

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Jaya Container Terminals Limited for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of Jaya Container Terminals Limited, statement of comprehensive other income, statement of changes in and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information 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. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards .

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in Paragraph 1.5 of this report.

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 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Company 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.

1.4 Audit Scope (Auditor's Responsibility on the Audit of 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 the Company on 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 Company'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. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluate the 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.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following.

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Company and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company,
- Whether it has performed according to its powers, functions and duties
- Whether the resources had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Audit Observations on the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards

Non-compliance with Reference to Relevant Standard	Comments of the Management	Recommendation
(a) Information presented in financial statements should be classified, presented and characterized in a way that is clearly understandable in accordance with 2.34 of the Conceptual Framework for Financial Reporting. Similarly, the financial statements other than the cash flow statement should be prepared on the accrual basis in accordance with Section 27 of Sri Lanka Accounting Standard No. 01 (LKAS 01). Accordingly, interest on fixed deposits for the period was recognized on an accrual basis under investing activities and due to adjustments of interest income receivable, investments in fixed deposits and withdrawals of fixed deposits in working capital changes, cash flow generated from operating activities had been understated by Rs. 28,193,418 and the cash flow generated from	This is a classification error and will be corrected in the future.	When preparing the cash flow statement, cash flows should be classified and presented as per Accounting Standards.

investment activities had been overstated by Rs. 28,193,418 .

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| <p>(b) Investments that mature within 03 months or less from the date of purchase/acquisition are generally eligible for classification as cash and cash equivalents as per Paragraph 07 of Sri Lanka Accounting Standards No. 07 (LKAS 07). However, since 02 fixed deposits maturing after 6 months valued at Rs. 77,398,510 had been recorded in the financial statements of the Company within the value disclosed as cash and cash equivalents, cash and cash equivalents had been overstated by that value and the fixed deposits had been understated by that value.</p> | <p>This is an error occurred in the classification of cash and cash equivalents. It will be corrected in the future.</p> | <p>According to Accounting Standards, only investments that mature in three months or less should be recognized as cash and cash equivalents.</p> |
| <p>(c) An entity should disclose changes in accounting estimates that affect the current year and future periods in the financial statements as per Paragraph 39 of Sri Lanka Accounting Standard No. 08 (LKAS 08) and, the information presented in financial statements should be presented clearly and concisely in accordance with 2.34 of the</p> | <p>The useful lives of 4 items were revised in the year 2024 as per the recommendations made by the Board of Survey Committee and the useful life of 12 more items was restated in 2023. The total amount of assets for which the life has been restated is 16 items then. Details of the 16 items for which life</p> | <p>The assets for which useful lives have been revised during the period should be disclosed separately in the financial statements so that users can identify them in accordance with Accounting Standards.</p> |

Conceptual Framework for the preparation of Financial Statements. However, due to 04 items of furniture, equipment and machinery for which the useful life has been revised by the Company during the year 2024 valued at Rs. 9,426,488 has not been disclosed in separate in the financial statements, the users were unable to identify assets whose useful lives were revised during the year under review.

has been restated have been separately disclosed under Note 5.4 to the financial statements.

- (d) The cost of assets should be able to be measured reliably in order to identify assets, in terms of 7b of Sri Lanka Accounting Standard No. 16 (LKAS 16). However, the assets of furniture and equipment and computers and accessories, which were not physically observable during the inspection and could not be separately identified by the Asset Verification Committee and, the assets of furniture and equipment and computers and accessories which were mentioned as that could not be identified the cost according to the management amounting to Rs.492,216 and Rs.1,540,035

The furniture valued at Rs. 492,216 and computer equipment valued at Rs. 1,540,035 have been physically observed. However, since these assets were purchased between 2009-2017, the Assets Verification Committee has reported that there is only a situation where the actual cost of those assets cannot be identified separately from the relevant asset. The Committee has observed that the assets are physically present in the institution. Therefore, as mentioned in the audit

Assets that can be recognized as assets in financial statements should be those whose cost can be measured reliably as per Accounting Standards.

respectively had not been identified in the financial statements separately.

query, there has been no overstatement in the financial statements of furniture and equipment amounting to Rs.492,216 and computers and accessories amounting to Rs.1,540,035.

1.6 Non-compliance with Laws, Rules, Regulations and Management Decisions, etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance	Comments of the Management	Recommendation
(a) Section 3 of Part I of the Shop and Office Employees Act, No. 19, dated 9 August 1954	If an organization employs employees on a shift basis, although the working hours should be limited to a maximum of 8 hours per day and 45 hours per week, in contrary to that, the Company employed 47 operational staff members on 24-hour shifts in 2024 and the service was obtained only for 2 days a week.	A 24-hour shift has been introduced in line with the service needs of the Company to ensure efficient and uninterrupted operations. Approval has been received at the Board of Directors meeting held on 25/02/2021 to continue the said 24-hour shift system.	That steps should be taken to implement the working hours of employees as specified in the Act.
(b) Section 5 of the Election Commission Circular No. ED/EDR/PRE/202	Although the approval of the Secretary to the Treasury and the consent of the Commissioner General of Election for	Permission has been received from the Election Commission to recruit for 10 vacant positions for essential	The approval of the Secretary of the Treasury for the recruitment of essential employees

4/6-04B dated 26 July 2024, Section 4.1 of the Public Enterprise Circular No. 01/2024 dated 28 February 2024 and Section 5 of the Public Enterprise Circular No. 01/2021 (ii) dated 27 September 2023

the appointment to be made during the election period should be obtained for the recruitment of essential employees, newspaper advertisements were published on 02 August 2024, to recruit employees without obtaining the consent of the Election Commission. After that date, the request made on 06 August 2024, had been approved only for the recruitment of 10 technical employees. However, 11 out of the 12 employees who applied, were non-technical employees and although interviews had been conducted during the election period at a cost of Rs. 56,280, recruitments had also not been made.

duties as per the letter EDR/PE/2024/S-814 sent to us by the Election Commission on 19.08.2024. Publishing of advertisements for employee recruitment has been done after 04 days during the election period and approval received 17 days after the publishing of advertisements. Necessary steps will be taken to prevent such incidents from occurring in the recruitment activities for future vacancies of the institution. According to the letter sent to the Election Commission regarding the recruitment of employees for essential duties by the institution on 06.08.2024, all those positions have been notified separately and in detail. The company's vacancies have been advertised in 03 newspaper advertisements (Sinhala, Tamil and

and the prior consent of the Election Commissioner General for appointments made during the election period should be obtained.

English) on 2024.08.02.

The vacant positions of the Company have been accurately indicated there.

Although interviews have been held for these vacant positions, recruitment has not been made so far.

(c) Section 3.2 (ii) and Section 3.3 (ii) of the Operational Manual for Public Enterprises issued with Public Enterprise Circular No. 01/2021 dated 16 November 2021	A formal Scheme of Recruitment had not been prepared for the Company and the approval of the Board of Directors and the Line Ministry and the agreement of the Department of Public Enterprises had not been obtained and although every public enterprise should prepare an organizational chart with the approved number of employees as per Section 3.3 (ii), the Company had not fulfilled that requirement.	The approval of the Board of Directors has been obtained on 2024.06.13 for the Organizational Chart with approved staff for the formal Scheme of Recruitment for our institution and the approval has also been obtained from the Line Ministry and the Sri Lanka Ports Authority. This has currently been forwarded to the Department of Public Enterprises for approval. Thereafter, as verbally informed by the Department of Public Enterprises, the Scheme of Recruitment with the Organizational Chart along with the number	A formal recruitment process should be prepared for the Company and the approval of the Board of Directors and the agreement of the Department of Public Enterprises should be obtained for this.
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of employees has been forwarded to the new Board of Directors for the approval again.

1.7 Non-compliance with Tax Regulations

Audit Observation	Comments of the Management	Recommendation
Although it was stated under Item 04 of Part II of the First Schedule of the Social Security Contribution Tax Act No. 25/2022 that oil pumping charges cannot be considered a tax-exempt service, the social security tax to be levied on the oil pumping fee of Rs.115,462,139, Rs.420,136,784 and Rs. 499,685,324 from October to December 2022, 2023 and from January to 10 December 2024 respectively is Rs. 2,960,568, Rs.10,772,738 and Rs. 12,812,393 respectively. Therefore, the Company had not remitted the tax amount of Rs. 26,545,699 to Inland Revenue Department since invoicing without any tax recovery relating to these periods.	The Inland Revenue Department had informed us by letter dated 10.12.2024 that the pumping charges are not exempt from this tax. Accordingly, we inform you that we have started charging social security tax on pumping charges through invoices issued to our customers from 11.12.2024, and this has been corrected.	The relevant taxes should be collected and remitted to the government according to the tax laws introduced by the government.

2. Financial Review

2.1 Financial Result

The operating result for the year under review was a surplus of Rs. 243.4 million and the corresponding surplus as compared to the preceding year was Rs. 243.8 million . Accordingly, a decrease of 0.16 per cent in the financial result had been shown.

2.2 Trend Analysis of Major Income and Expenditure Items

The following observations are made.

- i. The cost of sales had increased by 27 per cent during the year under review, and the increase in salaries paid to operational staff by Rs. 53.2 million, or 50.4 per cent had affected to the increase in total cost of sales.
- ii. Administrative expenses had increased by 10 per cent as compared to the preceding year and increase of office worker salaries by 39.9 per cent and security costs by 33 per cent as compared to the previous year had affected to that.
- iii. The financial income had decreased by 34 per cent in the year 2024 as compared to the previous year and non-operating income had decreased by 90 per cent. The decrease in fixed deposit interest income by Rs. 41.9 million had been the main reason for this .

2.3 Ratio Analysis

The current ratio in 2023 was 5.16:1 and the quick ratio was 5.09:1, and those ratios had been 8.26:1 and 8.08:1 respectively at the end of the year 2024 .

3. Operational Review

3.1 Idle or Underutilized Property, Plant and Equipment

Audit Observation	Comments of the Management	Recommendation
The duty of the Company is to store oil provided by customers, supply it to ships at their request, and charge a fee. Accordingly,	We have received information that the case regarding the 162,257 MT seized by Sri Lanka Customs	Actions should be taken to manage oil tank space in

Sri Lanka Customs had confiscated 162.257 metric tons of Lanka Maritime Services Ltd. from oil tank number 102, with a capacity of 1000 metric tons, contains 380 (HSFO) fuel under the custody of the Company as at 31 December 2024. Further, since this oil has not been released by that institution and 380 (HSFO) fuel is not used, it was in idle condition	has now been concluded it is reported that Sri Lanka Customs has tendered that amount on two occasions. Sri Lanka Customs has inquired about the ownership of the Sri Lanka Ports Authority regarding the 72 MT which was under the custody of Sri Lanka Ports Authority and the Sri Lanka Ports Authority has stated that the amount is not belonging to them. Further, we have informed Sri Lanka Customs about this by the letter dated 01.01.2025 .	consultation with relevant parties.
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3.2 Procurement Management

Audit Observation	Comments of the Management	Recommendation
The HR & Payroll system, which was acquired at a cost of Rs. 976,000 since 2021, has not been implemented to date and the HR & Payroll system, which was purchased at a cost of Rs. 976,000 since 2021, was not implemented to date and since a strategy is needed to accomplish the task efficiently and effectively due to the human resources activities and manual nature of payroll related tasks and	The assistance of two Information Technology experts from the President's Office is currently being sought to obtain technical advice on the errors in this HR & Payroll system and Two rounds of discussions were held with the officials of the relevant institution and they were informed about the components that needed to be corrected. The Company	HR & Payroll system should be established in relation to the expenses incurred and steps should be taken to accomplish that task efficiently.

It had been impossible to obtain maximum benefit from the expenditure incurred, since it was failure to print salary slips correctly, which is the final result that should be obtained through the HR & Payroll system,

agreed to study them and inform them of a future decision on the matter.