

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the People's Leasing Fleet Management Limited ("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 cash flow statement 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 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 Audit Observations on the preparation of Financial Statements

1.5.1 Internal Control over the preparation of financial statements

Audit Issue	Management Comment	Recommendation
(i) Both Interest income from Fixed Deposits & Savings Deposits were classified under Interest Income from Fixed Deposits.	The highlighted matter is noted. Starting October 2023/24, interest income from Fixed Deposits and Savings Deposits will be categorized and presented distinctly in the financial statements for the fiscal year 2023/24.	Interest income should be recognized separately to strengthen the accuracy of classification.
(ii) Non-moving item (Spare Parts) amounting to Rs. 899,903 was available in inventory balance and above item was measured at cost since no sale of spare parts to outside customers.	The highlighted matter is noted. Inventory disposal proposal has presented to the board, and subsequent actions will be implemented based on the Board's decision.	Take necessary actions to ensure the accuracy of financial statements.

1.6 Accounts Receivable and Payable

1.6.1 Receivables

Audit Issue	Management Comment	Recommendation												
(i) Long outstanding balances were reported in relation to following debtors.	The highlighted matter is noted. Adequate provision has provided in the financial statement. Management will proceed with the recoverability assessment, and necessary financial adjustments will follow upon receipt of the management's assessment in the 2023/24 financial year.	Take necessary actions to reassess the recoverability of such debtors and take necessary steps to recover the related balances.												
<table border="1"> <thead> <tr> <th>GL Code</th> <th>Debtor</th> <th>Amount (Rs.)</th> </tr> </thead> <tbody> <tr> <td>1304990210</td> <td>Maintenance Expenses - Other Company Vehicle</td> <td>280,052</td> </tr> <tr> <td>PMPLC</td> <td>Debtor Peoples Merchant PLC</td> <td>419,373</td> </tr> <tr> <td>1304990022</td> <td>Debtors - Peoples Leasing Finance PLC</td> <td>776,568</td> </tr> </tbody> </table>	GL Code	Debtor	Amount (Rs.)	1304990210	Maintenance Expenses - Other Company Vehicle	280,052	PMPLC	Debtor Peoples Merchant PLC	419,373	1304990022	Debtors - Peoples Leasing Finance PLC	776,568		
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(ii) Out of the above balances, Rs.419,373 and Rs.280,052 were remained outstanding as at 31 March 2022 as well.														

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit before tax of Rs. 56,196,435 and the corresponding profit in the preceding year amounted to Rs. 200,405,595. Therefore, a deterioration amounting to Rs. 144,209,160 of the financial result was observed. The reasons for the deterioration are the decrease made in the revenue amounting Rs. 100,975,543 and the decrease in the other income amounting to Rs. 115,715,129 despite the increase in the finance income amounting to Rs. 50,377,872.

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.)	66,011,987	166,987,530	192,948,002	231,749,158	225,594,044
% of Increase / (Decrease) compared to the preceding year	(60.47)	(13.45)	(16.74)	2.73	
Cost of services (Rs.)	83,389,236	91,198,567	119,545,609	128,070,821	124,034,050
% of Increase / (Decrease) compared to the preceding year	(8.56)	(23.71)	(6.66)	3.25	
Profit Before Tax (Rs.)	56,196,435	200,405,595	55,652,020	32,559,436	47,137,636
% of Increase / (Decrease) compared to the preceding year	(71.96)	260.10	70.92	(30.93)	

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	(100,975,543)	(60.47)	Decreased valuation income as a result of unfavorable prevailing economic conditions and operating revenue decline with business downsize strategy.
Other income	(115,715,129)	(66.48)	Other income represents the vehicle disposal profit. The current financial year only disposed of 10 vehicles as against 29 vehicle disposals in preceding year.

Finance income	50,377,872	312.73	The two reasons have impacted to increase the finance income. Made new short-term investment by utilizing the vehicles disposal proceed and the interest rate escalation of the short-term investments which increased the average annual interest yield from 6.7 per cent in the financial year 2022 to 17.3 per cent in financial year 2023.
Administrative expenses	(11,458,013)	(18.80)	Declined of the employee bonus payments, printing and rent expenses.

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
Gross Profit Ratio	(26.32%)	45.39%
Net Profit Ratio	59.37%	91.93%
Return on Equity (ROE)	11.23%	39.79%
Return on Assets (ROA)	8.82%	34.49%
Debt to Equity Ratio	0.27	0.15
Current Ratio	4.89	8.31