Litro Gas Terminal Lanka (Private) Ltd - 2024

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1. Financial Statements

1.1 Opinion

The audit of the financial statements of the Litro Gas Terminal Lanka (Private) Ltd ("Company)" for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of profit or loss and other comprehensive income statement of changes in equity and cash flows statement for the year then ended, and notes to the financial statements, including material accounting policy information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observation which I consider should be report to Parliament appear in this report.

In my opinion, 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 intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared 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 skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Laws, Rules Regulations etc.	Non-compliance	Management Comment	Recommendation
(a.) Guidelines on Corporate Governance and Operational Manual for State owned Enterprises (SOEs) issued by Public Enterprises Circular No.01/2021 dated 16 November 2021.	As per the Section 6.7 of the manual, the company had not carried out annual assets verification on the fixed assets at a cost of Rs. 5,795,390,925 as at 31 December 2024.	The company assigned Baker Tilly & Company to Physical Verify Fixed Assets for the year ended 2024. They have completed field work and reconciliation. The company is awaiting the final report and will submit it to audit.	The company should follow the SOE Guideline and Public Enterprises Circulars.
(b) Annexure IV of the Guidelines on Corporate Governance for State Owned Enterprises.	Reviewing of the New financial statements is required under the scope of the Audit Committee (AC) prior to the approval of the board. However, it was observed that, the company had not submitted the financial statements to the AC for their review prior to approval of the board.	The observation is duly noted. The Company acknowledges the importance of submitting financial statements to the Audit Committee for review prior to Board approval. Accordingly, necessary measures will be taken to ensure that this process is properly followed from the financial year 2025 onwards, in compliance with good governance practices	The company should follow the SOE Guideline and Public Enterprises Circulars.

(c) Department of Public Enterprises Circular Nos: PED 01/2015 dated 25 May 2015, PED 1/2015(I) dated 27 October 2016 and PED 01/2015 (ii) dated 14 January 2022	An officer who holds a post approved by the Management Services Department and has been placed equal or above HM 1-1 category of any SOE will be entitled to draw a fuel allowance equivalent to 115 to 145 liters per month. In contrary to the preceding provision, 5 officers had used excess of 7655 fuel liters worth of Rs. 3,105,601 for the year 2024 when compared to the above maximum limit.	The 05 officers mentioned in your query are employees in Job Grade 05 (JG-05) and above. As per the company's car policy, all these employees are eligible for a fuel allowance to meet their transportation needs, since the company does not provide the company maintained vehicles.	The company should be following required of the SOE Guideline and Public Enterprises Circulars.
(d). Department of Public Enterprises Circular Nos: PED 01/2015 dated 25 May 2015 and PED 01/2015(i) dated 27 October 2016.	An officer who is entitled to an official vehicle has the option either to use the official vehicle or to avail a monthly transport allowance of Rs. 50,000 and monthly fuel allowance applicable to the post. However, such officers shall not be provided a driver or a driver allowance. Contrary to the circular provisions,		
	(i)The Company had provided a monthly transport allowance ranging from Rs. 201,600 to Rs.	With reference to the observations raised, the Company respectfully submits the following clarifications.	The company should follow the requirements of SOE Guideline and Public Enterprises Circulars.

	390,360 for seven employees and monthly driver allowance of Rs. 50,000 for three employees from the year 2020. The total amount paid in excess in the year 2024 was Rs. 20.8 million.	As per the company policy company maintained vehicles are not provided for any category of employee Driver Allowance are paid only to staff who are not provided a Company paid driver and are eligible to have a Company paid driver this has been approved at the meeting held on the 16th January 2024.	
	(ii)The Company had provided a monthly transport allowance ranging from Rs. 21,600 to Rs. 77,220 for ten employees who are not eligible for vehicle allowance since 2020. The total allowance paid for the year 2024 was Rs. 7.8 million.	With reference to the observations raised, the Company respectfully submits the following clarifications. As per the company policy company maintained vehicles are not provided for any category of employee Driver Allowance are paid only to staff who are not provided a Company paid driver and are eligible to have a Company paid driver this has been approved at the meeting held on the 16th January 2024.	The company should follow the requirements of SOE Guideline and Public Enterprises Circulars.

(e)Department of Public Enterprises Circular No. PED 2/2015 Dated 25 May 2015	The cost of purchasing equipment and accessories required for obtaining residential telephones, private mobile phones, or internet facilities should be personally borne by the officers. The expenses for such equipment should not be reimbursed by the respective enterprises. However, contrary to the above circular, the company had paid Rs. 440,241 for six officers to buy mobile phones in the year 2024.	Mobile phones were provided to a limited number of staff members for official use, based on their roles. The phones should be Android or IOS devices and will be used for cloud native applications, allowing remote work during non-working hours. The decision to provide mobile phones was made by the board of directors, and the original invoices are retained for record-keeping. Mobile phone rebates from Dialog Axiata PLC offset telephone expenses, reducing overall communication costs.	The company should follow the requirements SOE Guideline and Public Enterprises Circulars.
(f) Department of Public Enterprises circular No. PED 03/2024 Dated 23 December 2024	As per the paragraph 1.2(II) of the circular, the commercial corporations, statutory boards, and government-owned companies that earned profits during the financial year 2023 can propose a bonus of Rs 20,000 per employee. Contrary to the above provisions, the company had made a	The strategic plan for a five-year period, including financial forecast, action plan, and annual budget, has been approved by the board and submitted to the Director General of Public Enterprises on March 14, 2023. The plan covers department-wise strategies, with department heads responsible for	The company should follow the SOE Guideline and Public Enterprises Circulars.

year-end profit bonus of Rs. 100,000 per employee in addition to the average performance bonus of Rs. 685,767 paid in January 2024 without prior approval of the General Treasury. The total amount of Rs. 860,000 had been overpaid during the year under review as profit bonus.	achieving targets. Departmental targets are connected to individual score card evaluations, and bonuses are paid based on evaluation ratings. Bonus payments are approved by the Board of Directors and include company revenue and financial performance.

1.6 Non-compliance with Tax Regulations

Audit Issue	Management Comment	Recommendation
Circular No. SEC/2023/E/01, dated 29 March 2023, and Circular No. SEC/2023/E/02, dated 06.April 2023, of the Commissioner General of the Department of Inland Revenue. When calculating Advance Personnel Income Tax (APIT), the company had not considered fuel allowances totalling to Rs. 8,054,660 provided for 8 employees, for the year under review. Rs. 7,212,221 provided for 8 employees in the year 2023.	In response to the National Audit Office's previous observations, management has decided to implement APPIT deductions on fuel allowances—effective from April 1, 2025—for employees who are liable for such deductions. This will not apply to employees who utilize fuel strictly for duty-related work However only a fuel cost reimbursement is made.	The company should adhere to the requirements of the IRD circulars.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit before tax of Rs. 2,060.4 million, and the corresponding profit in the preceding year amounted to Rs. 2,161.3 million. Therefore, a deterioration amounting to Rs. 100.9 million of the financial result was observed. The reasons for the deterioration is due to decrease in net finance income by Rs. 210.9 for 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 two years with the percentage of increase or decrease are as follows.

	Amount Rs.Million			Percentage of change		
For the year ended 31st December	**2024**	**2023**	**2022**	**2024**	**2023**	**2022**
Revenue from contracts with customer	2,018	1,999	1,444	0.9%	38.4%	-10.6%
Cost of sales	256	319	319	-19.7%	-	1%
Gross profit	1,762	1,679	1,124	4.9%	49.3%	-13.4%
Profit/(Loss) from operations	1,279	1,169	656	9.4%	78.2%	-29%
Finance income	785	994	520	-21%	91.1%	71%
Finance expenses	4.5	2.7	17.2	66.6%	-84.3%	-38.5%
Income tax expenses	620	620	577	-	7.4%	380%
Profit for the year	1,439	1,540	582	-6.5%	164%	-46%

2.3 Ratio Analysis

Key ratios for the year under review with compared to the preceding years are as follows.

Ratios	**2024**	**2023**	**2022**
Profitability Ratios			
Gross Profit Ratio	87%	83.9%	77.8%
Net Profit Ratio(PBT)	102%	108%	80%
Net Profit Ratio(PAT)	71.3%	77%	40%
Return on Capital Employed (ROCE)	14.6%	16%	9.60%
Return on Equity	10.8%	12.15%	4.7%
Return on Asset	13.8%	14.78%	8.49%

Liquidity Ratios			
Current ratio(Times)	8.85	5.60	1.14
Quick Ratio(Times)	8.84	5.59	1.13
Leverage Ratios			
Interest Coverage Ratio	447.67	794.04	66.16
Efficiency Ratios			
Asset Turnover	13.55%	13.67%	10.42%
Market Value Ratios			
Earnings per share	9.07	9.71	3.67
Book value per share	83.45	79.90	77.07

3. Operational Review

3.1 Management Inefficiencies

Audit Issue	Management Comment	Recommendation
(a)The main functions of the company is to provide LPG storage facility and filling facilities of LPG, for distribution by its sister company Litro Gas Lanka Ltd (LGLL) in exchange of throughput fee per handling one metric ton of liquefied petroleum gas. However, the company had not entered in to a formal agreement with LGLL by fixing terms and conditions of the services provided.	The Company operates under a throughput agreement between Shell Gas Lanka Limited and Shell Terminal Lanka (Pvt) Ltd, effective after Sri Lanka's government acquisition. The agreement has been revised periodically based on market conditions. The Company is open to re-executing the agreement under current entity names.	The company should have entered into a formal agreement with LGLL by fixing the terms and conditions of the services provided.

3.2 Operational Inefficiencies

Audit Issue	Management Comment	Recommendation
The company has entered into an agreement with the Sri Lanka Ports Authority on 20 November 2013, to lease LPG off-loading and storage facility within the Hambantota Port premises for a period of 10 years. Aggregated lease rentals for 8 years	The Company signed a 10-year lease agreement with SLPA for an LPG off-loading and storage facility at Hambantota Port in 2013. The company had paid Rs.668.55 million and balance of Rs. 233.84 million remains	Information related to the unpaid lease rental and agreement condition related to the delay payments should be forwarded to the board of director to get a proper diction.

amounting to Rs. 668.55 million (including taxes) had been paid and aggregate lease rentals for remaining two years amounting to Rs. 233.84 million (excluding taxes) to be paid as at 31 December 2024. This terminal has capacity of storing 2,700 metric ton of LPG. However, the company decided to shut down operations at the Hambantota filling plant on 11 February 2021. It was observed that only 6 shipments with aggregated quantity of LPG 10,075 MT, had been handled through this terminal from 20 November 2013 to 11 February 2021.Therefore, the said facility had not been fully utilized by the company for the period of 8 years when compared to the investment.	unpaid due to operational discontinuation in February 2021. HIPG attempted to blame the fault but refuted claims. The facility will be handed back to HIPG at lease expiry. A provision for the full unpaid lease amount was made in 2024.	

3.3 Idle or underutilized Property, Plant and Equipment

Audit Issue	Management Comment	Recommendation
The Company had paid Rs.500 million to Sri Lanka Land Development Corporation in 2021 as part of the total lease rental for a 22 acres' land and a building in Kerawalapitiya, for the purpose of construction of an oxygen filling station and/ or to utilize as an additional LPG operation and storage expansion project or any other related activities. However, the cabinet approval was not being granted to the Sri Lanka Land Development Corporation to lease the above land for the Company up to the year under review due to on-going restructuring process of the Company. Therefore, the company had not been deriving any benefit from the above payment up to now.	In 2021, The company paid Rs. 500 million to Sri Lanka Land Development Corporation (SLLDC) as part of a proposed lease for 22 acres of land and a building in Kerawalapitiya. The original purpose was to build an oxygen filling station or LPG operational expansion. However, the urgency for the project diminished as the pandemic stabilized. The company signed a 50-year lease agreement with SLLDC in January 2025, including the advance payment. Despite delays due to pending approvals and undeveloped property, the company was allowed to use the on-site building, resulting in cost savings.	The company shall use this property for the intended purpose or any other suitable purpose with the approval of the relevant authorities.

The opportunity cost of unutilized land can be substantial, encompassing lost investment returns estimated at nearly Rs. 143,000,000 (based on the Treasury Bill Rate) and negative impacts on financial ratios.	The advance payment's opportunity cost remained within the public sector.	

3.4 Procurement Management

Audit Issue	Management Comment	Recommendation
In accordance with the instructions mentioned in guidelines 4.2.2 and 4.2.3 of the Government Procurement Guidelines 2006, procurement entity should prepare master procurement plan and detailed procurement plan for the expected procurements and also, a procurement time schedule should be prepared, describing, in chronological order, the steps of each individual procurement action from the point of commencement until its completion. However, the Company had not prepared said procurement plans and procurement time schedule for 05 procurement activities made during the year under review worth of Rs.148.1 million.	Management Comment had not been given	The company shall prepare procurement time schedule by chronological order describing the steps of each procurement actions.

3.5 Human Resources Management

Audit Issue	Management Comment	Recommendation
(a) As per the Section 3.1 and 3.2(i) of the Operational Manual for State owned Enterprises (SOEs) issued by Public Enterprises Circular No.01/2021 dated	Litro Gas Terminal Lanka Ltd (LGTLL) is exempt from General Treasury approval for its cadre, Scheme of Recruitment (SOR), and remuneration, as per the Operational Manual for State-	The company should follow requirements of PED circulars. Because there is no subsidiary policy between the group and the company.

	16 November 2021, the company had not obtained the approval of the General Treasury for their cadres, Scheme of Recruitments (SOR) and remuneration.	Owned Enterprises. The company has submitted relevant information to the Department of Management Services and is currently obtaining cadre approval from the General Treasury. Board approval for the latest salary revision was granted on 16 January 2024.	
(b)	As per the provisions of the Department of Public Enterprises Circular No. 06/2022 dated 06 October 2022 , the employees shall retire when they reach the age of 60 years. However, contrary to the provisions of the circular, the head of HRM, who reached the age of 60 years as of October 2024, was employed even as of 31 July 2025 on a contract basis.	Litro staff retire at 60 years old, retaining their original contract. After 60 years, they can continue their job. The company offers fresh fixed-term contracts for employees for continuity, supported by letters from the Treasury and SOERU. Board approval is required for recruitment.	The company should follow the SOE Guideline and Public Enterprises Circulars.

4. Accountability and Good Governance

4.1 Annual Report

Audit Issue	Management Comment	Recommendation
As per the Section 6.6 of the manual, the annual report of the company shall be tabled in the Parliament within five (5) months after the close of the financial year and draft annual report should be handed over to the Auditor General within sixty (60) days after the close of the financial year. However, the Company had not tabled annual report for the year 2023 to the parliament and not submit the draft annual report to the Auditor General for the year 2024 along with the financial statement.	Annual report for the year ended 2023 of the company was distributed to SLIC and Ministry of finance. Annual report for the year ended 2024 will submit to the Parliament. Draft Accounts for the period ending year 2024 has been submitted to the government auditors on11th April 2025.	The company should follow the SOE Guideline and Public Enterprises Circulars.

4.2 Audit Committee

Audit Issue	Management Comment	Recommendation
a.) As per the section 4.2 of the Corporate Governance, the Audit Committee should meet at least once in three months and report its recommendations to the board soon thereafter, along with the minutes of the meeting to facilitate taking corrective measures. However, only two audit committee meeting was held for the year 2024.	The observation is acknowledged. The Company has taken note of the requirement under Section 4.2 of the manual. Accordingly, a plan has been put in place to ensure that a minimum of four Audit Committee meetings will be held during the year 2025 for both companies, in compliance with the prescribed frequency.	The company should follow the SOE Guideline and Public Enterprises Circulars
(b.) As per the Section 4.2(i) of the Corporate Governance, the audit committee must be guided by an audit committee charter. In the absence of an audit committee charter, the model charter available in Annexure IV may be adopted with the approval of the board. However, it was observed that no audit committee charter had been developed, nor was the model charter adopted with the Board's approval.	The Company acknowledges the observation. The Audit Committee Charter is currently being drafted and will be finalized shortly. Upon completion, it will be submitted for the approval of the Board to ensure alignment with the requirements of Section 4.2(i) of the manual and to strengthen the governance framework and internal control environment.	The company should follow the SOE Guideline and Public Enterprises Circulars