
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Plant & Machinery	(763,344)	238,339	369,696	155,309			
Building	(759,652)	233,788	233,788	233,788	58,287		
Computer	(16,921,598)	1,856,335	6,200,763	5,156,362	2,237,190	1,098,448	372,500
Equipment's	(33,146,245)	6,659,904	12,873,536	9,105,427	2,166,439	1,717,259	623,680
Total	(51,590,839)	8,988,366	19,677,784	14,650,886	4,461,916	2,815,707	996,180

37. EVENTS AFTER THE BALANCE SHEET DATE

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



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය } MSU/A/SPC/1/23/47
எனது இல. }
My No. }

ඔබේ අංකය }
உமது இல. }
Your No. }

දිනය } 18 July 2024
திகதி }

Chairman
State Pharmaceuticals Corporation

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the State Pharmaceuticals 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 Qualified Opinion

The audit of the financial statements of the State Pharmaceuticals 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. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, 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 Sector Accounting Standards.

1.2 Basis for Qualified Opinion

- According to the submitted financial statements, the cost of quality failure and expired medical supplies were Rs. 210,003,105 out of the medical supplies purchased for sale by pharmacies between 1996 and 2023, but its value was Rs. 189,770,505 according to the physical stock survey report on that day. Accordingly, a difference of Rs. 20,232,600 was observed and the reasons for that difference were not submitted to the audit.
- Due to the interest reimbursements of Rs. 4,676,784 as at 31 December 2023 related to housing loans obtained by 20 employees in the years from 2019 to 2022 were recognized as interest expense without recognized as expense in the respective years, the operating profit of the year under review was understated by Rs. 2,886,490.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities 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 qualified opinion.

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

Although this audit report may be included in the annual report 2023 of the corporation, which is expected to be submitted to me after the date of this report, other information reflects information not included in the financial statements and my audit report on that.

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

My responsibility is to read the other information above when it becomes available and when doing so, consider whether the other information are materially inconsistent with the financial statements or with my knowledge obtained during the audit or another way regarding with my audit of the financial statements.

If, while reading the 2023 Annual Report of the Corporation, I conclude that there are material misstatements, the same should be communicated to the governing body for correction. If there are any further uncorrected misrepresentations that will be included in the report tabled by me in Parliament in due course under terms of Article 154(6) of the Constitution.

1.4 Responsibilities of 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 authority'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 intend to liquidate the fund 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 fund 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 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 The specific provisions were included about the following requirements in the National Audit Act, No. 19 of 2018.

2.1.1 Except for the effects of the matters described in the basis for Qualified Opinion section of my report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Corporation as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.

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 except the audit observations of 1.2(a) described in the basis for Qualified Opinion section of my report 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 was limited to matters that are material, nothing has come to my attention.

2.2.1 Whether that any member of the governing body of the Corporation has any direct or indirect interest in any contract entered into by the Corporation 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 Whether that the Corporation has not complied with any applicable written law, general and special directions issued by the governing body of the corporation as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.

Reference to Laws, Rules and Regulations

Non-compliance

(a) Public Finance Circular No. 415 dated 06 May 2005

(i) Paragraph 02

appointed until 31 March 2023.

While inviting bids related to the procurement of medicines and medical equipment by the State Pharmaceuticals Corporation, the Ceylon Shipping Corporation should discuss with the Ceylon Shipping Corporation and decide to award the bids to the selected bidder on FOB or C & F value depending on the condition that is more advantageous as per the circular referred to prior to the award of bids, but bids were awarded to the selected bidder on the basis of C & F value with contrary to that.

(ii) Paragraph 03

Due to that the State Pharmaceuticals Corporation had not taken action to obtain the value of the shipping charges in the normal invoices brought from the suppliers in the import of pharmaceuticals and medical equipment, the more favorable option was not selected as per the referred circular.

(iii) Paragraph 07

The corporation had opened the letters of credit through commercial banks using a framework which stated that as one of the conditions to be fulfilled by the supplier in opening the letters of credit, the goods should be shipped by a vessel belonging to the Sri Lanka Shipping Corporation or a vessel designated by them. Even though the Shipping Corporation issued a waiver notice stating that the bidders should be instructed to ship on FOB basis in future, the Corporation had invited bids based on the C & F value as before.

(b) Paragraph 02 of Public Enterprises Circular No. PED 1/2015 dated 25 May 2015

Official vehicle is eligible for any officer holding the post of HM-1-1 or above according to approval by the Department of Management Services and Circular No. MSD/30 issued by that Department, but on the contrary, a sum of Rs. 17,547,270 had been paid for transport and fuel allowances to three Managers (MM-1.1) from the year 2012 to 31 December 2023.

(c) Paragraph 58(2) of IV of National Medicines Regulatory Authority Act No. 05 of 2015, Paragraph 68(1) of Part VI of Extraordinary Gazette No. 378/3 dated 02 December 1985 and Paragraph 122 of section XIII of the Gazette notification No. 2145/1 dated 14 October 2019

General cargo, refrigerated cargo of the Corporation for clearance, transportation and storage as required were agreed to give one institution for the selected stock of Medical Supplies Division and the another institution that does not have 05 years of service experience for the transportation of the corporation's stocks from 13 October 2023 to 12 October 2025, but according to the referred circular, although a license should be obtained from the Drugs Regulatory Authority for the vehicles related to the transportation of drugs, the selected suppliers had not fulfilled that requirement.

(d) Public Enterprises Circular No. PED 08/22 dated 21 December 2022

Although the leave entitlements to employees in payment of allowances on remaining leave shall be calculated in accordance with the provisions of the Shop and Office Workers Act No. 19 of 1954, contrary on that, Rs. 54,482,007 was paid for remaining sick leave during the year under review.

(e) Section 3 and paragraph 3.2 of Public Enterprises Circular No. PED 04/2023 01 dated 11 December 2023

Although it has been stipulated in the collective agreements or similar agreements of understanding or that it is not possible to pay bonuses to the employees of public corporations and wholly state owned companies which are implementing salaries and allowances and corporations which are become loss in the year 2022, contrary on that, a bonus allowance of Rs. 20,000 per employee totaling to Rs. 16,643,212 was paid during the year under review on the approval of the Board of Directors.

(f) In terms of paragraphs 2 (i), 2 (iii) of Public Administration Circular No. 30/2019 dated 30 September 2019 and sub sections 13.2 and 22.1.1 of Chapter XLVII of part II of the Establishment Code.

As per Internal Auditor's Report dated 23 April 2021, due to failure of payments to suppliers for local purchases in timely, the total discount benefit lost to the Corporation in the years 2018 and 2019 was Rs. 8,918,457 had taken 6 months and 10 days to submit the basic investigation report to identify the officers responsible for the financial loss. Also, although 2 years and 7 months had passed since the appointment of the officer handling the complaint to 31 March 2024 to conduct the formal disciplinary inquiry, the formal disciplinary inquiry had not been completed.

- 2.2.2.3 The powers, duties and functions of the Corporation have not been acted upon as required by section 12 (g) of the National Audit Act No. 19 of 2018.
- 2.2.4 According to requirement mentioned in section 12 (h) of the National Audit Act No. 19 of 2018, the corporation's resources have not been procured and used in accordance with the relevant rules and regulations in a timely, efficient and effective manner apart from the following observations.
- (a) While there was a control price of Rs. 35,000 per unit in the procurement of 1,729 vials of Bevacizumab vaccine 100mg/4ml with a cost of Rs. 85,758,400 the loss of Rs. 25,243,400 had to be incurred due to the award of the bid to the second lowest supplier who submitted a price of Rs. 49,600 per unit.
- (b) The minor departmental procurement committees decided to submit the status of the order in the year 2021 to the procurement committee in relation to the procurement of 440,000 units of Amisulpride Tablets 100 mg. But even after 01 year and 10 months passed till 15 June 2023, the information about this was not submitted to the procurement committee. Also, although bid was awarded to the selected bidder for the supply of 120,000 units of medicine for the year 2023, the bidder had not obtained the certificate of exemption from registration. The implementation of this order was temporarily suspended by the Circular No. 01-14/2023 issued by the Director General of Health Services on 04 April 2023. Although the monthly requirement of this drug was 45,730 units, the stock level was zero on 26 January 2023 due to the non-fulfillment of the orders received by the Corporation in the years 2021, 2022 and 2023.
- (c) The supplier who submitted the lowest price was selected by the Departmental Procurement Committee subject to obtaining an independent laboratory report for samples before supply of drugs in relation to the procurement of purchasing 50,000 vials of vaccines costing to Rs. 3,350,282 from the drug of Prednisolone Acetate Eye drop 1%, 5 ml, but it was ordered without any independent test. According to a complaint by the Director of the National Eye Hospital regarding this drug, the report issued by the National Quality Assurance Laboratory after testing the samples confirmed that the samples were not complied with the BP standards according to the sterility test conducted in the laboratory and based on that, the Circular No. MSD/SCU(S)/CIR/2023 dated 25 April 2023 of the Director of Medical Supplies informed all government hospitals and institutions to remove the vaccine from use immediately, but the drug stock was removed from use 21 days after distribution.
- (d) Although the procurement of purchasing 7,600 units from the drug of Cardiac Troponin I Qualitative Strips submitted by the Medical Supplies Division as an urgent purchasing was awarded to the lowest bidder at a value of Rs. 3,724,000, the selected supplier had not submitted the samples as per the bid documents. Even if National Drugs Regulatory Authority certificate or Cosmetic equipment Drug Authority Certificate is mandatory as per bid documents, this stock of drugs obtained by issuing a letter of temporary waiver of registration from the National Drugs Regulatory Authority was handed over to the Medical Supplies Division and the supplier had informed that the supplied drugs should be removed from use as there are defects and that new batch stock would be provided free of cost. Accordingly, as per clause 7(a), (c) of the supply conditions of the indenture, a surcharge of 25 percent on the total value had not been collected from the supplier due to the failure of the medicine. According to the report of the National Drugs Quality Assurance Laboratory, it has been confirmed that the batch should be removed as soon as possible. Accordingly, even though the supplier informed the Medical Supplies Division in day after the stock was supplied that the relevant stock of medicine was in quality failure status, due to the Corporation informed the Medical Supplies Division after the date of receiving the letter in writing, the Medical Supplies Division had issued 1,800 units of defective medicines to the Regional Supplies Division and the District General Hospitals.
- (e) The supplier had submitted bids in 250 unit bottle packs for purchasing 20,000 packages of 30 units of drug Bisoprolol fumarate tablets 5 mg costing to Rs. 3,900,000. The Departmental Procurement Committee had awarded the procurement without paying any attention to it. The only bidder who submitted bids was not submitted bid security and samples at the time of bid opening. As per paragraph 2.8.4 of the Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka, Technical Evaluation Committees were not appointed in relation to this procurement. Also, although the bid shall be awarded after obtaining a performance security as decided by the Procurement Committee, irrespective of the committee decision, the purchase order was issued 11 days before the performance guarantee was issued, but the entire order was supplied 02 months late.
- (f) Although samples of purchasing 30,000 packages of units of 30 units of the drug Bisoprolol Fumarate tablets 2.5 mg worth Rs. 15,264,000 to selling in the government pharmacies should be submitted as per bid documents of purchasing, the samples were not submitted by the selected supplier. The Corporation had not issued a letter of acceptance to the selected supplier as per section 8.7.1 of the Procurement Guidelines. Also, according to the purchase order, a performance bond should be given by the relevant suppliers within 14 days of receiving the

order, but a performance bond was given to the Corporation after a delay of 40 days after the purchase order was received by the supplier.

- (g) Out of US\$ 117.4 million approved by the State Cabinet sub-committee established for the provision of Indian credit as a full financial facility to the Corporation under the Indian credit Scheme, US\$ 96.14 million or 81.89 percent had been utilized till 15 July 2024. Accordingly, US\$ 21.26 million had not been utilized on that date and no UNI numbers had been received for the US\$ 2.27 million submitted to the Indian Credit Facility Coordinating unit to obtain UNI numbers. Although the procurement activities related to US\$ 17.49 million as at 15 July 2024, the drugs and surgical items had not been received and the Corporation had failed to complete the orders received from the Medical Supplies Division with an estimated value of Rs. 14.06 million.
- (h) The met Departmental Procurement Committee had decided to buy 150,000 units at US\$ 0.16 each for US\$ 24,000 from the bidder who submitted the minimum price in relation to the procurement of 150,000 units of Calcium gluconate 10% inj-10ml drug. According to the indent issued accordingly, after a delay of 5 months, the stock was handed over to the Medical Supplies Division.
- (i) The order was awarded to the one and only supplier who submitted the bid for purchasing 1,500 units of Triamcinolone acetonide (Presentive free) inj drug at a value of US\$ 27,645, but although the supplier supplied to the Medical Supplies Division with a delay of 4 months in the first batch of 750 units and 3 months in the second batch of 750 units, the Medical Supplies Division had rejected the stock due to that the items were not delivered as per the indent, the shelf life after reaching Sri Lanka was reduced by more than 85 percent, non-adherence to the special wrapping method and the presence of preservatives in the product. Accordingly, this stock worth Rs. 9,289,060 was stored in the warehouse where the rent was paid. Even though the monthly requirement of this drug is 336 units as at 23 May 2023, the stock level of the Medical Supplies Division and the national stock level remained at zero.
- (j) The order was awarded to the one and only supplier who submitted the bid for purchasing 1,500,000 units of Lora Pam Tab 1 mg drug units of 700,000 at a value of US\$ 315,000, it was taken more than 5 weeks to issue the related indent to the supplier. The Procurement Committee dated 19 October 2022 had awarded 500,000 and 250,000 units to the supplier regarding the supply of the remaining 800,000 stock units and issued 02 indent numbers on 19 October 2022. Accordingly, 750,000 units were to be supplied by 31 December 2022, but 500,000 units were supplied with a delay of 2.5 months. The remaining stock of 250,000 units was still not supplied until the audited date of 29 May 2023.
- (k) The order related to the procurement of purchasing 25,000 units of Prednisolone Tablets 20 mg drug was awarded to US\$ 0.036 each at US\$ 9000 to the bidder who submitted the minimum price under the certificate of exemption from the registration by the National Drugs Regulatory Authority and pre-shipment sample testing by an independent laboratory. Although the Corporation had offered the bidder to take back the order and applied for a performance bond equal to 25 percent of its total value, the supplier delivered the first stock after 06 months late and the second stock after 04 months late without any performance bond. The stock was completely rejected due to that the labels of the supplied stock was not mentioned the batch number, expiry date, date of manufacture correctly and the information printed on the supplied label was missing instantly. After the deficiencies were corrected by the supplier, the Medical Supplies Division had been taken over the stock on 20 July 2023.
- (l) Although the Departmental Procurement Committee had approved to award the bid to Rs. 110,664,456 in relation to the procurement of purchasing 367,656 vials of Cefotaxime Injection 1g vial drug 367,656 at Rs. 360 per each without taking competitive bidding price, that price was 7 times higher than the normal supply price. Although this is an urgent procurement, after 02 years from the date of invitation of bids, although indents had been issued for 367,656 vials for the average supply price of Rs. 42.43 for a vial of vaccine in the Medical Supplies Division due to that the supplier had imported and supplied the said drugs and based on notifications made from time to time, these stocks were close to expiry at the time of taking over the Medical Supplies Division. That is the drugs delivered on 20 April, 03 June and 08 July 2022 were scheduled to expire in July and August 2022. The supplier informed the Corporation that 37,156 vials of vaccine batch No. VIH032 manufactured in July 2020 will expire in July 2022. But batch No. VIH032 had the manufacturing date as August 2020 and the expiry date as August 2022 in the supply to the Medical Supplies Division. Accordingly, when the drugs were handed over to the Medical Supplies Division, it was problematic whether the stocks were expired. 4,700 units out of this order had not been supplied to the Medical Supplies Division as at the audited date.
- (m) It was decided to call for bids from registered and previous suppliers under the approval of the Chairman of the Corporation without submitting the tender for the purchase of 83,000 vials of Cefotaxime Injection 1g vial

to the Emergency Procurement Committee. Later, the covering approval for the same was obtained from the Departmental Minor (Drugs) Procurement Committees. But the fax messages sent to the suppliers were not in the procurement file. Although its procurement as an emergency procurement should be done through the Emergency Procurement Committee of the Department of Health, without doing so, the Corporation had made procurements from the Departmental Minor (Drugs) Procurement Committee.

- (n) Although 250,000 vials should be delivered on 12 December 2022 for the procurement of purchasing 250,000 vials of vaccines from the drug of Cefotacime Injection 1 g according to the indent of purchasing at US\$ 0.95 each unit and totaling to US\$ 237,500 from the one and only registered supplier in the National Drugs Regulatory Authority or the fifth lowest bidder, the Corporation had opened letters of credit for this order on 14 February 2023. Accordingly, these supplies were provided to the Medical Supplies Division on 23 May 2023. According to the indent, there was a delay of 02 months from the date of supply of the stock to the issuance of the letter of credit and 5 months and 12 days to the date of supply of the stock to the Medical Supplies Division. Also, the supply timeline of the Medical Supplies Division was delayed by 07 months and 27 days from 26 September 2022 to the date of stock supply.
- (o) Although the procurement related to 1,800,000 injection vials of Furosemind injection 20mg/ 2ml drug was awarded to the supplier who submitted the lowest bid price at US\$ 0.032 per unit, the supplier had informed that a unit was US\$ 0.034 indicating that there was an error in the time of invitation to bid. As a result, the procurement process was delayed by 126 days. Based on that, it was decided to award the bid to the third lowest bidder at US\$ 0.064 per unit for 1,800,000 units at a value of US\$ 115,200. Although the certificate issued by the National Drugs Regulatory Authority as per the tender documents must be attested by a lawyer, a sworn commissioner or a Justice of the Peace, such certification was not done for the copies of certificates submitted by the bidders. Although the selected supplier has submitted the file to the Procurement Committee for consultation on 14 June 2023 based on the request to proceed with this procurement on the quality report obtained at the factory without obtaining an external independent laboratory report, the said committee had referred to the Technical Evaluation Committee on 04 September 2023 and informed to do a re-evaluation. The file was given to the Procurement Division on 26 September 2023 to consult the Departmental Procurement Committee again without any recommendation from the Technical evaluation Committee. Although 06 months were spent for this process, final decision was not taken.
- (p) According to the Technical Evaluation Committee report of the procurement of purchasing 209,000 units of Furosemind injection 20mg/ 2ml drug at Rs. 14,630,000, none of the bidders had submitted samples. The selected supplier had delivered 209,000 units of vaccines after a delay of 47 days, but Sri Lanka had received the vaccine before that. The supplier had delivered the stock 11 days after receiving the stock of vaccines in Sri Lanka.
- (q) As it takes 02 weeks to supply the stock to the supplier who submitted a minimum price of Rs. 16.50 per unit for the procurement of purchasing 625,000 vials of Furosemind injection 20 mg drug, although the Emergency Procurement Committee of the Ministry of Health had approved the award of the bid for second lowest bid price of 625,000 units for Rs. 69 each to the bidder who submitted the value of Rs. 43,125,000 in order to get stock immediately, neither of these suppliers had a valid registration certificate. According to the tender documents, the storage temperature of the medicine should be between 28 C° – 32 C°, but the sample submitted by the selected supplier indicated that the storage temperature was lower than 25C°. Although the Corporation had been informed that 625,000 vials of vaccine should be supplied to the Medical Supplies Division, the Ministry Procurement Committee B has considered the procurement related to this order against the orders placed under the Credit Line and canceled the order, but this order was monitored in the health system as a pending order due to the lack of notification to the Medical Supplies Division. Although the monthly requirement of this drug was 272,063 units from 23 June 2022 until 21 November 2022, which was the date of procurement, the stock of the Medical Supplies Division was in a state of zero and the national level stock was unable to fulfill the monthly requirement.
- (r) Among the bid requests sent to selected 25 suppliers in the procurement of purchasing 1,250,000 vials of Furosemind injection 20mg/ 2ml, any fax message sent to 25 companies were not submitted. Although the procurement was awarded to the second lowest supplier based on the evacuation of bids submitted by eight bidders at a price of US\$ 0.065 per vial and subject to the provision of registration exemption certificate issued by the National Drugs Regulatory Authority, it was taken 21 days for the file to reach the Procurement Monitoring Division. The National Drugs Regulatory Authority license submitted by the selected bidder had expired. Also, the sample was not submitted by the selected bidder as per the bid invitation documents. The local representative of the said supplier informed the Corporation that the selected supplier had changed its address and the Corporation had requested to provide a valid registration certificate for the new address but the same certificate was not received by the Corporation. Due to this, it was not possible to complete the further process

related to the procurement. Although the monthly requirement of this drug was 299,415 units, the stock level of the Medical Supplies Division was 135,601 units until 02 June 2023 and due to that, it was unable to fulfill the monthly requirement

2.3 Other Matters

- (a) In case the selected applicant does not have the work experience required as per the recruitment procedure and the non-selected applicant has the work experience regarding the recruitment interview for the post of Deputy General Manager (Human Resources and Administration) of the Corporation, giving equal marks to both and the selected applicant as additional professional qualification in awarding the marks for the degree, the unselected applicant, despite having additional professional qualifications, was ignored. The issuance institute informed that the service certificate submitted by the selected applicant stating that she worked as the Head of the Human Resource Department from 08 March 2016 to 31 July 2018 is a fraudulent document, but an internal investigation was conducted regarding the officer and she was retained in the same position without taking any action to expedite the relevant further actions.
- (b) According to the price formula as per the Board of Director Paper No. BP/209/07 in relation to determining the price of drugs sold by the Corporation's pharmacies, there should be a profit percentage of 57.57 percent between the purchase price and the wholesale price and 81.20 percent between the purchase price and the retail price, but on the contrary, cases where profit percentages were fixed between 82 and 205 percent in wholesale price selection and between 58 and 165 percent in retail price selection were observed in the sample audit. According to this price formula, it was observed that the price chosen against the formula deviated from the objective of providing quality drugs at the lowest cost which was the primary objective of the Corporation.
- (c) According to the decision of the Board of Directors it was given Director Board approval in time to time to allocate Rs. 3 million from the annual budget to establish an insurance fund and reimburse the bills of employees and their family members up to Rs. 500,000, but reimbursements were made from the Corporations' own funds without setting up an insurance fund. Treasury approval was not received for this.
- (d) Out of the payable commission of Rs. 75,068,590, Rs. 20,952,796 were balances older than 02 years and the related balances had not been recovered.
- (e) Out of the payable bank bill balance of Rs. 14,336,076,253, Rs. 2,159,945,796 were 100 percent old unpaid letters of credit and retained money from more than 2 years and it had not been settled.
- (f) Container deposit balance recorded under current assets was Rs. 17,045,958 and Rs. 1,501,500 out of that was collected after the balance sheet date, but a further amount of Rs. 15,544,458 was to be collected. Out of this, the balance of Rs. 7,905,823 had failed to be collected from 2 to 16 years.
- (g) Although the Public Enterprises Department had set the maximum limit of bank overdraft in the year 2023 as Rs. 16,000,000,000 to Rs. 20,000,000,000 for the activities of the Medical Supply Division of the Corporation, the bank overdraft had exceeded the maximum limit in April and November of 2023. Exceeding range was from Rs. 12,125,265 to Rs. 2,114,147,188 and as a result, a higher interest percentage than the fixed bank overdraft interest percentage had to be paid for the temporary bank overdraft.
- (h) According to the audit done regarding the letters of credit and ship security balances, due to using the 619 letters of credit facility amounting to Rs. 5,770,679,116 given by the Peoples and Commercial Banks in relation to the period from 2017 to 2023, it was not possible to open new letters of credit for the import of new drugs and action was not taken to cancel the letters of credit that had expired. Due to the maximum limit of existing letters of credit and other factors, There was a time range of 61 days to 200 days among the dates of opening letters of credit and applied date to the bank in relation to opening letters of credit in the year 2023 by Bank of Ceylon and People's Banks in relation to 198 indentures worth US\$ 15,645,413, EU 337,037 and Rs. 589,543,259.
- (i) Due to the inability to release the old ship guarantees of Rs. 145,005,991 and Rs. 94,983,170 in relation to 11 and 17 ship guarantees opened from Bank of Ceylon and Commercial Bank respectively for the period from the year 2011 to 2021.
- (j) The stocks of rejected drugs and medical equipments from the Medical Supplies Division were kept in a private warehouse and Director Board approval was not received to dispose drugs and medical equipments of 17 items worth Rs. 98,341,157, 74 items of indefinable value and 28 items of drugs and medical equipments worth

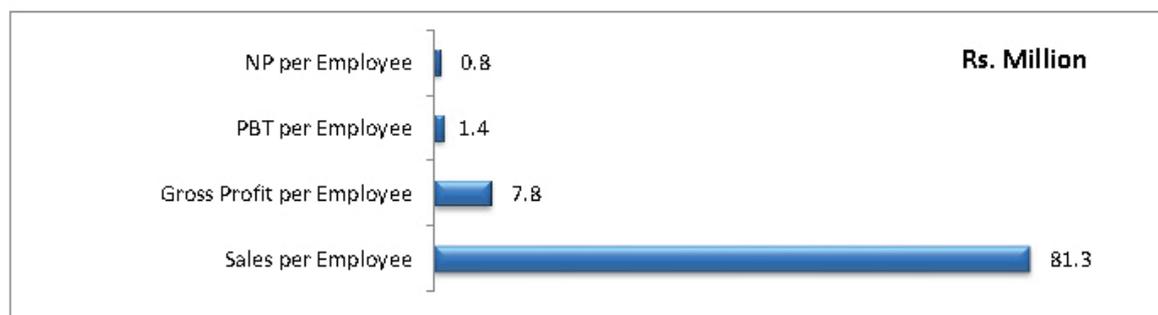
Rs. 4,885,003 among those equipments until the end of the year 2021. Although the Borad of Directors had approved the destruction of the stock items belonging to 54 rejected indents purchased for the needs of the Medical Supplies Division since the year 2005, the necessary actions were not taken to destroy the stock items belonging to those 54 indents. Accordingly, Rs. 15,525,000 had been paid to the private company for the storage of the items stored in the last 05 years.

- (k) The items purchased and rejected for the needs of the Medical Supplies Division were kept in an air-conditioned private warehouse and transferred to the Ratmalana disposal warehouse after the expiry of the 09 indents and due to the items being stored in the air-conditioned warehouse for more than a year without being transferred after the expiry date, Rs. 1,033,284 of storage charges had been paid by the Corporation from the expiry date to 30 June 2023. Also, one more item had expired for more than a year by the end of the year under review and the other item had expired for 04 months, but those items were still stored in the warehouse premises at a higher cost.
- (l) The allocation of Rs. 12,603,168 had been made from many times from the year 2007 to 2012 as the stock value of the balance of unsettled work in progress stock worth Rs. 2,000,577 related to the years of 2007,2008,2009 and 2012 and customs duty value to be recovered from the Medical Supplies Division, but after settling these balances, the accounts were not properly accounted and recovered from the Medical Supplies Division or the relevant responsible parties even at the end of the year under review.
- (m) The Corporation is maintaining 52 pharmacies for the distribution of drugs and doing its operational activities and out of that 11 pharmacies have incurred losses in the year 2022. The situation had higher to 18 in the year 2023 and it was recorded a loss of Rs. 45,218,171. Among them, 8 pharmacies had incurred losses for the next 3 years of 2021, 2022 and 2023. Phramacies in Rathnapura, Nindavur, Akkareipaththu and Narahenpita had not been able to earn enough gross profit to cover the employee expenses.
- (n) According to the policy of Corporation, loans should be collected from the trade debtors for the sale value within 30 to 45 days from the date of sale, but Rs. 1,175,411,631 in the loan balance to be received from private, public and semi-government institutions amounting to Rs. 32,132,059 for more than 5 years and Rs. 29,927,946 remained outstanding from between 1 to 5 years as at 31 December 2022. Among them, legal actions were taken to recover the loan balance of Rs. 10,440,050 which has been delayed more than 05 years. Out of the outstanding balance of more than 5 years, Rs. 28,539,596 was an inactive debtor balance. It was 89 percent as a percentage.
- (o) The value of vouchers issued by 31 December 2023 to collect from the suppliers, the cost incurred for supplying defective and damages drugs, administrative fees and the cost of destroying the stock was Rs. 3,620,719,775 and Rs. 1,518,072,465 had failed to be recovered by the end of the year under review. Out of that, as Rs. 203,453,042 were to be recovered from the backlisted suppliers, the recovery was in an uncertain situation.
- (p) According to the financial statements, the balance to be received from the Medical Supplies Division as at 31 December 2023 was Rs. 38,855,576,374, but due to the balance on that day was Rs. 54,364,843,320 according to the information submitted by the Medical Supplies Division, there was observed a difference of Rs. 15,509,266,946. It was revealed that the balance submitted by the Medical Supplies Division is the value of debit notices collected only for the year 2023.
- (q) The total cost of defective, expired and damaged drugs purchased for sale by the Corporation as at 31 December 2023 was Rs. 485,056,825 and the total cost of defective, expired and damaged drugs during the year under review was Rs. 291,745,815. Out of the total cost of defective drugs was Rs. 265,772,467 in the previous year and the year under review, Rs. 70,817,827 had not been recovered. The total loss incurred by the Corporation due to expiry and damage of medicines was Rs. 86,375,504 in the previous year and the year under review.
- (r) Out of the stocks purchased for the Medical Supplies Division, 26 items with a value of Rs. 321,240,532 had failed in condition and Rs. 288,713,613 had not been recovered from suppliers for 19 items.
- (s) In addition to the above observations, I pay attention about the factors related to the State Pharmaceuticals Corporation in the Special Audit Report of My No. SPR/2024/03 dated 10 May 2024 on the need, procurement, supply, distribution and regulation of drugs for the year 2022 and 2023 tabled in Parliament. This report can be referred from the link



W.P.C. Wickramaratne
Auditor General

Human Resources Analysis



Total number of employees 876

STATE PHARMACEUTICALS CORPORATION OF SRI LANKA
TEN YEAR SUMMARY - INCOME STATEMENT

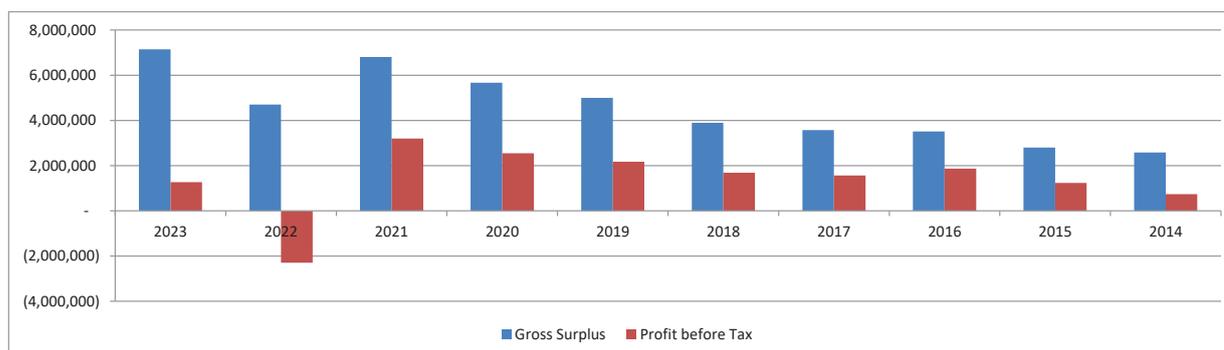
Rs. "000"

Turnover

Description	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	RS.									
Turnover - SPC	11,746,644	9,945,849	9,446,822	8,798,047	8,924,850	7,458,320	6,593,401	6,127,478	5,286,876	4,865,151
Turnover - DHS	62,948,425	40,973,117	70,853,255	54,323,565	42,959,660	31,436,986	25,970,290	26,127,912	19,176,807	17,269,008
Total Turnover	74,695,069	50,918,966	80,300,077	63,121,612	51,884,510	38,895,306	32,563,691	32,255,390	24,463,683	22,134,159
Gross Trading Profit - SPC	3,901,069	2,069,584	2,224,536	2,249,676	2,279,155	1,772,559	1,680,368	1,656,938	1,410,722	1,247,074
Gross Surplus - DHS	3,243,417	2,635,384	4,584,027	3,415,072	2,717,507	2,125,052	1,887,026	1,850,650	1,386,731	1,333,198
Gross Surplus	7,144,486	4,704,968	6,808,563	5,664,749	4,996,662	3,897,611	3,567,394	3,507,588	2,797,453	2,580,272

Overheads

Other Income	612,567	107,110	88,531	287,363	91,441	73,072	53,004	43,085	51,259	25,738
Administrative Expenses	(2,479,525)	(2,068,280)	(1,967,159)	(1,753,834)	(1,619,555)	(1,532,485)	(1,288,183)	(1,101,435)	(1,057,970)	(969,744)
Other Operating Expenses	(727,141)	(1,979,136)	(1,158,052)	(962,078)	(971,096)	(691,967)	(741,459)	(580,843)	(563,357)	(749,825)
Operating Profit	4,550,387	764,662	3,771,883	3,236,200	2,497,452	1,746,231	1,590,756	1,868,392	1,227,385	886,441
Finance Cost	(15,596)	(13,974)	(10,556)	(10,588)	(10,763)	(1,512)	(1,295)	(1,071)	(1,599)	(124)
Overdraft Interest	(3,274,891)	(3,052,165)	(569,624)	(686,878)	(317,470)	(67,406)	(35,199)	(5,434)	(734)	(149,659)
Total Overheads	(6,497,153)	(7,113,555)	(3,705,391)	(3,413,378)	(2,918,884)	(2,293,370)	(2,066,136)	(1,688,783)	(1,623,660)	(1,869,352)
Finance Income	7,817	7,643	6,943	6,891	6,875	7,436	5,765	5,721	5,086	4,896
Profit before Tax	1,267,717	(2,293,834)	3,198,646	2,545,625	2,176,094	1,684,749	1,560,027	1,867,608	1,230,137	741,554
Taxation	494,182	(611,991)	782,230	576,401	512,225	756,823	470,595	625,863	610,539	192,145
Net Profit for the period	773,535	(1,681,843)	2,416,416	1,969,224	1,663,869	927,926	1,089,432	1,241,744	619,598	549,409
Defined benefits plan	112,091	86,102	57,438	191,755	(1,926)	30,453	(59,575)	10,049	239,887	(212,044)
Revaluation gain	-	71,351								
Total comprehensive Income	885,626	(1,524,390)	2,473,854	2,160,979	1,661,943	958,380	1,029,856	1,251,794	859,485	337,365



RATIOS

Gross Profit Ratio - SPC (%)	33.21	20.81	23.55	25.57	25.5	23.8	25.5	27.04	26.68	25.63
Gross Profit Ratio - DHS (%)	5.15	6.43	6.47	6.29	6.33	6.76	7.27	7.08	7.23	7.72
Gross Surplus to Sales (%)	9.56	9.54	8.43	8.97	9.63	10.02	10.96	10.87	11.44	11.66
Annual Sales Growth (%) - SPC	18.11	5.28	7.37	(1.42)	19.66	13.12	7.60	15.90	8.67	12.61
Annual Sales Growth (%) - DHS	53.63	(42.17)	30.35	26.45	36.65	21.05	(0.60)	36.25	11.05	2.6
Total Sales Growth (%)	46.69	(36.59)	27.15	21.66	33.40	19.44	0.96	31.85	10.52	4.72

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

Rs. "000"

Description	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
	RS.	RS.	RS.	RS.						
Contributed Capital & Reserves	125,117	125,117	125,117	125,117						
Current Assets										
Inventories - SPC	6,919,845	3,189,712	2,396,406	2,751,098	2,802,020	2,754,287	1,798,403	2,009,502	2,364,091	1,385,477
Stocks in Transit - DHS	2,369,595	40,001	936,743	1,314,756	280,723	286,587	630,130	540,693	788,342	528,710
Trade and other receivables	38,801,758	45,650,222	52,164,442	33,682,452	27,299,630	16,319,413	7,901,244	4,521,175	3,051,445	2,370,323
Deposits & Prepayments	112,379	50,797	41,906	100,917	53,931	61,219	57,979	37,614	33,046	37,964
Cash in Hand & at Bank	5,539,030	5,613,777	1,111,457	1,225,358	1,114,223	1,021,185	312,050	244,947	790,525	801,717
Total Current Assets	53,742,607	54,544,509	56,650,954	39,074,581	31,550,527	20,442,691	10,699,807	7,353,931	7,027,449	5,124,191
Current Liabilities										
Trade and other Payables	17,240,993	19,249,279	16,164,216	16,117,661	16,293,739	10,423,896	3,996,134	2,657,620	3,347,410	2,235,194
Income tax payables	-	-	1,285,189	475,496	352,117	438,060	337,976	519,770	397,758	180,617
Deferred Income	-	-	1,471	1,800	1,461	1,345	927	1,103	1,005	748
Lease Liabilities	22,921	23,253	21,759	19,870	19,187					
Current Financial Liabilities	18,616,640	15,937,904	15,432,057	55,929	6,310,716	2,639,033	1,361,444	39,703	56,689	78,739
Long Term Loans	2,060,544	1,978,933	2,060,544	491,355						
Total Current Liabilities	37,941,098	37,189,369	34,965,236	17,162,111	22,977,220	13,502,334	5,696,481	3,218,196	3,802,862	2,495,298
Non Current Assets	2,964,391	2,627,937	2,351,605	2,329,488	2,277,480	2,225,337	2,179,335	2,166,630	2,156,615	2,138,973
Non Current Liabilities	5,901,912	8,004,715	9,904,472	11,908,162	294,459	271,308	264,651	192,213	233,394	372,220
Net Assets	12,863,988	11,978,362	14,132,848	12,333,796	10,556,328	8,894,386	6,918,010	6,110,152	5,147,807	4,395,646

RATIOS

Fixed Assets Turnover (times)	1:36.4	1:23.7	1:34.3	1:27.1	1:22.78	1:17.48	1:14.94	1:14.89	1:11.34	1:10.35
Current Ratio (times)	1:1.42	1:1.47	1:1.62	1:2.28	1:1.37	1:1.51	1:1.88	1:2.29	1:1.85	1:2.05
Liquidity Ratio (times)	1:1.17	1:1.38	1:1.52	1:2.04	1:1.24	1:1.2.9	1:1.5	1:1.5	1:1.02	1:1.3
Interest Cover (times)	1.38	0.25	6.45	4.66	7.85	25.99	45.32	344.69	1676.94	5.95
Stock Turnover Ratio (times) SPC	1.6	2.8	2.75	2.36	2.39	2.5	2.58	2.04	2.07	2.34

SALES NETWORK

REGISTERED OFFICE		BUSINESS OFFICE	
State Pharmaceuticals Corporation of Sri Lanka 75, Sir Baron Jayatillake Mawatha, Colombo 1, Sri Lanka Telephone: 011-2320356 – 9 Fax: 011-2447118 Website: www.spc.lk Email: spc@spc.lk		State Pharmaceuticals Corporation of Sri Lanka 16 th floor, “Mehewarapiyasa” Kirula Road, Narahenpita. Telephone: 011-2320356 – 9 Fax: 011-2447118 Website: www.spc.lk Email: spc@spc.lk	
SALES UNIT –Rathmalana	Tel.011-2632288 Fax: 011-2632962	ORS UNIT –Rathmalana	Tel.011-2622334
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