ANNUAL REPORT 2018

Jaya Container Terminals Ltd

Contents

OUR VISION

To become the Bunkering Hub in year 2024

OUR MISSION

To maximize country's value by developing infrastructure/storage facilities to Bunker License Holders.

OBJECTIVES

- ✓ Develop infrastructure facilities for storage of Marine fuel oil
- ✓ Managing Colombo Oil Bank in an efficient and effective way as the center of the Bunkering Business
- ✓ Ensure safety of the products store at the premises
- ✓ Improve and maintain high level of productivity among all employees
- ✓ Introduce health, safety and environmental friendly measures in Operations
- ✓ To provide an efficient and effectiv e services to customers

INTRODUCTION TO THE COMPANY

The Jaya Container Terminals Limited (JCT Limited), also known as the Colombo Oil Bank is a fully owned subsidiary company of Sri Lanka Ports Authority, which is a premier oil bunkering storage entity in the region. Jaya Container Terminals Limited (PB 960) was incorporated under the Company Act No. 17 of 1982 on 21 February 2002 and reregistered on 25 April 2008 under the Company Act No. 07 of 2007 as a company 100% owned by the Sri Lanka Ports Authority.

In year 2008 Jaya Container Terminals was assigned by the Sri Lanka Ports Authority to manage and operate Colombo Oil Bank at No.69, Walls Lane, Colombo 15. The main activity of the company is to manage and operate said Oil Bank which established as a Sri Lanka Customs approved Public Bond to facilitate Bunker License Holders (BLHs) to store their imported bunker fuels.

The primary business of the JCT Limited is storing of Marine fuel, which supplies for vessels and to supply fuel needed by the companies which provide fuel for vessels in the sea. The marine fuels in the fuel categories of Heavy Fuel Oil (HFO) 380, Intermediate Fuel Oil (IFO) 180 and Marine Gas Oil (MGO) are currently stored at the said premises. At present, the Company has 13 fuel tanks to store total capacity of 35,000 MT of marine fuels. The above facility locates over 9 acres land area at the Bloemendhal area in Colombo 15.

Oil Bank has entered into agreements with Eight Bunker Licence Holders for the utilization of the Oil Bank.

BOARD OF DIRECTORS

1. MR . SUSANTHA F.H FERNANDO - Chairman

Susantha F.H.Fernando was appointed to the Board of Jaya Container Terminals Limited as Chairman and Director on 30.05.2017 until his resigning on 01.03.2019

2. MR. R.A.D.A.M.RUPASINGHE / Mr. M.M.M. AMJAD

Managing Director/s

R.A.D.A.M.Ruapasinge was appointed to the Board of Jaya Container Terminals Limited as Managing Director and Director on 30.05.2017 until his resigning on 25.10.2018

Mr. M.M.M. Amjad was appointed to the Board of Jaya Container Terminals Limited as Managing Director and Director on 2018.10.25 to 2018.12.31

3. BOARD OF DIRECTORS

i. Mrs. D.C.W. Hapugoda - Director – Treasury Representative

ii. Mr. U.L.U.D.S.Gunasinghe – Director

iii. Mr. P.G. Dassanayake – Director

iv. Mr. N.A.S Wickramasinghe –Director

v. Mr. Priyantha Kannangara – Director

vi. Mr. W.A.S. Perera - Director

vii. Mr. H.A. Wimalasuriya – Director (deceased on 20.05.2018)

MANAGEMENT TEAM

1. LOREE DE SILVA

Head of Legal & Human Resources

Mrs. Loreen De Silva joined JCT Limited in 2009 as the Legal Officer/Secretary to the Board . She is Attorney-At-Law by profession and graduated from Faculty of Law, University of Colombo and hold Masters in Law and Postgraduate in HR from University of Colombo. She served in Ministry of Human Rights and Disaster Management and Human Rights Commission of Sri Lanka prior to join with JCT Limited. She was promoted to Head of HR & Legal in 2016

2. SUGANDIKA M. LANSAKARA

Head of Finance

Sugandika Lansakara joined JCT Limited in July 2009 as the Accountant. She is a Management Accountant and is an Associate member of Chartered Institute of Management Accountants (ACMA). She also holds a B.Sc Finance (Sp) Degree in University of Sri Jayawardenapura. She was promoted to the post of Head of Finance in year 2012.

3. NALIN WITHANAPATHIRANA

Head of Engineering

Nalin Withanapathirana joined JCT Limited in February 2010 as the Mechanical Engineer. He is a Mechanical Engineer and is an Associate member of Institution of Engineers Sri Lanka (IESL). He also holds a B.Sc Degree in the field of Mechanical Engineering in University of Peradeniya. He was promoted to the post of Head of Engineering in year 2012.

4. NALINDA RAJASINGHE

Head of Business Development and Operations

Nalinda Rajasinghe joined to the JCT Ltd in June 2010 as the Head of Operations and Business Development. He is following the PhD in University of Colombo and MBA holder (Master of Business Administration) from the University of Sri Jayawardanapura. He also holds the management degree (BBA- Bachelor of Business Administration) in University of Colombo.

DIVISIONAL PERFORMANCE

1. Operations Division-Operational Review

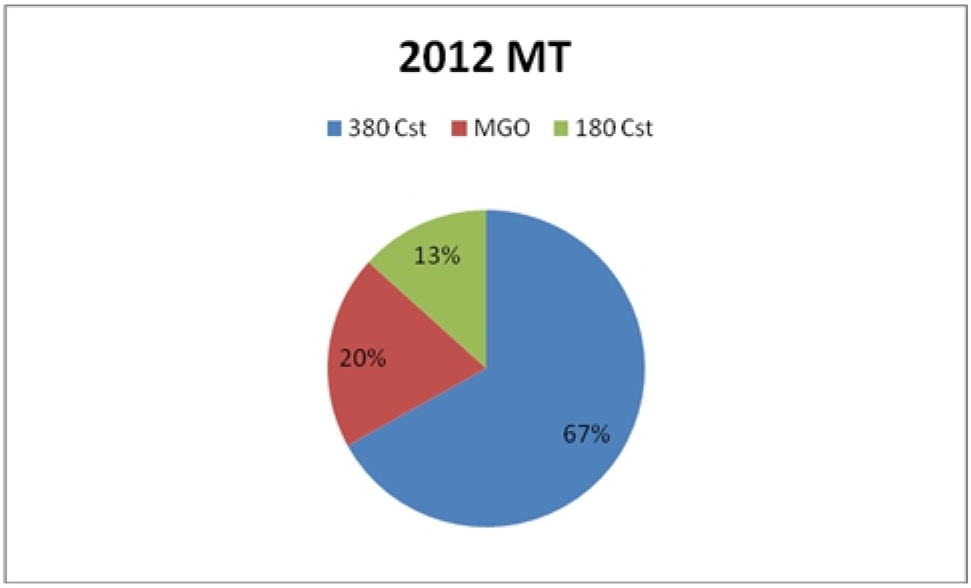
The Bunker License Holders import and discharge Marine Bunker Fuel to the Colombo Oil Bank through the Port of Colombo, subject to the payment of applicable charges. JCT Ltd will provide storage facilities and handling facilities to load onto bunker barges and tankers moored by the User. Currently there are nine Bunker license holders are operating at Colombo Oil Bank. Following products are stored at fuel tanks of JCT Limited.

Mrine Fuel Oil 380 Cst (MFO 380 Cst)
Mrine Gas Oil (MGO)
Mrine Fuel Oil 180 Cst (MFO 380 Cst)

2012 Loading data analysis.

As per the below table and chart out of three products 380 CST is 67% , MGO is 20% and 180 CST is only 13% in year 2012.

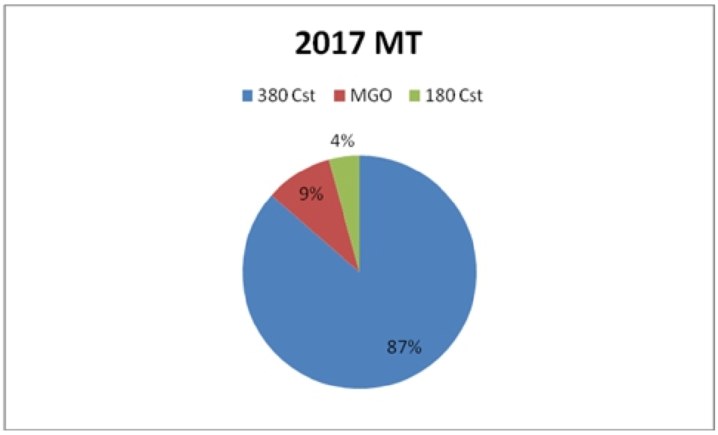
Description	2012 (MT)
380 Cst	241,391.747
MGO	71,205.243
180 Cst	48,059.557



2017 Loading data analysis.

Below table and graph shows loading analysis of year 217.

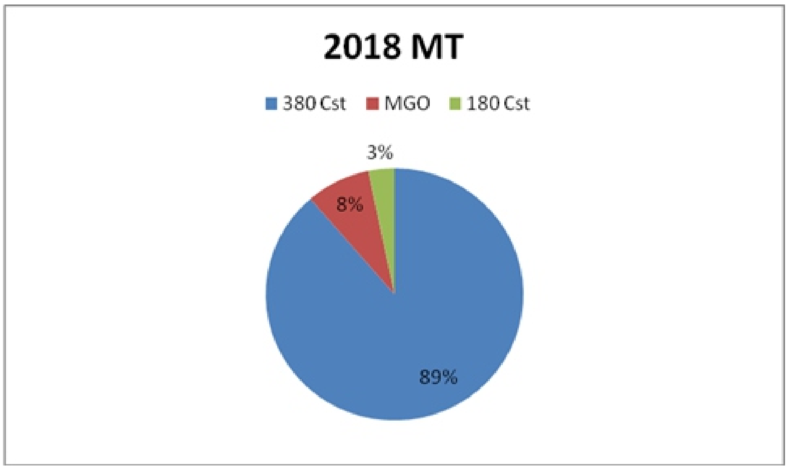
Description	2017 (MT)
380 Cst	481,238.781
MGO	52,006.879
180 Cst	23,626.928



As per the loading data records this pie char will show 87% goes to 380 Cst Product and 9% and 4% for MGO and 180 Cst products to respectively.

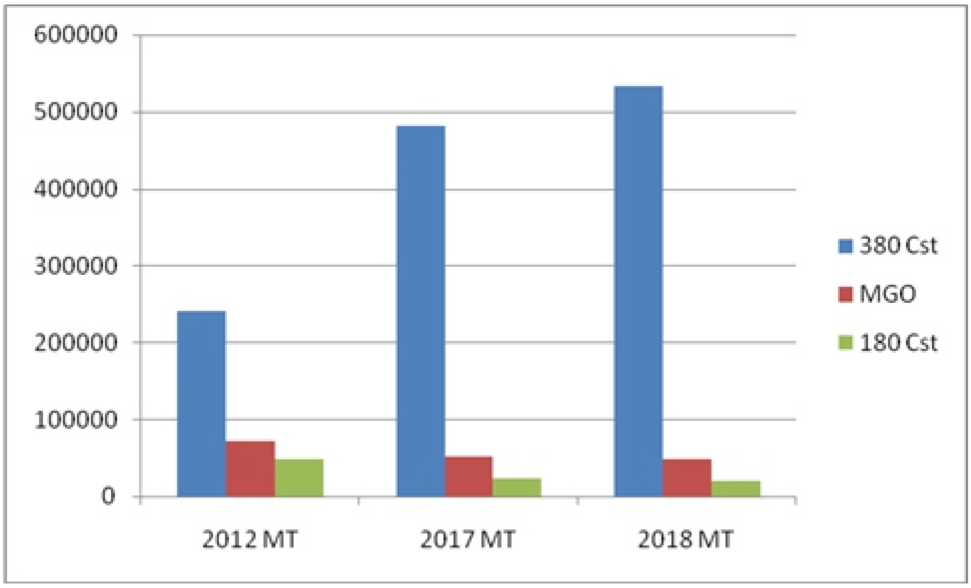
2018 Loading data analysis.

Description	2018 MT
380 Cst	533176.16
MGO	48593.146
180 Cst	19820.99

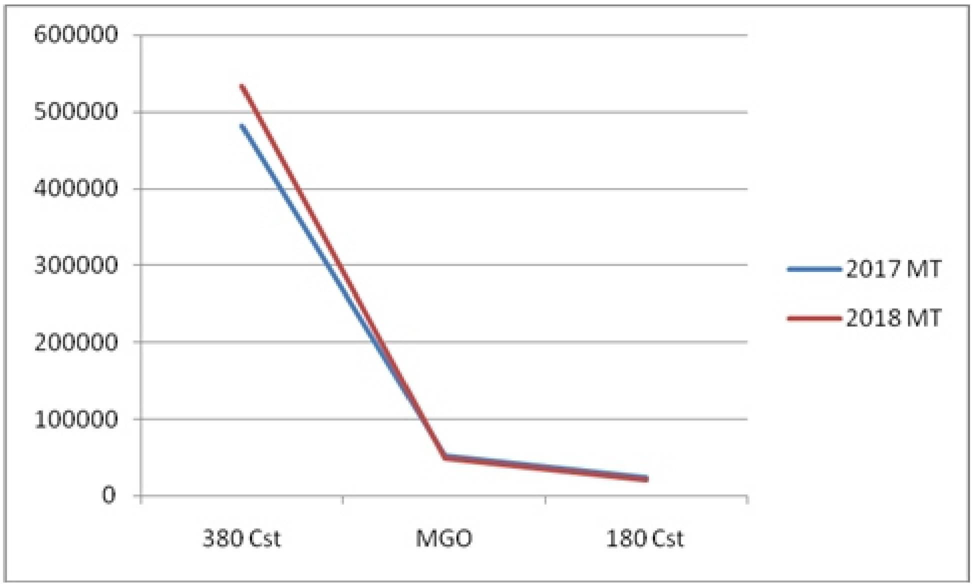


According to the above table/graph we can see that the 380 Cst product loading has been increasing rapidly and has grown in to 89% from the total quantity. MGO and 180 Cst has become 8% and 3% respectively.

By analyzing loading data between years of 2012 to 2017 there is a major increase in product 380 Cst loading. In 2012 it was 241,391.747Mt and eventually present value has become 533,176.160Mt. Besides product 180 Cst has diminished by the time mainly according to the 2012 data value 48,059.557Mt and viewing at 2017 data it has reduced to 23,626.928Mt and its nearly halfway of amount. In 2018 product 180 Cst value has sink to 19,820.990Mt which shows nearly half of the value.



Comparatively products 380 Cst& 180 Cst, MGO has remain approximately same amount in 2017 & 2018, as 52,006.879Mt, &48,593.146Mt respectively. When compared to 2012 can be seen a proper reduction of Marine Gas Oil product as 71205.243Mt in 2012 & 48593.146Mt in 2018.



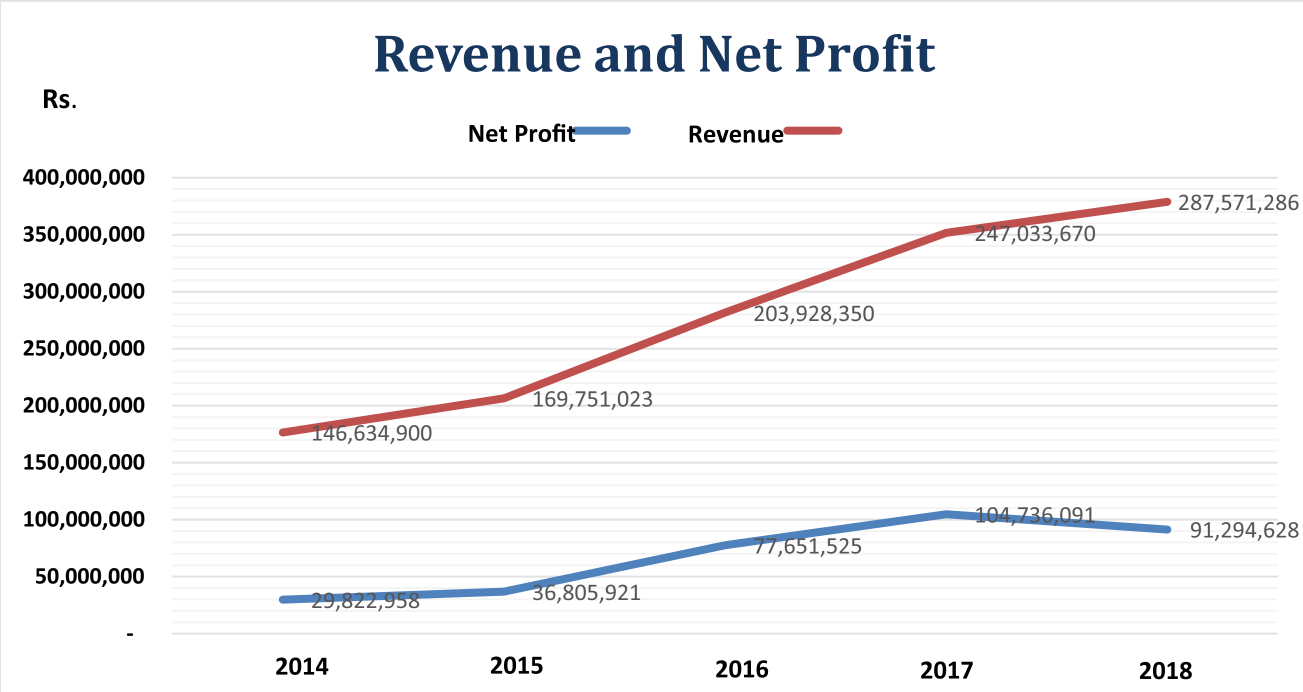
2. Finance Division-Financial Review

The financial year 2018 was tense with many challenges enforcement with regulatory changes. As per the new Inland Revenue Act No.24 of 2017, business of a Bonded Warehouse is fitting to the meaning of Specified undertaking. As such profits from business which belongs to specified undertaking was taxed at 14%. Therefore Exemption under Section 13 (yyyy) of the Inland Revenue Act No.10, 2006 has been discontinued under the new Act. Due to this regulatory change JCT Limited has paid Rs.21.3 million as Income tax for year 2018. When compare with year 2017 it is a 73% increase and created a huge impact on profits.

Following table illustrates the financial progress of the Company during last five years

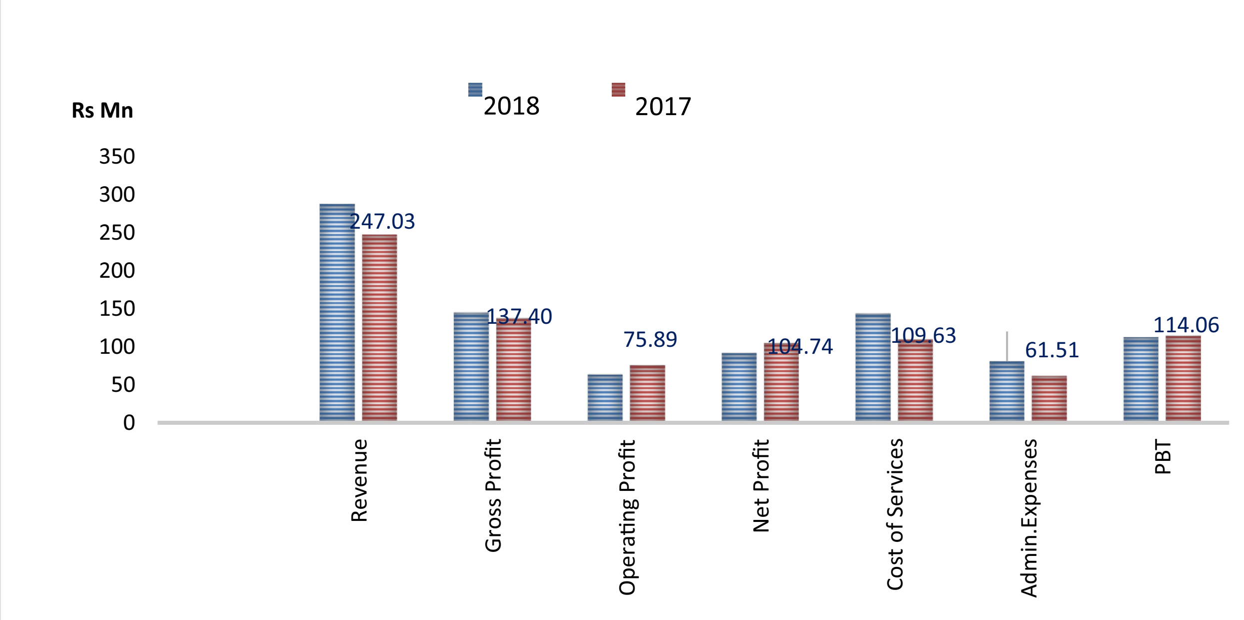
Year	2014	2015	2016	2017	2018
Revenue	146,634,900	169,751,023	203,928,350	247,033,670	287,571,286
Gross Profit	78,460,957	61,670,164	111,607,314	137,402,393	144,242,855
Operating Profit	18,758,243	28,872,097	58,477,533	75,893,979	63,304,163
Net Profit	29,822,958	36,805,921	77,651,525	104,736,091	91,294,628

The following graph shows, the revenue and net profit recorded in the years 2014 - 2018



Continuing its strong performance JCT Limited has recorded Rs.287.5 Million revenue in year 2018 which is 16% increase compared to year 2017. This is mainly due to increase in loading and discharging operation and the exchange rate fluctuations. Loading and Discharging of Bunker fuel has been increased by 8% and 9% respectively. All invoicing and recording of revenue for services rendered is done by converting the USD value to LKR at the date of Transaction. Average exchange rate for year 2017 is USD155 and in year 2018 it's USD180.

JCT Limited has recorded a profit before tax of Rs.112.6 Million in year 2018. Finance income is Rs. 49.6 Million which is 19% increase compared to 2017. Company's net profit is Rs.91.29 Million which is a decrease of 14.8% compared to year 2017.



Below ratio analysis indicates the favorable condition of the company's financial position during year 2018.

	2017	2018
1. **Gross profit Margin**	**55.62%**	**50.16%**
2. **Net profit Margin**	**42.39%**	**31.62 %**
3. **Return on Capital Employed**	**20.33%**	**15.13%**
4. **Current Ratio**	**24.71%**	**17.98%**
5. **Gearing**	**7.24%**	**6.25%**
6. **Dividend Cover**	**15.40%**	**90.94%**
7. **Earnings Per Share**	**1047.36**	**912.95**

3. Engineering Division

The main responsibility of the Engineering division is to planning & carrying out proper maintenance programs for the Engine pumps, Fuel storage Tanks, Boilers, fuel distribution pipe lines, buildings, vehicles and other machinery and equipment. In addition, engineering division is responsible for all Fabrication works, Civil Engineering & Electrical Engineering work, Fire & safety of Oil Terminal & Yard maintenance works etc.

Major projects carried out during periods of 2010-2018

a) Continuance Oil leakage had been reported due to damaged and cracked fuel Oil distribution steel pipe lines which were laid from Blomendhal Oil Terminal to Port of Colombo. Those lines were used to loading and discharging of marine Bunker fuel to ships and Bunker barges. Those pipes lines were positioned more than 50 years back. Considering of above reasons, SLPA had launched a project in year 2012 to lay New Oil distribution pipes lines from Blomendhal Oil Terminal to Tunnel gate of Port of Colombo and that project was completed in year 2014. Approximate cost for the project was Rs155Million.

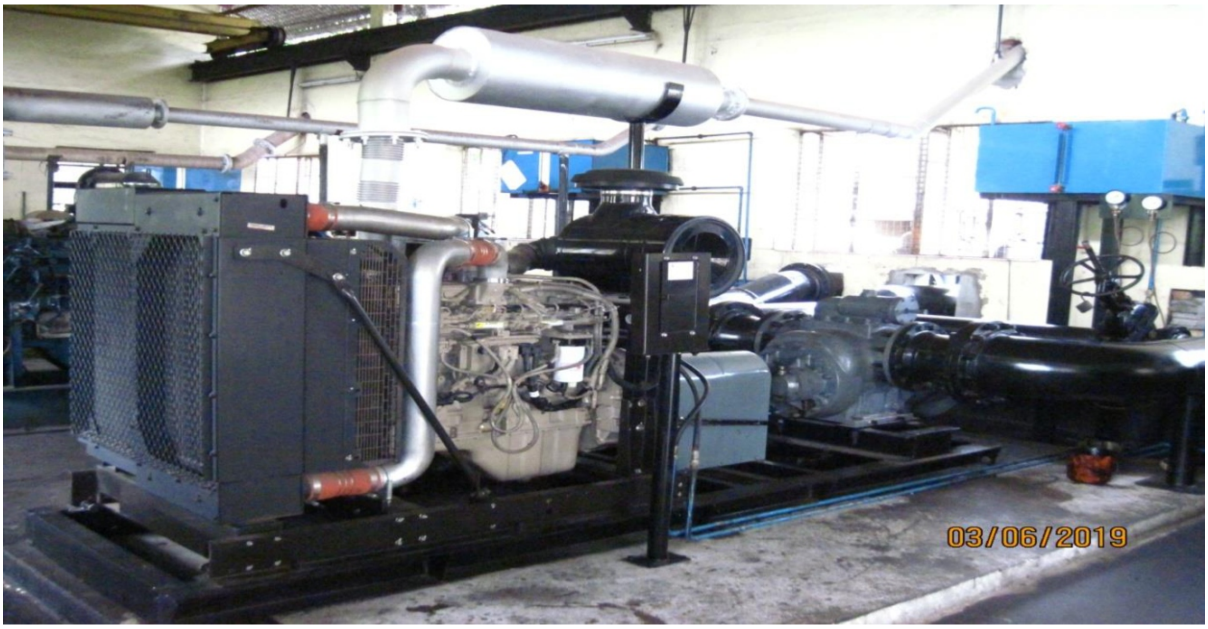
b) Available space for the demand of Bunker license holders was not sufficient as demand of Marine fuel 380Cst was increased drastically from the year 2010.

Considering continues request from Bunker license holders and high demand for Heavy fuel 380Cst in marine field, decison has taken in year 2010 to constructed New tank for heavy fuel 380Cst with capacity of 5200MT. This project was completed in year 2012. Approximate cost for the project was Rs 85 Million.

c) Steps have taken to upgrade heating capacity of 380Cst fuel with parallel of Tank construction. Accordingly 3 Ton capacity boiler was positioned in year 2012. Approximate cost was Rs. 3 Million.

d) Several issues have encounter by our Registered Bunker License Holders and Sri Lanka Customs since year 2010 regarding excess and deficit quantities and parameters such as temperature, density of fuel. Considering above facts Radar Tank gauging system was implemented for Tank 104,102,106&107 in year 2014. It has facilitated to read temperature, product level, Density and quantity of fuel of the each tank by using Desktop monitor without climbing to tank top.

e) Since the condition of existing Engine Pumps were worst and showing continuance troubles, Decision has taken by Board of Directors to install a New Engine Pump for Heavy fuel of 380CST as considering higher priority basis in order to ensure un- interrupted loading of Heavy Bunker fuel to the Bunker barges. Accordingly new Engine pump unit was installed in year 2018 for the Heavy fuel of 380Cst. approximate cost was Rs. 22 Million without Taxes.



e) A new Engine for Gas Oil was installed in year 2011. Approximate cost was Rs 2 Million. New pump coupled to that Engine in year 2012 and approximate cost was Rs 7 Laks.

Fire & safety of Blomendhal Oil Terminal.

*In view of the importance of Upgrading the Fire & safety of Colombo Oil Bank, it has been identified that the necessity of modification of existing fire hydrant / monitor system to use water and foam for the tanks. Accordingly Fire foam pouring system has installed for the Tank No 101,102,103 and 104 in year 2014 . Approximate cost was Rs. 17Million.

* Joined fire drills has been conducted since year 2012 with participation of SLPA, CMC & JCT Fire & safety officers.

* New water pillar hydrant was located at the End point of Walls lane to supply adequate water in continually when an emergency.

* Required Foam, Hoses, fire water jacket and other relevant equipment were purchased during last couple of years.

* Two fire officers were recruited in order to fill the duty roster in year 2016.

Transport & Security section

Since showing of continuance trouble of existing pool vehicle (Micro MPV3 van), steps have taken to dispose Micro van and purchased brand new Toyota Van & a Double cab for Engineering, operations & administration purpose.

An Outsourced security firm was providing security since year 2012 and assigned in recognized security points to cover the Oil bank premises. 13 Nos of security persons are assigned on day shift & 10 officers are assigned in night shift. CCTV Security camera system was implemented since year 2016 to improve the security of the premises.

Yard maintenance

Grass cutting, cleaning of Oil Pits and other ground handling works of the Oil Terminals have been carried out by outside company.

LEGAL & HUMAN RESOURCES DIVISION

Legal & HR division consists of the Head of Division, Executive, 3 Clerks and 5 office aids. The main functions of the division are recruitments and appointments, record attendance & leave, provide records on time to finance division to prepare salaries, initiate employees' welfare amenities, prepare documentations for EPF / ETF, arrange staff training, Handle legal matters and board Secretarial work etc.

The total work force of the company as at 31.12.2018 was 99 employees and the company recruited 08 nos permanent employees and 03 nos contract employees whilst 03 nos employee were retired and 02 were grated Voluntary Retirement Scheme during year 2018. Employees were granted attractive salary increase in year 2018 by adding Rs.5000 to basic salary and Rs.5000 special allowance. Further majority of employees were granted promotions during the year 2018.

Employees of JCT Limited are privileged to obtain in house Medical Aid Scheme for hospitalization treatment up Rs.200,000/- and 03 other family member. Accordingly 39 employees were obtained hospitalization treatment during year 2018 amounting to Rs.3,171,918.80 In addition to that Rs. 299,562.45 paid for reimbursement of medical treatment , Rs.277,445.50 for reimbursement of Medical Test and Rs.90,000.00 for spectacles. Employees are permitted to obtain treatments from Medical Center and Ayurvedic Center of Sri Lanka Ports Authority and transport facility is provided from Blomendhal terminal to SLPA.

All employees in the company are covered with 24 hrs personal accident insurance cover Rs.76,071.43 million paid under the insurance and no claims have been made under workmen compensation Act.

Considering the request made by employees Housing loan facility up to Rs.2Mn was introduced in year 2018 with the facilitation of Bank of Ceylon and 05 employees were granted the facility. In addition to that Distress loan(10 month salary) , Rs.250,000.00 Multipurpose Loan and Rs.10,000.00 New year loan were granted at the rate of Rs.4.2% interest rate.

Legal & HR division arranged nearly 15 Training programs for employees during year 2018 at a total cost of Rs.380,056.75 in the area of preparing financial statement, procurement procedure, establishment procedure, boiler operations, establishment procedure etc.

Under death benefit scheme Rs.540.000 paid in total for death of employee/father /mother/father-in law/ mother-in-law. And also children of all permanent employees are prevailed to obtain financial assistants university scholarship programme and Rs.160,000.00 has been paid during year 2018.

With regard to functions under legal, Head of Legal & HR coordinate with Employers Federation of Ceylon to obtain regular advice on legal & HR issues and if needed legal service obtain from private bar. Unions and other associations are facilitate to carry out their functions/activities by Legal & HR division by arranging discussions with employees to discuss their issues when necessary. Head of Legal represent the company before Labour Department , Labour Tribunal and any other courts on behalf of the company and during year 2018, 01 Court of Appeal matter, 04 Labour Tribunal Mattes, 01 High Court matter and 02 inquires at Commissioner of Labour has been handled by the Head of Legal & HR. Further the division handled work pertaining to Board Secretarial and arrange & convene Board Meeting, prepare Board books, Board Memos etc. in monthly basis.

CORPORATE GOVERNANCE

Corporate Governance is the system by which organizations establish a mechanism for the effective utilization of resources, direction and control of the organization, in the best interests of all its stakeholders. The primary responsibility for good governance lies with the Chairman and the Board of Directors of the Company. Boards of directors are responsible for the governance of their companies. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship.

The Board of Directors is also responsible for the governance of the Company. The Company continues to place considerable emphasis on developing rules and regulations, structures and processes to ensure good practices.

The methods by which the Company has applied the principles of good Corporate Governance practices during the financial year are listed under the following headings:

- Board of Directors
- Audit Committees
- Internal Audits
- Relationship with the General Treasury and the Ministry of Ports and Shipping
- Compliance with Statutory and Legal requirements

✓ BOARD OF DIRECTORS

The Board consists of a Chairman, Managing Director and 8 Directors. Members of the Board of Directors should have the highest professional and personal ethics and values coupled with their experience in the industry sector in which the company operates. The members to the Board are appointed in the following manner: The Chairman, Managing Director and 7 other Directors are appointed by the Minister. A representative of the General Treasury is nominated by the Minister in charge of the subject of Finance.

The Board meets regularly, and during the year under review, the Board met on nine occasions. The Board has timely access to information it needs to carry out its duties. The Secretary to the Board sets the agenda for the Board Meeting in consultation with the Chairman, and all Board Directors receive a detailed report of information prior to each Board meeting. The matters discussed at the Board meetings include among other items, reviews of operational and financial performance indicators, approval of capital expenditure proposals within its limits.

✓ **AUDIT COMMITTEES**

The Audit Committee consists of the representative of the General Treasury who is on the Board of Directors and two (02) other Directors of the Board. The Audit Committee meetings were convened in year 2018 after recruiting a new Internal Auditor for the Company. The Audit Committee reviews policies, controls and procedures also reviews the Internal Auditors' reports and Management letters of Government Audit, Audit queries and follow up of their recommendations and ensure Division Heads are comply with them.

✓ **INTERNAL AUDITS**

The Internal Audit Division is headed by an Internal Auditor. The Division is independent and directly reports to the Chairman and the Audit Committee.

JAYA CONTAINER TERMINALS LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2018

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

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எனது இல.
My No. POS/A/JCTL/1/18/1

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உமது இல.
Your No.

දිනය
திகதி
Date 14 May 2019

The Chairman
Jaya Container Terminals Limited

Report of the Auditor General on the Financial Statements and on other Legal and Regulatory Requirements of Jaya Container Terminals Limited for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act, No.19 of 2018

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1. Financial Statements

1.1 Opinion

The audit of financial statements of the Jaya Container Terminals Limited for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the profit loss statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory 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 report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, 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 Opinion

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

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 +94 11 2 88 72 23 ag@auditorgeneral.gov.lk www.auditorgeneral.gov.lk

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, matters related to going concern and using the going concern basis of accounting unless management either intends 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 Sub-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 of the Company.

1.4 Auditor's Responsibilities 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 scepticism 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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. 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 Company 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

National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

- 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 Company as per the requirement of Section 163 (1) (d) of the Companies Act, No. 7 of 2007 and Section 12 (a) of the National Audit Act, No. 19 of 2018.

- The financial statements of the Company comply with the requirement of Section 151 of the Companies Act, No. 07 of 2007.

- 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.

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

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

- to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company 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;

- to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of Section 12 (f) of the National Audit Act, No. 19 of 2018;

	Reference to Laws	Description
(d)	Section 5.1.1 of the Circular No.PED/12 of 02 June 2003 for good governance issued by the Department of Public Enterprises	Every public enterprise should prepare a Corporate Plan. However, the Company had not prepared such a plan even by 31 December 2018

- to state that the Company has not performed according to its powers, functions and duties as per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018;

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NATIONAL AUDIT OFFICE
NAOSL

- to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018, except for following observations;

    (a) Modern Technical Equipment had not been used for measuring oil in 13 oil tanks and as such, 3,323 metric tons of stocks of surplus oil had been confiscated by the Sri Lanka Customs in 05 instances from the year 2014 to the year 2018.

    (b) A sum of Rs.5,779,760 receivable to the Company from the Sri Lanka Ports Authority over a period of 04 years for drawing a building plan, had not been settled even by 31 December 2018. Moreover, the said amount had not been included as a balance payable in the financial statements of the Sri Lanka Ports Authority of the year 2018. Even though it was observed in audit that the recovery of the said amount is uncertain, the Company had not made provisions therefor during the year.

W.P.C.Wickramaratne

Auditor General

Jaya Container Terminals Limited

STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Note	2018 Rs.	2017 Rs.
Revenue	3	**287,571,286**	**247,033,670**
Cost of Sales	24	(143,328,431)	(109,631,277)
Gross Profit		144,242,855	137,402,393
Administrative Expenses	25	(80,938,692)	(61,508,414)
Operating Profit		**63,304,163**	**75,893,979**
Finance Income	4.1	49,651,749	41,601,847
Finance Cost	4.2	(551,000)	(651,369)
Non Operating income		211,748	220,351
Profit Before Tax		112,616,660	117,064,808
Income Tax Expense	13	(21,322,032)	(12,328,717)
Profit for the Year		**91,294,628**	**104,736,091**
Earnings Per Share	15	912.95	1,047.36

The accounting policies and notes on pages 8 through 25 form an integral part of the Financial Statements.

Jaya Container Terminals Limited

STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	Rs.	**Rs.**
Profit for the Year	91,294,628	104,736,091
Other Comprehensive Income		
To be reclassified to profit or loss in subsequent period		
Actuarial Gain/Loss on Defined Benefit Plans	(3,615,773)	1,352,528
Other Comprehensive Income for the Year Net of Tax	(3,615,773)	1,352,528
Total Comprehensive Income for the Year Net of Tax	**87,678,855**	**106,088,619**

The accounting policies and notes on pages 8 through 25 form an integral part of the Financial Statements.

Jaya Container Terminals Limited
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	2018 Rs.	2017 Rs.
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	5	49,253,891	18,356,741
		49,253,891	**18,356,741**
Current Assets			
Closing Stocks		3,194,824	-
Trade and Other Receivables	6	75,501,602	61,527,333
Other Current Financial Assets	7	197,219,946	146,039,359
Cash & Cash Equivalent	8	308,812,510	310,095,791
		584,728,882	517,662,483
Total Assets		**633,982,773**	**536,019,224**
EQUITY AND LIABILITIES			
Stated Capital	9	1,000,000	1,000,000
Retained Earnings		590,223,177	503,544,322
Total Equity		**591,223,177**	**504,544,322**
Non-Current Liabilities			
Interest Bearing Loans and Borrowings	10	2,054,986	3,424,990
Employee Benefit Liability	11	9,991,606	5,728,899
		12,046,592	**9,153,889**
Current Liabilities			
Interest Bearing Loans and Borrowings	10	1,370,004	1,370,004
Income Tax Payable	13	12,870,020	6,067,710
Deferred Tax Liability	14	115,834	-
Other Payables	12	16,357,146	14,883,299
		30,713,004	22,321,013
Total Equity and Liabilities		**633,982,773**	**536,019,224**

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.

....

Financial Officer

The Board of Directors are responsible for the preparation and presentation of these Financial Statements. The Accounting policies and notes on page 8 through 25 form an integral part of the Financial Statements.These Financial Statements were approved by the Board of Directors and signed on their behalf.

....	....	....
Chairman	**Director**	**Director**

18-Mar-2019
Colombo

Jaya Container Terminals Limited

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 January 2017	1,000,000	404,257,703	405,257,703
Profit for the Year		104,736,091	104,736,091
Dividend Paid		(6,802,000)	(6,802,000)
Other Comprehensive Income for the Year Net of Tax		1,352,528	1,352,528
Balance as at 31 December 2017	1,000,000	503,544,322	504,544,322
Profit for the Year		91,294,628	91,294,628
Dividend Paid		(1,000,000)	(1,000,000)
Other Comprehensive Income for the Year Net of Tax		(3,615,773)	(3,615,773)
Balance as at 31 December 2018	**1,000,000**	**590,223,177**	**591,223,177**

The accounting policies and notes on pages 8 through 25 form an integral part of the Financial Statements.

Jaya Container Terminals Limited

STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	2018	2017
		Rs.	Rs.
Cash Flows from Operating Activities			
Net Profit Before Income Tax Expense		112,616,660	117,064,808
Adjustments for			
Depreciation	5.0	5,573,278	5,629,538
Amortization		-	229,310
Interest Received	4.1	(49,651,749)	(41,601,847)
Provision for Employee Benefit Liability	11.0	1,683,060	1,290,123
Finance Cost	4.2	551,000	651,369
Operating Profit Before Working Capital Changes		70,772,249	83,263,301
(Increase)/Decrease in Stocks		(3,194,824)	-
(Increase)/Decrease in Trade and Other Receivables		(13,974,269)	888,964
Increase/(Decrease) in Other Payables		1,473,847	(432,933)
Cash Generated from Operations		55,077,003	83,719,332
Finance Cost Paid	5.2	(551,000)	(651,369)
Income Tax Paid		(14,403,888)	(9,763,970)
Employee Benefit Liability Paid	11.0	(1,036,126)	(214,934)
Net Cash from Operating Activities		39,085,989	73,089,059
Cash Flows from Investing Activities			
Acquisition of Property, Plant and Equipment	5.0	(36,470,428)	(6,712,392)
Investment in fixed deposits		(51,180,587)	(74,832,356)
Interest Received	4.1	49,651,749	41,601,847
Net Cash used in Investing Activities		(37,999,266)	(39,942,901)
Cash Flows from Financing Activities			
Interest Bearing Loans and Borrowings		(1,370,004)	(1,370,004)
Dividends Paid		(1,000,000)	(6,802,000)
		(2,370,004)	(8,172,004)
Net Increase/(Decrease) in Cash and Cash Equivalents		(1,283,281)	24,974,154
Cash and Cash Equivalents at the Beginning of the Year		310,095,791	285,121,637
Cash and Cash Equivalents at the End of the Year	8	**308,812,510**	**310,095,791**

The accounting policies and notes on pages 8 through 25 form an integral part of the Financial Statements.

Jaya Container Terminals Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1. CORPORATE INFORMATION

1.1 General

Jaya Container Terminals Limited is a limited liability company incorporated under the Companies Act No. 17 of 1982 on 20 February 2002 and re registered on 25 April 2008 under the Companies Act No. 07 of 2007 and domiciled in Sri Lanka. The registered office and the principal place of business are situated at No. 19, Church Street, Colombo 01.

1.2 Principal Activities and Nature of Operations

During the year, the principal activity of the Company was managing the Colombo Oil Bank of Sri Lanka Ports Authority.

1.3 Financial Period and Date of Authorization for Issue

The Financial Statements of Jaya Container Terminals Limited for the year ended 31 December 2018 was authorized for issue in accordance with a resolution of the Board of Directors on 18.03.2019.

Jaya Container Terminals Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 General Accounting Policies

2.1.1 Basis of Preparation

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRS and LKAS (hereafter referred as "SLFRS"), as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The preparation and presentation of these Financial Statements are in compliance with the company's act no. 07 of 2007.

2.1.2 Basis of Measurement

The Financial Statements have been prepared on a historical cost basis, except for;

- Financial instruments reflected as Held to Maturity and Loans and Receivables which are measured at amortized cost.
- Liabilities for defined benefit obligations which are recognized as the present value of the defined benefit obligation.

Where appropriate, the specific policies are explained in the succeeding notes. No adjustments have been made for inflationary factors in the Financial Statements.

2.1.3 Statement of compliance

The financial statements which comprise the statement of financial position, the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and the statement of cash flows, together with the accounting policies and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act, No. 7 of 2007.

2.2 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements in conformity with SLFRS/LKAS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to recognised as income over the periods necessary to match them to the costs to which it is intended to compensate on a systematic basis.

a) Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

Jaya Container Terminals Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

b) Employee Benefit Liability:

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 11 to the Financial Statements. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

c) Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.3.2 Taxation

a) Current and deferred income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the balance sheet date.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act.

As per the new Inland Revenue Act No.24 of 2017, business of Bonded warehouse is fitting to the meaning of Specified Undertaking. As such profits from business which belongs to specified undertaking will be taxed at 14%.

Exemption under Section 13 (yyyyy) of the Inland Revenue Act No.10, 2006 will not be continued under the new Act.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax assets is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is possible that future taxable profit will be available against which the temporary differences can be utilised.

Jaya Container Terminals Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

2.3.3 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable .The following specific criteria is used for the purpose of recognition of revenue.

a) Oil Bank Service Fee Income

Oil bank service fee income is recognized as agreed with Sri Lanka Ports Authority at the completion of each calendar month.

b) Interest

Interest Income is recognized as the interest accrued unless collectability is in doubt. Interest income is included in finance income in the income statement.

c) Dividends

Dividend Income is recognized when the shareholders' right to receive the payment is established.

d) Others

Other income is recognized on an accrual basis.

Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment and other noncurrent assets including investments are accounted for in the income statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a Company of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.3.4 Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction 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 and borrowing costs incurred after the completion of the underlying construction are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3.5 Financial Instruments - Initial Recognition and Subsequent Measurement

2.3.5.1 Financial Assets

The Financial Assets include cash and short-term deposits, trade and other receivables and other financial assets.

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

Jaya Container Terminals Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

a) Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance costs in the income statement.

The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in selling and distribution expenses.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired,
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Company's continuing involvement in it.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Jaya Container Terminals Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

c) Closing Stocks

Closing Stocks of the Company represents the Consumable items, Electrical and Hardware items, Stationery etc. stored in the main stores of the company for day to day use. The Accounting policy adopted in measuring inventory is FIFO method.

2.3.5.2 Impairment of Financial Assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a Company of financial assets is impaired. A financial asset or a Company of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

a) Financial Assets Carried at Amortised Cost

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

Jaya Container Terminals Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

2.3.5.3 Financial Liabilities

The Company's financial liabilities include other payables.

Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows:

a) Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held-for-trading are recognized in the income statement.

The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

2.3.5.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.3.6 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.3.7 Property, Plant and Equipment

Property, Plant and equipment are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the Plant and Machinery, Furniture and Fittings, Office Equipment, Computers & Accessories when that cost is incurred, if the recognition criteria are met.

Jaya Container Terminals Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

Depreciation is calculated on a straight line basis over the useful life of the assets. 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.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The percentages used are as follows;

Plant & Machinery	12.5%
Office Equipment	12.5%
Computer Equipment	25%
Motor Vehicles	20%
Furniture	20%

2.3.8 Intangible Assets

(a) Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful life of 3 years. Costs associated with maintaining computer software programs are recognized as an expense as incurred. Intangible assets fully amortized during year 2017.

2.3.9 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement. . If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

2.3.10 Retirement Benefit Obligations

a) Defined Benefit Plan - Gratuity

The Company annually measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan using The Projected Unit Credit method. The Projected Unit Credit method involves making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation are highly sensitive to changes in these assumptions.

The item is stated under retirement benefit liability in the Statement of Financial Position.

The liability is not externally funded.

Jaya Container Terminals Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

b) Defined Contribution Plans – Provident Fund and Employees' Trust Fund

Employees are eligible for Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 15 % and 3% of gross emoluments of employees to Provident Fund and Employees' Trust Fund respectively.

Jaya Container Terminals Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

		2018	2017
3.	**REVENUE**	**Rs.**	**Rs.**
	Oil Bank Service Fee Income	287,571,286	247,033,670
		287,571,286	247,033,670

4. FINANCE INCOME / COST

		2018	2017
4.1	**Finance Income**	**Rs.**	**Rs.**
	Interest Income on Savings Account	1,568,783	2,670,705
	Interest Income on Fixed Deposits	44,535,114	35,965,349
	Interest Income on Employee Loans	3,547,852	2,965,793
		49,651,749	41,601,847

		2018	2017
4.2	**Finance Cost**	**Rs.**	**Rs.**
	Interest Expense on Loans and Borrowings	486,893	651,369
	Interest Expense on housing loan for employees	64,107	-
		551,000	651,369

5. PROPERTY, PLANT AND EQUIPMENT

		Balance as at 01.01.2018	Additions during the Year	Disposals/ Discarded	Balance as at 31.12.2018
5.1	**Gross Carrying Amounts**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
	Plant and Machinery	14,734,144	23,838,424	-	38,572,568
	Furniture and Fittings	3,390,318	1,901,057	-	5,291,375
	Office Equipment	4,075,224	926,647	-	5,001,871
	Computer Equipment	2,575,799	754,300	-	3,330,099
	Motor Vehicles	17,956,120	9,050,000	-	27,006,120
	Total Cost of Depreciable Assets	**42,731,605**	**36,470,428**	**-**	**79,202,033**

		Balance as at 01.01.2018	Charge for the Year	Disposals/ Discarded	Balance as at 31.12.2018
5.2	**Depreciation**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
	Plant and Machinery	8,403,024	2,303,046	-	10,706,070
	Furniture and Fittings	1,092,390	757,940	-	1,850,330
	Office Equipment	1,452,213	516,520	-	1,968,733
	Computer Equipment	2,058,526	311,007	-	2,369,533
	Motor Vehicles	11,368,710	1,684,765	-	13,053,475
	Total Depreciation	**24,374,864**	**5,573,278**	**-**	**29,948,142**

		As at 31.12.2018	As at 31.12.2017
5.3	**Net Book Values**	**Rs.**	**Rs.**
	Plant and Machinery	27,866,498	6,331,120
	Furniture and Fittings	3,441,045	2,297,928
	Office Equipment	3,033,138	2,623,011
	Computer Equipment	960,566	517,273
	Motor Vehicles	13,952,645	6,587,410
	Total Carrying Amount of Property Plant & Equipment	**49,253,891**	**18,356,741**

5.4	The useful lives of the assets are estimated as follows:	**2018**	**2017**
	*Plant and Machinery	8 Years	8 Years
	Furniture and Fittings	5 Years	5 Years
	Office Equipment	8 Years	8 Years
	Computer Equipment	4 Years	4 Years
	Motor Vehicles	7 Years	5 Years

*(Estimated useful lives of all plant and machinery estimated 8 years except newly purchased Engine pump in june 2018- useful life is 15 years)

Jaya Container Terminals Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

			2018	2017
6.	**TRADE AND OTHER RECEIVABLES**		**2018**	**2017**
			Rs.	**Rs.**
6.1	*Trade Receivables - Related Party		34,911,048	25,458,072
			34,911,048	25,458,072
6.2	Advances & Prepayments		8,198,030	9,641,457
	Staff Loan		32,392,524	26,427,804
			75,501,602	61,527,333

*Trade receivables are non-interest bearing.

6.1	**Trade Receivable from Related Parties**		**2018**	**2017**
		Relationship	**Rs.**	**Rs.**
	Sri Lanka Ports Authority	Parent	34,911,048	25,458,072
			34,911,048	25,458,072

6.2	**Advances & Prepayments**		**2018**	**2017**
			Rs.	**Rs.**
	Other Receivable from related parties	Parent	6,702,703	6,702,703
	Other receivables		1,495,327	2,938,754
			8,198,030	9,641,457

7.	**FINANCIAL ASSETS**		
		2018	**2017**
		Rs.	**Rs.**
	Held To Maturity Investments		
	Fixed Deposits held to maturity	197,219,946	146,039,359
		197,219,946	146,039,359

8.	**Cash & Cash Equivalent**		
	Current Account	539,383	797,324
	Fund Mgt Account	41,036,697	77,104,682
	Cash in Hand	8,590	5,040
	Fixed Deposits	267,227,840	232,188,745
	Total Cash & Cash Equivalent	308,812,510	310,095,791

9.	**STATED CAPITAL**	**2018**		**2017**	
		Number	**Rs.**	**Number**	**Rs.**
	Ordinary Shares	100,000	1,000,000	100,000	1,000,000
		100,000	1,000,000	100,000	1,000,000

10. INTEREST BEARING LOANS AND BORROWINGS

Non Current Liabilities

Bank Loans	As At	As At	Terms of	Interest
(Amounts repayable after one year)	31.12.2018	31.12.2017	Payment	Rate
	Rs.	Rs.	Rs.	
Bank Of Ceylon	2,054,986	3,424,990	60 Monthly Installment	Interest Rate of FD No 9764749 + 2%
	2,054,986	3,424,990		

Current Liabilities

Bank Loans	As At	As At
(Amounts repayable within one year)	31.12.2018	31.12.2017
	Rs.	Rs.
Bank Of Ceylon	1,370,004	1,370,004
	1,370,004	1,370,004

11. EMPLOYEE BENEFIT LIABILITY

	2018	2017
	Rs.	Rs.
11.1 Defined Benefit Obligation		
Changes in the present value of the defined benefit obligation are as follows:		
Defined Benefit Obligation at 1 January	5,728,899	6,006,239
Charge for the Year (Note 11.2)	1,683,060	1,290,122
Actuarial (Gain)/Loss on Obligation	3,615,773	(1,352,528)
Benefits Paid	(1,036,126)	(214,934)
Defined Benefit Obligation at 31 December	9,991,606	5,728,899
11.2 Net Benefit Expense		
Current Service Cost	1,110,170	689,498
Interest Cost on Benefit Obligation	572,890	600,624
The expenses are recognized in the income statement	1,683,060	1,290,122

11.3 Messrs. Actuarial & Management Consultants (Pvt) Ltd, Actuaries, carried out an actuarial valuation of the defined benefit plan - gratuity on 31 December 2018. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used as at 31.12.2018 are as follows:

	2018	2017
	Rs.	Rs.
Demographic Assumptions		
Staff Turnover Rate	5.00%	2.20%
Retirement Age	60	60
Financial Assumptions		
Discount Rate	12%	10%
Salary Escalation Rate	2.0%	2.0%
Method of Actuarial Valuation	Projected Unit Credit method	Projected Unit Credit method

Jaya Container Terminals Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

15. EARNINGS PER SHARE

15.1 Earnings Per Share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events, if any, that have changed the number of ordinary shares outstanding, without a corresponding change in the resources as a bonus issue.

15.2 The following reflects the income and share data used in the Earnings Per Share computation.

	2018 Rs.	2017 Rs.
Amount Used as the Numerator:		
Profit for the Year	91,294,628	104,736,091
Profit Attributable to Ordinary Shareholders for Earnings Per Share	91,294,628	104,736,091
Number of Ordinary Shares Used as Denominator:		
Weighted Average number of Ordinary Shares in Issue	100,000	100,000

16. COMMITMENT AND CONTINGENCIES

16.1 Capital Expenditure Commitments

The Company does not have significant capital commitments as at the reporting date.

16.2. Contingent Liabilities

Legal claims;

Court of Appeal Writ Application No.124/2013 - National Union of Sea Fares of Sri Lanka and three others Vs the Company.

This Application was filed by National Union of Sea Fares of Sri Lanka and three others seeking the applicability of Public Enterprises Circular PED/Circular/01/2013 dated 15/01/2013 to Jaya Container Terminals Limited and demand termination application before Labour Department.

The matter will be taken up for hearing on 19th June 2019.

Labour Tribunal Case No. LT/2/addi/3676 - Inter Company Employees Union on behalf of Mr. K. Liyanage Vs the Company

Labour Tribunal Case No. LT/2/addi/3677 - Inter Company Employees Union on behalf of Mr. W. Kothalawela Vs the Company

These cases were filed by Inter Company Employees Union on behalf of two retired employees who retired at the age of 57 years demanding the age of retirement to be 60 years as per the PED/Circular/01/2013 dated 15/01/2013.

These cases have been laid by until the judgement of Court of Appeal Writ Application No.124/2013

Labour Tribunal Case No. LT/2/addi/3718/2016 - Inter Company Employees Union on behalf of Mr. M.J. Bearnard Vs the Company

This case was filed by Inter Company Employees Union on behalf of Mr. M.J. Bearnard who is a retired employee whose name was included in termination application demanding the retirement age to be 60 years as per the PED/Circular/01/2013 dated

This case has been laid by until the judgement of Court of Appeal Writ Application No.124/2013

Labour Tribunal Case No. LT/2/addi/3664/2013 - Mr. M.A.M. Marasinghe Vs the Company

This case was filed by an employee who was dismissed from service subsequent to a disciplinary inquiry demanding reinstate of employment and back wages.

Jaya Container Terminals Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

17. ASSETS PLEDGED

The Company has pledged following assets for the Term Loan obtained from Bank of Ceylon Bank for the period ended 31 December 2018.

1. Lien over Rupee Fixed Deposits bearing No: 9764749 for Rs. 7,900,000/- maintained at Bank of Ceylon corporate branch together with Letter of Set Off signed by the Company.

18. RELATED PARTY DISCLOSURES

Details of Significant Related Party Disclosures are As Follows:

18.1 Transaction With the Parent and Related Entities

	2018	2017
Trade	**Rs.**	**Rs.**
Management fees income	**287,571,286**	**247,033,670**
Non Trade		
Receivable from SLPA	**6,702,703.00**	**6,702,703.00**

19. Transactions with Key Management Personnel of the Company or its Parent

Key Management Personnel (KMPs) are defined as those persons such as directors, chief executive offcers and other senior executives etc, who have authority and responsibility for planning, directing and controlling the activities of the company as well as subsidiaries, direct or indirectly.

20. Compensation of Key Managerial Personnel (KMPs)

	2018	2017
	Rs.	**Rs.**
Short-Term Employee Benefits	1,841,869	1,776,988
	1,841,869	1,776,988

21. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no significant transactions or events subsequent to reporting date which requires adjustments or disclosure in the financial statement.

22. RISK MANAGEMENT DISCLOSURE

The Company has exposure to the following risks from financial instruments:

a) Credit risk
b) Liquidity risk
c) Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

22.1 Risk Management Framework

The Board of Directors has overall responsibility for the establishment and supervision of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management of standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Jaya Container Terminals Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2018

22.2 RISK MANAGEMENT DISCLOSURE (Contd…)

a) Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

Trade and Other Receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The maximum exposure to credit risk for trade and other receivables at the reporting date by Currency wise was as follows.

	2018 Rs.	2017 Rs.
Sri Lankan Rupees	75,501,602	61,527,333
	75,501,602	61,527,333

Cash and Cash Equivalents

The Company held cash and cash Equivalents of Rs.308.8 Mn at 31 December 2018 (2017 - 310Mn) which represents its maximum credit exposure on these assets.

Respective credit ratings of banks which Company cash balances held are as follows;

• Bank of Ceylon – AA+(lka)

b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

reputation.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

As at 31 December 2017	Less than 3 Months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	>5 years Rs.	Total Rs.
Other payables	14,883,299	-	-	-	14,883,299
	14,883,299				14,883,299

As at 31 December 2018	Less than 3 Months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	>5 years Rs.	Total Rs.
Other payables	15,160,406	1,196,740	-	-	16,357,146
	15,160,406	1,196,740	-	-	16,357,146

22.3 RISK MANAGEMENT DISCLOSURE (Contd...)

c) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments and derivative financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest Rate Risk

The Company is exposed to interest rate risk on short term deposits placed with the financial institutes.

Currency Risk

The Company is exposed to currency risk since the service charges are based on the tariff table agreed with the SLPA and are in USD. All invoicing and recording of revenue for services rendered is done by converting the USD value to LKR at the date of transaction. Therefore the revenue of the company fluctuates based on the exchange rates provided at the transaction dates.

23 Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital and retained earnings of the Company. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

Jaya Container Terminals Limited

DETAILED INCOME STATEMENT

Year ended 31 December 2018

Note 24

COST OF SALES	2018	2017	
	Rs.	Rs.	% change
Wages for Operational Staff	83,937,163	59,777,375	40%
Employees' Provident Fund	7,277,710	4,603,021	58%
Employees' Trust Fund	1,400,077	975,707	43%
Medical Leave Encashment	3,539,572	2,296,880	54%
Staff Bonus	8,426,888	7,279,948	16%
Gratuity Expense	1,346,448	1,032,098	30%
Electricity	2,283,796	2,221,804	3%
Water	194,797	217,603	-10%
Telephone Charges	675,845	520,925	30%
Fuel & Lubricants	28,315,413	20,458,664	38%
Testing of fuel samples	115,471	-	
Maintenance of Mechanical Equipment	2,484,574	5,463,424	-55%
Depreciation of Plant and Machinery	2,303,046	1,683,791	37%
Closing Stock-Stores	(3,194,824)	-	
Maintenance of Civil Work	4,222,455	3,100,037	36%
	143,328,431	109,631,277	31%

Note 25

ADMINISTRATIVE EXPENSES	**2018**	**2017**
	Rs.	**Rs.**
Directors' Emoluments	1,841,869	1,776,988
Staff Salaries	20,984,291	14,977,343
EPF	1,819,428	1,150,755
ETF	350,019	243,927
Staff Bonus	2,106,722	1,819,988
Medical Leave Encashment	884,893	574,221
Staff compensation	3,066,931	-
Consultancy Fees	462,958	518,250
Staff Training	380,057	1,726,524
Subscription EFC	210,051	199,723
Insurance Expenses	999,507	1,039,855
Staff Welfare	9,357,072	7,375,313
Gratuity	336,612	258,024
Rent for the Walki-Talkies	577,000	445,500
Telephone Charges	675,845	397,055
Fuel for vehicles	1,975,170	1,307,561
Engineering and Hardware Expenses	257,295	424,560
Custom Officer Charges	1,146,378	1,126,276
Security Expenses	13,169,852	13,283,536
Electricity	403,023	383,942
Water	526,267	391,911
Trade License Fees	320,844	261,441
Legal Fees	1,846,333	1,650,000
Depreciation	3,270,232	3,945,947
Amortization	-	229,310
Audit Fee	475,703	249,802
Office Maintenance	1,263,003	2,342,812
Office Equipment Maintenance	294,246	331,366
Vehicle Maintenance	1,509,622	826,459
Vehicle hire charges	2,528,962	-
Prepaid Loan Expenses - SLFRS	2,415,383	(2,479,043)
Stamp Duty	300	250
Bank Charges	109,548	99,249
Sundry Expenses	858,740	954,360
Debtor Impairment Provision	10,500	847
Stationery & stores	1,131,659	852,532
Business promotions	-	404,100
Advertising Expenses	850,315	-
Janitorial/Landscaping services	2,522,062	2,417,730
	80,938,692	61,508,414
		(64,950,649.8)
		(3,442,235.34)