

BOC Travels (Private) Limited - 2024

1. Financial Statements

1.1 Opinion

The audit of the Financial Statements of the BOC Travels (Private) Limited (the “Company”) for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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. To carry out this audit I was assisted by a firm of chartered accountants in public practise.

In my opinion, 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 Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s 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 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 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 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 Audit Scope

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.

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 the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws.

1.5 Account Receivable and Payable

1.5.1 Receivables

Audit Issue						Management Comment	Recommendation
(i)	As per the Company's credit policy, the government departments, corporate customers and individual customers are permitted a maximum credit period of 60 days, 30 days and 15 days respectively and the maximum credit extension is given only for 10 days. When analysing the outstanding debtor balance from each customer category, it was observed that some balances are exceeded the allowed credit period of the Company. Therefore, it was observed that the Company was unable to recover the outstanding debtor balances within the stipulated credit period. The age analysis of the total outstanding debtor balance is given in the following table.					Out of trade receivables as at 31.12.2024 we have collected Rs,85,342,085.89. Now current balance is Rs. 29,448,670.22. Current bad debtors have been minimized to a great extent. The old bad debtors are being followed with actions such as court cases already filed, some has been submitted to the Mediation board and also some debtors are still being followed up with the respective debtors.	It is recommended to take every possible effort to recover the receivable balances within the credit period as per the Company's credit policy.
	Custo mer Catego ry	Total Outstanding as at 31 December 2024 (Rs. 000')			Outstan ding as a % of the total outstand ing		
		0-180 days	181-360 days	More than 360 days	Total		
	Govern ment	32,409.60	3,361.80	7,512.90	43,284.30	37.70	
	Corpor ate	46,062.70	3,999.20	21,444.60	71,506.50	62.30	
	Total	78,472.30	7,361.00	28,957.50	114,790.80	100.00	
(ii)	Out of the total outstanding debtor balance of Rs.114,790,756, Rs.78, 472,363 or 68.4 per cent represents outstanding up to 180 days period of time and Rs. 28,957,410 or 25.2 per cent represents outstanding for more than 360 days which may adversely affect to the working capital condition of the company.						
(iii)	Out of the total outstanding balance of Rs.114,790,756, Rs.71,506,478 or 62.3 per cent represents the receivable from corporate customers. Although the company has allowed 30 days credit period to corporate customers, Rs 25,443,735 or 35.6 per cent from the total corporate customer receivables as at 31 December 2024 was outstanding for more than 180 days.						

- (iv) The other receivable balance as at 31 December 2024 was amounting to Rs.7, 139,591 and out of that Rs, 3,033,000 was outstanding for more than 01 year period. Details are given below.

Description	Amount (Rs.)
Payment in Advance	935,000
Refundable Deposits	2,115,000
ADM Suspense	(17,000)
Total	3,033,000

Payment in advance

Up to May 2025 we have accounted stationery, sales promotional items and payment in advance in one account. After May 2025 we separated payment in advance amount. The amount reflecting 935,000/- is stationery and sales promotional items stocks in hands as at 31.12.2024. As at 31st July 2025, remain balance for same was Rs. 751,552/-. These items are very slow-moving items. Some items are issued only on special request.

Refundable Deposit

Remaining balance as at 31st August 2025 is Rs. 180,000/- out of Rs. 2,115,000/-. That is for Key money given to Rathnapura branch premisses.

ADM Suspense

Up to now no, any request received from any air lines. This amount will be transferred to purchase of air ticket account at the end of year 2025.

1.5.2 Payables

Audit Issue	Management Comment	Recommendation										
(i) The total long outstanding other payable balance of the Company as at 31 December 2024 was Rs.28,611,581 and out of that Rs.13,954,000 was outstanding for more than 01 year period. Details are given below.	Unidentified credit by Bank After COVID 19 most of passenger are using direct funds transferred to company Bank account. Until passenger or sales staff confirm the relevant transaction with payment proof cahier is advised to not to settle any transactions. There is a time gab until passenger confirm. Even they were advised, sometimes due to practical issues cannot be controlled. After 5 years with Board approval balance will be transferred to company income account with Board approval	It is recommended to take necessary steps to clear long outstanding balances.										
<table><tr><th>Description</th><th>Amount (Rs.)</th></tr><tr><td>Unidentified Credit by Bank</td><td>1,564,000</td></tr><tr><td>Unused Air Ticket Refund</td><td>9,694,000</td></tr><tr><td>Advance received</td><td>2,696,000</td></tr><tr><td>Total</td><td>13,954,000</td></tr></table>	Description	Amount (Rs.)	Unidentified Credit by Bank	1,564,000	Unused Air Ticket Refund	9,694,000	Advance received	2,696,000	Total	13,954,000	Unused Air Ticket Refund This amount we received by ait airline as refunds and up to now no request from either passenger or staff. After 5 years if addresses available, send three letters and no reply, balance will be transferred to Income with Board approval. Advance received These amounts were paid by customers for future transactions. Up to now no any transactions taken place. No even any refund request either customer or staff. After 5 years if addresses available, send three letters and no reply, balance will be transferred to income with Board approval.	
Description	Amount (Rs.)											
Unidentified Credit by Bank	1,564,000											
Unused Air Ticket Refund	9,694,000											
Advance received	2,696,000											
Total	13,954,000											

- (ii) The Trade Payable balance of the Company as at 31 December 2024 was Rs.31,374,000 and this includes long outstanding payable balance of Rs. 1,493,000 which was outstanding for more than 06 months period. Age analysis of total trade payable balance of the Company is given below.
- Up to now no any invoice received from suppliers to make payments. After 5 years, if address available, send three letters and no reply, balance will be transferred to income with Board approval.
- It is recommended to clear long outstanding balances without delay.

Number of Days	Amount (Rs.)
0-90	30,111,000
91-180	(230,000)
181-270	131,000
271-360	91,000
> 360	1,271,000
Total	31,374,000

1.5.3 Going Concern of the Organization

Audit Issue	Management Comment	Recommendation
The Central Bank of Sri Lanka has instructed to the Bank of Ceylon through their letter dated 20 November 2017 to dispose the BOC Group's holding in BOC Travels (Pvt) Ltd within the next 3 years, since the key business activities of the subsidiary do not fall within the purview of Section 17 (1) (a) – (g) of the Banking Act No. 30 of 1988. The decision to dispose the subsidiary was approved by the Board of Directors of Bank of Ceylon on 28 December 2017. A resolution has passed by the Company on 24 July 2023 towards the divestment. An advertisement was published on 19 and 20 May 2024 in 5 newspapers by requesting Expressions of Interest from prospective investors. At the closure of Request of Proposal (RFP) only one prospective investor has submitted a bid. However, the transaction advisor has recommended to reject the said RFP due to lack of information and not fulfilling the requirements as set out in the RFP. As at the date of audit, 27 August 2025, the disposal of the Company had not been completed.	The process has been delayed as the only bid received did not meet the requirements of the Request for Proposal, and was therefore rejected on the recommendation of the trans action advisor. Moving forward, the Bank of Ceylon will review and evaluate all available options to ensure compliance with the Central Bank's directive, while also aligning with prevailing government policy. The Bank remains committed to proceeding within the	It is recommended to take action to expedite the divestment process while complying with the Central Bank directives and Banking Act.

framework and time limits specified under the Banking Act and will continue to take necessary actions to expedite the divestment process.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit of Rs. 71.1 million and the corresponding profit in the preceding year amounted to Rs. 91.8 million. Therefore a deterioration amounting to Rs.20.7 million of the financial result was observed. Although the revenue had gone up by 20.4 per cent, the reasons for the deterioration are the increase of cost of sales and distribution expenses by 62.6 per cent and 33.7 per cent respectively and the decrease of other income and net finance income by 5.8 per cent and 29.5 per cent respectively during the year under review.

2.2 Trend Analysis of major Income and Expenditure items

Analysis of major income and expenditure items of the year under review compared with the preceding year with the percentage of increase or decrease are given below.

Description	Variance Amount Increase/ Decrease (Rs.000')	Variance (%)	Reason for the Variance
Revenue	51,713	20.4	Although general ticketing income had decreased by Rs. 6.3 million due to stiff competition & under cutting, the Dambadiva tour income and outbound tours and outbound hotel accommodation had increased by Rs. 20.5 million and Rs. 37.4 million respectively during the year under review.
Other Income	(2,576)	(5.8)	Although visa services income had increased, travel insurance sales and airline incentives had decreased due to travel insurance being available on credit card payments and air lines setting higher incentive targets.
Net Finance Income	(10,706)	(29.5)	This was mainly due to decrease in interest on bank deposits and exchange gain.
Distribution Expenses	2,997	33.7	The sales promotion expenditure had increased by Rs. 0.24 million and the sales commission had decreased by Rs. 0.4 million. As well the bad debts provision had made for Rs. 2.9 million which was Zero during the preceding year.

2.3 Ratio Analysis

According to the financial statements and information made available to audit, certain important ratios of the Company for the year under review and the preceding 04 years period are given below.

Ratio	Year				
	2024	2023	2022	2021	2020
Liquidity Ratios					
Current Ratio	4.5	3.0	3.0	2.5	4.5
Net Current Assets to Total Assets	0.74	0.66	0.62	0.54	0.61
Activity Ratios					
Debtor's Turnover Ratios	28	22	19	7	4
Debtor's Turnover Period (Days)	13	16	19	52	84
Profitability Ratios					
Net profit Ratio (%)	2.25	2.56	1.85	(5.96)	(18.8)
Performance Ratios					
Return on Equity (ROE) (%)	32.38	42.89	25.53	(24.90)	(31.13)
Return on Total Assets (ROA) (%)	23.48	27.94	15.18	(13.68)	(19.99)

- (i) Liquidity ratio had increased during the year under review.
- (ii) Debtors' turnover ratio and debtors' turnover period had improved during the year under review when compared with the preceding years.
- (iii) Profitability ratio had slightly decreased when compared with the preceding year.
- (iv) Although the tourism industry is improving gradually, the Return on Equity (ROE) and Return on Assets (ROA) ratios had decreased when compared with the preceding year.

3. Operational Review

3.1 Human Resources Management

Audit Issue	Management Comment	Recommendation
(i) Eight (8) number of employees had left the company during the year 2024 which represents 19 per cent of staff turnover ratio as at 31 December 2024. This indicates an increase in staff turnover compared to previous periods and a corresponding decline in the staff retention ratio.	As reported to our Board of Directors under Board Paper No. 02/Sp/2024, the staff turnover experienced during 2024 is primarily attributable to the divestment process, which created uncertainty and was further intensified by competitors and potential investors in the travel	It is recommended to minimize the staff turnover to ensure the smooth functioning of the Company's operations.

The trends over the past two years are given below:

Year	Staff Retention Ratio %	Staff Turnover Ratio %
2023	84.6	9.7
2024	76.7	19.0

trade actively approaching our experienced senior staff and management team. These external parties offered substantially higher salaries, benefits, and incentives, which led to the departure of several key employees.

Recognizing the potential risks posed by such turnover, management has already proposed a comprehensive salary restructuring plan. This initiative is designed to:

Enhance employee satisfaction and engagement, Improve retention rates, and align our compensation strategy with prevailing industry standards.

We believe these measures will mitigate future turnover risks and strengthen staff retention going forward.

- (ii) It was observed that 6 out of above 8 employees who left the Company had more than five years of experience, resulting a high turnover of experienced staff as at 31 December 2024.