

1. Financial Statements

1.1 Opinion

The audit of the financial statements of the People's Micro Commerce Limited (the "Company") for the year ended 31 March 2025 comprising the statement of financial position as at 31 March 2025 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 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 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 gives a true and fair view of the financial position of the Company as at 31 March 2025, 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 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 internal control of the Company.
- 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 Unreconciled Control Accounts or Records

Audit Issue	Management Comment	Recommendation
A difference of Rs. 1,011,400 was observed between the GL balance taken for the bank reconciliation and the actual GL balance.	A technical issue which can be sort only by IT team needed more time to identify the mismatch. However during the audit this deviation was rectified.	It is recommended that the management strengthen the controls over the bank reconciliation process to prevent discrepancies between the General Ledger (GL) balances and the balances used for reconciliation.

1.6 IT General Controls

Audit Issue	Management Comment	Recommendation
It was noted that user accounts of resigned employee was not deactivated and remained active in MicroFin system and some accounts were not deactivated on a timely basis in InBank and MicroFin systems after their respective resignation date, as at 31 March 2025	Informed to People’s Micro Commerce Limited HR department to send the resignation list on time.	Management should strengthen the user access management controls to ensure that user accounts of resigned employees are promptly disabled in the MicroFin system.

The following table depicted the details relating to the user account of a resigned employee which was not deactivated and remained active in MicroFin system as per the sample selected.

User ID	User Status (Note 1)	Last Login Date (DD/MM/Y YYY)	Resignation date (DD/MM/YY YY)
Vinod yaR	Yes	15/01/2025	26/01/2025

The following table depicted the details relating to significant delays exist in the user account deactivation process in Microfin System

Emp. No	User ID	Inactivation Date(DD/MM/YYYY)	Resignation date (DD/MM/YYYY)	Delay (Not e 3)
30751	IndikaU	09/05/2024	06/05/2024	3
30755	IsuruBA	15/10/2024	07/10/2024	8
30769	DilshanRB	09/05/2024	03/05/2024	6
30774	ShenaliK	27/05/2024	08/04/2024	49
30777	ThisaraMR	20/06/2024	18/06/2024	2
30832	ChamiduU	15/08/2024	26/06/2024	50
30807	RameshR	05/11/2024	26/10/2024	10
30809	SaumyaCK	15/08/2024	10/08/2024	5
30811	HashanMS	30/09/2024	25/09/2024	5
30812	NaveenL	30/06/2024	28/06/2024	2
30816	SamudiA	02/01/2025	31/10/2024	63
30817	HeshaniA	30/06/2024	25/06/2024	5
30819	LakruwanA	30/06/2024	28/06/2024	2
30826	TharinduAV	04/10/2024	27/09/2024	7
30838	WihangaD	20/06/2024	10/05/2024	41

2. Financial Review

2.1 Financial Result

The operating result of the year under review amounted to a profit before tax of Rs. 254,640,669 and the corresponding profit in the preceding year amounted to Rs. 186,155,736 Therefore, an improvement amounting to Rs. 68,484,933 of the financial result was observed. The reasons for the improvement is the increase in the interest income by Rs. 190,206,068.

2.2 Trend Analysis of major Income and Expenditure items

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

Year	2024/2025	2023/2024	2022/2023	2021/2022	2020/2021
	Rs.	Rs.	Rs.	Rs.	Rs.
Company					
Interest Income	1,075,853,992	885,647,924	765,081,162	793,186,355	819,027,057
Variance	190,206,068	120,566,762	(28,105,193)	(25,840,702)	23,972,379
Increase/(Decrease) %	21.48%	15.76%	-3.54%	-3.16%	3.02%
Fee and commission income	142,820,045	52,513,481	25,198,879	62,959,329	48,967,426
Variance	90,306,564	27,314,602	(37,760,450)	13,991,903	2,169,239
Increase/(Decrease) %	171.97%	108.40%	-59.98%	28.57%	4.64%
Interest Expense	279,562,026	388,057,922	514,286,414	793,186,355	218,015,318
Variance	(108,495,896)	(126,228,492)	(278,899,941)	575,171,037	(47,144,089)
Increase/(Decrease) %	-27.96%	-24.54%	-35.16%	263.82%	-17.78%
Impairment Charges	17,988,539	(65,080,134)	(112,894,051)	45,484,291	119,971,127
Variance	83,068,673	47,813,917	(158,378,342)	(74,486,836)	(76,938,211)
Increase/(Decrease) %	-127.64%	-42.35%	-348.20%	-62.09%	-39.07%
Personal Expenses	291,905,653	192,339,946	161,785,320	142,204,009	139,934,699
Variance	99,565,707	30,554,626	19,581,311	2,269,310	2,966,841
Increase/(Decrease) %	51.77%	18.89%	13.77%	1.62%	2.17%
Income tax Expense	101,803,214	75,145,446	22,025	79,766,376	69,377,355
Variance	26,657,768	75,123,421	(79,744,351)	10,389,021	45,894,876
Increase/(Decrease) %	35.47%	341082.50%	-99.97%	14.97%	195.44%
Net Profit for the year	152,837,455	111,010,290	67,028,756	196,856,866	132,678,926
Variance	41,827,165	43,981,534	(129,828,110)	64,177,940	107,186,875
Increase/(Decrease) %	37.68%	65.62%	-65.95%	48.37%	420.47%
Profit Before Tax	254,640,669	186,155,736	67,050,781	276,623,242	202,056,281
Variance	68,484,933	119,104,955	(209,572,461)	74,566,961	153,081,751
Increase/(Decrease) %	36.79%	177.63%	-75.76%	36.90%	312.57%

2.3 Ratio Analysis

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

Company Specific Ratio	2024/25	2023/24	2022/23	2021/22	2020/21
ROA (%)	3.08	3.77	2.54	6.41	4.94
ROE (%)	19.75	17.82	13.08	37.96	36.09
Net Profit Ratio (%)	12.54	11.83	8.48	22.99	15.29
Debt to Equity Ratio (Times)	5.41	3.72	4.14	4.92	6.3

3. Operational Review

3.1 Management of Vehicle fleet

Audit Issue	Management Comment	Recommendation
<p>The audit examination on vehicle registrations of People’s Micro-Commerce Limited (PML) revealed discrepancies between the records maintained by the Department of Motor Traffic (RMV) and those maintained by the Company. As per RMV data, four vehicles were registered under the Company’s name as of 6 March 2025, whereas the Company reported ownership of only one vehicle as of 21 February 2025. Further, two vehicles recorded under the Company’s name as per RMV records, had not been updated or transferred as at 23 April 2025. In addition, the vehicles bearing numbers BHU–2420 and BIQ–6580, which had been declared as fully damaged due to accidents and for which insurance claims had already been processed, continued to appear under Company ownership in RMV records. These inconsistencies indicate weaknesses in monitoring and updating of vehicle registration records. The management attention is required to ensure timely cancellations and transfers of ownership to maintain accurate asset records of the Company.</p>	<p>Management acknowledges the observations made regarding the discrepancies in vehicle registration records. The Company has already initiated necessary actions to update the Department of Motor Traffic (RMV) records and to transfer or cancel ownership of the vehicles that were reported as total losses. The delays in updating the RMV records occurred due to procedural requirements in completing insurance claim settlements and obtaining clearance from relevant authorities. Management assures that corrective measures are being taken to ensure that vehicle registration details are properly reconciled with the Company’s fixed asset records in future.</p>	<p>Management should strengthen the controls over monitoring and updating vehicle registration records to ensure accuracy and consistency between the Company’s records and those maintained by the Department of Motor Traffic (RMV). A formal procedure should be established to verify that all vehicle purchases, disposals, total-loss incidents, and ownership transfers are promptly communicated to the RMV and updated in both Company records and RMV records without delay.</p>