

People's Leasing Fleet management Limited - 2019/2020

1.1 Opinion

The audit of the financial statements of the People's Leasing Fleet Management Limited ("Company") for the year ended 31 March 2020 comprising the statement of financial position as at 31 March 2020 and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. 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 practice.

In my opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 March 2020, 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 Group'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 Group 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 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 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 Financial Statements -----

1.5.1 Internal Control over the preparation of financial statements

Audit Issue	Management Comment	Recommendation
The company doesn't have a proper process to reconcile the temporary differences arising in between Income Tax and Deferred Tax computations.	Noted and we will implement proper temporary difference reconciliation process with effect from September 2020 onwards.	The company should have a proper process to reconcile the temporary differences. This will strengthen the accuracy of Deferred Tax computation.

1.6 Accounts Receivable

Audit Issue	Management Comment	Recommendation
During the audit it was observed that some customers have long outstanding balances.	Provision was made for the long outstanding debtor balances. The Company will revisit collectability of the outstanding debtor balance & if not possible, will take necessary procedures to write off.	Eventhough the company has made the provision for these balances; company need to revisits on their collectability.

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit before tax of Rs.32,559,436 and the corresponding profit in the preceding year amounted to Rs. 47,137,636. Therefore, a decline amounting to Rs.14,578,200 of the financial result was observed. The reasons for the deterioration are increasing of overhead and maintenance, impairment charges for trade and other receivables, finance cost and decrease of gain on sale of property plant and equipment and finance income by Rs.3,722,555, Rs. 363,269, Rs.2,046,078, Rs.11,901,715 and Rs.3,085,321 respectively.

2.2 Trend Analysis of major Income and Expenditure items

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

Description	Variance Amount Increase / (Decrease)	Variance %	Reason for the variance
Impairment Chargers on trade and other receivables	363,269	22	Increased Provision for the long outstanding Valuation invoice.
Overhead and maintenance	3,722,555	41	Due to discontinuation of vehicle maintenance unit of the Company, the vehicle fleet of the Company was maintained by outside service centers.

Finance Cost	2,046,078	44	Main contributor of the finance cost is a finance lease facility which was obtained mid of last FY. Accordingly last FY get only half of interest cost compared to this FY.
Finance Income	(3,085,321)	34	Interest rate on the deposit and interest bearing of assets (deposit) were low compared to last FY,

2.3 Ratio Analysis

According to the information made available, certain important ratios of the company for the year under review and the preceding year are given below.

Description -----	2019/2020 -----	2018/2019 -----
Return on Equity (ROE)	7.77%	10.77%
Return on Assets (ROA)	7.38%	11.43%
Debt to Equity Ratio	0.53	0.37
Net Profit Ratio	9.62%	14.31%
Gross profit Ratio	44.74%	45.02%
Current Ratio	2.12	3.52