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ஆண்டறிக்கை 2021
ANNUAL REPORT 2021



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தீ அஸோஸியேட்டட் நியூஸ் பேப்பர்ஸ் ஒப் சிலோன் லிமிட்டட்
The Associated Newspapers of Ceylon Limited

ANNUAL REPORT 2021



THE ASSOCIATED NEWSPAPERS OF CEYLON LIMITED

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Our Vision

Sri Lanka's most trusted and innovative media services provider.

Our Mission

Transform the pioneer print media organization to be the most preferred provider of reliable and high quality media products / services in the country, with convergence as the key driver. We will achieve this by operational excellence and leveraging the brand value and effectively using extensive news gathering and marketing infrastructure combined with state-of-the-art technology. We will relentlessly pursue clearly defined strategies to advance our market leadership and sustain profitability and growth, keeping national interest foremost in our dealings.

Our Values

- ❖ We will place national interest first.
- ❖ We will enrich our customers' lives.
- ❖ We will work as one team.

COMPANY PERFORMANCE HIGHLIGHTS

REVENUE
LKR

2,218Mn

NET PROFIT
LKR

345Mn

TOTAL ASSETS
LKR

3,441Mn

TOTAL EQUITY
LKR

1,846Mn



COMPANY PERFORMANCE HIGHLIGHTS



Financial Performance	Unit	2021	2020	change %
Revenue	Rs. 000	2,217,890	1,911,259	16%
Gross Profits	Rs. 000	1,289,541	989,202	30%
Net Profit / (Loss) Before Tax & Fair Value Adjustment	Rs. 000	332,002	(217,850)	-252%
Net Profit / (Loss) After Tax & Fair Value Adjustment	Rs. 000	345,454	(186,533)	-285%
Gross Profit Margin	%	58%	52%	12%
Net Profit Margin	%	16%	-10%	-260%
Return on Assets (ROA)	%	10%	-9%	-211%
Return on Equity (ROE)	%	19%	-86%	-122%

Financial Position

Assets*	Rs. 000	3,440,633	2,041,862	69%
Capital Expenditure	Rs. 000	31,624	6,099	419%
Interest Bearing Liabilities	Rs. 000	491,374	666,597	-26%
Other Liabilities	Rs. 000	1,102,850	1,158,339	-5%
Shareholders' Equity	Rs. 000	1,846,410	216,927	751%
Gearing Debt / Equity	No. of times	0.9	8.4	-89%
Net Assets Per Share	Rs.	530	62	755%
Current Ratio	No. of times	3.1	1.7	82%
Quick Assets Ratio	No. of times	2.1	1.3	62%

* Including revaluation of Lands - Note 6.9 to the financial statements in page 61

CHAIRMAN'S REVIEW



CHAIRMAN'S REVIEW



On behalf of the Board of Directors of The Associated Newspapers of Ceylon Limited, it is my pleasure to present you with the Annual Report and Audited Financial Statements of the Company for the year ending 31st December 2021.

Financial Performance

Although multiple lockdowns accompanied by travel restrictions and remote working served as barriers to the growth that we would have liked to achieve, ANCL reported revenue of Rs. 2,218 Mn for the financial year under review versus Rs. 1,911 Mn representing a 16% growth coupled with a post-tax bottomline of Rs. 345 Mn versus Rs. 187 Mn loss in the previous year. The overall satisfactory performance ensued from a combination of factors comprising team effort to enhance revenue, government grant, contain costs, improve efficiencies under the current circumstances, supported by a decline in news print cost.

Future Outlook

While ANCL has performed exceptionally during the year under review, planning for the future has been a tough challenge. Our greatest concern is maintaining our supply chain to support the newspaper manufacturing process. The country's economic conditions, which have impacted the availability of foreign exchange needed for material imports, increasing inflation and led to unavailability of essential raw materials, will determine the future of the company and the newspaper industry.

Moving forward we would continue to be cost conscious and implement cost management and cost efficiency improvement strategies throughout the Company. We fervently look forward to the strengthening of the country's economic situation for a sustainable and profitable growth.

Appreciation

I would like to extend my appreciation to the Board of Directors for their continued guidance and support, EXCO team, employees for their invaluable contribution, untiring efforts and commitment during the period under review. To our stakeholders who continue to believe in the growth of our Company, we thank you for your confidence placed in our vision to be the Sri Lanka's most trusted and innovative media service provider.

Anusha Palpita

Chairman & Managing Director
23rd December 2022

OUR PRODUCT PORTFOLIO

Daily Papers



Daily News



Weekend Papers



Sunday Observer



Weekly Periodicals



OUR PRODUCT PORTFOLIO

Monthly Periodicals

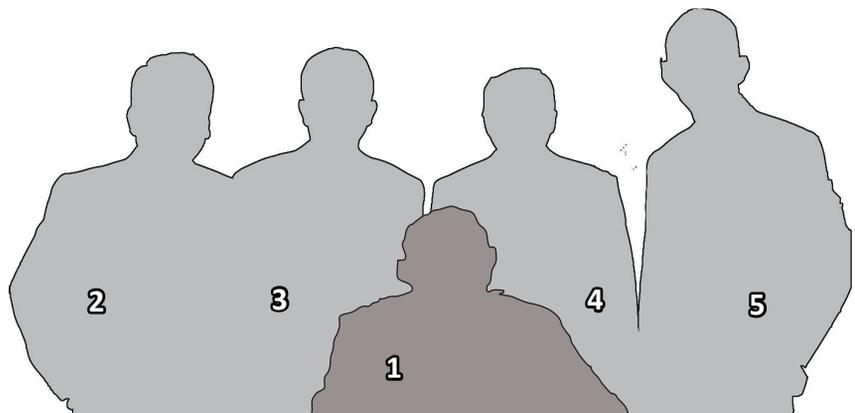


BOARD OF DIRECTORS



The Board of Directors as at 31st December 2021 was :

1. W. Dayaratne, PC	Chairman & Managing Director	Resigned on 31.05.2022
2. Rakhitha Abeygoonawardhana	Director - Legal & Administration	Resigned on 31.05.2022
3. Dharma Sri Kariyawasam	Director - Editorial	Resigned on 31.05.2022
4. Canishka Gaya Witharana	Director - Operations	Resigned on 31.05.2022
5. Janaka Ranatunga	Director - Finance	



CORPORATE MANAGEMENT



1. **Sumith Kothalawala**
General Manager (Acting)

2. **Mrs.H.W.S.Prasanga**
Company Secretary

3. **Virajith Bois**
SDGM-Finance

4. **Chandana Bandara**
DGM-Corporate Affairs

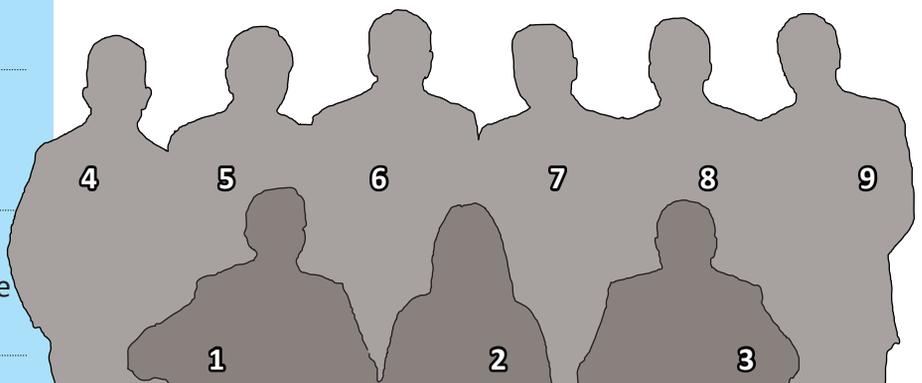
5. **Waruna Mallawarachchi**
DGM-Advertising
Retired on 14.05.2021

6. **Kamal Wijesuriya**
SDGM-Printing & Maintenance
Resigned on 30.06.2022

7. **Sisiranath Adhikari**
DGM-Sales

8. **Prasanna Jayasundara**
DGM-Advertising

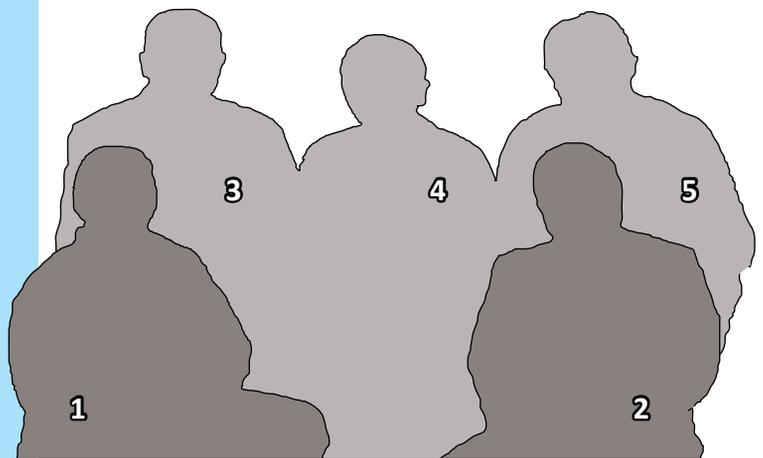
9. **Narada Sumanarathne**
SDGM-Establishment
Retired on 14.06.2022



CHIEF EDITORS



- 1. Dharman Wickremaratne**
Editor - Silumina
- 2. Gamini Jayalath**
Editor – Dinamina
- 3. Thevasadan Senthilvellar**
Editor - Thinakaran –Varamanjari
- 4. Pramod de Silva**
Editor – Daily News
(Resigned from the post on 20.03.2022)
- 5. Dinesh Weerawansa**
Editor In Chief – Sunday Observer



CORPORATE SOCIAL RESPONSIBILITY

Mihinthala Aloka Pooja



CORPORATE SOCIAL RESPONSIBILITY

Observer - SLT Mobitel School Cricketer of the Year



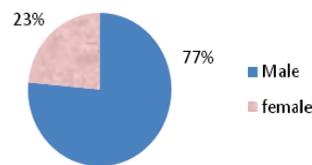
HUMAN RESOURCES

ANCL has recognized its workforce as the heart of its business while continuously evaluating human resources to recognize those who are ready to put forward their efforts towards the company. Having the idea of aligning human resources towards achieving the strategic goals, ANCL continued to attract, retain & widen their capabilities while expanding welfare facilities to its workforce.

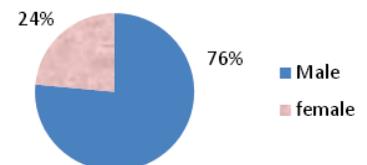
Gender Diversity (As at 31st December)

Gender	2021		2020	
	No	%	No	%
Male	1,003	77%	1,095	76%
Female	295	23%	352	24%
Total	1,298	100%	1,447	100%

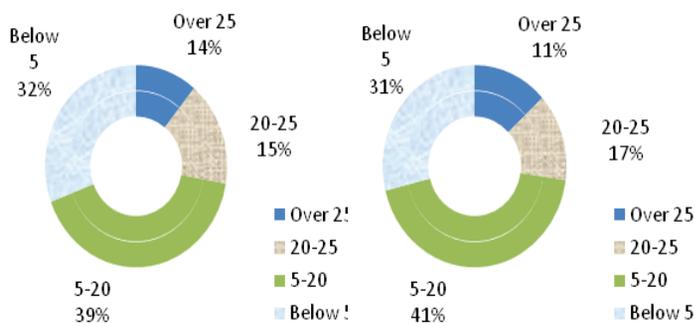
Gender Diversity 2021



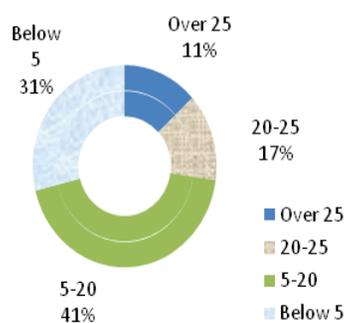
Gender Diversity 2020



Service Analysis 2021



Service Analysis 2020



Service Analysis

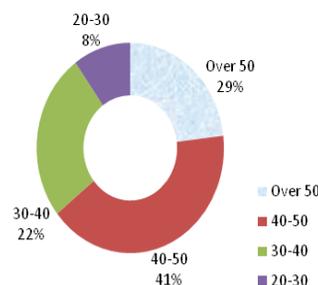
Average Service Years of Employees

Service Years	2021		2020	
	No	%	No	%
Over 25	180	14%	158	11%
20-25	196	15%	224	17%
5-20	507	39%	600	41%
Below 5	415	32%	445	31%
Total	1,298	100%	1,447	100%

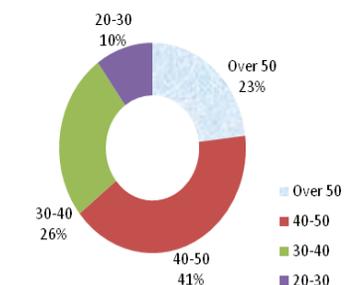
Age Analysis

Age	2021		2020	
	No	%	No	%
Over 50	380	29%	335	23%
40-50	536	41%	595	41%
30-40	279	22%	373	26%
20-30	103	8%	144	10%
Total	1,298	100%	1,447	100%

Age Analysis 2021



Age Analysis 2020



EVENTS OF THE YEAR

Lake House Pirith Pinkama 2021



EVENTS OF THE YEAR

The 135th Birth Anniversary of ANCL Founder late Mr. D.R. Wijewardena



EVENTS OF THE YEAR

Christmas Lighting at Lake House



TOWARDS EMPLOYEES

Grade 5 Scholarship Awards to Employees' Children



TOWARDS EMPLOYEES

Book Parcels & Gift Vouchers to Employees' Children



FINANCIAL REVIEW



Financial Reporting & Achievements

The Associated Newspapers of Ceylon Limited adopts best practices in its financial reporting and keeps itself updated on new developments in the financial reporting environment. The financial reports on pages 44 - 73 have been prepared in compliance with the Institute of Chartered Accountants of Sri Lanka (CASL) and every attempt has been made to provide stakeholders, with a clear and comprehensive understanding on the Financial Statements.

Financial Performance

Group Financial Performance at a Glance

Item	2021 LKR Mn	2020 LKR Mn	Change LKR Mn
Revenue	2,218	1,911	307
Cost of Sales	928	922	6
Gross Profit	1,290	989	301
Other Income	499	162	337
Administrative Expenses	1,001	991	10
Distribution Expenses	310	311	(1)
Finance Expenses	54	67	(13)
Profit Before VRS	424	(218)	642
Voluntary Retirement Scheme(VRS) Cost	92	-	92
Profit Before Tax & Fair Value Adjustment	332	(218)	550
Tax Expenses	4	22	(18)
Fair Value Adjustment	9	9	-
Profit After Tax & Fair Value Adjustment	345	(187)	532

Sources of Revenue	2021 – LKR MN	2020 – LKR MN
Advertising	1,857	1,566
Circulation	319	306
Commercial Printing	42	39
Total	2,218	1,911

RISK MANAGEMENT

Lake House has given due consideration to its risk management process in order to progress towards achievement of its goals and objectives. Risk management under the two forms of risks, namely Financial and Business, is regularly reviewed to ensure the related risks are minimized where the complete elimination is not possible.

Risk Exposure	Company Objectives	Company Initiatives
Financial Risk Management		
1. Liquidity & Cash Management	<ul style="list-style-type: none"> To maintain liquidity position. 	<ul style="list-style-type: none"> This is achieved by regular follow up of trade debts, planning production and utilization of short term borrowing facilities. Company has sufficient assets to offer as collateral for future funding requirements. Obtaining funding facilities to adequately manage liquidity position through several financial institutions.
2. Interest Rate Risk	<ul style="list-style-type: none"> To minimize adverse effects of interest volatility. 	<ul style="list-style-type: none"> Negotiate with banks to obtain the best possible interest rate for Groups' borrowings and investments. Negotiate and take supplier credit to mitigate the high cost and to avoid adverse fluctuations in local interest rates.
Business Risk Management		
1. Credit Risk	<ul style="list-style-type: none"> To minimize risk associated with debtors defaults. 	<ul style="list-style-type: none"> Facilitating advertising agents. Follow an assessment procedure to ensure credit worthiness of customers. Company maintains a comprehensive policy to adequately review and provide for doubtful debts.
2. Assets Risk	<ul style="list-style-type: none"> To minimize losses caused by machine breakdown and damages from fire or theft. 	<ul style="list-style-type: none"> Obtain comprehensive insurance covers for plant and machinery. Carry out planned preventive maintenance programs.
3. Internal Controls	<ul style="list-style-type: none"> To maintain a sound system of internal controls to safeguard Company assets. 	<ul style="list-style-type: none"> Carry out continuous internal audits by Internal Audit Department.

RISK MANAGEMENT



Risk Exposure	Company Objectives	Company Initiatives
4. Human Resources	<ul style="list-style-type: none"> To reduce labour turnover. To ensure smooth flow of operations without interruptions. To ensure adaptability through training and adopting best practices. 	<ul style="list-style-type: none"> Maintain an employee evaluation scheme to reward them. Maintain healthy and cordial relationship with employees at all levels through joint consultative committees. Provide various employee benefits. Provide specific and general training wherever necessary.
5. Technological and Quality Related Risk	<ul style="list-style-type: none"> To keep pace with current technological developments and quality standards to avoid obsolescence. 	<ul style="list-style-type: none"> Develop a long term plan to replace existing machines with technologically advanced machines.
6. Inventory Management Risk	<ul style="list-style-type: none"> To reduce stock out situations. To reduce the accumulation of slow moving items. To minimize the losses on obsolete stocks. To minimize risk of sub-standard material being received. To minimize inventory days. 	<ul style="list-style-type: none"> Plan monthly production based on budgets and sales forecasts at production planning meetings held monthly. Continuous stock verification systems to identify non-moving stocks. Regularly monitor inventory days. Review periodically and provide adequately for slow moving stocks.
7. Risk of Competition	<ul style="list-style-type: none"> To avoid losses of market share from competitors. 	<ul style="list-style-type: none"> Strengthen Lake House brand through various advertising and promotional campaigns. Maintain product availability throughout the country.
8. Investment in Capital	<ul style="list-style-type: none"> To reduce the risk of loss in present and future investments. 	<ul style="list-style-type: none"> Investments in assets are properly planned and made on timely basis. Reduce the idle assets as far as possible.
9. Information Systems	<ul style="list-style-type: none"> To minimize possible risks associated with data security, hardware, software and communication systems. 	<ul style="list-style-type: none"> Data backups are taken regularly and stored in external locations. Vendor agreements for support services and maintenance. Regular upgrading of virus scanners, firewalls and software.
10. Environmental Issues	<ul style="list-style-type: none"> To minimize adverse impact of operations to the environment. 	<ul style="list-style-type: none"> Comply with the standards set by the relevant authorities and ensure compliance.

RISK MANAGEMENT

11. Legal and Regulatory Issues	<ul style="list-style-type: none">• To minimize possible losses arising from non-compliance with statutory and regulatory requirement.• To minimize or take counter measures to reduce the impact arising from changes to regulatory issues.	<ul style="list-style-type: none">• Comply with the requirements of statutory and regulatory bodies.• Obtain advice from the Employers' Federation of Ceylon when necessary.
12. Risk of Covid-19 Pandemic Situation	<ul style="list-style-type: none">• Covid free working environment	<ul style="list-style-type: none">• Staff Vaccination• Staff deployment• Sanitizing premises• Providing face masks• Isolation facilities• Providing staff transport• Comply with health guidelines issued by the government

CORPORATE GOVERNANCE



Strong Corporate Governance practices are the bedrock of stakeholder value creation and long term sustainability. ANCL is committed to the highest standards of business ethics, accountability and transparency as evinced its comprehensive policy frameworks and clear governance structures which facilitate an appropriate balance of power. ANCL Corporate Governance framework has been designed in line with the requirements of Chartered Accountants of Sri Lanka (CA Sri Lanka).

1. The Board of Directors

The Board comprises of directors who have the appropriate balance of skills, experience, independence and knowledge, which enable them to discharge their responsibilities effectively. The Board which meets regularly is the key decision making body for the matters which are significant to the Company.

Name of the Director	Number of meetings held	Number of meetings attended
W.Dayarathne, PC - Chairman and Managing Director	27	27
Canishka Gaya Witharana	27	27
Rakhitha Abeygoonawardhana	27	27
Janaka Ranatunga	27	27
Dharma Sri Kariyawasam	27	27

2. Board Committees and their composition

Board has formed the following committees

2.1 Executive Committee (EXCO)

EXCO is responsible to provide appropriate and timely information to the Board to enable the Board efficiently discharge their responsibilities. The EXCO members are the following.

- Chairman & Managing Director
- Director - Editorial
- Director - Legal & Administration
- Director - Finance
- Director - Operations
- General Manager
- Company Secretary
- SDGM - Printing & Maintenance
- SDGM - Finance
- SDGM - Establishment
- DGM - Sales
- DGM- Corporate Affairs
- DGM - Advertising
- Business Development Consultant
- Chief Editor-Dinamina
- Chief Editor-Daily News
- Chief Editor-Silumina
- Chief Editor-Sunday Observer
- Chief Editor-Thinakaran & Vaaramanjari

2.2 Audit Committee

The Audit Committee which meets once a quarter continuously reviews and monitors the effectiveness of internal controls to ensure that the company has sound financial discipline. The Audit Committee approves in advance the Annual Audit Plan of the Internal Audit and monitors its execution and progress.

The Audit Committee comprises the following members.

- Director - Finance
- Director - Legal & Administration
- General Manager
- Company Secretary
- SDGM – Finance
- Chief Internal Auditor
- Government Audit Superintendent
- Representative from The Ministry of Mass Media



2.3 Procurement Committee

The Procurement Committee (Value of over LKR 1 Mn) is established to ensure consistent and correct application of procurement practices and processes. The Procurement Committee comprises the following members:

- Chairman & Managing Director
- Director - Finance
- Director - Legal & Administration
- General Manager
- SDGM - Finance
- Chief Internal Auditor
- Head of Procurement

2.4 Grievance Committee

The Grievance Committee is established to consider the remedies for workers' grievances. During the year, no grievances have been handled.

3. Financial Reporting & Transparency

The Financial Statements of the Company have been prepared in accordance with the generally accepted accounting principles, concepts and the accounting standards laid down by the Institute of Chartered Accountants of Sri Lanka. The Financial Statements included in this Annual Report have been audited by the Auditor General.

The ANCL adopts best practices in its Financial Reporting & keeps itself updated on new developments in the financial reporting environment. The Financial Statements on pages 44 - 73 have been prepared in compliance with the Sri Lanka Financial Reporting Standards for SME issued by CA Sri Lanka.

4. Directors' responsibility for Preparation of Financial Statements

The statement of the Directors' responsibility for preparation of Financial Statements is given in page 33 of this Annual Report.

5. Internal Controls

The systems of internal controls are designed to cover the risk arising from errors, omissions and mistakes, safeguarding the assets of the Company and to record and maintain a proper set of books, through segregation of duties, authority levels and internal control procedures. The Board is responsible for ensuring that the Company has adequate and effective internal controls in place. Day to day financial & non financial activities are reviewed regularly by the Internal Audit Department of the Company.

6. Compliance with the Statutory Payments

The Board of Directors confirms that all known statutory payments have been paid up to date and all contributions payable on behalf of employees have been paid or provided in the Financial Statements.

7. Relationship with Shareholders

We maintain regular contact and communication with our shareholders.

8. Corporate Social Responsibility

The Company is well aware of its responsibilities towards the community and society at large.

9. Employee Matters & Communications

Employees are given unrestricted access to the management to voice their concern and solve their grievances then and there. No labour disruptions occurred during the year.

10. Environment Protection

Company has not engaged in any activity which is harmful to the environment.

11. Going Concern

The Directors after making necessary inquiries and review including reviews of the Company budget for the coming year, CAPEX requirements, future prospects, risks, cash flows and borrowing facilities have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Therefore, the going concern basis has been adapted in the preparation of the Financial Statements.

DIRECTORS' REPORT



The Directors have pleasure in submitting their Annual Report for the year ended 31st December 2021 together with the Audited Financial Statements.

1. Company Activities

The principal activities of the Company are printing, publishing and distribution of newspapers and periodicals. There have been no significant changes in the nature of the principal activities of the Company during the financial year under review.

2. Financial Statements

The Financial Statements of the Group are presented in this Annual Report.

3. Auditors' Report

The Auditors' report on the Financial Statements is given on page 34 of the Annual Report.

4. Significant Accounting Policies

Details of significant Accounting Policies adopted in the preparation of the Financial Statements are given under Accounting Policies stated in this Annual Report.

5. Review of the Year

A review of operations of the Company during the financial year and results of those operations are contained in the Financial Review presented in this Annual Report.

6. Revenue

The Group achieved total revenue of LKR 2,218 Million during the period ending 31st December 2021.

7. Profit & Appropriations (LKR Mn)

	2021	2020
Profit / (loss) before Tax & FV adjustment	332	(218)
Taxation	4	22
Fair Value adjustment	9	10
Profit / (loss) after Tax & FV adjustment	345	(187)
Dividends	-	-
Retained profits / (losses) carried forward	345	(187)

8. Revenue Reserves

The Company revenue reserve as at 31st December 2021 was LKR 528 Mn.

9. Property, Plant and Equipment

Capital expenditure on Property, Plant & Equipment and Capital work-in progress for the year 2021 amounted to LKR 37 Mn. The movement of Property, Plant & Equipment including revaluation during the year is given in Note 6 to the Financial Statements.

10. Donations

During the period Company contributed LKR 256,000 towards charitable institutions.

11. Net Assets per share

Net assets per share are LKR 530/=.

12. Share Information

Information relating to earnings, dividends and net assets per share is presented in Financial Highlights and Ten Year Summary. Distribution of shareholding is indicated under Share Information Report.

13. Substantial Shareholding

The Public Trustee holds 87.5% of the shareholding on behalf of the government of Sri Lanka.

DIRECTORS' REPORT



14. Directors

The Directors of the Company as at 31st December 2021 and their shareholding were as follows.

Directors	No. of Shares
W. Dayaratne, PC	NIL
Rakhitha Abeygoonawardhana	NIL
Canishka Gaya Witharana	NIL
Janaka Ranatunga	NIL
Dharma Sri Kariyawasam	NIL

15. Resignations / New Appointments during the year

No resignations and no new appointments during the year.

16. Loans to Directors

No loans have been given to the Directors of the Company.

17. Directors' Interest in Contracts

Directors have no direct or indirect interest in any contract or proposed contract with the Company for the year ended 31st December 2021.

18. Directors' Remuneration

Directors' remuneration in respect of the Company for the year 2021 is stated in Note 26 to the Financial Statements.

19. Post Balance Sheet Events

There was no material post balance sheet event affecting the accounts as at 31st December 2021.

20. Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to the government and employees have been paid up to date.

21. Going Concern

The Board of Directors is satisfied that the Company is a going concern and has adequate resources to continue in business for the foreseeable future. For this reason, the Company follows the “Going Concern” basis when preparing Financial Statements.

22. Environmental Protection

The Directors, to the best of their knowledge and belief, are satisfied that the Company has not engaged in any activities, which have caused adverse effects on the environment and it has complied with the relevant environmental regulations.

23. Auditors

The Accounts for the year have been audited by the Auditor General as per Article 154 (3) of the Constitution of the Democratic Socialist Republic of Sri Lanka.



Mrs.H.W.S. Prasanga
Company Secretary

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors' responsibility in relation to the Financial Statements is detailed below. The report of the Auditors sets out their responsibility in relation to the Financial Statements.

The Companies Act No. 07 of 2007 requires that the Directors prepare Financial Statements for each financial year, which reflects a true and fair view of the state of affairs of the Company as at the end of the financial year and the profit for the financial year. In preparation of these Statements, the Directors are required to ensure that:

1. Appropriate Accounting Policies have been selected and applied on consistent basis. Material departures, if any, are disclosed and explained.
2. Ensure that all applicable Accounting Standards have been followed.
3. The adjustments and estimates are reasonable and prudent.
4. The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose, with reasonable accuracy, the Financial Position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act. They are also responsible for taking reasonable steps to safeguard the assets of the Company and to establish appropriate system of Internal Controls, which provide reasonable though not absolute assurance to the Directors that assets are safeguarded and Internal Controls are in place with a view to the prevention and detection of fraud and error.
5. The Directors are required to prepare the Financial Statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspection they consider to be appropriate for the purpose of enabling them to give their report.

The Directors are of the view that they have discharged their responsibilities as set out in this Statement.

The Auditor General, the Auditors of the Company have examined the Financial Statements made available by the Board of Directors together with all the financial records, related data and minutes of Shareholders and Directors' meetings and express their opinion in their report presented in this Annual Report.

By order of the Board



The Associated Newspapers of Ceylon Limited

Mrs.H.W.S. Prasanga

Company Secretary

AUDITOR GENERAL'S REPORT



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

CAM/C/ANCL/2/21/FA-01

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

20 July 2022

Chairman
Associated Newspapers of Ceylon Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Associated Newspapers of Ceylon Limited and its subsidiaries for the year ended 31 December 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Associated Newspapers of Ceylon Limited ("Company") and its subsidiaries ("Group") for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 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 report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium-Sized Entities.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව



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No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.



1.2 Basis for Qualified Opinion

- (a) Direct deposits in two current accounts aggregating to Rs.1,442,996 had not been identified in the financial statements.
- (b) Water bill payable for the year under review for the year under review was Rs.2,926,801. However, no provisions had been made in this regard.
- (c) Travelling expenses and Other staff expenses of the year under review amounting to Rs.901,200 and Rs.2,511,260 respectively had not been recognised in financial statements of the year under review.
- (d) Due to under estimation of the service period of 28 employees, the provision for retirement benefit obligation of the year under had been understated by Rs.1,627,369.
- (e) A difference of Rs.2,199,201 was observed between the physical stock balance and the ledger balance of the sundry goods shown as s at the end of the year under review.

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 qualified opinion.

1.3 Other information included in the Group's 2021 Annual Report.

The other information comprises the information included in the 2021 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the

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other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.4 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 for Small and Medium-Sized Entities, 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 intends 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 Group's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company and the Group are required to maintain proper books and records of all their income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company and the Group.

1.5 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

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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 scepticism 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 and the Group.
- 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 Group'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 Group 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.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

2.1.1 Except for the effects of the matters described in the basis for Qualified Opinion section of my report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (2) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained was limited to matters that are material, nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

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2.2.2 to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except for;

Reference to law/ direction	Description
(a) Employee Provident Fund Act No 15 of 1958.	Surcharge on late EPF payment aggregating to Rs.108,218,673 for the years of 2019, 2020 and 2021 had not been paid even at the end of the year under review as required by the Section 27 (2a) of the act.
(b) Public Enterprises Circular No. PED/12 of 02 June 2003.	As per section 5.2.4 and 5.2.5 of the circular, the draft budget should be placed before the Board of Directors for approval before 3 months of the financial year and as per section 5.2.5 the final updated budget approved by the board should be forwarded to the line Ministry, the Department of public enterprises, General Treasury and Auditor General not later than 15 days before the commencement of the ensuring year. However, the board had approved the budget on 22 December 2021 and no approved budget had been submitted as specified in the circular. Further, no board approval and the concurrence of the Department of Public Enterprise had been obtained for the Company's Scheme of Recruitments and Promotions as required by section 9.3.1 of the circular.
(c) Section 2.2 of the Public Enterprises Circular No.PED 03 of 17 June 2015	Allowances aggregating to Rs.24,423,308 had been paid to the Chairman and the Board of Directors during the year under review without the recommendation of Secretary to the line Ministry and concurrence of Ministry of Finance.

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(d) Section 2 and 3 of the Public Enterprises Circular No.PED 1 of 18 September 2018. Two buses and a van cost of Rs.18,900,000 had been purchased without treasury approval.

2.2.3 to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.

2.2.4 to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018 except for;

(a) On the request made by the Minister of Mass Media on 26 November 2020, an independent consultant had been recruited to the Company on 07 December 2020. Subsequently the consultant had been released to the staff of Minister of Mass Media on 08 December 2020 and to the staff of Minister of Health on the 17 August 2021 and a sum of Rs.1,800,000 had been incurred by the Company as salaries of the consultant without getting any service to the Company.

(b) The Company had incurred a sum of Rs.1,200,000 to purchase 1200 shares of Lanka Puwath Ltd in December 2008. However, no return had been received even as at 31 December 2021. Further, a sum of Rs.2,194,637 had been incurred in year 2017 as salaries and wages of three employees of the Lanka Puwath Ltd had remained as receivable even as at 31 December 2021 without been recovered .

(c) A land with an extent of 8 acres where the revaluated amount was Rs.733,000,000 and located at Hokandara purchased for constructing a housing scheme had remained idle since the year 1985.

(d) Trade debtors balance as at 31 December 2021 was Rs.894,426,831 and confirmations had been sent to 712 debtors aggregating to Rs.648,483,238.



However, only 47 debtors aggregating to Rs.46,760,629 had responded as at 04 May 2021 and out of 47 debtors responded, only 08 debtors balances aggregating to Rs.4,159,423 had agreed with the balance of the Company. Meanwhile, trade debtors aggregating to Rs.154,569,393 had remained outstanding over one year without being recovered. Further, 28 debtors balances aggregating to Rs.16,885,458 had returned their confirmation letters.

2.3 Other Matters

- (a) The management had not taken proper actions to recover the debtors aggregating to Rs.24,434,086 had remained over 2 years without been recovered.
- (b) Lake House Property Development (Pvt) Ltd had been established in 1985 to engage in property development business. However, no cash flows generated from operating activities even up to May 2022.
- (c) Tender deposits aggregating to Rs.1,086,000 taken during year 2018 to 2019 had remained without settled even at the end of the year under review.
- (d) Although seven policies such as talent acquisition, promotion, leave policy, performance management etc. had been prepared in 2017 by paying Rs.2,250,000 to a consultant, the Board approval had been received only for the performance management policy as at 31 December 2021.
- (e) Staff receivables aggregating to Rs.7,193,905 from the employees who had retired, termination of service and deceased had remained for 1 to 20 years without been recovered.
- (f) The value of 350 dishonoured cheques at the end of the year under review was Rs.31,370,320. Out of that, 69 cheques valued at Rs.2,155,046 and 10 cheques valued at Rs.1,478,779 had remained outstanding over more 5 and 25 years respectively without taking effective measures to recover them.

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- (g) The Company had allowed Government Ministries, Departments, Corporations and Individuals to subscribe for Company's publications and the balance outstanding as at the end of the year under review was Rs.19,961,081. Out of that, a sum of Rs.2,171,715 had remained over 01 to 10 years and no action had been taken to recover those balances even as at the end of the year under review.
- (h) Although the "Code of Ethics for Journalists" had been published in Extraordinary Gazette No.162/5 of 14 October 1981 and 15 defamation cases had been filed against the Company as at 31 December 2019. For one defamation case out of 15 cases filed against the Company relating to an article appeared in "Silumina", on 18 November 2007, a weekend newspaper, the plaintiff had claimed Rs.500 million from the Company. When this case was summoned in year 2010 at the District Court, Colombo, the defendants and the Company's Attorney –at –Law who represented the Company had not appeared at the relevant room of the court. Hence, the Court had decided to give the judgement in favour of the Plaintiff. Although, Company had filed petitions against this verdict at the District Court and Civil Appeal High Court, Colombo, both appeals had been refused.

Subsequently, Company had decided to make an appeal from the Supreme Court and the Board of Directors by their decision number F104.19 on 30 August 2019 had decided to select a Senior President Counsel and his assistants to present for this case on behalf of the Company. Accordingly, full amount as their legal fee amounting to Rs.18,230,000 had been paid on 09 October 2019 and the selection of Counsel had been forwarded to the Board by the same Attorney-at –Law who presented to a wrong court room for this case. Further, this Attorney-at –Law had retired on 08 April 2020 and then had been reappointed on 15 May 2020 on contract basis. No disciplinary action had been taken against the officer up to now.

- (i) The board approval had not been obtained for the cadre prepared on 06 June 2017 even up to the date of 23 May 2022 and as per the cadre, the general staff and the editorial staff was 658 and 327 respectively. However, the actual general and editorial staff was 875 and 423 respectively. Hence, the excess staffs were 313. Further, 407 employees were on contract basis as at the end of the year under review. The staff cost as a

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percentage from revenue was stood at 52 per cent and 62 per cent respectively during the year under review and the preceding year.

- (j) According to the newspaper sales agent agreement of the Company, the minimum deposit of an agent is equal to the value of the amount of newspapers received by a newspaper agent within 7 weeks. However, no deposits had been obtained from 24 active agents who had aggregate loans amounting to Rs.1,563,699 as at 30 June, 2021.
- (k) The Company had continuously issued free copies of publications to various categories. Accordingly, 1,154,607 copies from main seven newspapers and 87,898 copies from 14 periodicals had been issued in free during the year under review. The highest free copies out of printed copies had been issued from “Dinamina” representing 22 per cent from printed copies. The cost involved with these free copies was amounted to Rs.84,383,996.


W.P.C. Wickramaratne
Auditor General

STATEMENT OF FINANCIAL POSITION

As at 31 st December	Notes	Company		Group	
		2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
ASSETS					
Non Current Assets					
Property, Plant & Equipment	06	1,461,362	197,723	1,461,362	197,723
Investment Property	07	21,522	23,178	21,522	23,178
Intangible Assets	08	7,471	12,507	7,471	12,507
Long Term Financial Assets	09	215,720	206,748	215,720	206,748
Investment in Subsidiaries	10	7,500	7,500	-	-
Deferred Tax Assets	11	69,276	64,796	69,276	64,796
Plan Asset	23	246,538	201,203	246,538	201,203
Staff Receivables	14	77,297	87,712	77,297	87,712
Total Non Current Assets		2,106,685	801,367	2,099,185	793,867
Current Assets					
Inventories	12	423,980	321,574	423,980	321,574
Trade & Other Receivables	13	801,317	747,366	820,009	766,058
Staff Receivables	14	45,096	54,809	45,096	54,809
Current Tax Assets	28	19,667	35,069	19,667	35,069
Cash & Cash Equivalents	15	32,695	70,485	32,695	70,485
Total Current Assets		1,322,755	1,229,302	1,341,447	1,247,995
Total Assets		3,429,440	2,030,669	3,440,633	2,041,862
EQUITY & LIABILITIES					
Equity					
Stated Capital	16	34,837	34,837	34,837	34,837
Revaluation Reserves		1,284,029	-	1,284,029	-
Retained Earnings		516,380	170,916	527,543	182,089
Total Equity		1,835,246	205,753	1,846,410	216,927
Liabilities					
Non-Current Liabilities					
Deposits	17	167,343	162,668	167,343	162,668
Borrowings	18	253,135	210,441	253,135	210,441
Leases	19	11,274	-	11,274	-
Employee Benefit Obligations	23	676,350	704,703	676,350	704,703
Provision For Claims	20	51,844	24,920	51,844	24,920
Total Non-Current Liabilities		1,159,947	1,102,732	1,159,947	1,102,732
Current Liabilities					
Borrowings	18	238,239	456,156	238,239	456,156
Leases	19	2,887	-	2,887	-
Provisions - Other	21	39,084	27,407	39,084	27,407
Trade & Other Payables	22	154,038	238,621	154,068	238,641
Total Current Liabilities		434,248	722,184	434,277	722,204
Total Liabilities		1,594,195	1,824,916	1,594,224	1,824,936
Total Equity & Liabilities		3,429,440	2,030,669	3,440,633	2,041,862

The accounting policies and notes to the Financial Statements form an integral part of these Financial Statements. It is certified that these Financial Statements have been prepared in compliance with the requirements of Companies Act No. 7 of 2007.



Virajith Bois

Senior - DGM Finance

Board of Directors is responsible for the preparation and presentation of these Financial Statements which were approved by the Board of Directors and signed on their behalf.



W. Dayaratne, PC

Chairman & Managing Director



Janaka Ranatunga

Director- Finance



Rakhitha Abeygoonawardhana

Director- Legal & Administration

15th March 2022
Colombo

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 st December	Notes	Company		Group	
		2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Revenue	24	2,217,890	1,911,259	2,217,890	1,911,259
Cost of sales		(928,349)	(922,057)	(928,349)	(922,057)
Gross profit		1,289,541	989,202	1,289,541	989,202
Other income	25	499,247	161,726	499,247	161,726
		1,788,788	1,150,928	1,788,788	1,150,928
Administrative expenses		(1,001,331)	(991,474)	(1,001,340)	(991,483)
Distribution expenses		(309,885)	(310,526)	(309,885)	(310,526)
Operating profit	26	477,573	(151,072)	477,563	(151,081)
Finance expenses		(53,608)	(66,768)	(53,608)	(66,768)
Profit before VRS		423,964	(217,840)	423,955	(217,850)
Voluntary Retirement Scheme (VRS) Costs	27	(91,952)	-	(91,952)	-
Profit before tax & FV adjustment		332,012	(217,840)	332,002	(217,850)
Tax expense	28	4,480	21,685	4,480	21,685
Fair value adjustment		8,971	9,632	8,971	9,632
Profit for the year		345,463	(186,523)	345,454	(186,533)
Profit attributable to owners of the parent		345,463	(186,523)	345,454	(186,533)
Other Comprehensive Income					
Revaluation of Lands		1,284,029	-	1,284,029	-
Total Comprehensive income for the period		1,629,493	(186,523)	1,629,483	(186,533)
Profit attributable to owners of the parent		1,629,493	(186,523)	1,629,483	(186,533)

STATEMENT OF CHANGES IN EQUITY

Company

	Stated Capital LKR '000	Revaluation Reserves LKR '000	Retained Earnings LKR '000	Total LKR '000
Balance as at 1 st January 2020	34,837	-	357,440	392,276
Profit for the year 2020	-	-	(186,523)	(186,523)
Dividends	-	-	-	-
Balance as at 31st December 2020	34,837	-	170,916	205,752
Profit for the year 2021	-	-	345,463	345,463
Revaluation of Lands	-	1,284,029	-	1,284,029
Dividends	-	-	-	-
Balance as at 31st December 2021	34,837	1,284,029	516,380	1,835,245

Group

	Stated Capital LKR '000	Revaluation Reserves LKR '000	Retained Earnings LKR '000	Total LKR '000
Balance as at 1 st January 2020	34,837	-	368,622	403,462
Profit for the year 2020	-	-	(186,533)	(186,533)
Dividends	-	-	-	-
Balance as at 31st December 2020	34,837	-	182,089	216,929
Profit for the year 2021	-	-	345,454	345,454
Revaluation of Lands	-	1,284,029	-	1,284,029
Dividends	-	-	-	-
Balance as at 31st December 2021	34,837	1,284,029	527,543	1,846,412

STATEMENT OF CASH FLOWS



For the year ended 31 st December	Notes	Company		Group	
		2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Net profit before tax & fair value adjustment		332,012	(217,840)	332,002	(217,850)
Adjustments					
Depreciation/Amortization		62,178	69,605	62,178	69,605
Provision for trade & other receivables		13,262	25,947	13,262	25,947
Provision for claims against the company		26,924	4,920	26,924	4,920
Provisions - Other		29,905	27,437	29,905	27,437
Income Tax written off		15,401	-	15,401	-
Gratuity provision		113,793	151,463	113,793	151,463
Finance expenses		53,608	66,768	53,608	66,768
Rental income		(74,024)	(76,384)	(74,024)	(76,384)
Interest income		(15,723)	(23,353)	(15,723)	(23,353)
Dividend income		(8,109)	(3,736)	(8,109)	(3,736)
(Profit)/loss on sale of property, plant & equipment		(1,267)	(7,002)	(1,267)	(7,002)
Operating cash flow before working capital changes		547,961	17,826	547,951	17,816
Changes in working capital					
(Increase)/decrease in inventories		(102,407)	49,226	(102,407)	49,226
(Increase)/decrease in trade & other receivables		(56,311)	(82,695)	(56,311)	(82,705)
Increase/(decrease) in trade & other payables		(83,192)	(25,372)	(83,182)	(25,352)
Cash generated from operations		306,051	(41,015)	306,051	(41,015)
Interest paid		(53,628)	(66,775)	(53,628)	(66,775)
Payment - other provisions		(18,085)	(3,577)	(18,085)	(3,577)
Gratuity paid		(142,146)	(100,327)	(142,146)	(100,327)
Income tax paid		-	(5,246)	-	(5,246)
Payment for claims against the company		-	-	-	-
Cash flow from operating activities		92,192	(216,941)	92,193	(216,941)
Investing activities					
Purchase of property, plant & equipment		(35,096)	(6,996)	(35,096)	(6,996)
Sale of property, plant & equipment		1,267	7,051	1,267	7,051
Purchase of intangible assets		-	(1,300)	-	(1,300)
Increase/(decrease) in Plan Asset - Gratuity Trust Fund		(45,334)	112,104	(45,334)	112,104
Rental income		81,706	53,999	81,706	53,999
Interest received		15,723	23,353	15,723	23,353
Dividend received		8,109	3,736	8,109	3,736
Investment in shares		-	(322)	-	(322)
Cash flow from investing activities		26,374	191,624	26,374	191,624
Financing activities					
Cash proceeds from loans obtained during the year		140,000	200,000	140,000	200,000
Loan repayments during the year		(101,316)	(63,253)	(101,316)	(63,253)
Finance Lease		16,170	-	16,170	-
Repayment of lease		(2,010)	-	(2,010)	-
Cash flow from financing activities		52,844	136,747	52,844	136,747
Net change in cash & cash equivalents		171,410	111,429	171,411	111,430
Cash & cash equivalent as at 1st January		(265,036)	(376,465)	(265,036)	(376,465)
Cash & cash equivalent as at 31st December	15	(93,626)	(265,036)	(93,626)	(265,036)

NOTES TO THE FINANCIAL STATEMENTS

The Associated Newspapers of Ceylon Ltd

Notes to the Financial Statements for the year ended 31st December 2021

1. CORPORATE INFORMATION

1.1. General

The Associated Newspapers of Ceylon Limited is a limited liability Company and domiciled in Sri Lanka. The registered office and the principal place of business is located at No. 35, D.R. Wijewardene Mawatha, Colombo 10. Business activities are carried out in following locations too.

1. Kandy Branch :- No. 22, Dalada Veediya, Kandy
2. Kataragama Branch :- Sri Rewatha Mawatha, Kataragama
3. Matara Branch :- No 29,30,31, New Bus Stand Shopping Complex, Matara
4. Anuradhapura Branch :- Harischandra Mawatha, New town, Anuradhapura
5. Jaffna Branch :- No. 364, K.K.S. Road, Jaffna

The consolidated Financial Statements for the year ended 31 December 2021, comprise the Parent Company and its Subsidiaries (together referred to as the “Group”).

1.2. Principal Activities and Nature of Operations

Parent Company

During the year, the principal activities of the Company were printing and publishing newspapers, periodicals, magazines and the commercial printing. The Company has corporate headquarters and printing plants in Colombo and sells mainly in Sri Lanka.

Subsidiaries

During the year, the principal activity of the subsidiary is as follows;

■ Lake House Property Development (Pvt) Ltd

The Company formed its first fully owned subsidiary, Lake House Property Development (Pvt) Ltd in 1985 with the intention of diversifying into property development business but has not commenced operations yet.

2. BASIS OF PREPARATION

The statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, together with accounting policies and notes, (“Financial Statements”) of the Group as at 31 December 2021 and for the year then ended have been prepared in accordance with the Sri Lanka Accounting Standard for Small and Medium-sized Entities issued by the Institute of Chartered Accountants of Sri Lanka. (hereafter “ SLFRS for SMEs”).

These Financial Statements are presented in Sri Lankan Rupees and all financial information presented in Sri Lankan Rupees has been rounded to the nearest thousand.

NOTES TO THE FINANCIAL STATEMENTS



2.1.1 Statement of Compliance

The Consolidated Financial Statements of the Group have been prepared in accordance with the SLFRS for SMEs. The preparation and presentation of these Financial Statements is in compliance with the Companies Act No. 07 of 2007.

2.1.2 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and not intend either to liquidate or to cease trading.

3. BASIS OF CONSOLIDATION

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at 31st December 2021.

Subsidiaries are consolidated from the date of incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

Unrealized gains and losses on transactions between Group companies are eliminated. When unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment. Amounts reported in Financial Statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. Foreign Currency Translation

The Financial Statements are presented in Sri Lanka Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4.2. Taxation

Current Taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates

NOTES TO THE FINANCIAL STATEMENTS

and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act. Tax is recognized in the income statement, except that a change attributable to an item of income or expense recognized as other comprehensive income is also recognized directly in other comprehensive income.

Deferred Taxation

Deferred income tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward unused tax assets and unused tax losses can be utilized except, where the deferred income tax assets relating to the deductible temporary difference arisen from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

Deferred income tax assets and liabilities are measured at the rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced by the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

4.3. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS



4.4. Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. Cost is determined using the first-in, first-out method except for reel newsprint which is valued at weighted average basis. Inventories are assessed for impairment at each reporting date. Impairment losses on inventory are recognized immediately in the profit and loss.

4.5. Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of the statement of cash flow, cash and cash equivalents consist of cash on hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisitions are also treated as cash equivalents.

The previous year's figures and phrases in the cash flow statement are rearranged wherever necessary to conform to the current year's position.

4.6. Property, Plant and Equipment

Cost

Property, Plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

Depreciation

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight line method. The following annual rates are used for the depreciation of property, plant and equipment:

Buildings - Old	25 years
Buildings - New	20 years
Plant and Machinery	08 years
Motor Vehicle	04 years
Furniture & Fittings	08 years
Computer and Installations	04 years
Air conditioners	04 years

Depreciation of an asset begins when it is available for use and ceases when the asset is derecognized. If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

NOTES TO THE FINANCIAL STATEMENTS

Capital Work- in Progress

Capital work-in progress is stated at cost. These are expenses of a capital nature directly include in the construction work of long term capital projects. Expenses that are in the capital nature are accounted for as capital work-in progress until the projects are completed and the related assets are available for use.

Revaluation

All lands owned by the Company were revalued as at 31 December 2021 and the carrying value amounted to LKR. 1,287 Mn (2020 - LKR. 3.8 Mn). The information related to revaluation is given in Note 6 to the Financial Statements.

De-recognition

An item of property, plant and equipment any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Reclassification to Investment Property

When the use of a property changes from owner-occupied to investment property, the property is reclassified to investment property and is stated at cost.

4.7. Investment property

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at its cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self- constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

Investment properties are de-recognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the Statement of Profit or Loss in the period of de-recognition.

NOTES TO THE FINANCIAL STATEMENTS

Transfers are made to (or from) investment property only when there is a change in use. Transfers between investment property, owner-occupied property do not change the carrying amount of the property transferred from owned property to investment property is transferred at the carrying value, which would be the deemed cost for subsequent accounting purposes.

4.8. Leases

A lease is classified as a Finance Lease if it transfers substantially all the risks and rewards of ownership of the leased asset to the Group. The related asset is then recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental costs, if any. A corresponding amount is recognized as a finance lease liability.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Group. The corresponding finance lease liability is reduced by lease payments less finance charges, which are expensed as part of finance costs. The interest element of lease payments is calculated using the effective interest method to represent a constant proportion of the capital balance outstanding and is charged to profit and loss over the period of the lease. All other leases are treated as operating leases. Payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

4.9. Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for intangible assets with finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expenses on intangible assets with finite lives are recognized in the income statement in the expense category consistent with the function of the intangible assets.

Computer Software

Computer Software is amortized over the 4 years from the date of acquisition or development.

NOTES TO THE FINANCIAL STATEMENTS

4.10. Financial Instrument- Initial recognition and subsequent measurement

4.10.1. Financial Assets

Trade and Other Receivables and Cash and Cash Equivalents

These Financial Assets are recognized initially at the transaction price. Subsequently they are measured at amortized cost using the effective interest method, less provision for impairment. Sales are made on normal credit terms and trade receivables do not bear interest. Where there is objective evidence that the carrying amounts of receivables are not recoverable, an impairment loss is recognized in profit or loss. Trade receivables which are outstanding for more than a year are provided in full.

Long Term Financial Assets

Long term Financial Assets comprise investments in equity securities. They are recognized initially at transaction price. After initial recognition, investments in equities that are publicly traded or for which the fair value can be measured reliably, are measured at fair value with changes in fair value recognized in profit or loss. Other equity investments are measured at cost less any impairment.

4.10.2. Financial Liabilities

The Group's Financial Liabilities include borrowings and trade and other payables. Financial Liabilities are recognized initially at transaction price. After initial recognition they are measured at amortized cost using the effective interest method. Trade payables are on normal credit terms and do not bear interest.

4.11. Post Employment Benefits, Short-Term Employee Benefits and Termination Benefits

4.11.1. Post-employment Benefits

a) Defined Contribution Plans (EPF, ETF)

The group provides post-employment benefits through defined contribution plans (EPF, ETF) under which the Group pays fixed contributions to independent entities. Contributions to the plans are recognized as an expense in the period when the contributions are payable and any unpaid amounts are recognized in current liabilities.

b) Defined Benefit Plans (Gratuity)

The liability for retiring gratuity payable under Gratuity Act No. 12 of 1983 has been funded fully by creation of an independent Trust. The extra retiring gratuity to make up the total payable in accordance with the scheme of the Company has been provided fully in the accounts of the Company in respect of all the employees from the commencement of the employment. The liability of the gratuity is calculated using the simplifications allowed under section 28 of SLFRS for SMEs.

Basis of payment of retiring gratuity for employees joined before 05th of June 2008 under the Company's scheme is as follows

NOTES TO THE FINANCIAL STATEMENTS

Service at retirement in number of years	No of weeks salary for each year of service
Over 25	6
20 to 25	4
05 to 20	3

Basis of payment of retiring gratuity for employees joined on or after 05th of June 2008 under the Company's scheme is as follows

Service at retirement in number of years	No of weeks salary for each year of service
Over 20	3
05 to 20	2

4.11.2. Short-Term Employee Benefits

Short-term Employee Benefits including holiday entitlement are current liabilities included in 'Other Payables' and are measured at the undiscounted amount the Group expects to pay as a result of the unused entitlement.

4.12. Revenue Recognition

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services rendered, excluding sales taxes, rebates and trade discounts. Nation Building Tax is included in Administrative Expenses.

4.12.1. Sale of Goods (Circulation)

The Group dispatches newspapers, periodicals and magazines to the newsagents, street sellers, corporate institutions and to individuals. Revenue is recognized when the customer has taken undisputed delivery of the goods.

4.12.2. Rendering of Services (Advertising)

The Group publishes numerous newspapers, periodicals and magazines and sells advertising space in each publication. Other than prepaid advertisements, revenue is recognized on the date of issue of the relevant publication.

4.12.3. Rental Income

Rental income from leased properties is recognized on accrual basis.

4.12.4. Interest and Dividend Income

Interest income is recognized on an accrual basis using the effective interest method. Dividend income is recognized at the time the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

4.12.5. Others

Other income is recognized on an accrual basis. Net Gains and losses of a revenue nature on the disposal of property, plant & equipment have been accounted for in the income statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

4.13. Significant Accounting Assumptions, Judgements, and Estimates

In the process of applying the group accounting policies, management is required to make judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Financial Statements. Further management is required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the Financial Statements. The key items as such are discussed below.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. Accordingly, the thermal power plants in which the group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. The group exercised significant judgment in determining criteria that individually or in combination would lead to lease being classified as a finance lease or operating lease.

Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments

Reviews of Impairment Losses on non financial assets

The group determines whether assets have been impaired by performing an impairment review. This requires the estimation of the 'value in use' of the cash generating units. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the group to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

Impairment Losses on Trade and Other Receivables

Trade and other receivables that have been assessed individually and found not to be impaired and all individually insignificant receivables are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the receivable portfolio (such as levels of arrears, credit utilization, etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

Taxes

The Group is subject to income taxes and other taxes including VAT. Significant judgment was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS for SMEs in the Financial Statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The Group recognized assets and liabilities for current, deferred and other taxes on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income, deferred and tax amounts in the period in which the determination is made.

Deferred tax assets are recognized for unused tax losses & gratuity trust fund liability to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Useful lives of Property, Plant & Equipment

The group reviews the assets' residual values, useful lives and methods of depreciation at each reporting date. Judgment by the management is exercised in the estimation of these values, rates, methods.

4.14. Related Party Transactions

The Group's related parties include its subsidiaries and key management personnel. None of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances were unsecured and are usually settled in cash.

4.14.1. Transactions with Key Management Personnel

Related parties include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company. Key management personnel include members of the Board of Directors of the Company.

NOTES TO THE FINANCIAL STATEMENTS

Name of the Director	Designation
W. Dayaratne, PC	Chairman & Managing Director
Rakhitha Abeygoonawardhana	Director
Canishka Gaya Witharana	Director
Janaka Ranatunga	Director
Dharma Sri Kariyawasam	Director

Directors' emoluments' amounted to LKR 27 mn is disclosed in Note 26 to the Financial Statements.

4.14.2. Transactions with Subsidiaries

Lake House Property Development (Private) Ltd

The Subsidiary transferred its land & land development cost of LKR 3.8 mn in the year 2014. During the year parent has not incurred any expenses on behalf of the subsidiary Company. The total amount payable to the subsidiary stood at LKR 18.7 mn as at 31st December 2021.

4.15. Contingent Liabilities

There are 33 cases pending against the Company awaiting adjudication. Details of the provisions are disclosed in Note 20 to the Financial Statements. Board approval was granted to estimate 0.4% of the total value of claims as a provision for claims against the company in Financial Statements from the year 2020 onwards.

5.1. Comparatives

The Accounting Policies are consistently applied by the Company and are consistent with those of the previous year other than those required by the SLFRS for SMEs. The previous year's figures and phrases are re-arranged wherever necessary to conform to the current year's presentation.

5.2. Events occurring after the balance sheet date

All material events occurring after the balance sheet date are considered and where appropriate adjustments to or disclosures are made in the respective notes to the accounts.

NOTES TO THE FINANCIAL STATEMENTS

Note 06

6.1 Property, Plant & Equipment [PPE] - (Company)

Cost

Item	Balance 1/1/2021 LKR'000	Revaluation in 2021 LKR'000	Additions in 2021 LKR'000	Disposals in 2021 LKR'000	Transfers in 2021 LKR'000	Balance 31/12/2021 LKR'000
Free hold land	3,830	1,284,029	-	-	-	1,287,859
Building	112,133	-	1,217	-	-	113,350
Computer and installations	190,699	-	5,455	-	-	196,154
Plant & machinery	1,392,176	-	4,434	-	(940)	1,395,669
Motor vehicle & garage equipment	64,972	-	1,117	(1,392)	-	64,697
Leasehold Motor Vehicles	-	-	18,900	-	-	18,900
Furniture fittings & equipments	48,669	-	502	-	-	49,171
Total	1,812,479	1,284,029	31,624	(1,392)	(940)	3,125,801

Depreciation

Item	Balance 1/1/2021 LKR'000	Revaluation in 2021 LKR'000	Additions in 2021 LKR'000	Disposals in 2021 LKR'000	Transfers in 2021 LKR'000	Balance 31/12/2021 LKR'000
Free hold land	-	-	-	-	-	-
Building	74,187	-	2,708	-	-	76,896
Computer and installations	181,867	-	6,000	-	-	187,866
Plant & machinery	1,259,378	-	38,975	-	-	1,298,353
Motor vehicle & garage equipment	63,683	-	272	(1,392)	-	62,563
Leasehold Motor Vehicles	-	-	3,938	-	-	3,938
Furniture fittings & equipments	37,093	-	2,654	-	-	39,747
Total	1,616,208	-	54,547	(1,392)	-	1,669,363

Carrying value

Item	As at 31/12/2021 LKR'000	As at 31/12/2020 LKR'000
Free hold land	1,287,859	3,830
Building	36,455	37,947
Computer and installations	8,288	8,832
Plant & machinery	97,316	132,798
Motor vehicle & garage equipment	2,134	1,288
Furniture fittings & equipments	9,423	11,576
Leasehold Motor Vehicles	14,963	-
Capital work-in-progress	4,924	1,452
Total	1,461,362	197,723

NOTES TO THE FINANCIAL STATEMENTS

Note 06

6.2 Property, Plant & Equipment (PPE) - (Group)

Cost

Item	Balance 1/1/2021 LKR'000	Revaluation in 2021 LKR'000	Additions in 2021 LKR'000	Disposals in 2021 LKR'000	Transfers in 2021 LKR'000	Balance 31/12/2021 LKR'000
Free hold land	3,830	1,284,029	-	-	-	1,287,859
Building	112,132	-	1,217	-	-	113,349
Computer and installations	190,699	-	5,455	-	-	196,154
Plant & machinery	1,392,176	-	4,434	-	(940)	1,395,669
Motor vehicle & garage equipment	64,972	-	1,117	(1,392)	-	64,697
Leasehold Motor Vehicles	-	-	18,900	-	-	18,900
Furniture fittings & equipments	48,669	-	502	-	-	49,171
Total	1,812,478	1,284,029	31,624	(1,392)	(940)	3,125,800

Depreciation

Item	Balance 1/1/2021 LKR'000	Revaluation in 2021 LKR'000	Additions in 2021 LKR'000	Disposals in 2021 LKR'000	Transfers in 2021 LKR'000	Balance 31/12/2021 LKR'000
Free hold land	-	-	-	-	-	-
Building	74,187	-	2,708	-	-	76,896
Computer and installations	181,867	-	6,000	-	-	187,866
Plant & machinery	1,259,378	-	38,975	-	-	1,298,353
Motor vehicle & garage equipment	63,683	-	272	(1,392)	-	62,563
Leasehold Motor Vehicles	-	-	3,938	-	-	3,938
Furniture fittings & equipments	37,093	-	2,654	-	-	39,747
Total	1,616,208	-	54,547	(1,392)	-	1,669,363

Carrying value

Item	As at 31/12/2021 LKR'000	As at 31/12/2020 LKR'000
Free hold land	1,287,859	3,830
Building	36,454	37,946
Computer and installations	8,287	8,832
Plant & machinery	97,317	132,798
Motor vehicle & garage equipment	2,134	1,288
Furniture fittings & equipments	9,424	11,576
Leasehold Motor Vehicles	14,963	-
Capital work-in-progress	4,924	1,452
Total	1,461,361	197,723

NOTES TO THE FINANCIAL STATEMENTS



6.3

Free Hold Land of ANCL

1. Land at Hokandara
2. Land at Kotahena

6.4

Head office land which is on 99 year lease terms is treated as operating lease and the agreement will expire on 18th December 2024.

6.5

Kataragama land which is on 99 year lease terms is treated as operating lease and the agreement will expire on 13th July 2087.

6.6

Kataragama Building which was constructed in year 2015, was reclassified as "Investment Property" and is stated at cost.

6.7

During the period the Group acquired Property, Plant & Equipment to the aggregate value of LKR 35 Mn {year 2020 - LKR 7.0 Mn}.

6.8

Property, Plant and Equipment includes fully depreciated assets at a cost of LKR.1,468 Mn used to generate cash flows and company will reassess its useful life.

6.9 Revaluation

Revaluation of Lands

6.9.1 Accounting judgments, estimates and assumptions

The Company uses the revaluation model of measurement of lands. The Company engaged independent expert valuer to determine the fair value of its lands. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property.

These valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The most recent revaluation was carried out during the period ended 31st December 2021.

The changes in fair value are recognized in other comprehensive income and in the statement of equity. The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property.

The valuations as of 31st December 2021 were contained a higher estimation uncertainty as there were fewer market transactions which are ordinarily a strong source of evidence regarding fair value, the value reflected represents the best estimate based on the market conditions that prevailed, which in valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement including SLFRS for SMEs.

NOTES TO THE FINANCIAL STATEMENTS

Note 06

6.9.2

Land	Name of the Chartered Valuation Surveyor	Estimated Price Per Perch	Method of Valuation
Hokandara	A.A.M. Fathihu	LKR 500,000 - LKR 1,250,000	Open market value adjusted based on the assumptions on National Development Plan
Kotahena	-Do-	LKR 4,750,000 - LKR 6,000,000	Open Market Value

Effective date of valuation was 31st December 2021

Note 07

Investment Property

As at 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Opening Balance	23,178	24,833	23,178	24,833
Changes in Fair Value	-	-	-	-
Depreciation/Amortization	(1,656)	(1,656)	(1,656)	(1,656)
Closing Balance	21,522	23,178	21,522	23,178

Kataragama Building at Sri Rewatha Mawatha, Kataragama which was constructed in year 2015, was reclassified as "Investment Property" and is stated at cost.

Note 08

Intangible Assets

As at 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Opening Balance	12,507	20,884	12,507	20,884
Reclassification from PPE	940	-	940	-
Additions	-	1,300	-	1,300
Changes in Fair Value	-	-	-	-
Depreciation/Amortization	(5,976)	(9,678)	(5,976)	(9,678)
Closing Balance	7,471	12,507	7,471	12,507

NOTES TO THE FINANCIAL STATEMENTS

Note 09

Financial Assets and Financial Liabilities

As at 31 st December	2021		2020	
	LKR '000	No. of Shares	LKR '000	No. of Shares
Financial assets				
Measured at fair value through profit or loss				
Long term financial assets				
Cargills Ceylon Ltd, Ordinary shares of Rs 1/-	196,761	914,103	187,391	914,103
Commercial Bank, NV ordinary shares of Rs 10/-	12,239	169,993	11,612	165,645
Housing Dev.Fin.Corp. Ordinary shares of Rs 10/-	5,490	180,000	6,516	180,000
Total	214,490		205,519	
Measured at cost less impairment				
Long term financial assets				
Lanka Puwath Ltd, Ordinary shares of Rs 1,000/-	1,213	1,213	1,213	1,213
Press Trust of Ceylon Ltd, Ord.shares of Rs 100/- *	60	600	60	600
National Newspapers & Paper Mills Ltd *	1	100	1	100
Associated Investments Ltd, Ord.shares of Rs 100/- *	29	3,480	29	3,480
Galle Face Hotel Co.Ltd, Ord.shares of Rs 100/-	16	4	16	4
Total	1,319		1,319	
Less-Provision for loss on Associate Companies	(90)	-	(90)	-
Total long term financial assets	215,720		206,748	

* In respect of investment of Rs. 60,000/- in Press Trust of Ceylon Ltd, Rs.29,000/- in Associate Investments Ltd and Rs.1,000/- in National Newspapers & Paper Mills Ltd - 100% provision is made in the accounts as the amounts are unrecoverable.

Note 10

Investment in Subsidiaries

As at 31 st December	Share Holding		Company	
	2021 - %	2020 - %	2021 LKR '000	2020 LKR '000
Lake House Property Development (Pvt) Ltd	100%	100%	7,500	7,500
Provision for loss on investment in subsidiary companies			-	-
Total			7,500	7,500

NOTES TO THE FINANCIAL STATEMENTS

Note 11

Deferred Tax

As at 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Deferred Tax Liabilities				
Property, Plant & Equipment	30,470	40,352	30,470	40,352
Deferred Tax Assets				
Defined Benefit Obligations	(99,747)	(105,148)	(99,747)	(105,148)
Net Deferred Tax Liabilities	(69,276)	(64,796)	(69,276)	(64,796)

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced by the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed (including Gratuity Trust Fund Liability and tax losses) at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Note 12

Inventories

As at 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Newsprint	167,591	97,938	167,591	97,938
Machinery spares	137,030	129,606	137,030	129,606
Motor vehicle spares	4,446	3,687	4,446	3,687
Commercial printing materials	95,764	71,818	95,764	71,818
Others	19,705	18,193	19,705	18,193
Work-in-progress (Commercial printing)	558	332	558	332
	425,093	321,574	425,093	321,574
Less - Provision for inventories	(1,113)	-	(1,113)	-
Total	423,980	321,574	423,980	321,574

NOTES TO THE FINANCIAL STATEMENTS



Note 13

Trade and Other Receivables

As at 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Trade receivables				
Trade receivables	935,020	860,151	935,020	860,151
Provision for doubtful trade receivables	(154,569)	(141,307)	(154,569)	(141,307)
Net trade receivables	780,450	718,843	780,450	718,843
Other receivables				
Current accounts with subsidiaries	(18,692)	(18,692)	-	-
Other receivables	41,768	49,424	41,768	49,424
	23,076	30,732	41,768	49,424
Provision for doubtful other receivables	(2,210)	(2,210)	(2,210)	(2,210)
Net other receivables	20,866	28,522	39,559	47,215
Total	801,317	747,366	820,009	766,058

Note 14

Staff Receivables

As at 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Non-current				
Staff Receivables	77,297	87,712	77,297	87,712
Total	77,297	87,712	77,297	87,712
Current				
Staff Receivables	45,096	54,809	45,096	54,809
Total	45,096	54,809	45,096	54,809
Total Staff Receivables	122,393	142,521	122,393	142,521

NOTES TO THE FINANCIAL STATEMENTS

Note 15

Cash and Cash Equivalents

As at 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Cash at bank and in hand	32,160	69,167	32,160	69,167
Short term bank deposits	535	1,317	535	1,317
Total	32,695	70,485	32,695	70,485

Cash and cash equivalents include the following for the purpose of the cash flow statement,

Cash and cash equivalents as stated above	32,695	70,485	32,695	70,485
Bank overdrafts (Note 18)	(126,321)	(335,521)	(126,321)	(335,521)
	(93,626)	(265,036)	(93,626)	(265,036)

Cash Flow Statement

The previous year's figures and phrases are rearranged wherever necessary to conform to the current year's position.

Note 16

Stated Capital

As at 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Authorized capital, 5,000,000 ordinary shares of Rs. 10/- each	50,000	50,000	50,000	50,000
Issued & fully paid capital, 3,483,714 ordinary shares of Rs. 10/- each	34,837	34,837	34,837	34,837

Note 17

Deposits

As at 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Newspaper agents	112,612	107,348	112,612	107,348
Regular advertisers	50,068	50,772	50,068	50,772
Other deposits	4,663	4,548	4,663	4,548
Total	167,343	162,668	167,343	162,668

NOTES TO THE FINANCIAL STATEMENTS

Note 18

Borrowings

As at 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Non-current				
Bank loans	253,135	210,441	253,135	210,441
Total	253,135	210,441	253,135	210,441
Current				
Bank overdrafts	126,321	335,521	126,321	335,521
Bank loans	111,918	120,635	111,918	120,635
Total	238,239	456,156	238,239	456,156
Total borrowings	491,374	666,597	491,374	666,597

Assets Pledge

The Following Securities are given against the bank facilities.

Name of Bank	Nature of Liabilities	Facility Granted LKR '000	Balance as at 31.12.2021 LKR '000	Assets Pledged
Commercial Bank	Term Loan	395,000	227,330	Primary Mortgage over land at Hokandara
Bank of Ceylon	Import Loan	550,000	23,974	Negative Pledge over Property at No. 35, D.R.Wijewardene Mawatha, Colombo 10
	Term Loan	140,000	113,750	
	Overdraft	200,000	-	
People's Bank	Overdraft	85,000	-	Quoted Public Shares
DFCC	Import Loan	100,000	-	Newsprint, Debtors
	Overdraft	150,000	80,723	

NOTES TO THE FINANCIAL STATEMENTS

Note 19

Leases

As at 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Non-current				
Lease Creditor	12,950	-	12,950	-
Interest in Suspense	(1,676)	-	(1,676)	-
Total	11,274	-	11,274	-
Current				
Lease Creditor	3,984	-	3,984	-
Interest in Suspense	(1,098)	-	(1,098)	-
Total	2,887	-	2,887	-
Total Lease Creditors	14,160	-	14,160	-

Note 20

Provision for Claims Against the Company

As at 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Carrying amount at the beginning of the year	24,920	20,000	24,920	20,000
Provision for the year	26,924	4,920	26,924	4,920
Payments made during the year	-	-	-	-
Carrying amount at the end of the year	51,844	24,920	51,844	24,920

Note 21

Provision - Others

As at 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Carrying amount at the beginning of the year	27,407	3,577	27,407	3,577
Provision for the year	29,762	27,407	29,762	27,407
Payments made during the year	(18,085)	(3,577)	(18,085)	(3,577)
Carrying amount at the end of the year	39,084	27,407	39,084	27,407

NOTES TO THE FINANCIAL STATEMENTS

Note 22

Trade & Other Payables

As at 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Trade payables	61,068	138,359	61,068	138,359
Value Added Tax	14,999	12,309	14,999	12,309
Deferred income - unexpired subscription	3,153	3,096	3,153	3,096
Tender deposits	4,761	5,056	4,761	5,056
Other payables	70,057	79,801	70,087	79,821
Total	154,038	238,621	154,068	238,641

Note 23

Employee Benefits

Defined benefit plan - Gratuity

The liability for retiring gratuity payable under Payment of Gratuity Act No. 12 of 1983 has been funded fully by creation of an independent Trust. The extra retiring gratuity to make up the total payable in accordance with the scheme of the company has been provided fully in the accounts of the company in respect of all the employees from commencement of the employment. The liability of the gratuity is calculated using the simplifications allowed in Section 28 of the SLFRS for SME and the calculations are based on the followings,

1) Number of years of service

Service period up to the year end from the date of commencement of employment is considered. Though the entitlement commences from completion of five years of service, liability is recognized from the date of commencement of the employment. For calculation purposes, any fraction of year of service is considered as a full year.

2) Gratuity entitlement of employees joined before 05th June 2008

Service at retirement in number of years	No. of weeks salary entitled
Over 25	6
20 to 25	4
05 to 20	3

3) Gratuity entitlement of employees joined on or after 05th June 2008

Service at retirement in number of years	No. of weeks salary entitled
Over 20	3
05 to 20	2

4) The extra retiring gratuity to make up the total payable in accordance with the scheme of the Company has been provided fully in the accounts of the Company in respect of all the employees from commencement of the employment.

Two Weeks Liability - Gratuity Trust Fund
Others (Other than two weeks salary) - Company

NOTES TO THE FINANCIAL STATEMENTS

- 5) Following simplifications used in measuring Company's defined benefit obligation ;
- Ignored estimated future salary increases
 - Ignored future service of current employees
 - Assumed all current employees will receive the post-employment benefits
- 6) Two weeks gratuity provision has been fully funded by the Trust Fund and plan asset included in the Government Securities. Plan assets are stated at their investment value.

	As at 31.12.2021 LKR '000	As at 31.12.2020 LKR '000
Treasury Bills	2,369	2,190
Fixed Deposits	244,169	199,013
	246,538	201,203

Company provision has not been funded through plan assets.

Movement of gratuity liability - Company Provision

As at 31 st December	2021 LKR '000	2020 LKR '000
Provision available in the accounts		
Carrying amount at the beginning of the year	375,529	339,422
Payments made during the year	(83,033)	(58,299)
Provision for the year	63,742	94,407
Carrying amount at the end of the year	356,238	375,529

Movement of gratuity liability - Gratuity Trust Fund

As at 31 st December	2021 LKR '000	2020 LKR '000
Carrying amount at the beginning of the year	329,173	314,145
Payments made during the year	(59,113)	(42,028)
Provision /(over provision) for the year	50,052	57,057
Carrying amount at the end of the year	320,112	329,173

Movement of gratuity liability

As at 31 st December	2021 LKR '000	2020 LKR '000
Carrying amount at the beginning of the year	704,703	653,567
Payments made during the year	(142,146)	(100,327)
Provision/(over provision) for the year	113,793	151,463
Carrying amount at the end of the year	676,350	704,703

NOTES TO THE FINANCIAL STATEMENTS

Note 24

Revenue

For the year ended 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Sunday Observer	342,166	326,236	342,166	326,236
Dailynews	686,206	573,712	686,206	573,712
Dinamina	435,118	372,950	435,118	372,950
Silumina	152,235	117,037	152,235	117,037
Thinakaran	315,303	243,280	315,303	243,280
Varamanjaree	50,629	42,523	50,629	42,523
Tharunee	33,350	47,501	33,350	47,501
Mihira	13,347	17,876	13,347	17,876
Sarasaviya	2,812	3,521	2,812	3,521
Budusarana	11,584	17,394	11,584	17,394
Resa	-	(20)	-	(20)
Subasetha	9,551	13,069	9,551	13,069
Arogya	2,340	2,869	2,340	2,869
Manchu	12,142	13,911	12,142	13,911
Vidunena	2,398	3,239	2,398	3,239
Vanna Vaanavil	1,260	1,138	1,260	1,138
Sithmina - 6	3,875	-	3,875	-
Sithmina - 7	3,679	-	3,679	-
Sithmina - 8	2,673	-	2,673	-
Sithmina - 9	2,528	-	2,528	-
Sithmina - 10	2,343	-	2,343	-
Sithmina - 11	2,492	2,142	2,492	2,142
Athurumithuru	6,938	3,669	6,938	3,669
Muthu Ahura -1	8,033	3,740	8,033	3,740
Muthu Ahura -2	7,358	3,201	7,358	3,201
Muthu Ahura -3	7,031	3,019	7,031	3,019
Muthu Ahura -4	6,166	3,138	6,166	3,138
Muthu Ahura -5	4,962	-	4,962	-
Muthu Ahura English - 1	1,704	-	1,704	-
Muthu Ahura English - 2	1,597	-	1,597	-
Muthu Ahura English - 3	1,412	-	1,412	-
Muthu Ahura English - 4	1,095	-	1,095	-
Muthu Ahura English-5	914	-	914	-
Budusarana Dahampasal	1,215	-	1,215	-
Kutti chutti	859	297	859	297
Google	4,171	2,798	4,171	2,798
Web	2,583	1,683	2,583	1,683
Government Relations Dept.	30,212	34,135	30,212	34,135
Vesak Kalapaya	10	-	10	-
Vidunena Books	1,938	-	1,938	-
Sathmadala	-	431	-	431
Total of papers	2,176,231	1,854,490	2,176,231	1,854,490
Commercial Printing	41,634	39,353	41,634	39,353
Annual Publications	-	-	-	-
Special Publication	-	1,596	-	1,596
Special Project	-	15,776	-	15,776
Digital Printing	25	44	25	44
Total	2,217,890	1,911,259	2,217,890	1,911,259

NOTES TO THE FINANCIAL STATEMENTS

Note 25

Other Income

For the year ended 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Interest income	15,723	23,353	15,723	23,353
Sale of old newspapers	73,766	39,062	73,766	39,062
Rent income	74,024	76,384	74,024	76,384
Dividends	8,109	3,736	8,109	3,736
Branch office	2,964	2,718	2,964	2,718
Profit on disposal of assets	1,267	7,002	1,267	7,002
Government Grant	300,000	-	300,000	-
Sundry	23,394	9,472	23,394	9,472
Total	499,247	161,726	499,247	161,726

Note : Government Grant

Company received LKR 300 Mn grant from the Government during Y 2021 in order to meet the working capital requirement of the Company.

Note 26

Operating profit

Operating profit for the year has been arrived after charging all expenses including those disclosed below:

For the year ended 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Directors emoluments	27,052	17,856	27,052	17,856
Depreciation/Amortization	62,178	69,605	62,178	69,605
Auditors remuneration	1,020	960	1,030	980
Donations	256	10	256	10
Contributions to defined contribution plan -EPF	82,481	89,035	82,481	89,035
Contributions to defined contribution plan -ETF	16,571	17,885	16,571	17,885
Contributions to defined benefit plan -Gratuity	113,793	151,463	113,793	151,463

NOTES TO THE FINANCIAL STATEMENTS

Note 27

Voluntary Retirement Scheme (VRS) Costs

VRSs was announced on 13th January 2021. Accordingly, based on the number of applications received from employees, a VRS cost of LKR 91.95 Mn was incurred and recognized in the statement of income of the Company.

Note 28

Tax expense

Income Tax

The parent company is liable for taxation at 28%, Lake House Property Development (Pvt) Ltd is liable at 28%, The group tax expense for the year is as follows;

For the year ended 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Accounting profit/(Loss) before tax	332,012	(217,840)	332,002	(217,850)
Taxable profit/(Loss)	(3,282)	(176,156)	(3,282)	(176,156)
Tax on taxable profit	-	-	-	-
Under/(Over) provision	-	-	-	-
Income tax expense	-	-	-	-

Deferred Tax

For the year ended 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Deferred Tax Expense Note 11	(4,480)	(21,685)	(4,480)	(21,685)
Total	(4,480)	(21,685)	(4,480)	(21,685)
Tax Expense	(4,480)	(21,685)	(4,480)	(21,685)

Tax Payable/(Receivable)

As at 31 st December	Company		Group	
	2021 LKR '000	2020 LKR '000	2021 LKR '000	2020 LKR '000
Opening balance	(35,069)	(29,822)	(35,069)	(29,822)
Tax expense	-	-	-	-
Income Tax - Unrecoverable ESC Written off	15,402	-	15,402	-
Tax paid & credits	-	(5,246)	-	(5,246)
Tax liability at the end of year	(19,667)	(35,069)	(19,667)	(35,069)

CHAIRMAN'S COMMENTS ON AUDIT OBSERVATIONS

1. Financial Statements

1.2 Basis for Qualified Opinion

- a) Out of the total unidentified credit of Rs. 473,499/- of A/c No. 0864-0131007-001, Rs.74,600/- pertaining to the financial year 2020 has been transferred to RCL A/c (Regular Customer Ledger) in the month of January 2022. Balance represents the direct deposits for the financial year 2021. That balance is yet to be identified with the news agencies. This balance also will be transferred to the RCL A/c during the financial year 2022.

Out of the total unidentified credit of LKR 969,497.19 of A/c No. 74651320, LKR 460,027.70 pertaining to the financial year 2020 has been transferred to RCL A/c(Regular Customer Ledger) in the month of January 2022. Balance represents the direct deposits for the financial year 2021. That balance is yet to be identified with the news agencies. This balance also will be transferred to the RCL A/c during the financial year 2022.

- b) Noted. However the default amount in the water bill will be made based on the special default invoices raised by National Water Supply and Drainage Board time to time.

c) Agency Inspection Travelling Expenses

As a practice and considering the volume of the transactions, Company accurately recognized the 12 months period expenditures in the accounts which is relating to the agency inspection travelling. However, this will be rectified from the year 2022.

Other Staff Expenses

Due to the Covid – 19 travel restrictions imposed during the September and October 2021, ANCL called for limited number of personnel to the office premises. As a result of inconsistent labours allocation in such period, it was unable to quantify the November and December 2021 expenditure provision appropriately.

- d) Noted. There was a calculation error in the number of months in the Gratuity report driven by the system. This has been communicated to the system provider and this underestimate/ overestimate will be rectified in 2022.
- e) New stock system will be implemented to overcome this issue.

CHAIRMAN'S COMMENTS ON AUDIT OBSERVATIONS



2. Report on Other Legal and Regulatory Requirements

2.2.2.

- a) As a result of economic & industry downturn and Covid 19 pandemic, Company's financial situation has been worsen and Company had to delay the payments to ensure the survival of the Company. However, all outstanding payments have been settled subsequently.
- b) Department of Public Enterprises operates under the purview of Ministry of Finance. According to the published list of Department of Public Enterprises, ANCL does not come under the supervision of said department. Hence, stipulated circulars are not applicable to ANCL.

Copies of the approved annual budgets for year 2022 (income & expenditure, capital expenditure, procurement plan & newsprint, plates & ink budget) had been submitted to the Ministry of Mass Media, Department of Public Enterprises & National Audit Office on 9th December 2021.

Due to the Covid – 19 travel restrictions imposed during August, September and October 2021, ANCL called for limited number of personnel to the office premises. As a result, draft budgets for year 2022, had been forwarded to the Board on 22nd November 2021 which was subsequently approved by the Board on 29th November 2021.

- c) ANCL is governed by the Associated Newspapers of Ceylon Limited (Special Provision) law No. 28 of 1973 and as per the provisions of the law, managing & administrating the business & affairs of the Company is vested in the Board of Directors. Accordingly, we believe Public Enterprise Circular No. PED 03 of June 17, 2015 is not applicable to the ANCL.
- d) ANCL is governed by the Associated Newspapers of Ceylon Limited (Special Provision) law No. 28 of 1973 and as per the provisions of the law, managing & administrating the business & affairs of the Company is vested in the Board of Directors. Accordingly, we believe Public Enterprise Circular No. PED 03 of June 17, 2015 is not applicable to the ANCL. Therefore, the purchasing of two buses had been done based on the delegation of authority approved by the Board of Directors.

2.2.4.

- a) Based on the request made by then Minister of Mass Media and Information on November 26, 2020, Mr. Sameera Gamage was appointed as a Consultant to the Associated Newspapers of Ceylon Limited for period of one year with effect from 07/12/2020. Following a request made by the then Minister of Mass Media and Information (Minister at that time) on 08/12/2020, Mr. Sameera Gamage has been released from our post to the Ministry of Mass Media and

CHAIRMAN'S COMMENTS ON AUDIT OBSERVATIONS

Information with effect from 07/12/2020 on the basis of salary payment. At the request of the then Minister of Health, Sameera Gamage, on 17/08/2021, Mr. Sameera Gamage again returned to our health center on a salary basis released to the Ministry on 16/28/2021.

- b)** Noted. Based on the Board Decision LKPB 202.17, ANCL had invested in 1200 shares of Lanka Puvath (Pvt) Ltd. Two employees have already resigned and one employee has joined the ANCL cadre in year 2018. This entity has been gazetted under Ministry of Media in latest gazette notification (10th August 2020).
- c)** Noted. Ownership of the Hokandara Land transferred from Lake House Property Development Pvt Ltd to ANCL in year 2013 and mortgaged to Commercial Bank for obtaining loan for VRS in year 2016 and working capital.
- d)** ANCL sent confirmation letters to debtors above LKR 200,000/= as agreed by the Auditor Generals Department. However, only a few debtors responded and this position is beyond our control. Even though, there were no responses (agreed or disagreed) to the confirmation letters sent, most of the outstanding balances as at 31st December 2021 have been settled as at 30.05.2022.

Sum of Rs. 154,569,393/= showing under trade debtors which are outstanding for more than one year have been provided for provision for bad debts.

2.3 Other Matters

- a)** Circulation Debtors - Rs.24,434,086/- : Action will be taken to write off the unrecoverable bad debts with the approval of the Board of Directors.
- b)** Lake House Property Development (Pvt) Limited is a non operating Company since 1985.
- c)** The amount of Rs.1,086,000/= is relating to the deposit made for ANCL tenders by various suppliers for the periods 2018 and 2019. The balances are still reflecting in the ledger as those suppliers have not produced original receipts in order to refund these deposits.
- d)** Seven Policies were prepared with the consultation of a consultant. Out of them Performance Management Policy was approved by the Board. Other policies have been submitted to the Board for approval.
- e)** This balance represents the receivables from employees already left due to retirement, termination of service or death.

Company can't deduct these receivables from final Gratuity since gratuity act does not provide the provisions for such deductions. Further as per the Provident fund provisions 25% from the fund balance need to be released mandatorily. Accordingly, no further deductions can be made for the staff balances receivable.

CHAIRMAN'S COMMENTS ON AUDIT OBSERVATIONS

However the company has taken the following steps to recover the above staff receivables.

- Send reminders requesting to settle the balance to be recovered to the employees left
 - Actions have already been taken to recover the unsettled distress loan balances from respective guarantors.
- f) Noted. We are in the process of tightening the credit control and recovery processes to minimize the dishonored cheques and constantly maintain pertinent procedures to recover the balance outstanding due to dishonored cheques.
- g) Earlier there was no proper mechanism to offer credit to the subscribers. All subscribers were eligible for credit facilities. However, after implementation of the sales system only the government sector subscribers were eligible for credit. Even for the government sector subscribers' credit offered only for 3 months after analyzing the pattern of the payments.
- h) On perusal of the proceedings of the said case in the District Court of Colombo, it has been fixed for ex-parte trial as the attorney for the defendant has been in the District Court No.1 on 20th October 2010 whereas the case has been called in District Court No. 3.

As there was no appearance for the defendant, it has been fixed for the ex-parte trial against the defendant (ANCL). This case was due to come up on 20th October 2010 for the trial. By that time a motion had been filed on 30th September 2010 by the plaintiff's registered Attorney-at-Law stating that the plaintiff could not appear on 20th October 2010 as he had travelled abroad. Therefore, anyway, there was no possibility to take up the matter for trial on the said particular day.

However, the case had come up in the District Court No. 3 and without mentioning to the courts, that a motion had been filed stating the inability of the plaintiff to appear in Courts, the registered attorney of the plaintiff has taken undue advantage in the absence of registered Attorney for the defendant has got the case fixed for ex-parte trial.

After the service of the ex-parte decree, reasonable grounds have been presented to the Courts on behalf of the defendant. At the inquiry, Company Secretary, Company's instructing Attorney as well as the Counsel too had given evidence in the case, but the Learned Additional District Judge has refused to vacate ex-parte decree.

An appeal has been made to the Civil Appellate High Court to set aside the said order of refusal to vacate the ex parte decree. But the said appeal too has been dismissed by the Civil Appellate High Court. This case is presently pending in the Supreme Court seeking the reliefs aforementioned.

CHAIRMAN'S COMMENTS ON AUDIT OBSERVATIONS

As there is no finality reached in this case and until the conclusion of the proceedings of the Supreme Court case the ex parte decree entered in the District Court is unenforceable. Therefore, I am unable to conclude that Company's Attorney-At-Law is professionally negligent to hold a disciplinary inquiry by ANCL.

With regard to extension of her service for a further period of 6 months on a contract basis with effect from 15th May 2020 to 14th November 2020, the Board was compelled to grant the said extension due to prevailed situation after the spread of Covid 19 since 11th March 2020 as she is the only officer who was familiar with all the relevant documents and it would cause grave inconvenience to the management as well as the Board of Directors if the Company discontinued her services without an extension for a shorter period. However, after the expiry of said extension, no further extension was granted to her. Subsequently, a new appointment has been made effective from 15.11.2020 as her replacement.

- i) The Company had prepared a cadre on 6th June 2017 instead of the cadre which was prepared on 01st July 2012. According to the cadre position of 6th June 2017 the approved number of staff for the General Administration and Editorial Administration was 658 and 327 respectively. This cadre position was prepared based on the strategic plan that is being developed for Lake House and taken in to consideration the efficiencies that will arise from the automation and system that are planned or are in progress (ERP, Sales, IT System, Network upgrades, HRIS Systems, etc.)

With the introduction of new publications and to maintain the higher standards in English Newspapers, new appointments had to be made to the organization on contract basis thereafter. At present Company have 1,180 employees. ANCL is working on amended cadre and will be forwarded to Ministry for approval.

- j) The mention list includes promotional news agencies of RSEs, branch offices & etc. Since these news agencies are appointed on official matters, no deposits amounts are claimed from them. However, the controlling credits of the branch offices are not under our purview. Offering credit to the street sellers attached to the branch offices are directly conducted by the branch managers.
- k) Decisions have already been taken to discontinue staff free copies.



Anusha Palpita

Chairman & Managing Director

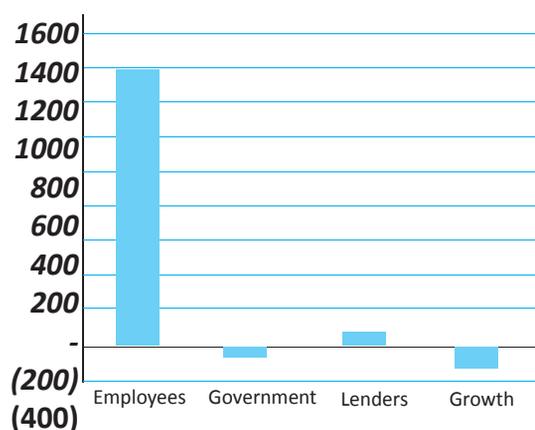
15th June 2022

STATEMENT OF VALUE ADDED

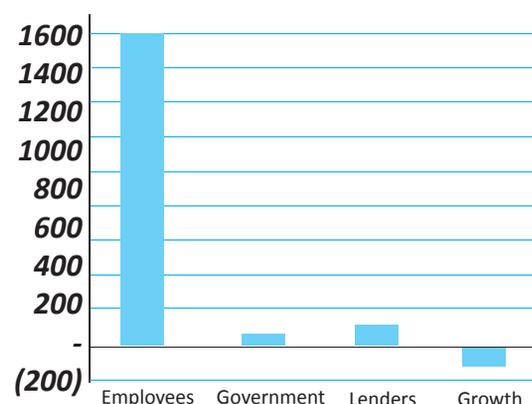


	2021		2020	
	LKR Mn.	%	LKR Mn.	%
Value added				
Revenue	2,218		1,911	
Other Income	499		162	
	2,717		2,073	
Brought in Material & Service	(818)		(793)	
	1,899		1,280	
Distribution of Value Added				
To Employees				
Salaries, Wages & Other Benefits	1,335	70%	1,400	109%
VRS Expenses	92	5%	-	0%
To Government				
Income Tax	(4)	0%	(22)	-2%
NBT	-	0%	(63)	-5%
Rates	24	1%	24	2%
To Lenders				
Interest & Related Charges	54	3%	67	5%
To Providers of Capital				
Dividend to Shareholders	-	0%	-	0%
To Business Expansion & Growth				
Depreciation	62	3%	70	5%
Reserves	336	18%	(196)	-15%
	1,899	100%	1,280	100%

Distribution of Value Added 2021



Distribution of Value Added 2020



TEN YEAR SUMMARY

	2021	2020	2019	2018	2017 Restated	2016 Restated	2015 Restated	2014 Restated	2013	2012
<u>Selected Financial Data (LKR Mn)</u>										
<u>Operational Results</u>										
Revenue	2,218	1,911	2,912	2,976	2,972	3,050	2,954	3,187	3,593	3,700
Annual Sales Growth (%)	16	(34)	(2)	0	(3)	3	(7)	(11)	(3)	10
Profit Before Taxation	332	(218)	(216)	(167)	270	29	16	72	73	57
Taxation on Profit	4	22	26	13	64	9	5	27	12	6
Profit / (Loss) After Taxation	345	(187)	(197)	(133)	208	21	40	61	59	(8)
<u>Shareholders' Fund</u>										
Share Capital	35	35	35	35	35	35	35	35	35	35
Reserves	1,811	182	369	572	709	508	482	443	347	288
	1,846	217	404	607	744	542	517	477	382	323
Non Current Liabilities	1,160	1,103	937	876	889	1,029	597	659	663	627
Capital Employed	3,006	1,320	1,341	1,483	1,633	1,571	1,114	1,136	1,044	949
<u>Assets Employed</u>										
Fixed Assets (including Land Revaluation)	1,461	198	249	289	325	358	253	327	327	373
Investment Property	22	23	25	26	28	30	31	-	-	-
Intangible Assets	7	13	21	17	19	-	-	-	-	-
Long Term Investments	216	207	197	204	183	180	180	151	135	137
Deferred Tax Assets	69	65	43	21	19	32	37	31	-	-
Plan Assets	247	201	313	313	283	265	-	-	-	-
Staff Receivables	77	88	76	38	-	-	-	-	-	-
Working Capital	907	525	416	575	775	706	613	627	582	439
	3,006	1,320	1,341	1,483	1,633	1,571	1,114	1,136	1,044	949
<u>Ratio Analysis</u>										
<u>Profitability</u>										
Profit Before Taxation to Gross Turnover (%)	15	(11)	(7)	(6)	9	1	1	2	2	2
Profit before Taxation to Shareholders' Fund (%)	18	(100)	(53)	(27)	36	5	3	15	19	18
Profit After Taxation to Shareholders' Fund (%)	19	(86)	(49)	(22)	28	4	8	13	15	(3)
Earnings Per Share (LKR)	99	(53)	(56)	(38)	60	6	11	17	17	(2)
<u>Liquidity</u>										
Current Assets to Current Liabilities (Ratio)	3.1:1	1.7:1	1.5 :1	1.6:1	2.50:1	2.13:1	2.05:1	1.66:1	1.59:1	1.41:1
Quick Assets to Current Liabilities (Ratio)	2.1:1	1.3:1	1.1:1	0.9:1	2.08:1	1.60:1	1.58:1	1.09:1	1.13:1	1.00:1
<u>Dividends Proposed</u>										
Dividends (Gross)	-	-	7	3	6	-	-	-	-	-
Dividend Per Share (LKR)	-	-	2	1	2	-	-	-	-	-
<u>Long Term Solvency</u>										
Non Current Assets to Shareholders' Fund %	114	366	229	150	115	159	97	107	121	158
Non Current Assets to Working Capital %	231	151	222	158	111	122	82	81	79	116
Net Assets Per Share at year end (LKR)	530	62	116	174	213	156	148	137	110	93

SHARE INFORMATION



Largest Shareholders

	2021		2020	
	No. of Shares	%	No. of Shares	%
Public Trustee on behalf of the GOSL	3,050,380	87.56	3,050,380	87.56
Ceylon Petroleum Corporation	61,206	1.76	61,206	1.76
Insurance Corporation of Sri Lanka	61,206	1.76	61,206	1.76
Ceylon Shipping Corporation	31,206	0.90	31,206	0.90
Phillip Sivali Wijewardene	20,000	0.57	20,000	0.57
Parakrama Sujan Wijewardene	20,000	0.57	20,000	0.57
National Savings Bank	20,000	0.57	20,000	0.57
Paddy Marketing Board	20,000	0.57	20,000	0.57
National Film Corporation of Sri Lanka	20,000	0.57	20,000	0.57
National Gem & Jewellery Authority	20,000	0.57	20,000	0.57
Sriyan Rajitha Gomes	15,821	0.45	15,821	0.45
Rukmalie Shalini Hurulle	14,822	0.43	14,822	0.43
Ceylon Port Services Ltd.	10,000	0.29	10,000	0.29
Ceylon Shipping Lines Ltd.	10,000	0.29	10,000	0.29
Colombo Dockyard Ltd.	10,000	0.29	10,000	0.29
Asoka Chandralal Wijewardene	7,925	0.23	7,925	0.23
Aswini Kumar Wijewardene	7,919	0.23	7,919	0.23
Kamalika Janaki Wijewardene	6,944	0.20	6,944	0.20
Ranil Wickremasinghe	6,786	0.19	6,786	0.19
Amitha Lal Gooneratne	5,967	0.17	5,967	0.17
Arjun Indrajit Gooneratne	5,967	0.17	5,967	0.17
Ayoma Irandathi Wijesundere	5,967	0.17	5,967	0.17

Shareholdings as at 31st December 2021

	No. of	No. of Shares	%
1 - 1,000	58	4,990	0%
1,001 - 5,000	11	20,310	0%
5,001 - 10,000	15	103,773	3%
10,001 - 50,000	9	181,849	5%
50,001 - 100,000	2	122,412	4%
Over 100,001	1	3,050,380	88%
Total	96	3,483,714	100%

Categories of Shareholders

	No. of	No. of Shares	%
Public Trustee	1	3,050,380	88%
Institutions	10	263,618	7%
Individuals	85	169,716	5%
Total	96	3,483,714	100%

NOTICE OF MEETING

Notice is hereby given that 49th Annual General Meeting of the Shareholders of the Company will be held in terms of the Associated Newspapers of Ceylon Limited (Special Provisions) Law No. 28 of 1973, at the Registered Office of the Company at No.35, D.R.Wijewardena Mawatha, Colombo 10 at 3.00 p.m. on 24th February 2023.

1. To read the Notice convening the meeting.
2. To confirm the minutes of the Annual General Meeting held on 30th November 2021.
3. To receive and consider the report of the Directors and the Financial Statements of the Company for the year ended 31st December 2021 with the Auditor's Report thereon.
4. The appointment of three Directors by the Public Trustee.
5. To elect two Directors in terms of provision to Section 6 (i) (g) of the Associated Newspapers of Ceylon Limited (Special Provision) Law No. 28 of 1973.
6. To fix remuneration of the Directors.
7. To authorize Directors to determine contribution to charities.

Notes:

1. Any shareholder unable to attend the meeting may appoint another person who is a member of the Company to act for him/her proxy. The proxy form is annexed for this purpose and must be deposited at the registered office of the Company not less than 48 hours before the time appointed for the holding of meeting.
2. In the case of corporation and corporate bodies which are shareholders of the Company, attention is invited in regard to their representation at the Annual General Meeting, to Section 138(1) (a) of the Companies Act No. 07 of 2007, which read as follows:

“A corporation, whether a Company within the meaning of this Act or not, may where it is a member of another corporation, being a Company within the meaning of this Act, by resolution of its Directors or other governing body authorize such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of members of the Company”.

By order of the Board of Directors,



Mrs.H.W.S. Prasanga

Company Secretary

CORPORATE INFORMATION



Name of the Company	<ul style="list-style-type: none">• The Associated Newspapers of Ceylon Limited
Registered Office	<ul style="list-style-type: none">• No.35, D.R. Wijewardena Mawatha, Colombo 10.
Legal Form	<ul style="list-style-type: none">• The Associated Newspapers of Ceylon Limited is a Public Limited Liability Company incorporated in 1926 and governed by The Associated Newspapers of Ceylon Limited (Special Provision) Law No.28 of 1973(as amended), the relevant Gazette Notifications published in time to time, Companies Act No.07 of 2007 and Finance Act No.38 of 1971(For Accounts and Audit) <p>At present, The Associated Newspapers of Ceylon Limited operates as a statutory Company under the purview of the Ministry of Mass Media.</p>
Accounting Year End	<ul style="list-style-type: none">• 31st December
Principal Line of Business	<ul style="list-style-type: none">• Printing & Publishing Newspapers, Periodicals & Magazines• Commercial Printing
Subsidiaries	<ul style="list-style-type: none">• Observer Jobs (Private) Limited• Lake House Connect (Private) Limited• Lake House Property Development (Private) Limited-(Non Operating) <p>} Under Liquidation</p>
Company Secretary	<ul style="list-style-type: none">• Mrs.H.W.S.Prasanga
Bankers	<ul style="list-style-type: none">• Bank of Ceylon• People's Bank• Commercial Bank of Ceylon PLC• Seylan Bank• Hatton National Bank PLC• DFCC Bank
Auditors	<ul style="list-style-type: none">• Auditor General, National Audit Office, No. 306/72, Polduwa Road, Battaramulla.

FORM OF PROXY



ANCL Annual Report 2021

I / We of
.....Member/s of the Associated Newspapers of Ceylon Limited
hereby appoint.....
..... (NIC No.....)
of as my/our proxy to represent me / us and vote for me/us on my/
our behalf at the Annual General Meeting of the Associated Newspapers of Ceylon Limited to be held on
24th February 2023 at 3.00 p.m. or at any adjournment thereof.

As witness my / our hand this day of..... 20.....

.....
Signature/s of Shareholder/s

.....
NIC/PP/Co.Reg.No. of Shareholder/s

Notes:

Instructions as to completion of this Form of Proxy are given below:

- (1) If the Form of Proxy is signed by an Attorney, the relative Power of Attorney (POA) should accompany the completed Form of Proxy for registration in the event such POA has not already been registered with the Company.
- (2) If the shareholder is a Company or a Corporate Body, the Form of Proxy should be executed under its common seal or in such other manner as may be provided for in its constitutional documents, if any, or signed by its Attorney or by an Officer on behalf of the Company/Corporate Body in accordance with its Articles of Association/Statute.
- (3) Every alteration or addition to the Form of Proxy must be duly authenticated by the full signature of the Shareholder signing the Form of Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.
- (4) The use of the word "Member/s" herein is a reference to "Shareholder/s".



THE ASSOCIATED NEWSPAPERS OF CEYLON LIMITED

ශ්‍රී ලාංකේය පුවත්පත් කලාවේ මහභූමි

No.35, D.R. Wijewardena Mawatha, Colombo 10.
Email: info@lakehouse.lk / webmarketing@lakehouse.lk
Tel: 011 2 429 429 / 011 2 421 181 / 011 2 331 181
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