



# Advance Business Reporting December 2024

## Pre-Seen Analysis



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### Syllabus content & Pre-Seen

Accounting Standards

Group Financial Reporting

Internal Control & COSO Framework

Materiality & Going Concern in Financial Reporting

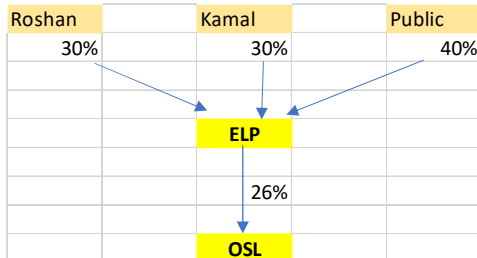
Analytical Procedures & FS Analysis

Corporate Governance

ESG Reporting

Ethics in Financial Reporting

## Company



- ✓ Four family members equally owned 50% of OSL, and two of them had a conflict with the other two brothers about the performance of the company.
- ✓ They were willing to sell their shares to Roshan if he offered a good price.
- ✓ Although OSL is currently performing poorly, if managed properly it can be turned around, as the future of the NVOCC industry is bright.

### Cultural Integration and Technology to Revolutionise ELP

- ELP has created an inclusive workplace
- ELP promotes open and effective communication across different cultural groups
- ELP's CSR initiatives reflect cultural values and social norms of the communities
- The company communicates its vision and strategic initiatives
- ELP operates in various sectors
- SBUs to adopt innovative and project-based approaches
- ELP enhances its organisational effectiveness and adapts more readily to changing market conditions
- ELP conducts regular domestic and international market analyses to identify opportunities and threats in the logistics sector
- ELP has adopted state-of-the-art technology across both its communication and logistics operations
- ELP has implemented cutting-edge technologies such as artificial intelligence (AI), the Internet of Things (IoT), and blockchain

### Financial Performance

- Revenue fell sharply from Rs. 576,772 million in 2023 to Rs. 447,352 million in 2024, marking a 22.4% decrease that adversely impacted gross profit, which dropped by 40.1% to Rs. 76,050 million.
- Operating profit experienced an even more severe decline, falling by 53.9% to Rs. 29,851 million, driven by both reduced revenue and increased selling and
- Additionally, in 2024, profit before tax and net profit plummeted by over 54.7% and 48.5%, respectively distribution expenses.
- During the annual audit process, the external auditor raised concerns with the finance director regarding discrepancies in the company's financial statements, which led to inaccuracies in reported earnings and expenses.
- the external auditor will highlight the weaknesses in the financial reporting process in the management letter.

These shortcomings significantly eroded stakeholder confidence and highlighted issues with the effectiveness of ELP's financial oversight

The finance director emphasised the urgent need for a comprehensive review and overhaul of the company's operational and financial strategies to address these issues, restore profitability, and stabilise the company's financial standing

### Corporate Governance

- The composition and structure of the present board of directors ensure a diverse and skilled mix of executive and non-executive directors.
- The board oversees the company's strategic direction and performance while implementing effective risk management and internal control systems. It also monitors compliance with legal and regulatory requirements and evaluates the performance of the senior management
- ELP's audit committee, composed of independent non-executive directors with financial expertise, oversees the integrity of financial reporting.
- company has developed a comprehensive code of conduct outlining ethical standards and expectations. ELP maintains open and transparent communication with shareholders, employees, customers, and other stakeholders, conducting regular stakeholder meetings and providing updates on company performance and governance practices. Additionally, ELP integrates environmental, social, and governance (ESG) considerations into its business strategy and operations.
- However, ELP's internal control mechanisms have shown notable weaknesses, particularly in risk management, fraud prevention, and regulatory compliance.
- key issue was the insufficient segregation of duties, which created opportunities for conflicts of interest and unauthorised transactions.
- recent data breach, attributed to inadequate cybersecurity measures, compromised sensitive customer information and exposed the company to potential legal and financial liabilities.

These deficiencies not only pose serious legal and financial risks but also undermine investor trust and compromise operational integrity

**Board meeting**

- The board's decision reflects a proactive approach to reassessing and refining ELP's operational strategies to better align with evolving market dynamics and growth opportunities.
- This thorough review aims to identify areas for improvement, optimise current processes, and establish a robust framework for future expansion and innovation. By re-evaluating its business model, ELP seeks to enhance its competitive edge and ensure sustained success in the logistics sector.
- Additionally, the board has sought an industry analysis from experts to gain valuable insights and perspectives. This expert analysis will provide a deeper understanding of market trends, the competitive landscape, and emerging opportunities
- By integrating these external insights into their strategic review, ELP aims to make informed decisions that will improve its business model and strategic direction, ensuring alignment with industry standards and positioning the company for future growth and resilience.
- At the meeting, the board also expressed significant concern regarding the ongoing issues and poor financial performance of FY 2023/24 as it has been observed for the first time since the company's establishment.  
addressing the underlying challenges and  
implementing effective measures to reverse the financial downturn.  
board is committed to identifying the root causes of these performance issues and  
developing a strategic plan to enhance operational efficiency, financial stability, and overall growth.

This proactive stance reflects their dedication to steering the company towards improved performance and long-term success.



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