

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the People's Travels Private Limited ("the Company") for the year ended 31 March 2023 comprising the statement of financial position as at 31 March 2023 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 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 give a true and fair view of the financial position of the Company as at 31 March 2023, 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 determines 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 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 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 Accounts Receivable and Payable

1.5.1 Receivables

| Audit Issue | Management Comment | Recommendation |
|--|--|--|
| <p>Receivable's amounting to Rs.20,075,063 or 85 percent from total Trade Debtors represents the receivable from government organizations and receivables amounting to Rs.604,615 or 3 percent from the total receivables are from People's Bank. Even though the company has 15 days period as per the credit policy, Rs. 7,734,186 (Trade Debtor) includes balances which are outstanding for more than 01 year and company was unable to collect the outstanding balance within a year.</p> | <p>Noted, at present some corporate debtors are still pending due to the economic crisis. Once the situation is back to normal, will get them cleared and we hardly get replies for written reminders for payment. Hence, we do visit and meet relevant authorities and follow up of payments.</p> | <p>Take necessary actions to strengthen the follow up procedures to ensure the recoverability of the balances.</p> |

1.5.2 Payables

| Audit Issue | Management Comment | Recommendation |
|---|--|---|
| <p>As per the company policy if the refund income is not collected within 2 years and if the customers have not nominated a person to collect the refund via Email or if the nominated person from the customer side is not contactable then it should be considered as profit and transfer to Profit and Loss. However, transactions which have taken place before 2 years period of time amounting to Rs.1,175,645 had been remained in the PTL refund payable account without being cleared.</p> | <p>Noted and will take necessary actions to take in to the profit the highlighted refunds.</p> | <p>Take necessary action to adhere with company policy.</p> |

1.6 Documentary Evidences not made available for Audit

| Audit Issue | Management Comment | Recommendation |
|--|--|---|
| A Proper lease agreement for the building had not been available between the People's Bank and the People's Travel (Pvt) Limited since 2020. | Noted and will take necessary actions to implement the lease agreement with People's Bank. | Take necessary actions to available such documents. |

1.7 Non compliance with Tax Regulations

| Audit Issue | Management Comment | Recommendation |
|--|---|--|
| The Company has a VAT Payable Balance of Rs.453,695 to Inland Revenue Department since Financial Year 2019/20. | Noted and will take this into consideration and will be strictly adhered. | Make necessary arrangement with Inland Revenue Department to avoid future penal provision. |

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit before tax of Rs. 19,096,384 and the corresponding loss in the preceding year amounted to Rs. 6,500,086. Therefore, an improvement amounting to Rs. 25,596,470 of the financial result was observed. The reasons for the improvement are the increase made in the revenue amounting Rs. 61,908,619 despite the increase in the cost of sales amounting to Rs. 31,912,460.

2.2 Trend Analysis of major Income and Expenditure items

2.2.1 The following table summarizes the financial results of the Company in the year under review and the preceding four years period.

| Year | 2022/2023 | 2021/2022 | 2020/2021 | 2019/2020 | 2018/2019 |
|---|------------------|------------------|------------------|------------------|------------------|
| Revenue (Rs.) | 75,857,351 | 13,948,732 | 1,246,459 | 120,088,342 | 257,589,156 |
| % of Increase / (Decrease) compared to the preceding year | 443.83 | 1,019.07 | (98.96) | (53.38) | |
| Cost of services (Rs.) | 31,912,460 | - | - | 88,514,075 | 204,164,717 |
| % of Increase / (Decrease) compared to the preceding year | 100.00 | 0 | (100.00) | (56.65) | |
| Profit Before Tax (Rs.) | 19,096,384 | (6,500,086) | (19,236,130) | (9,152,378) | 11,976,442 |
| % of Increase / (Decrease) compared to the preceding year | 393.79 | 66.21 | (110.18) | (176.42) | |

2.2.2 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.) | Variance % | Reason for the variance |
|-------------------------|---|-------------------|--|
| Revenue | 61,908,619 | 443.83% | After COVID 19 pandemic, to date, International, domestic and regional travel have already re-started and increased air ticket sales and outbound leisure travelers sales. |
| Cost of Sales | 31,912,460 | 100.00% | Operated 04Dambadiva tours in financial year 2022-2023. |
| Administrative Expenses | 8,619,100 | 37.88% | The office re-opened since 2022 and increased administrations and operation expenses. |
| Finance Income | 5,146,578 | 162.56% | Fixed deposits interest rate has increased and short-term investment plan has increased. |

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 | 2022/23 | 2021/22 |
|-------------------------|----------------|----------------|
| Operating Profit Margin | 15.44% | (64.36%) |
| Net Profit Margin | 25.17% | (46.60%) |
| Return on Equity | 24.94% | (10.58%) |
| Return on Assets | 14.33% | (6.77%) |
| Current Ratio | 1.83 | 1.57 |
| Debt Ratio | 0.43 | 0.36 |
| Debt to Equity Ratio | 0.74 | 0.56 |