

Vision

Remain as Sri Lanka's leading print media institution with other media service capabilities.

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 newsgathering 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.

Values

- Culture : We will succeed by being innovative, collaborative, efficient and customer driven.
- Business : We will develop next generation of diversified media and market places.
- Journalism : We will produce reliable and highest quality locally focused coverage.
- Service : We will provide the customer the freedom to decide what they want, when they want, where they want and how they want it.
- Quality : We will strive for best practice in all aspects of our activities to sustain and improve operational efficiencies.
- Philosophy : We will keep the National interest foremost in our dealings.
- Team : We value diversity and reward high performance.

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Financial Highlights

		2011	2010	Change	Change %
<u>Earnings Highlights and Ratios</u>					
Turnover	Rs. '000	3,075,267	2,920,218	155,049	5.3
Profit Before Tax	Rs. '000	14,036	(359,782)	373,818	103.9
Profit After Tax	Rs. '000	(11,037)	(337,613)	326,576	96.7
Turnover per Employee	Rs. '000	1,514	1,387	127	9.1
Profit Before Tax per Employee	Rs. '000	7	(171)	177.83	104.0
Revenue to National Economy	Rs. '000	569,134	609,575	(40,441)	(6.6)
Income from Short-Term Investments	Rs. '000	13,304	13,515	(211)	(1.6)
Finance Cost	Rs. '000	111,715	70,806	40,910	57.8
Earning per Share	Rs.	(3.17)	(96.91)	93.74	96.7
Profit before Tax on Turnover	%	0.46	(12.32)	12.78	103.7
Return on Capital Employed	%	(4.05)	(119.15)	115.09	96.6

Balance Sheet Highlights and Ratios (As at Balance Sheet Date)

Total Assets	Rs. '000	1,824,650	1,865,262	(40,611)	(2.2)
Property, Plant & Equipment	Rs. '000	289,224	226,910	62,314	27.5
Total Shareholders' Funds	Rs. '000	272,320	283,357	(11,037)	(3.9)
No of Shares in Issue	'000	3,484	3,484	-	-
Net Assets per Share	Rs.	78	81	(3.17)	(3.9)
Current Ratio		1.44	1.46	(0.02)	(1.4)
Quick Ratio		0.95	1.04	(0.09)	(8.7)

Country Economic Performance and Outlook

Close on the heels of the cessation of the war Sri Lanka economy recorded the highest ever economic growth in post Independence history by recording 8.3 % in 2011. Thus economy sustained a growth momentum of over 8 % within two consecutive years. Having experienced many years of stressful economic conditions & a yet unsettled global economy this resurgence was encouraging.

Year 2011 witnessed improved consumer demand and investor confidence amidst favourable macroeconomic conditions spearheaded by the renewed economic activity in hitherto troubled North & East. During the year under review government continued to invest in infrastructure development on an Island wide basis thus accelerating the economic activity.



Improving domestic supply conditions, prudent liquidity management etc were instrumental in maintaining a stable single digit inflation thus relaxing the monetary policy. Interest rates that reflected consistent stability were raised in 2012 as a measure to curtail credit growth. After having maintained a fairly stable exchange rate government announced a 3% devaluation of the rupee as a precautionary measure amidst not so favourable macro economic conditions within an import surge and the adverse global developments. This move also resulted in Rupee weakening and settling down to its own level to attain reasonable stability.

The year under review was also marked by the major tax reforms announced in the budget aiming at simplification, broadening of the tax base and improving the tax compliance levels to enhance government revenue. Banking, Finance & leasing sectors showed exceptional growth with increasing impetus from North & East. In keeping with the Central Bank pursuance of the financial stability aiming at enhanced customer protection and combating unauthorized deposit taking institutions regulatory framework was strengthened by a new finance act and amending the Banking act.

Company Performance

Amidst an improved macroeconomic environment the resultant business climate provided a conducive background for the company to take advantage of the country situation to improve its profitability. We were able to record a Profit before tax Rs 14 million for the period under review. Total revenue improved by 5% of which significant contribution originating from Advertising (13%) and Circulation (14%). Consequent to a series of stringent cost control measures adopted after offering two Voluntary Resignation Schemes in 2008 and in 2010, expenditure was decreased by 12% compared to previous year. Measures adopted to control costs such as rationalization of newsprint, optimization of paper space and strict surveillance on procurement of newsprint to obtain best terms, close control on unproductive overtime etc together with considerable savings in employment cost backed by VRS contributed to curtailing cost increases.

Being heavily dependent on imports for key ingredients such as newsprint, plates, machinery etc our position is subject to constant vulnerability owing to global price trends. More often such imports are financed by bank borrowings at a tremendous cost. All these augurs for sustainable profitability that we need to strive to achieve.

Circulation

We publish three main dailies and three main weeklies in Sinhala, Tamil and English. The product portfolio also includes another 8 periodicals and 4 magazines focusing dynamic interests of different reader groups making the total portfolio to 18 as at 31st December 2011. During the year 2011, we

Chairman's Review

introduced three new periodicals which are performing quite satisfactorily. In 2012 also we have added another 2 periodicals and a magazine to date.

All these publications are circulated all over the Island including Jaffna peninsula mostly using our own fleet of vehicles, sub contractors and CTB buses. We are focusing on strengthening the distribution net work and during the year a few regional franchises and few agents were appointed. These new distribution channels together with branch offices located in Kandy, Anuradhapura, Kataragama, Matara and Jaffna pave the way for the circulation growth serving the readers fast. In improving public awareness, we have conducted a number of Island wide Year 5 Scholarship seminars, health camps, musical shows which were very popular among the school children and the general public.

Advertising

The company strengthened the advertising revenue base on a year on year basis and in 2011 we were able to generate total advertising revenue of Rs 2,274.7mn recording an increase of Rs 259.6mn over 2010. Introduction of fully integrated advertising resource management system (Adpro), enabling web based advertising booking system, acceptance of classifieds through Bank of Ceylon branches and strengthening of branch and agent network mainly contributed to the advertising growth.

Commercial Printing

The Commercial printing department of the company expanded their technical capacity with the modern machinery in digital technology, by adding an additional four high colour unit to web Magnum press, introducing digital computer to plate (CTP) machine for plate making and acquiring a four colour sheet-fed printing machine. This development enhances the productivity, the print quality and the speed of the output. These technology developments were undertaken with the objective of increasing the revenue and accordingly we have been able to capture a sizable volume of the school text book tender of the Government and the Telephone Directory printing tender of the Sri Lanka Telecom.

Capacity Enhancement

Given the Highly competitive business environment, the company is required to constantly upgrade its machinery to stay ahead of competition to generate profits. In this regard during the year under review total sum of Rs 92.3 mn was invested in the acquisition of a four colour unit to Goss Magnum web press & a CTP machine to strengthen the Commercial printing division that is expected to play a lead role in the future. We have already committed to invest in a Four colour sheet fed machine, a Saddle stitching machine and a Counter stacker amounting to Rs 122.2 Mn and the delivery & installation expected to take place in 2012. Your company is confident these investments will contribute to company's growth in print capacity in the immediate future.

Information Technology

Living in a technology driven environment subject to frequent changes your company is mindful of the necessity & importance of IT for most of our activities. Our investments in IT driven applications reached a significant level during the year under review, under direct supervision of our Pre-press, IT Projects & Data processing departments. We note with satisfaction that two major IT projects in the installation of advertising module, where advertising invoices are directly transferred to the General ledger and the ERP based accounting system being completed thus making a major transformation in the ANCL accounting process thus providing for simplification. We expect to pursue on this path and to add IT applications to most processes to simplify procedures. One of the major impediments faced by us is the exorbitant license cost imposed by software vendors who are protected by TRIPS agreement.

Additionally two IT packages are now in operation that's aimed at streamlining the editorial function. This process is expected to minimize cumbersome manual time consuming processes.

Corporate Social Responsibility

Being a leading print media company we are mindful of public expectations and hence we are strongly committed to assist religious, national & cultural festivities that are a feature of our culture. Mihintale Aloka Puja festival, Deyata Kirula exhibition, annual school boy cricketer of the year contest, assisting ministries to create awareness of their activities, Ama Dahara Vesak festival, free issue of the government gazette with the paper, sponsoring musical shows in provinces etc. are some key events. These apart we care for our employees and their dependents through a range of welfare measures such as comprehensive insurance schemes, Bonus & provident fund contributions well above most companies, attractive cost of living allowances, scholarship schemes on a Island wide basis, free school books and bags for school children. We are proud that in this manner quality of life of some segment of the population is improved. We strongly believe healthy and contented work force is essential for the business to succeed.

Appreciation

I owe a thank you to my colleagues on the Board, Management team and the employees at all levels for their unstinted cooperation during both good and bad times. Whatever your company achieved during the year under review could not have been so if not for the employee support. Though machines, buildings etc are our fixed assets used for revenue generation I unhesitatingly add our most valuable asset that's not reflected in the Balance Sheet presented are the employees. There's little doubt that ANCL will go from strength to strength with employee cooperation. Our Institution now over 100 years old is recognized as a World heritage site. As I have repeatedly said this prestigious site will always meet with success in keeping with the aspirations of Founder Chairman.

Future

We are optimistic about the company's future and having ended 2011 on a successful note it is our intention to further improve this trend. Possessing a resourceful workforce professionally competent management team, we see every reason to be optimistic. We have also enjoyed a period of industrial calm, our compensation packages are well above the competition and comparable with best of leading companies in Sri Lanka. Recent acquisitions of machinery have added capacity and we have already witnessed the value addition to publications.



Bandula Padmakumara
Chairman and Managing Director

Sri Lanka Economy at a Glance

Key Economic Indicators

	2006	2007	2008	2009	2010 (a)	2011
DEMOGRAPHY						
Mid-year population ('000 persons)	19,886	20,010	20,217	20,450	20,653	20,869
Growth of population (%)	1.1	1.1	1.0	1.1	1.0	1.0
Labour force ('000 persons)	7,599	7,489	8,082	8,074	8,108	8,236
Unemployment rate (% of labour force)	6.5	6.0	5.4	5.8	4.9	4.2
OUTPUT						
GDP at current market prices (Rs. billion)	2,939	3,579	4,411	4,835	5,602	6,543
Per capita GDP at market prices (Rs.)	147,776	178,845	218,167	236,445	271,259	313,511
REAL OUTPUT (% change)						
GDP	7.7	6.8	6.0	3.5	8.0	8.3
PRICES AND WAGES (% change)						
Colombo Consumers' Price Index (2002 = 100) - Annual Average	13.5	18.8	14.4	4.8	6.9	-
Nominal wage rate index for workers in all wages boards	2.1	21.4	25.6	4.9	32.0	4.6
EXCHANGE RATES						
Annual average Rs/US\$	103.96	110.62	108.33	114.94	113.06	110.57
End - year Rs/US\$	107.71	108.72	113.14	114.38	110.95	113.90
INTEREST RATES (% per annum at end year)						
Repurchase rate (overnight)	10.00	10.50	10.50	7.50	7.25	7.00
Reverse repurchase rate (overnight)	11.50	12.00	12.00	9.75	9.00	8.50
Treasury bill rate 91 days	12.76	21.30	17.33	7.73	7.24	8.68
364 days	12.96	19.96	19.12	9.33	7.55	9.31
Deposit Rate						
Commercial banks' Average Weighted Deposit Rate (AWDR)	7.60	10.31	11.63	8.01	6.23	7.24
Commercial banks' 12 month fixed deposit (max.)	14.00	20.00	20.25	19.00	17.00	11.00
Lending rates						
Commercial banks' Average Weighted Prime Lending Rate (AWPR)	15.19	17.95	18.50	10.91	9.29	10.77
CAPITAL MARKET						
All Share Price Index (1985 = 100)	2,722.4	2,541.0	1,503.0	3,385.6	6,635.9	6,074.4
Milanka Price Index (1998 Dec = 1000)	3,711.8	3,291.9	1,631.3	3,849.4	7,061.5	5,229.2
Market capitalisation (Rs.billion)	834.8	820.7	488.8	1,092.1	2,210.5	2,213.9

(a) Provisional

Source : Central Bank Annual Report 2011

Board of Directors - 2011



Mr. Seelaratne Senerath
Director Editorial



Mr. Bandula Padmakumara
Chairman and
Managing Director



Mr. Upul Dissanayake
Director Operations



Mr. Sandrasegaram Shanmuganathan
Director Finance



Mr. E.V.P. Rasanga Harischandra
Director Legal

Management Team 2011

Corporate Management Team - 2011



Mr K.G.A.B. Amaradasa
General Manager



Mrs K.H.G. Imbulamure
Company Secretary



Mr D.K. Wijesuriya
Senior DGM
Printing & Maintenance



Mr K.H.W.K. Narada
Sumanarathna
DGM
Administration & HR



Mr Sunil Karunanayake
Chief Financial
Consultant



Mr Rohana Aryaratne
Chief Administrative
Officer

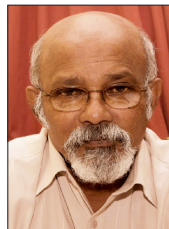


Mr K.G.S. Gamini
DGM
National Distribution

Chief Editors - 2011



Mr M. Abesundara
Dinamina



Mr K. Sooriaarachchi
Silumina



Mr S. Thilainathan
Thinakaran



Mr Lynn Ockersz
Daily News



Mr Dinesh Weerawansa
Sunday Observer



Mr T Senthilvelavar
Varamanjari

Corporate Social Responsibility



Vidunana Seminar held at Hingurakgoda



Amadahara 2011



Health Campaign organised by Arogya



Mihinthala Aloka Pooja

The Illuminated Mihinthala Maha Seya

The Mihinthala Maha Seya glowing with
Poson illuminations,

“Mihinthala Aloka Pooja”
was held on Thursday 16th June 2011.

The illuminations were sponsored by Abans
& Ceylon Electricity Board.

This was organised for the 49th consecutive
year by ANCL.



Observer Mobitel School Boy Cricketer



Miss Asia World 2011

Launch of New Publications



Vidunana



Mehewara



Manchu



Samurdhi

Events of the Year



Launch of New Publications

Arogya



Janasewana 1st anniversary



Thinakaran Jaffna Edition



Discussion of the Media Unit



CTP machine launch





D.R. Wijewardene
Pinkama - 2011



Agreement with
ICBT



Workshop organized for
Correspondents

Financial Review

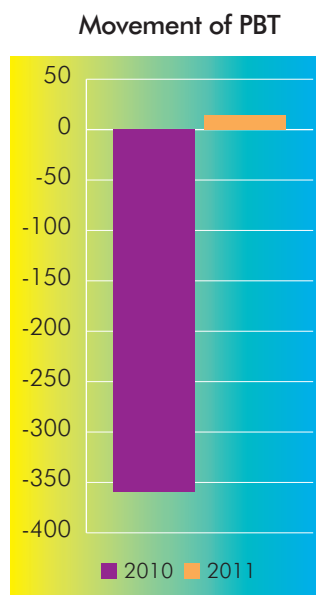
1) Operating result

In 2011, the company achieved a Profit before tax of Rs 14.0 million recording an increase of Rs 373.8 million over 2010 financial result. Though the increase in total revenue was marginal, proper administration of expenditure mainly contributed to this year on year increase of Profit before tax.

Analysis of operating result

Item	2011	2010
Revenue	3,075.3	2,920.2
Cost of sales	(1,524.8)	(1,504.8)
Gross profit	1,550.5	1,415.4
Other income	117.3	107.0
Administrative expenses	(1,230.2)	(1,319.6)
Distribution expenses	(311.9)	(319.8)
Financing expenses	(111.7)	(70.8)
VRS expenses	0.0	(172.0)
Profit before tax	14.0	(359.8)

Movement of PBT



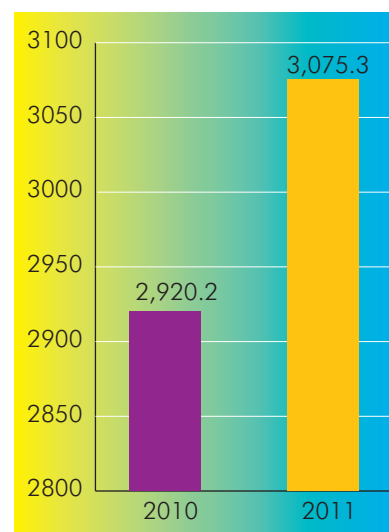
2) Revenue

Total revenue

The total revenue of the year increased by Rs 155.1 million recording a growth of 5% over 2010 as summarized below,

Item	2010-Rs.'mn	2011-Rs'mn	Increase-Rs'mn	Increase-%
Advertising revenue	2,015.1	2,274.7	259.6	13%
Circulation revenue	592.5	675.0	82.5	14%
Commercial printing revenue	310.6	124.3	(186.3)	(60%)
Annual publication revenue	2.0	1.3	(0.7)	(35%)
Total revenue	2,920.2	3,075.3	155.1	5%

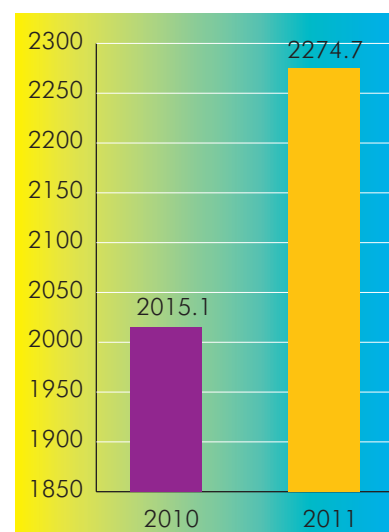
Total Revenue
in Rs'mn



Advertising revenue

The major revenue source of the company, the advertising reported a year on year increase of Rs 259.7 million in 2011 recording a growth of 13%. The implementation of advertising ERP system together with excellent customer service mainly contributed to this achievement in spite of shifting the market towards alternative electronic and web based advertising.

Advertising Revenue
in Rs. 'mn

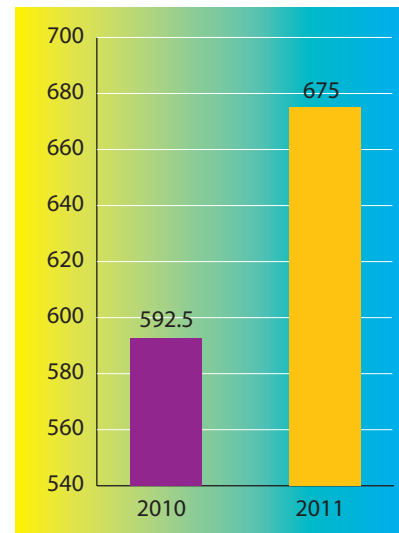


Financial Review

Circulation revenue

Though the upcoming technology developments were challenging, the company was able to record a circulation revenue growth of 14% in 2011. The corresponding increase in revenue is Rs 82.5 million.

Total Circulation Revenue
in Rs'mn



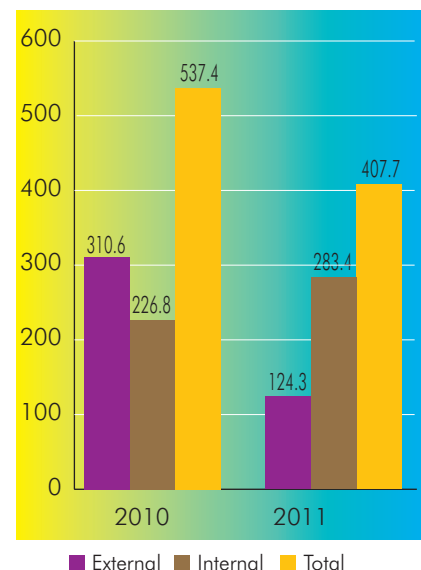
Commercial Printing Revenue

Over the last few years we have expanded the capacity and the quality of our Commercial printing division and we have been able to capture a sizable volume of the Government school text book printing tender and the Sri Lanka Telecom National telephone directory printing job. This year, we were not successful at the strict tender for Government school text book printing and this position mainly resulted in decreasing the commercial printing revenue of 2011.

Apart from the external jobs, the Commercial printing division adds value to the news papers of the company and the resultant turnover of the division is as follows,

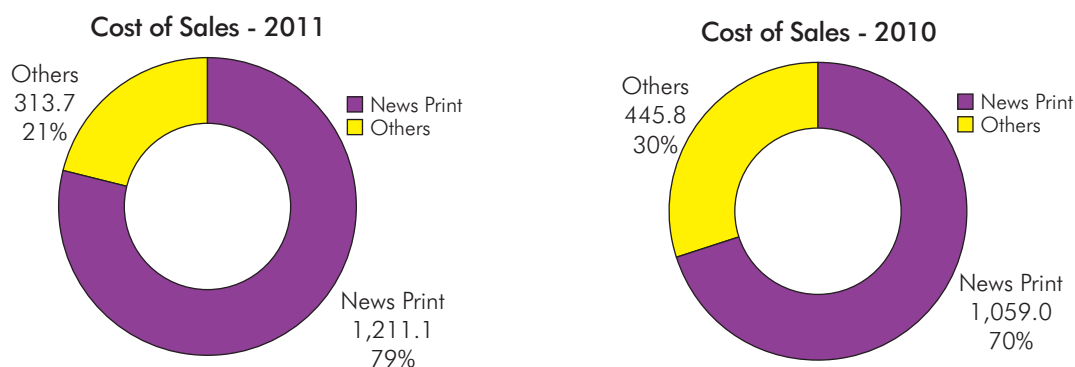
Item	2010-Rs.'mn	2011-Rs'mn
External revenue	310.6	124.3
Internal revenue	226.8	283.4
Total revenue	537.4	407.7

Commercial Printing Revenue
in Rs. 'mn



3) Cost of sales

News printing materials represents the major share of the cost of sales and in 2011, it represented 79% of the cost of sales. In 2010, news printing materials was 70% of cost sales. The increase in 2011 was mainly due to the global increase of newsprint prices and the increase in exchange rates.

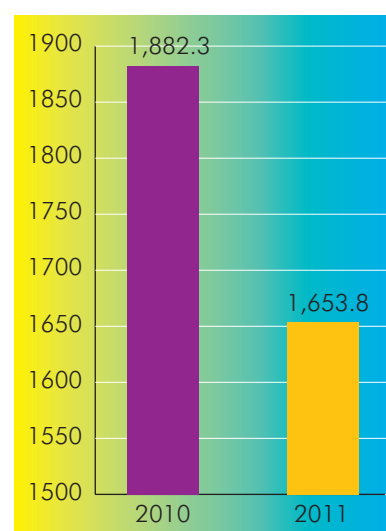


4) Expenses

Below analysis indicates that the total expenses have been reduced by Rs 228.5 million compared to previous year recording a decrease of 12%. Voluntary Retirement Scheme (VRS) expenses incurred in last year mainly contributed to the increase in finance expenses in 2011.

Item	2010-Rs.'mn	2011-Rs'mn	Increase-Rs'mn	Increase-%
Administrative expenses	1,319.7	1,230.2	(89.5)	(7%)
Distribution expenses	319.8	311.9	(7.9)	(2%)
Financial expenses	70.8	111.7	40.9	58%
VRS expenses	172.0	0.0	(172)	(100%)
Total expenses	1,882.3	1,653.8	(228.5)	(12%)

Total Expenses
in Rs'mn



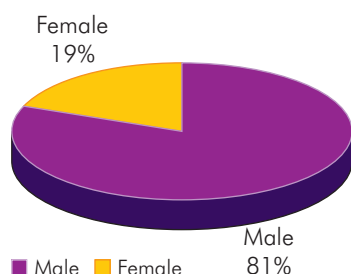
Human Resources

Having recognized that the human capital is the core of the company's business, ANCL continuously evaluates its human resources to identify the employees who are willing to offer their best. The company continued to attract, retain & develop employees with the aim of aligning them according to the strategic direction of the company. ANCL continued to maintain its responsibility towards the welfare of its employees, while adding value to their lives.

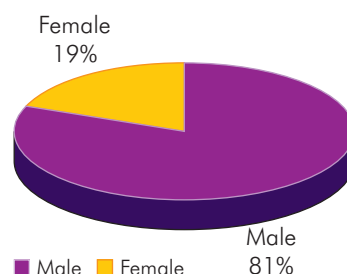
Gender Diversity (As at 31st Dec)

	2011		2010	
	No	%	No	%
Male	1641	81 %	1,699	81 %
Female	390	19 %	406	19 %
Total	2031	100 %	2,105	100 %

Gender Diversity - 2011



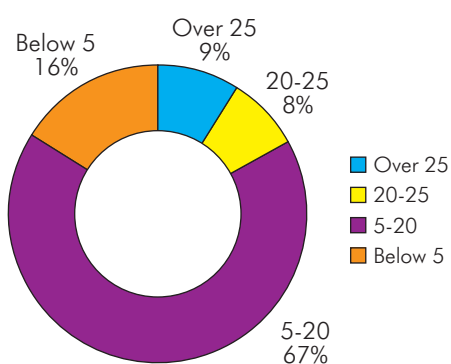
Gender Diversity - 2010



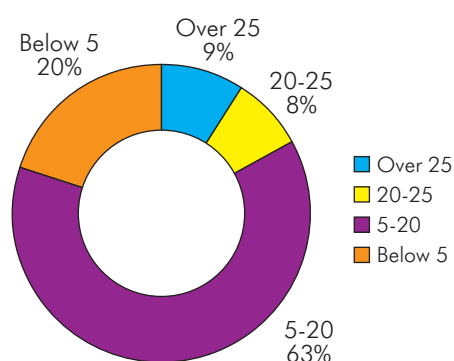
Service Analysis

Service Years	2011		2010	
	No	%	No	%
Over 25	176	9 %	190	9 %
20-25	161	8 %	172	8 %
5-20	1379	68 %	1,319	63 %
Below 5	315	16 %	424	20 %
Total	2031	100 %	2,105	100 %

Service Analysis 2011



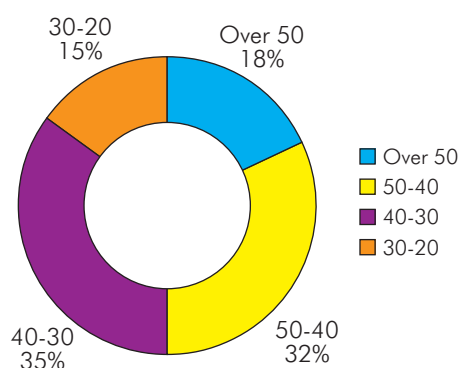
Service Analysis 2010



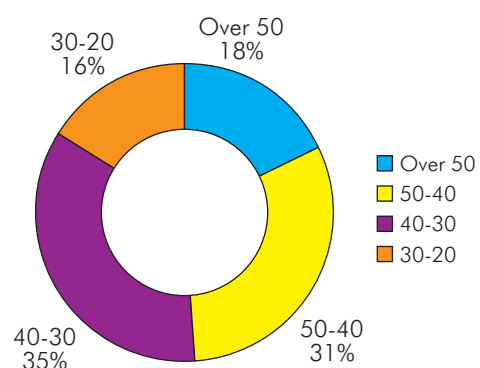
Age Analysis

Age	2011		2010	
	No	%	No	%
Over 50	372	18%	388	18%
50-40	658	32%	657	31%
40-30	705	35%	716	34%
30-20	296	15%	344	16%
Total	2031	100%	2,105	100%

Age Analysis 2011



Age Analysis 2010



Employee Interest

	2011 Rs. '000	2010 Rs. '000
Income per employee	1,514	1,387
Net Assets per employee	134	135
Value added per Employee	809	714

Training

Employees are inspired by the company to participate in both in-house & outdoor training programs with the objective of bringing outside knowledge & improving competency levels of employees. Approximately 53 employees got the opportunity to participate for local & foreign training programs in year 2011.

Sports

ANCL constantly upholds employees to take part in various sports activities. Opportunities and facilities are provided for those employees who are willing to get involved in such events. A considerable number of employees participated in a variety of sports events & won awards in 2011.

Human Resources

Achievements

Carrom

Tournament	Achievements	Name
Novices - Mens single	Champion	Chaminda Wijegunawardane
Novices - Mens Double	Champion	C.Wijegunawardane,I.D.B.Nayanasiri
"B" Division - Mens Team	Champion	C.Wijegunawardane,I.D.B.Nayanasiri Tissa Dammika,M.P.Mangala

Table Tennis

Tournament	Achievements	Name
League - Womens Team	Champion	} Deepika Rodrigo,Champa de silva Nadeesha Kumarasinghe
Knockout - Womens Team	Champion	
League - Mixed Doubles	Champion	} Deepika Rodrigo Chaminda Wijegunawardane
Knockout - Mixed Doubles	Champion	
Open - Mixed Double	Champion	
Open - Women Single	Champion	Deepika Rodrigo
Veterance Women Single	Champion	Champa de silva
Open - Womens Double	Champion	D.S.Rodrigo, C. de silva



Employee Welfare

Contribution to the employee benefit plans

	2011 Rs. Mn	2010 Rs. Mn
Employers' Contribution to EPF	74	75
Employers' Contribution to ETF	15	15
Gratuity Provision	52	81
Staff Welfare	95	79

Towards Employees



25 years service award



35 years service award

The employees who completed 25 & 35 years service period in 2011 were felicitated as an annual event.



Year 5 Scholarship Awards



Risk Management

Risk is an inescapable element of competing in a market economy. Managing risk is of crucial importance in order to make constant growth over the years whilst achieving the goals and objective of the company. We as a responsible company have been able to evaluate many types of risks and incorporate the results in to decision regarding investment and operations as well as into the systems used to monitor and evaluate the effectiveness of the actions taken.

ANCL has formed risk management division and implemented an ongoing process to identify, evaluate and manage significant risk faced in different areas of the business.

The major risks that are addressed in the company's Risk Management System are as follows.

Credit risk management

Credit risk is the potential financial loss arising from the company's debtors defaulting to pay within the credit period. A significant economic downturn in a market and sharp increase of interest rates are among the factors that could reduce collection performance.

Credit approval is made by experienced and qualified staff after a proper evaluation. Different level of authority is delegated for the credit approval. Securities such as letter of guarantees, deposits are obtained as an additional safeguard from the client. Credit procedures have been properly followed and adequate provisions are made for the doubtful debtors.

Operational Risk Management

The risk that may result in losses as a result of human error, unsuitable or faulty internal processes, system failures and breaches in internal control, fraud, non-compliance of laws and regulations or external causes such as unforeseen catastrophes is called the operational risk.

Internal Audit Department which is an integral part of the company's internal control system reported to the Audit Committee. Adherence to

internal controls and adequacy of internal controls are continuously reviewed by the company's internal audit department.

The company's tangible assets have been insured against identified risks. All insurance policies are subject to annual evaluation and review.

Legal Risk Management

In the normal course of its business, ANCL is subject to proceedings, legal actions and other claims. All these matters are subject to risks & uncertainties and the outcome cannot be predicted with any level of certainty. Legal department ensure that all activities and events of the company are complied with legal and statutory requirements to mitigate the risk.

Human Resource Related Risk Management

The company considers developing the human capital as vital for business continuity. The employees are being appropriately trained foreign and local based on needs assess by the human resource development function of the company.

Health & Safety Risk Management

The risk related to employee health and safety in the work place receives the foremost attention as the company believes the safety of human capital as vital for business continuity. Safety precautions have been taken with regard to all the machinery and equipment with a potential for injury, with trained personnel serving at each location.

Information Risk Management

The company is able to produce accurate & relevant information fulfilling appropriate requirements of each stake holder with the aid of the computer system. The systems are reviewed periodically and a maintenance agreement is in place with the software provider.

Corporate Governance

Corporate Governance is understood to be a system by which companies are directed and controlled. The Board of Directors ensures that the activities of the company are always conducted in accordance with the highest ethical standards and in the best interest of all stakeholders. In this respect, it is guided by the principles and provisions of the code of best practice on corporate governance published by the Institute of Chartered Accountants of Sri Lanka.

The Board of Directors Composition

The Board of Directors comprises of a chairman and four executive directors. The Public Trustee appoints three directors and the shareholders appoint two directors. Chairman is the Managing Director of the company and he is responsible for running the Board, preserves order and facilitates the effective discharge of Board functions.

Holding Regular Meetings and Attendance

The Board routinely holds meetings once in two weeks and special meetings are held when necessary. The Directors have a range of skills and experience and each brings an independent judgment and considerable knowledge to the Board's discussions. During the year 2010, the Board convened 21 meetings. The Chart appearing below illustrates detail of attendance of each of the Directors.

<u>Name of Director</u>	<u>No of Meetings attended</u>
Mr. Bandula Padmakumara	19
Mr. Sandrasegaram Shanmuganathan	07
Mr. Edirisinghe Vithanage Prasad Rasanga Harischandra	19
Mr. Upul Ranjan Samarasingha Dissanayake	17
Mr. Seelaratna Senarath (New appointment)	19

Board Committees and their Composition

The Board has formed an Audit Committee and procurement committees for capital expenditure, imports & local purchases each comprising Directors and Senior Managers.

Financial Reporting and 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.

Directors' responsibility for preparation of financial Statements

The statement of the Directors' responsibility for preparation of financial Statements is given in page 26 of this Annual Report.

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.

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 proper procedures by segregation of duties, authority levels and internal and external audit 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.

Relationship with Shareholders

The Board of Directors has continuously recognized the important role played by the shareholders towards the company. ANCL always welcome active participation of the shareholders at the Annual General Meeting and their suggestions.

Corporate Social Responsibility

The company is well understood of its responsibilities towards the community and society at large. The company's activities in this regard appear on pages 8 & 9 of this Annual Report.

Employee matters & Communications

Employees are given unrestricted access to the management to voice their concern and solve their grievances then and their.

Environmental Protection

We have taken all possible measures to make sure 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.

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.

Directors' Report

The Directors have pleasure in submitting their Annual Report for the year ended 31st December 2011 together with the Audited Statements of Accounts and Balance Sheet as at that date.

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 company are presented in this Annual Report.

3. Auditors' report

The Auditors' report on the Financial Statements is given on page No. 27 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 Chairman's Review and financial review presented in this Annual Report.

6. Revenue

The company achieved total revenue of Rs.3, 075 Mn during the period ending 31st December 2011.

7. Profit & Appropriations (Rs.Mn)

	2011	2010
Profit / (loss) before Tax	14	(359.7)
Taxation	(2.1)	(2.8)
Differed Taxation	(22.9)	25.0
Profit / (loss) after Tax	(11.0)	(337.6)
Brought forward (loss)/profit	(172.8)	
Dividends	-	-
Retained profits carried forward	<u>510.5</u>	<u>(172.8)</u>

8. Revenue Reserves

The company revenue reserve as at 31st December 2011 was Rs.237.5 Mn.

9. Property, plant and Equipment

Capital expenditure on Property, Plant & Equipment and capital work-in-progress for the year 2011 amounted Rs.67.8Mn. The movement of Property, Plant & Equipment during the year is given in note 7 to the Financial Statements.

10. Donations

During the period company contributed Rs. 1,600,000 towards charitable institutions.

11. Net Assets per share

Net assets per share are Rs.78.17.

12. Share Information

Information relating to earnings, dividends and net assets per share is presented in Financial Highlights and Decade at a Glance Statements.

Distribution of shareholding is indicated under Share information report.

Directors' Report

13. Substantial Shareholding

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

14. Directors

The Directors of the company as at 31st December 2010 and their shareholding were as follows.

	<u>No of shares</u>
Mr. Bandula Padmakumara	Nil
Mr.Sandrasegaram Shanmuganathan	Nil
Mr Edirisinghe Vithanage Prasad Rasanga Harischandra	1
Mr. Upul Ranjan Samarasingha Dissanayake	Nil
Mr. Seelaratna Senarath	1

15. Resignation / New Appointments during the year

No resignations or new appointments have been carried out 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 2011.

18. Directors' Remuneration

Directors' remuneration in respect of the company for year 2011 is stated in Note 2 to the financial statements.

19. Post Balance Sheet Events

There was no material post balance sheet event affecting the accounts as at 31st December 2011.

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.

By order of the Board of Directors,



Kumudu H.Gunawardana Imbulamure
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.

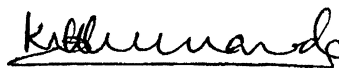
The companies Act, No 07 of 2007 requires that the Directors prepare financial statements for each financial year, which reflects a true and fair view of the state of affairs of the company as at the end of the financial year and the profit for that financial year. In preparation of these statements,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

1. Appropriate accounting policies have been selected and applied on a 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 audit 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
Kumudu H Gunawardana Imbulamure
Company Secretary

Auditor General's Report

TM/C/ANCL/ 2011

August 2012

Report of the Auditor General on the Financial Statements of the Associated Newspapers of Ceylon Limited for the year ended 31 December 2011 in terms of Section 14(2)(c) of the Finance Act, No.38 of 1971.

The audit of financial statements of the Associated Newspapers of Ceylon Limited for the year ended 31 December 2011 comprising the balance sheet as at 31 December 2011 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971 and Section 16 of the Associated Newspapers of Ceylon Limited (Special Provision) Law No.28 of 1973. My comments and observations which I consider should be published with the Annual Report of the Company in terms of Section 14(2) (c) of the Finance Act, appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act was issued to the Chairman of the Company on 08 June 2012.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

1.4 Basis for qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Associated Newspapers of Ceylon Limited as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments of Accounts

2.2.1 Sri Lanka Accounting Standard

Action had not been taken to revalue and account for fully depreciated motor vehicles, machinery, computers and electrical installations which were in use in terms of Section 30 of the SLAS - 18.

2.2.2 Accounting Deficiencies

Following observations are made

- (a) Although the payment of instalment amounting to Rs.4,167,848 had been completed for the computers purchased under Finance Leases, it had not been transferred as freehold assets.
- (b) Balances aggregating Rs.1,522,392, out of the deposits made by the foreign debtors to publish advertisements had been set off against the trade debtors instead of being shown as advances under the liabilities.
- (c) An advance amounting to Rs.1,331,868 made by the Sri Lanka Army to Commercial Printing Department of the Company for a printing work had been shown as a credit balance under the debtors instead of being shown as payable advances under the liability.
- (d) Credit balances aggregating Rs.19,863,773 included in the advertisement debtors had been set off against the total debit balance of that account instead of being shown it under liability.
- (e) In computation of the cost of external work of the commercial printing department shown in the detailed income and expenditure account, revenue for the internal work including the profit margin had been deducted from the overall cost of production of the department.
- (f) Investment in Housing Development Finance Corporation amounting to Rs.300,000 had been inappropriately categorized under the unquoted companies
- (g) The Associated Newspapers of Ceylon Limited had paid an advance of Rs.1.2million to the "Lanka Puwath" Company in the year 2008 for the purchase of 2,400 shares to the value of Rs. 1,000 each. That amount had been shown as an Advance instead of being shown under the Investments in the Financial Statements.

Auditor General's Report

- (h) The Good in Transit amounting to Rs. 8,652,936 relating to the year 1999, had been continuously shown under sundry debtors without making necessary adjustments.
- (i) A sum of Rs.2,364,780 payable for the Goss Magnum Four Expansion machine as at 31 December 2011 had not been brought to accounts. Hence, assets and liability accounts had been understated by that amount.
- (j) Value of two fixed deposits totalling to Rs.309,627 which were in favour of the Company had not been shown in the financial statements. .

2.2.3 Unreconciled Control Accounts

According to the financial statements , balance of the subscription debtors as at 31 December 2011 was Rs.15,861,472. As per the detailed schedules it was Rs.11,110,942. Hence, the difference of Rs.4,750,530 had not been reconciled.

2.2.4 Unidentified Differences

Excess amounting to Rs. 85,020 and shortages amounting to Rs.137,854 observed between the daily receipts accounted through Adpro system and cash deposited in the bank, had been shown as credit and debit outstanding respectively in the bank reconciliation statement for the month of December 2011 without being taken action to clear.

2.2.5 Accounts Receivable and payable

Following observations are made

- (a) Advances aggregating to Rs. 2,105,423 granted for the purchase of goods and services had been outstanding for the period ranging from 01 year to 7 years.
- (b) Suspended debtors included in the newspaper agency debtors as at 31 December 2011 was Rs.2,631,559.
- (c) Terminated debtors included in the newspaper agency debtors as at 31 December 2011 amounted to Rs.9,661,338 and a balance of Rs.5,324,376 or 55% of the above debtors had been terminated before one year. However, legal action had not been taken by the Company in this regard.
- (d) A sum of Rs.654,758 shown under commercial printing department debtors were outstanding for more than two years. Non moving balance included in the above amount was Rs.135,735.
- (e) Letters calling for confirmation, to the value of Rs. 515,777,384 had been sent in respect of trade debtors balance over Rs.50,000. Balances to the value of Rs. 20,884,706 had been agreed in whole. Balance to the value of Rs. 6,738,388 had not been agreed and confirmations had not been received for Rs. 488,154,290 up to 29 June 2012.
- (f) Even though the credit period for advertisement debtors was 50 days, 4% of the total net debit balance of the advertisement debtors were over one year and a sum of Rs.2,580,486 were from Government Departments and Ministries. Further debit

balances over 720 days from both Government and private sector amounted to Rs.5,421,207.

- (g) An unidentified deposit amounting to Rs.982,363 relating to the year 2008 had been included in the sundry creditors balance. It had been brought to account as creditors without being identified and adjusted in the accounts.
- (h) A sum of Rs.20,472,394 receivable as at 31 December 2011 in respect of printing papers granted to Rivira Company on credit basis was outstanding for more than 2 years.
- (i) The Lakkima Company had been granted 199,798 kilograms of printing papers on Exchange basis of Goods in January and February 2010. Nevertheless, only 104,388 kilograms out of the above had been returned up to 31 December 2011. Accordingly, 95,410 kilograms of Printing papers valued at Rs.6,821,487 had not been returned up to 29 June 2012
- (j) Proper action had not been taken for 130 dishonoured cheques valued at Rs.18,343,239. Out of this, 67 cheques valued at Rs.1,814,872 had been outstanding for more than one year.

2.2.6 Lack of Evidence for Audit

Seven vehicles valued at Rs.6,374,634 shown in the accounts could not be satisfactorily vouched in audit due to absence of physical verification reports.

2.2.7 Non compliance with Laws, Rules and Regulations

Following instances of non compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances
-----	-----
(a) Finance Act No.38 of 1971 (i.) Section 13(8)	The Company had not furnished a reply indicating the steps taken or proposed to be taken on the Auditor General's report issued for the year 2010 in terms of Section 13(7) (a)of the Act.
(ii.) Section 14(1)	A copy of the Draft Annual Report for the year under review had not been submitted to the Auditor General, together with the financial statements.
(iii.) Section 13(5)(d)	Half - yearly internal audit reports had not been submitted to the Auditor General
(b) Section 114 (1)of the Inland Revenue Act No.10 of 2006 and Public Enterprises Circular No. PED/12 of 02 June 2003 Section 8.7	The Company had paid the PAYE tax for bonuses of the employees without being deducted from employees. A sum of Rs. 12,481,683 had been paid for the year 2010/2011.

Auditor General's Report

- (c) Public Enterprises Circular No. PED/12 of June 2003
(i) Sections 9.2 (b) and (d)
- Even though the approval of the Department of Public Enterprises should be obtained for the Organization Chart and the Approved cadre, it had not been done so.
- (ii) Section 9.2 (a)
- The approved cadre of the company should be included in the Corporate Plan. Nevertheless, the actual cadre as at 31 July 2006 had been included in the Corporate Plan prepared for the period from 2006 to 2015.

2.2.8 Items in Contentions nature

Ten printing works valued at Rs.15,054,600 had been completed by the Commercial Printing Department of the Company without obtaining formal orders from the respective organizations or persons. Further action had not been taken by the Company to recover the charges for the works amounting to Rs.6,074,600, out of the above works and another three works amounting to Rs. 7,980,000 had been written off against Sales promotion account without any basis.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the operations of the Company for the year ended 31 December 2011 had resulted in a pre tax net profit of Rs.14,036,475 as against the pre tax net loss of Rs. 359,781,998 for the preceding year, thus indicating an increase in financial results by Rs. 373,818,473. Decrease of expenditure by Rs.228,489,987 and increase of income by Rs.145,328,486 were the main reasons for increase in financial results for the year under review.

3.2 Analytical Financial Review

The gross profit margin and the profit mark up of the Company for the year under review, as compared with the preceding year had increased by 1.95 per cent and 7.63 per cent respectively and the cost on Voluntary Retirement Scheme had decreased by Rs.176 million. As a result, the pre tax net loss for the preceding year had converted into a pre tax net profit of Rs.14 million for the year under review. Certain matters revealed at an analytical review of the financial statements as compared with the preceding year are given below.

	2011 %	2010 %
Gross Profit Margin	50.42	48.47
Profit Mark up(Gross Profit on cost of sale)	101.69	94.06
Administration Cost on Turnover	40.00	45.19
Selling and Distribution Cost on Turnover	10.14	10.95
Finance Cost on Turnover	3.63	2.42
Liquidity Ratio	1.44:1.00	1.46:1.00
Acid Test Ratio	0.95:1.00	1.04:1.00

4 Operating Review

4.1 Performance

Following observations are made.

- (a) The Company had published 6 newspapers, 12 periodicals and 2 annual publications during the year under review while 6 newspapers, 7 periodicals and 11 annual publications had been published during the preceding year. The net contribution of the newspapers, periodicals and annual publications had increased by Rs.179,311,948 during the year under review.
- (b) Six newspapers published by the Company had made a favourable contribution to the financial result of the Company. Details were as follows.
 - (i) The overall advertisement income of the newspapers of the Company had increased by Rs.253,503,962 or 12.7 per cent as compared with the preceding year whereas the charges for advertisement had increased by 31.5 per cent from 01 October 2011.
 - (ii) Overall newspaper sales income of the Company had increased from Rs. 474,808,907 in the preceding year to Rs. 496,505,606 by 4.57 per cent whereas the prices of the three newspapers had increased by 25 per cent during the year under review.
 - (iii) When compared with preceding year, net contribution of Silumina had decreased by Rs.34,731,985 due to the decrease of advertisement income and newspaper sale income.

4.2 Management Inefficiencies

Following observations are made

- (a) A sum of Rs.250,000 had been granted as an advance to an officer of the Company for the implementation of Drought Relief Programme in September 2004. However, the advance had not been settled, even though the above officer is in the service even at present.
- (b) No return whatsoever had been received up to the year under review from an investment of Rs.7,500,000 made in 1985 in the Lake House Property Development Company Limited.

4.3 Operational Inefficiencies

As per the action plan for the year 2011, the main purpose of the Commercial Printing Department is to improve the income and it had been planned to earn 55% of the income from external and 45% from internal income. However, when compared with the budgeted income for the year under review with the actual income, it was observed that only 71% of the total budgeted income had been achieved and 70% of the total earned income was from internal and 30% was from external income. Accordingly the Company had not achieved the external income target.

Auditor General's Report

4.4 Assets Management

Following observations are made.

- (a) Board of Directors of the Company had decided to dispose seven unusable vehicles during the year 2011 and only three vehicles had been disposed. Balance 4 vehicles remained as unusable assets as at 31 December 2011. Cost of these vehicles were Rs.3,737,812.
- (b) Stock of unusable exercise books valued at Rs.71,991 had been observed in the bookshop of the Kandy Branch office.
- (c) 147 items of camera and other equipment had remained in Photo Services Department without being taken action to dispose. Value of the equipment was not made available for audit.

4.5 Uneconomic Transactions

Following observations are made.

- (a) A sum of Rs.1,070,242 had been paid as penalty during the year under review due to delay and lower quality of the work relating to the printing of 24 Text books amounting to Rs. 203,421,900 for the Educational Publications Department for the year 2010. Penalty paid in this manner for the previous years amounted to Rs.4,799,532.
- (b) The Company accepts the return on newspapers distributed by the Dispatch Division on special and general reasons and in addition to that, acceptance of returns for the newspapers circulated to the agents in excess for the purpose of trade promotion had been done without any limit. Audit test check on News Agents Special Returns Advice Summary during January to May 2011 revealed that 90% of returns were due to increase of supply by the Company for the purpose of trade promotion.

4.6 Cash Management

As per the analysis of adjustments shown in the bank reconciliation statements prepared for December 2011 by the Company, unidentified debit and credit balances which had not been adjusted for more than six months were Rs.1,822,226 and Rs.803,287 respectively.

4.7 Identified Losses

Following observations are made.

- (a) 2,506,449 copies of newspapers and periodicals had been printed by the Company during the year under review exceeding the amount shown in print orders prepared for each newspaper and periodical. Further, percentage permitted by the Company for the spoiled papers in printing publication is only 5% of the good papers. However, when compared with the good papers and spoiled papers during the year under review, it was observed that this permitted percentage had been exceeded in some instances. The balance copies of the newspapers and periodicals retained in the company after supplying the good copies during the year under review was 858,813. Cost of these copies was approximately Rs.18,403,595.

- (b) A sum of Rs. 5,432,000 shown as recoverable from the National Savings Bank had been transferred to the sales promotion account as an expenditure during the year under review without any basis.

4.8 Utilization of Resources of the Company by Others

Five officers of the Company had been released to the external institutions contrary to Section 8.3.9 of the Public Enterprises Circular No.PED/12 of 02 June 2003, and the Company had spent a sum of Rs.1,103,112 for their salaries during the year under review.

5. Accountability and Good Governance

5.1 Tabling of Annual Report

Annual Report for the year 2010 had not been tabled in Parliament by the Company .

6. Systems and Controls

Deficiencies observed in System and Controls during the course of audit were brought to the notice of the Chairman of the Company from time to time. Special attention is needed in respect of the following areas of Control.

- (a) Settlement of Advances
- (b) Financial control of the Branches
- (c) Maintenance of job register of the Commercial Printing Department



H.A.S. Samaraweera
Auditor General

Chairman's Comments on Audit Observations

2.2 Comments of accounts

2.2.1 Sri Lanka Accounting Standards

We do not agree with this comment. According to the provisions of the SLAS- 18, an organization can adopt either Cost model or Revaluation model for the subsequent recognition of the assets in the financial statements. ANCL adopts cost model which is properly disclosed in the notes to the accounts.

2.2.2 Accounting deficiencies

- a) Accepted. We have erroneously classified these computers as leasehold assets instead of freehold assets. The position will be corrected in 2012.
- b) Action will be taken to rectify this presentation error in 2012 financial statements.
- c) Action will be taken to rectify this presentation error in 2012 financial statements
- d) Steps would be taken to rectify the same
- e) The commercial printing department maintains job cards for Internal and external jobs separately. Schedule 11 to the detailed income & expenditure account shows the external and internal revenue of the commercial printing department and the corresponding cost of sales clearly.
- f) This classification error will be corrected in next year's financial statements.
- g) An advance payment of Rs 1.2 million was made to acquire 2,400 shares of Lanka Puwath Ltd to enhance stake in other mode of media such as web publishing. We will take

measures to pay the balance and to obtain the respective share certificates in due course.

- h) This sundry debtor balance arose due to incorrect accounting, was written off in 2012 with the approval of the Board.
- i) This will be corrected in 2012 accounts
- j) These two fixed deposits belong to "Hasalaka Veera Sebala Fund" which was created to ensure the well being of the parents of the soldier who sacrificed his life for the Country at Elephant Pass. Deposits are in the name of the fund and not in the name of ANCL.

2.2.3 Unreconciled control accounts

The difference observed is due to introduction of computer program and would be rectified once the new program is fully implemented

2.2.4 Unidentified differences

Action will be taken to account the unidentified debits and credits appropriately

2.2.5 Accounts receivable and payable

- a) Subsequent to the audit query, a few advances were recovered/ settled and a few were written off with the approval of the Board. Present outstanding balance of Rs 782,567/92 refers to purchases in 2005 to 2008 and will be accounted properly in 2012.
- b) This amount of Rs 2,631,559/- is outstanding from duly appointed permanent newsagents who have deposited the value of seven weeks supply as security. We have temporarily suspended

Chairman's Comments on Audit Observations

the Agency status of these parties due to irregular settlement and expect to re-commence the dealings when the balances are recovered in full.

- c) We are in the process of completing the final accounts of these agents and expect to take legal actions for any amount above their deposits.
- d) Unrecoverable amount of Rs 135,735/- from 12 debtors for two years will be written off in 2012.
- e) ANCL sent confirmation letters to debtors above Rs 50,000/- as agreed by the Audit officers. However only few debtors responded and this position were beyond our control. Only 28 debtors have not agreed and the differences were very nominal.
- f) ANCL maintains close business relationship with Government and private sector organizations in this highly competitive field of newspaper industry where rest of the print media companies is of the private sector. Amidst stiff competition, ANCL has to maintain its high ratio of market penetration. While ANCL is vigilant over collections and apprehensive over risk exposure is compelled to deal matters delicately in a more viable manner to safeguard business and to confront competitors. Under most circumstances, providing credit facilities beyond the credit period is unavoidable. However recoveries are made in the most appropriate and viable manner without detriment to the company. Besides, ANCL learns most delays in settlement of the Government sector is a result in the delay with treasury provisions.

Legal action is instituted for outstanding debts of Government and private sector clients.

- g) Foreign remittances received in 2008 to the tune of Rs 982,363/- for advertisements could not be identified due to inadequate records in the remittance advices. We kept this in sundry creditors account for some time to settle in case, if claims are received. As no claim is received during past three years, we will recognize this as sundry income in 2012.
- h) In the newspaper industry, supply sources of few imported consumables such as newsprint, plates, and blankets are extremely limited and the lead times are very excessive. The newspaper companies maintain close trade relations and support each other in an event of urgent necessity of such supplies. Accordingly, we supplied Rs 116.6 million worth of newsprint to Rivira Media Corporation at a profit of Rs 16.7 million on cash/credit basis. Out of this amount, we are to receive back Rs 20,472,394/- as at 31st December 2011 and we are hopeful that the amount will be settled in the future.
- i) Similarly we have supplied some newsprint to Lakbima Newspapers Company from whom we are to receive back Rs 6,821,487/- as at 31st December 2011. We have initiated legal actions to recover this balance.
- j) Out of the total amount, only 63 cheques to the value of Rs 1,814,872/- are outstanding for more than a year. We follow up these long outstanding debts closely and expect to institute legal actions if not successful.

Chairman's Comments on Audit Observations

2.2.6. Lack of Evidence for Audit

These fully depreciated seven vehicles are shown of the financial statements at a value of Rs.7/- as detailed below.

Vehicle No.	Year of Purchase	Cost	Depreciation	Carrying value
48-7374	1996 Oct	Rs. 175,000.00	Rs. 174,999.00	1.00
48-9549	1997 Mar	Rs.1,163,000.00	Rs.1,162,999.00	1.00
50-2904	1986 Sep	Rs. 265,500.00	Rs. 265,499.00	1.00
87-8848	1983 Oct	Rs. 33,850.00	Rs. 33,849.00	1.00
300-8895	1998 Nov	Rs.1,975,000.00	Rs.1,974,999.00	1.00
WP-HJ-3824	2003 Sep	Rs.2,495,834.00	Rs.2,495,833.00	1.00
14-7469	1987 Feb	Rs. 266,450.00	Rs. 266,449.00	1.00

Vehicle Number 300-8895 and HJ-3824 are still available in our vehicle fleet and those could have been verified directly instead of referring to physical verification reports of the Internal Audit department.

The other vehicles had been disposed of in previous years but still shown in the financial statements due to non availability of information to the finance department. This position will be rectified in 2012 accounts.

directors of the company has taken a decision that the PAYE tax arising from the payment of bonus would be borne by the company on behalf of its employees.

- c) 1. This will be complied with in the future

II. Accepted

2.2.7 Non compliance with laws, rules and regulations

- a) 1. Though we were not able to respond the paragraphs of the said 13(7) (a) report of 2010, the final report, the 14(2) (c) containing the summarized paragraphs of 13(7) (a) was responded within the stipulated time period.

II. A copy of the draft annual report for the year 2011 would be submitted shortly

III. This will be complied with in the future

- b) ANCL has complied with the Inland Revenue Act by paying the due amounts to the Inland Revenue Department in a timely manner. However, the board of

2.2.8 Items of contentious nature

Being a Government owned company which specializes in commercial printing, some of the commercial printing jobs of the Government are referred to us by various government sector organizations to complete on urgent manner. The printing works stated in the audit report refers to some of such jobs for which the payments have not been received yet. Out of this amount, Rs 7,980,000/- was written off during the year as irrecoverable.

3. Financial review

3.1 Accepted.

3.2 Accepted.

4. Operating review

4.1 Performance

- a) Accepted.
- b) 1. The total advertising revenue generated by 18 papers has been increased by Rs 259,601,516/- recording a growth of 13% over 2010. Advertising rates were increased in the middle of the year by around 15% in only 2 out of entire portfolio of 18 publications. Considering the volume of advertising in these 2 revised papers, the impact of rate revision on the total advertising revenue should be marginal.
- 11. Overall newspaper sales income generated by 18 papers increased from Rs 592,496,356/- in the preceding year to Rs 674,994,020/- by Rs 82,497,664/- recording a growth of 14 %. Cover prices were increased in the middle of the year only in 9 publications out of the entire portfolio of 18 publications.

III. Accepted

4.2 Management inefficiencies

- a) We are investigating on this matter and expect to take appropriate action in 2012
- b) This is a fully own subsidiary company of ANCL which has not started operations yet. As such no dividend has been paid up to date. However Lake House Property Development (Pvt) Ltd has purchased 8 acres land in Hokandara which may generate substantial capital gain, and also, it has invested Rs. 9.6 million in Treasury bills.

4.3 Operating inefficiencies

In preparing the action plan and the budget, under commercial printing department we expected external revenue of Rs 200 million from Government school text book printing in 2011. However we were not able to fetch a sizable volume of this tender, because our quote was not the lowest. If we had received the tender, this ratio could have been changed as 53% external and 47% internal.

4.4 Assets Management

- a) A public tender was called to dispose these 7 vehicles but we were able to sell only 3 vehicles to the highest bidders. In respect of balance 4 vehicles, though we notify the respective highest bidders, no one responded positively. Accordingly their tender deposits were forfeited and a fresh tender was called.
- b) The sale of those books were hampered due to new exercise books coming to the market with attractive covers depicting cartoon characters etc. However steps have been taken to dispose the stock offering discounts, but the sale of them even with the discounts are very low due to minimum demand by the customers.
- c) These cameras and relating equipments numbering 147 are non-using for more than a decade due to damages and technology obsolescent. Values of these items also cannot be established from the available records and hence action would be taken to dispose appropriately.

Chairman's Comments on Audit Observations

4.5 Uneconomic transactions

- a) Due to instances such as delay of proof etc. by the Education Publication Department, delays have occurred in completing our task, but we have had no responses for written and oral representations made to authorities of the department. Other factors contributing to delays were poor quality drafts that had to be re-drafted at our end, intervention of special holidays and delays of obtaining printing papers owing to instances such as natural disasters in producer countries. Even though the prior approval has been obtained confirming the required quality standards of the paper to be used, fines had been unilaterally imposed stating deficiencies in GSM or Opacity. However all the books were printed using wood free papers manufactured by one and the same paper mill.
- b) Newspaper dispatch quantities to news agents are increased beyond regular limits, when the newspapers contain information or articles of public interest. Also it is our strategy that we print and dispatch sufficient number of papers Island wide when a new paper is launched or a special promotion campaign is undertaken. During the period under review, we launched number of new publications and a few promotions that may have resulted in such a high percentage of returns due to excess supply.

4.6 Cash management

Action will be taken to account the unidentified debits and credits appropriately

4.7 Identified losses

- a) In the process of printing newspapers, it is customary that some copies are inevitably wasted as spoils and excess prints. Initially the press is started with a lesser speed and the press crew perform various adjustments till the print outputs the required quality standard. The copies generated up to that point are recognized as spoils and some of them are used for free copies to staff while the balance is sold on weight basis. We operate below 5% spoils which is an acceptable norm in the industry.

When the press runs at a higher speed, it is not possible to stop at the exact point of requirement and hence always results in generating few copies in excess. Also if we stop at a point below the requirement, then we need to start up the press again to cover the difference and this will generate a higher number of spoils compared to the marginal excesses at the first print. We operate below 2% excess prints and this position is well within the industry norm.

- b) Accepted

4.8 Providing resources of the company to others

These officers were released only to Government sector institutions on request

5. Accountability and corporate governance

5.1 Tabling annual report

We have taken measures to submit the 2010 Annual reports to parliament in August 2012

6. Systems and controls

- a) We have introduced a new system of following up contactor's advances and from 2009 there is no advance which is irrecoverable
- b) We will take measures to identify the long outstanding differences between branch petty cash registers and main ledger
- c) Commercial printing department undergoes severe technical enhancements of printing capacities at present and we are planning to upgrade the accounting and control systems simultaneously



Bandula Padmakumara
Chairman & Managing Director

Income Statement

For the year ended 31st December, 2011

	Notes	2011 Rs.'000	2010 Rs.'000
Net Revenue	1	3,075,267	2,920,218
Cost of sales		(1,524,782)	(1,504,768)
Gross profit		1,550,485	1,415,449
Other operating income	3	117,319	107,027
		1,667,805	1,522,476
Administrative expenses		(1,230,158)	(1,319,657)
Distribution expenses		(311,895)	(319,789)
Profit from operating activities before taxation	2	125,752	(116,969)
Finance expenses		(111,715)	(70,806)
Profit /(Loss) Before Tax & VRS		14,036	(187,775)
Voluntary Resignation Scheme Cost	6	-	(172,007)
Profit/ (Loss) before Taxation		14,036	(359,782)
Taxation	4	(2,136)	(2,856)
Differed Taxation	9	(22,938)	25,025
Profit/ (Loss) after Taxation		(11,037)	(337,613)
Basic / Diluted Earnings per Share (Rs.)	5	(3.17)	(96.91)

Balance Sheet

BALANCE SHEET AS AT 31ST DECEMBER, 2011

ASSETS	NOTES	2011 Rs.	2010 Rs.
Non Current Assets			
Property Plant & Equipment	7	289,224	226,910
Investment in subsidiary company		7,500	7,500
Other Investments	8.1	359	359
Differed Tax	9	147,219	170,157
		444,303	404,927
CURRENT ASSETS			
Inventories and Work-in-Progress	10	475,184	426,241
Trade & other receivables	11	834,407	949,096
Amounts due from Subsidiaries		955	756
Income Tax	4	37,756	15,823
Short Term Investments in Shares	8.2	647	647
Cash & Cash equivalent		31,398	67,770
		1,380,348	1,460,335
Total Assets		1,824,650	1,865,262
EQUITY & LIABILITIES			
Capital & reserves			
Stated Capital	12	34,837	34,837
Revenue Reserves	13	237,483	248,520
		272,320	283,357
Non-current liabilities			
Deferred liabilities	14	181,440	176,779
Interest bearing borrowings	15	162,768	162,291
Retirement Benefit obligations	16	241,509	234,900
Provision for claims against the Company	17	10,000	10,000
		595,717	583,971
Current Liabilities			
Trade & other payables		330,328	183,933
Current portion of long term borrowings	15.1	73,013	55,395
Dividend payable		77	77
Short Term Loans		279,428	475,671
Bank overdraft		273,768	282,858
		956,614	997,934
Total Equity & Liabilities		1,824,650	1,865,262

It is certified that the Financial Statements have been prepared in compliance with the requirements of Companies Act No. 7 of 2007.



Director Finance
Signed for and on behalf of the Board



Chairman



Director Finance

Cash Flow Statement

FOR THE YEAR ENDED 31ST DECEMBER 2011

	2011 Rs.	2010 Rs.
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated from operations - (Note A)	204,230,538	42,833,999
Interest paid	(111,715,367)	(70,805,714)
Income tax paid	(24,068,423)	(22,012,561)
Gratuity	(35,115,251)	(64,868,849)
Payment for claims against the company	(2,192,460)	(3,164,274)
Voluntary Retirement Scheme Cost	-	(172,007,306)
Net cash inflow/(outflow) from operating activities	31,139,038	(290,024,705)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Purchase of fixed assets	(38,267,312)	(105,500,590)
Sale of fixed assets	3,202,198	4,676,949
Sale of Investments	-	-
Increase in deferred liability	4,660,717	6,012,913
Interest received	11,734,653	12,552,116
Dividend received	1,568,902	962,898
Rental income received	17,512,475	16,950,661
Capital work in progress increase/decrease	(76,928,348)	37,621,777
Net cash inflow/(outflow) from investing activities	(76,516,715)	(26,723,276)
CASH FLOW FROM FINANCING ACTIVITIES		
Net increase/(decrease) in borrowings	18,094,814	114,303,247
Dividend paid	-	-
Net cash inflow/(outflow) from investing activities	18,094,814	114,303,247
Net increase/(decrease) in cash & cash equivalent during the year	(27,282,863)	(202,444,735)
Cash & Cash equivalent at the beginning of the year	(215,087,811)	(12,643,076)
Cash & Cash equivalent at the end of the year (Note B)	(242,370,674)	(215,087,811)
Note B - Analysis of cash & cash equivalents at the end of the year		
Cash in hand and balance with bank	18,994,578	59,572,313
Bank overdrafts	(273,768,341)	(282,858,191)
Short term investments	12,403,089	8,198,067
	(242,370,674)	(215,087,811)

Figures in brackets indicate deductions

Cash Flow Statement

FOR THE YEAR ENDED 31ST DECEMBER 2011

	2011 Rs.	2010 Rs.
A). Cash generated from operations		
Net Profit before taxation	14,036,475	(359,781,998)
Adjustments for:		
Provision for claims against the company	2,192,460	3,164,274
Depreciation	52,881,728	51,061,602
Dividend income	(1,568,902)	(962,898)
Interest income	(11,734,653)	(12,552,116)
Rental income	(17,512,475)	(16,950,661)
Finance expenses	111,715,367	70,805,714
Gratuity provision	41,723,830	67,846,013
Voluntary Retirement Scheme Cost	-	172,007,306
(Profit)/ Loss on sale of Investments	-	-
(Profit)/ Loss on sale of fixed assets	(3,202,111)	(4,645,804)
Operating profit before working capital charges	188,531,718	(30,008,568)
Decrease/(Increase) in accounts receivable	114,688,967	(115,197,944)
(Increase)/Decrease in inventories	(48,942,858)	(161,926,246)
Increase/ (decrease) in current accounts with subsidiary	(198,769)	(281,832)
(Decrease)/Increase in accounts payable	(52,048,187)	349,688,589
Increase/(decrease) in deposit received	2,199,667	560,000
Cash generated from operations	204,230,538	42,833,999

Statement of Changes in Equity

As At 31st December 2011

Rs.'000

	Stated Capital	General Reserve	Profit & Loss	Total
Balance as at 01/01/2010	34,837	758,974	(172,841)	620,970
Net Profit for the year			(337,613)	(337,613)
Transfers		-	-	-
Balance as at 31/12/2010	34,837	758,974	(510,454)	283,357
Balance as at 01/01/2011	34,837	758,974	(510,454)	283,357
Net Profit for the year			(11,037)	(11,037)
Transfers		-	-	-
Balance as at 31/12/2011	34,837	758,974	(521,491)	272,320

1. CORPORATE INFORMATION

1.1 GENERAL

The Associated Newspapers of Ceylon Ltd is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office of the company is located at No. 35, D.R. Wijewardene Mawatha, Colombo 10.

1.2 PRINCIPAL ACTIVITIES

The principal activities of the company are printing, publishing and distribution of Newspapers and periodicals.

2. GENERAL ACCOUNTING POLICIES

2.1 GENERAL

Statement of Compliance

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.

Basis of preparation

We prepare these Financial Statements under the historical cost convention. No adjustment has been made for inflationary factors affecting the accounts. Wherever there are exceptions and wherever appropriate, the accounting policies followed have been disclosed in the notes.

2.2 GOING CONCERN

The Directors confirm that the company has adequate resources to continue in operations to justify applying the going concern basis in preparing these financial statements.

2.3 COMPARATIVE INFORMATION

Comparative information has where necessary been reclassified to confirm with the current year's presentation.

2.4 SUBSIDIARY COMPANY

Lake House Property Development (Pvt.) Ltd., is a fully owned subsidiary company for construction and sale of houses. The company has not yet commenced operations.

The accounts of the subsidiary are not consolidated with the parent company as its activities are insignificant and dissimilar from that of the holding company.

2.5 FOREIGN CURRENCIES

Assets and liabilities expressed in foreign currencies are converted to local currency at the rates of exchange prevailing at the balance sheet date. Profits or losses arising there from have been dealt with in the profit and loss account.

3. ASSETS AND BASES OF THEIR VALUATION

3.1 ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amounts they are estimated to be realized. Provision has been made in the financial statements for bad and doubtful debts.

3.2 PROVISION FOR BAD & DOUBTFUL DEBTORS

Bad & doubtful provision has been provided in full for outstandings over one year for trade debtors.

Accounting Policies

3.3 INVENTORIES

Inventories have been valued at the lower of cost or net realizable value. Cost in this context is confined to aggregate cost of purchase and include all expenses incidental to purchasing. All inventories except newsprint stocks have been valued at cost on first in first out (FIFO) basis. The newsprint stock valuation is based on weighted average cost.

3.4 INVESTMENTS

Investments are stated at cost less any provision for permanent fall in value.

3.5 PROPERTY PLANT & EQUIPMENT

Property Plant & Equipment are stated at a cost or valuation less aggregate depreciation. The cost of an item of property, plant & equipment comprises its purchase price and any directly attributable cost of bringing the assets to working condition for its intended use.

Depreciation of property, plant and equipment of the company is provided on straight line basis, over the period appropriate to the estimated useful life of the assets as follows.

	Useful life (years)	Rate per annum
	-----	-----
Old Buildings	25	4.0%
New Buildings	20	5.0%
Plant & Machinery	08	12.5%
Motor Vehicles	04	25.0%
Furniture & Fittings	08	12.5%
Computers	04	25.0%
Air Conditioners	04	25.0%

No depreciation has been provided for on land. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the

asset is classified as held for and the date that the asset is derecognized.

3.6 LEASING OF PROPERTY, PLANT & EQUIPMENT

Assets obtained under Finance Leases, which substantially transfer all the risks and rewards incidental to that of ownership are capitalized at the cash price of the assets concerned. Assets obtained under such finance leases are depreciated on the same rate, as applicable to other Property, Plant & Equipment.

3.7 CASH & CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, deposits in banks and call deposits.

For the purpose of cash flow statement, Cash and cash equivalents includes cash in hand, call deposits, deposits in banks net of outstanding bank overdrafts.

4. LIABILITIES & PROVISIONS

4.1 PROVISIONS

Provisions are made for all obligations existing as at the balance sheet date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow.

4.2 DEFINED BENEFIT PLAN - 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. Current year Gratuity Liability is calculated based on the Gratuity Formula presented in Sri Lanka Accounting Standard 16 (Revised) to comply with the Standard.

Basis of payment of retiring gratuity for employees joined before 05th of June 2008 under the company's scheme is set out below.

No.of years of service	Basis: No. of weeks salary for each year of service on retirement
-----	-----
Over 25	6
20 - 25	4
5 - 20	3

Basis of payment of retiring gratuity for employees joined on or after 05th of June 2008 under the company's scheme is set out below.

No.of years of service	Basis: No. of weeks salary for each year of service on retirement
-----	-----
Over 20	3
5 - 20	2

4.3 DEFINED CONTRIBUTION PLANS - EMPLOYEES' PROVIDENT FUND & EMPLOYEES' TRUST FUND

Employees are eligible for Employees' Provident Fund contribution and Employees' Trust Fund Contributions in line with the respective statutes and regulations. Company contributes 15% and 3% of gross emoluments of the employees to Employees' Provident Fund and Employees' Trust Fund respectively.

4.4 CONTINGENCIES

Contingent liabilities are disclosed in the note No.19 to the Financial Statement

5. INCOME STATEMENT

5.1 REVENUE RECOGNITION

Company revenue represents circulation & advertising revenue excluding Value Added Tax and commissions.

5.2 The profit earned by the Company before taxation as shown in the income statement is after providing for all known liabilities, including depreciation of Property Plant & Equipment and provision for bad and doubtful debts.

5.3 EXPENSES

All expenses incurred in the running of the business maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the profit for the year.

5.4 DIVIDEND INCOME

Dividend income from investments in other companies is recognized in the year in which the company's right to receive payment is established.

5.5 GAINS AND LOSSES ON THE DISPOSAL OF PROPERTY, PLANT & EQUIPMENT

Gains and losses of revenue nature on the disposal of Property, Plant & Equipment have been accounted for in the Income Statement.

Accounting Policies

5.6 BORROWING COST

Borrowing cost is recognized as an expense in the income statement, in the period in which they are incurred in term of the Sri Lanka Accounting Standard No 20 on borrowing costs.

5.7 VOLUNTARY RETIREMENT SCHEME EXPENSE

Voluntary Retirement Scheme Expense is as an expense in the income statement, in the period in which they are incurred in terms of the Sri Lanka Accounting Standards.

8. POST BALANCE SHEET EVENTS

All material events occurring after the Balance sheet date and, where necessary we make adjustments or disclosure to these financial statements.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of directors is responsible for the preparation and presentation of these financial statements. Please refer the statement of Directors responsibility for financial reporting.

6. CASH FLOW

The cash flow of the company has been presented using the indirect method in accordance with the Sri Lanka Accounting Standard No.9 - Cash Flow Statement.

7. TAXATION

We provide for the income tax liability on the basis of the profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 10 of 2006 and the amendments thereto.

Differed Taxation

We recognize deferred income tax assets for deductible temporary differences, to the extent that it is probable that taxable profit will be available against the deductible temporary differences.

We review the carrying amount of deferred income tax assets at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilised.

Notes to Financial Statement

NOTES TO FINANCIAL STATEMENT

	Rs.'000 2011	Rs.'000 2010
1 Turnover		
Sunday Observer	914,388	805,963
Daily News	845,339	760,790
Dinamina	400,307	331,175
Silumina	417,858	456,867
Thinakaran	132,559	88,981
TKN/Vara Manjari	24,404	15,877
	2,734,854	2,459,653
Tharunee	72,789	67,652
Mihira	21,272	18,722
Sarasaviya	10,001	9,574
Budusarana	36,477	22,364
Navayugaya	2,677	2,677
Subasetha	22,397	18,341
Kreeda	11,291	8,602
Arogya	10,114	-
Manchu	12,681	-
Vidunana	7,887	-
Namaskara	5,478	-
Vanna Vanavil	1,766	-
	214,830	147,932
Commercial Printing-External	124,286	310,593
Annual Publication	1,297	2,040
	125,583	312,633
Total Turnover	3,075,267	2,920,218

2 Operating profit has been arrived after charging all expenses including those stated below

	Rs.'000 2011	Rs.'000 2010
Directors Emoluments	7,208	7,091
Depreciation	52,882	51,062
Auditors Remuneration	692	659
Donations	1,600	3,300
Employers' Contribution to EPF	73,800	74,963
Employers' Contribution to ETF	14,760	14,992
Gratuity Provision	51,734	81,317

Notes to Financial Statement

3 Other Operating Income	Rs.'000 2011	Rs.'000 2010
Interest Income	11,735	12,552
Income from quoted companies	1,569	963
Profit on sale on Property, Plant & Equipment	3,202	4,646
Sale of old newspapers	42,046	37,324
Sale of material	45	(229)
Rental Income	17,512	16,951
Photocopy	597	489
Over provision of Bad & Doubtful Debts	-	394
Foreign Exchange Gain /Loss	(206)	(647)
Branch Office & Stores	7,368	8,018
Sundry Income	33,451	26,566
	117,319	107,027

4 Corporate Tax on Profits

The Company is liable for taxation at 28 % of the adjusted taxable profits for the year.
The movement in the taxation provision is set out below.

	Rs.'000 2011	Rs.'000 2010
At beginning of year	(15,823)	3,333
Provision for tax-charge for the year	2,136	2,856
Sub Total	(13,688)	6,189
Payments made during the year	(24,068)	(22,013)
At end of year	(37,756)	(15,823)

5 Basic / Diluted Earnings per Share

Earnings per share as at 31.12.2010 and 31.12.2011 have been arrived at by dividing the respective year's profit after tax by total number of ordinary shares in issue as at 31.12.2011.

	Rs.'000 2011	Rs.'000 2010
Net Profit after Tax	(11,037)	(337,613)
Total number of ordinary shares	3,484	3,484
Basic/diluted Earning per shares	(3.17)	(96.91)

6 Voluntary Resignation Scheme Cost

Total Voluntary Resignation Scheme expenses incurred in year 2010 was recognised in the Income Statement.

7 Property, Plant & Equipment

	LAND FREE HOLD	BUILDING	COMPUTER & INSTALLATION	PLANT & MACHINERY	MOTOR VEHICLE AND GARAGE EQUIPMENT	LEASE HOLD MOTOR VEHICLE EQUIPMENT	FURNITURE FITTINGS & EQUIPMENT	LEASE HOLD COMPUTERS	TOTAL
COST :									
Balance as at 01.01.2011	29,355	76,092,553	137,984,062	900,182,892	49,190,535	73,782,180	30,651,316	4,167,848	1,272,080,740
Additions	-	-	16,875,400	20,588,198	216,236		587,477	-	38,267,312
Disposals	-	-	(1,810,022)	(5,920,651)	(1,115,617)		(2,513,800)	-	(11,360,090)
	29,355	76,092,553	153,049,440	914,850,439	48,291,155	73,782,180	28,724,993	4,167,848	1,298,987,961
DEPRECIATION									
Balance as at 01.01.2011		68,714,486	104,457,224	743,557,416	44,679,927	53,112,361	26,481,634	4,167,847	1,045,170,896
Charge for the year	-	2,794,584	12,359,108	29,178,627	1,502,499	5,937,500	1,109,408	-	52,881,728
Disposals	-		(1,809,993)	(5,920,629)	(1,115,615)		(2,513,765)		(11,360,002)
	-	71,509,071	115,006,339	766,815,415	45,066,812	59,049,861	25,077,277	4,167,847	1,086,692,621
	29,355	4,583,482	38,043,100	148,035,024	3,224,342	14,732,319	3,647,716	1	212,295,340
Capital Work-in-progress	-	-	-	76,928,348	-	-	-	-	76,928,348
Net Book value as at 31.12.2011	29,355	4,583,482	38,043,100	224,963,372	3,224,342	14,732,319	3,647,716	1	289,223,688

* Free Hold Land represent acquisition cost of Kotahena Land

* Below mentioned Lands were obtained under 99 year lease agreements and treated as operating leases .

Lake House Head Office premises
Kataragama Branch Office

8 Investments

8.1 Other Investments

	2011			2010		
	No Of Shares	Cost Rs.'000	Market Value Rs.'000	No Of Shares	Cost Rs.'000	Market Value Rs.'000
a) Trade (unquoted)						
Lanka Puwath Ltd. Rs.1,000/-each at cost	13	13	-	13	13	-
Press Trust of Ceylon Ltd. Rs.100/- each	600	60	-	600	60	-
		73	-		73	-
b) Commercial						
National Newspapers & Paper Mills Ltd.	100	1	-	100	1	-
Housing Dev. Finance Corp.Rs100 each	18,000	300	25,205	18,000	300	-
Associated Investments Ltd.,Rs.100/- each	3,480	29	-	3,480	29	-
Galle Face Hotel Co. Ltd., Rs.100/- each	4	16	-	4	16	-
		346	25,205		346	-
Less : Provision for loss (in liquidation)		(60)			(60)	
Total		359	25,205		359	-

Note

1 A specific provision (100 %) of Rs.60,000/- has been made against investments made in Press Trust of Ceylon Ltd as the company went into liquidation.

Notes to Financial Statement

8.2 Short Term Investments

	2011			2010		
	No of Shares	Cost	Market Value	No of Shares	Cost	Market Value
		Rs.'000	Rs.'000		Rs.'000	Rs.'000
Commercial (quoted)						
Cargills Ceylon Ltd., Rs.1/-each	799,840	34	162,368	799,840	34	156,289
Commercial Bank (Non Voting)	63,706	614	4,708	63,681	614	10,316
		647	167,075		647	166,605

9 Differed Tax

	Rs.'000 2011	Rs.'000 2010
Opening balance	170,157	145,133
Addition	-	43,166
Amortisation	(22,938)	(18,142)
Closing Balance	147,219	170,157

For the purpose of computation of income tax Inland Revenue Department has given approval to amortize the total VRS expenditure over a period of 10 years. Since Total VRS expenditure charged to the income Statement in year 2008 & 2010 ,we recognise deferred tax assets for the temporary difference arisen on the VRS expenditure.

10 Inventory And Work-In -Progress

	Rs.'000 2011	Rs.'000 2010
Newsprint	234,401	173,076
Goods in transit	2,881	12,743
Spares - Machinery	90,619	91,836
Motor Vehicles	4,913	4,261
Over issued newspapers	749	498
Commercial Printing Materials	107,510	112,813
Branch Office	9,665	9,325
Others	28,191	24,152
	478,929	428,704
Work-in-Progress (Commercial Printing)	10,482	11,763
	489,410	440,468
Less : Provision for obsolete/non moving stock	14,226	14,226
	475,184	426,241

11 Accounts Receivable

	Rs.'000 2011	Rs.'000 2010
Trade Debtors	603,969	699,196
Provision for doubtful debts	(48,817)	(49,607)
	555,151	649,588
Other receivables	290,425	310,677
Provision for doubtful Receivables	(11,169)	(11,169)
	834,407	949,096

Notes to Financial Statement

12 Stated Capital	Rs.'000 2011	Rs.'000 2010
Authorised 5,000,000 ordinary shares of Rs.10/- each	50,000	50,000
Issued & called up 3,483,714 ordinary Shares of Rs.10/- each	34,837	34,837
13 Reserves	Rs.'000 2011	Rs.'000 2010
General Reserve		
Opening	758,974	758,974
Adjustments	-	-
Transferred from P & L A/C	-	-
Closing balance	758,974	758,974
Accumulated Profit	(521,491)	(510,454)
	237,483	248,520
14 Deferred Liabilities	Rs.'000 2011	Rs.'000 2010
Deposits		
Newspaper Distributors	113,811	108,945
Regular Advertisers	54,866	54,946
Loan from Subsidiary Company	3,500	3,500
Other Deposits	9,262	9,388
	181,440	176,779

The deposits obtained from Newspaper distributors, regular advertisers & others are generally not repayable within one year from the Balance sheet date.

15 Interest Bearing Loans	Rs.'000 2011	Rs.'000 2010
Finance Leases	11,837	20,658
Long Term Loans	150,931	141,634
	162,768	162,291

15.1 Analysis of Repayments

	<u>Within 1 year</u>	<u>1-5 Years</u>	<u>Over 5 Years</u>
Finance Leases	6,495	11,837	-
Long Term Loans	66,518	150,931	-
	73,013	162,768	-

Notes to Financial Statement

16 Gratuity Provision

An independent Gratuity Trust Fund is in existence for the amount payable under the Gratuity Act No.12 of 1983, with the approval of the Commissioner General of Inland Revenue.

The extra retiring gratuity to make up the total gratuity payable in accordance with the scheme, which is uniformly applicable to all employees of the company, as decided by the Board on 4th August, 1994 has been fully provided for in the accounts of the Company.

To comply with the SLAS 16 (Revised) total gratuity payable as at 31/12/2011 is calculated using gratuity formula method with suitable modifications .

As per the SLAS 16(Revised) Gratuity Liability presented in the balance sheet is the present value of the defined benefit obligation at the balance sheet date ,minus the fair value of the plan assets (Trust Fund) .

The position as at 31.12.2011 is as follows.

	Rs.'000 2011	Rs.'000 2010
Approximate amount held in the Trust Fund	226,068	219,120
Provision available in the accounts		
As at the beginning of the year	234,900	231,923
Payments during the year	(35,115)	(64,869)
	199,785	167,054
Amount provided during the year charge to profit & loss account	41,724	67,846
As at end of the year	241,509	234,900
Total gratuity payable as at 31st December	467,577	454,020

The principal assumptions used for gratuity formula were as follows.

	2011	2010
Discount rate	9.15 %	9.15 %
Expected rate of salary increase	7.87 %	7.87 %

17 Provision for claims against the Company

	Rs.'000 2011	Rs.'000 2010
At beginning of year	10,000	10,000
Provision charged/(Write back) during the year	2,192	3,164
	12,192	13,164
Payments during the year	(2,192)	(3,164)
At end of year	10,000	10,000

18 Related Party Disclosure

18.1 Key Managerial Personnel

Key Management Personnel comprise the Directors of the company .

18.2 Directors' Interest

Directors of the company have no direct or indirect interest in any contracts entered into by the company as at year -end.

18.3 Directors interest in the Share Capital

Directors interest in the Share Capital of the Company as at 31.12.2011 is indicated below.

	<u>No. of Shares</u>
Mr. Bandula Padmakumara	Nil
Mr. Sandrasegaram Shanmuganathan	Nil
Mr. Edirisinghe Vithanage Prasad Rasanga Harischandra	1
Mr. Upul Ranjan Samarasingha Dissanayake	Nil
Mr. Seelaratna Senarath	1

18.4 Loans To Directors

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

18.5 Key Managerial personnel compensation

Remuneration of Directors are given in note 2 to the Financial Statements.

19 Contingencies

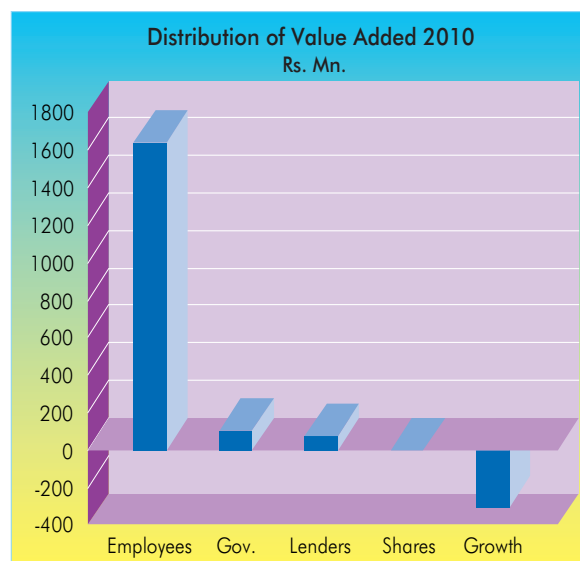
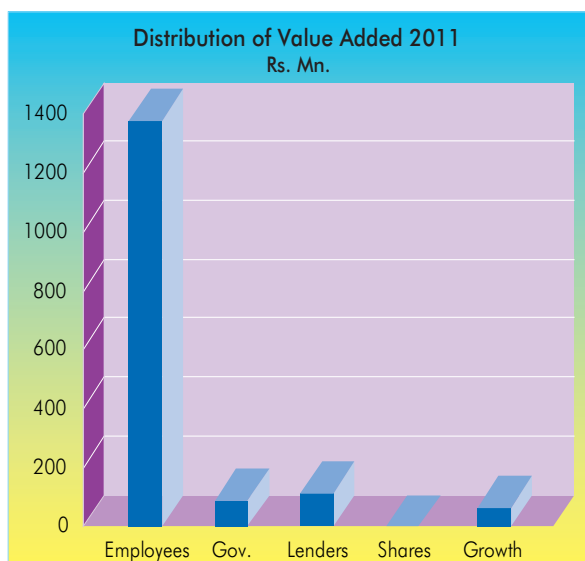
There are 73 cases pending against the company awaiting adjudication. Provision has been made for claims against the company.

20 Post Balance Sheet Events

No circumstances have arisen since the Balance Sheet date which would require adjustments to or disclosure in the Financial Statements.

Statement of Value Added

	2011		2010	
	Rs'Mn	%	Rs'Mn	%
Value added				
Revenue	3,075		2,920	
Other Income	117		107	
	3,193		3,027	
Brought in material & service	(1,549)		(1,523)	
	1,643	100%	1,504	100%
Distribution of Value Added				
<i>To Employees</i>				
Salaries, wages & Other benefits	1,377	84%	1,469	98%
VRS Expenses	-	0.0%	172	11%
<i>To Government</i>				
Income Tax	2	0.1%	3	0.2%
NBT	64	4%	80	5%
Rates	24	1%	21	1%
<i>To Lenders</i>				
Interest & Related Charges	112	7%	71	5%
<i>To Providers of Capital</i>				
Dividend to Shareholders-Proposed		0.0%	-	0%
<i>To Business Expansion & Growth</i>				
Depreciation	53	3%	51	3%
Differed Taxation	23	1%	(25)	-2%
Reserves	(11)	-1%	(338)	-22%
	1,643	100%	1,504	100%



Decade at a Glance

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Selected Financial Data (Rs Mn)										
Trading Results										
Turnover	3,075.3	2,920.2	2,887.4	3,098.2	3,095.6	2,959.0	2,631.3	2,221.8	2,039.1	1,720.0
Annual Sales Growth	5.3	1.1	(6.8)	0.1	4.6	12.5	18.4	9.0	18.6	7.4
Profits Before Taxation	14.0	(359.8)	82.4	(385.5)	31.9	14.9	187.2	50.9	140.4	150.6
Taxation on Profits	25.1	2.9	27.5	11.6	10.8	-	74.9	29.8	58.8	57.0
Profits After Taxation	(11.0)	(337.6)	54.9	(233.9)	21.1	14.9	112.2	21.2	81.6	93.6
Shareholder' Fund										
Share Capital	34.8	34.8	34.8	34.8	34.8	34.8	34.8	34.8	34.8	34.8
Reserves	237.5	248.5	586.1	531.2	760.7	757.0	761.0	648.8	580.7	494.3
	272.3	283.4	621.0	566.1	795.6	791.8	795.8	683.6	615.5	529.1
Non Current Liabilities	595.7	584.0	415.4	629.1	498.9	427.2	386.1	344.9	310.7	287.7
Capital Employed	868.0	867.3	1,036.3	1,195.2	1,294.5	1,219.0	1,181.9	1,028.5	926.2	816.8
Assets Employed										
Fixed Assets	436.4	397.1	355.3	347.3	89.2	110.8	105.0	116.5	140.9	112.9
Long Term Investment	7.9	7.9	7.9	7.9	7.9	147.6	147.6	147.6	147.6	130.1
Working Capital	423.7	462.4	673.2	840.0	1,197.4	960.6	929.3	764.4	637.7	573.8
	868.0	867.3	1,036.3	1,195.2	1,294.5	1,219.0	1,181.9	1,028.5	926.2	816.8
Ratio Analysis										
Profitability										
Profit before Taxation to Gross Turnover (%)	0.5	(12.3)	2.85	(12.44)	1.03	0.51	7.12	2.29	6.89	8.76
Profit before Taxation to shareholders' Fund (%)	5.2	(127.0)	13.26	(68.10)	4.01	1.89	5.38	7.45	22.81	28.46
Profit after Taxation to shareholders' Fund (%)	(4.1)	(119.1)	8.84	(41.31)	2.66	1.89	3.11	3.09	13.26	17.69
Earning per share (Rs)	(3.2)	(96.9)	15.76	(67.13)	6.07	4.29	32.24	6.08	23.45	26.90
Liquidity										
Current Assets to Current Liabilities (Ratio)	1.44 :1	1.46 :1	2.32 :1	2.48 :1	7.15 :1	4.84 :1	4.35 :1	4.08 :1	2.92 :1	3.17 :1
Quick Assets to Current Liabilities (Ratio)	0.95 :1	1.04 :1	1.80 :1	1.78 :1	5.56 :1	3.85 :1	3.86 :1	3.12 :1	2.18 :1	2.41 :1
Dividends Proposed										
Dividends (Gross)	-	-	-	-	6.27	6.27	6.27	6.27	6.27	-
Dividend per share (Rs)	-	-	-	-	1.80	1.80	1.80	1.80	1.80	-
Dividend cover (No of Time)	-	-	-	-	3.37	2.39	17.91	3.37	13.01	-
Long Term Solvency										
Non Current Assets to Shareholders' Fund %	163	143	58	63	12	33	32	39	47	46
Non Current Assets to working capital %	105	88	54	42	11	27	27	35	45	42
Net assets per share at year end (Rs.)	78	81	178	162	228	228	229	196	177	152

Share Information

Twenty Largest Shareholders

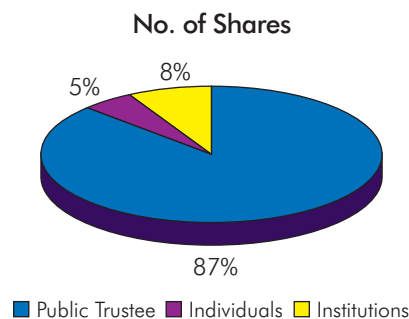
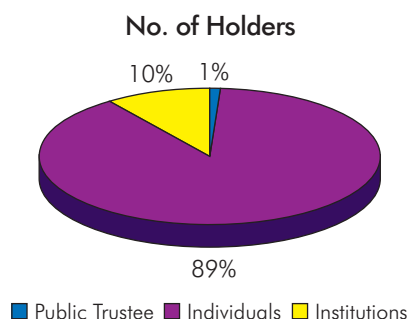
	2011		2010	
	No of Shares	%	No of Shares	%
Public Trustee on behalf of the Government of Sri Lanka	3,050,380	87.56	3,050,380	87.56
Ceylon Petroleum Corporation	61,206	1.76	61,206	1.76
Insurance Corporation of S/L	61,206	1.76	61,206	1.76
Ceylon Shipping Corporation	31,206	0.90	31,206	0.90
Phillip Sivali Wijewardene	20,000	0.57	20,000	0.57
Ranjit Sujiva 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
State Film Corporation	20,000	0.57	20,000	0.57
State Gem Corporation	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 (Mrs.)	6,944	0.20	6,944	0.20
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 31 December 2011

From	To	No of Holders	No of Shares	%
1	1,000	58	5,100	0.15
1,001	5,000	12	21,903	0.63
5,001	10,000	15	102,070	2.93
10,001	50,000	9	181,849	5.22
50,001	100,000	2	122,412	3.51
100,001	500,000	Nil	-	-
500,001	1,000,000	Nil	-	-
Over 1,000,000		1	3,050,380	87.56
		97	3,483,714	100

Categories of Shareholders

	No of Holders	No of Shares	%
Public Trustee	1	3,050,380	87.56
Individuals	86	169,716	4.87
Institutions	10	263,618	7.57



Notice of Meeting

Notice is hereby given that 39th Annual General Meeting of the Shareholders of the company will be held in terms of the Associated Newspapers of Ceylon Ltd (Special Provisions) Law, No 28 of 1973, at the registered office of the company at Lake House, No. 35, D.R. Wijewardene Mawatha, Colombo 10 at 3.00 p.m. on 10th day of September 2013.

1. To read the Notice convening the meeting
2. To confirm the minutes of the Annual General Meeting held on 18th July 2012.
3. To receive and consider the report of the Directors and the Financial Statements of the company for the year ended 31st December 2011 with the auditor's report thereon.
4. The appointment of three Directors by the public trustee
5. To elect two Directors in terms of proviso (i) to section 6 (i) (g) of the Associated Newspapers of Ceylon Ltd. (Special Provision) Law, No 28 of 1973.
6. To fix remuneration of the Directors.
7. To authorize Directors to determine contribution to charities.

By order of the Board of Directors,



Kumudu H. Gunawardana Imbulamure
Company Secretary

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".

Corporate Information

Name of Company

The Associated Newspapers of Ceylon Ltd.

Legal Form

Public Limited Liability Company Incorporated in 1926,
Governed by the special Provision Law, No.28 of 1973,
Companies Act No.07 of 2007 and Finance Act No.38 of 1971
(For Accounts and Audit)

Share Capital

Authorized: Rs.50, 000,000/ =

Issued: Rs 34,837,140/ =

Secretary

Mrs. Kumudu H. Gunawardana Imbulamure

Auditors

The Auditor General, Auditor General's Department,
Colombo 07.

Bankers

Bank of Ceylon, Colombo & Branches
People's Bank, Colombo & Branches
Commercial Bank, Seylan Bank Ltd,

Registered Office

35, D.R.Wijewardene Mawatha, Colombo 10,
Sri Lanka

Branch Offices

Dalada Veediya, Kandy
New Town, Anuradhapura
Sri Rewatha Mawatha, Kataragama
Bus Stand Building, Matara
K K S Road, Jaffna.

Form of Proxy

ANCL Annual Report 2011

I/We of
.....
being a member / members of the of
..... or failing him 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 Company to be held on
at any adjournment thereof and at every poll which may be taken thereat.

As witness my/our hand this day of
..... 2013.

Stamp

Signature



N.B. - A proxy must be a member of the Company