

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Associated Newspapers of Ceylon Limited for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material policy informations was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My comments and observations which I consider should be report to Parliament appear in this report.

In my opinion, except for the effects of the matters described in Paragraph 1.5 of this report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities.

1.2 Basis for Qualified Opinion

My opinion is qualified on the matters described in Paragraph 1.5 of this report.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

1.4 Audit Scope (Auditor's responsibility regarding the audit of Financial Statements)

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

The scope of the audit also extended to examine as far as possible, and as far as necessary the following;

- Whether the organization, systems, procedures, books, records and other documents have been properly and adequately designed from the point of view of the presentation of information to enable a continuous evaluation of the activities of the Company and the Group, and whether such systems, procedures, books, records and other documents are in effective operation;
- Whether the Company has complied with applicable written law, or other general or special directions issued by the governing body of the Company;
- Whether the Company has performed according to its powers, functions and duties; and
- Whether the resources of the Company had been procured and utilized economically, efficiently and effectively within the time frames and in comply with the applicable laws.

1.5 Audit Observation On the Preparation of Financial Statements

1.5.1 Non-compliance with Sri Lanka Accounting Standards for Small and Medium-Sized Entities

Non-compliance with Management comments	Recommendation
reference to the relevant standard Due to capitalized the compensation of Rs.6,000,000 paid in accordance with the agreement to one unauthorized occupant of a land owned by the company contrary to Section 17.10 of Paragraph 17 of Accounting Standards for Small and medium Sized entities , the Property ,Plant and equipment of the year under review had been overstated by that amount. Furthermore, the amount of Rs. 18,240,000 that the Board of Directors may decide to pay to the remaining occupants on the basis of the agreement had not been disclosed as a contingent liability in accordance with paragraphs 21.12 and 21.15 of	It has been informed that, as per the decision of the Board of Directors, an amount has been offered to reach an agreement to remove the unauthorized occupants of this land, and that it is not an obligation to pay in accordance with the agreement. Should comply with accounting standards

the Accounting Standards for Small and Medium-Sized Entities.

1.5.2 Accounting Deficiencies

Audit Observation	Management comments	Recommendation
a) During the year under review, the welfare expenditure and other provisions amounting to Rs. 5,823,260 were credited to the welfare expenditure account and debited to the other provisions account, and therefore the expenses and current liabilities were understated by that amount.	It has been informed that the service evaluation is carried out based on the decision of the management of the entity and there is no requirement that it must be held, and accordingly, although 5 gold coins were purchased on 18 December 2024, since the service evaluation ceremony for that was not held, it cannot be accounted for as an expense, and since it is expected to be used for future service evaluations, they have been debited to a stock account as an asset of the entity.	Expenses and allocations must be accurately accounted for.
b) During the year under review, the credit balances of debtors and overpayments in the years 2022 and 2023, totaling Rs. 4,012,120, were recorded as miscellaneous income in the year under review without properly identifying them, resulting in an increase in the profit for the year under review by that amount and a decrease in other payables by that amount.	After properly identifying the identifiable deposits deposited directly into the bank account by customers in 2022 and 2023, the deposits that are difficult to identify and the excess receipts from debtors in 2022 have been credited to the miscellaneous income account in 2024.	Credit balances of debtors should be accurately identified and accounted for.

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| <p>c) Due to recording the fixed deposit interest income of Rs. 1,967,962 relating to the year 2023 as income in the year under review, the profit was overstated by that amount and the interest income receivable was overstated by Rs. 1,309,283.</p> | <p>Agreed to Rs. 1,309,282</p> | <p>Income related to the period should be accounted for correctly.</p> |
| <p>d) Due to the fact that commission expenses of Rs. 136,536 and rates and taxes of Rs. 439,860 in the previous year were accounted for as expenses in the year under review, the expenses of the year under review were overstated by Rs. 576,396 and therefore the profit was understated by that amount</p> | <p>Agreeing.</p> | <p>Expenses for the year under review should be accurately identified and accounted for.</p> |
| <p>e) Due to the fact that maintenance expenses of Rs. 340,000 and annual license fees of Rs. 198,176 were recognized as expenses of the previous year and the provision for gratuity was understated by Rs. 146,662, the expenses of the year under review were understated by Rs. 684,838 and the profit of the year under review was overstated by that amount.</p> | <p>Agreeing.</p> | <p>Expenses for the year under review should be accurately identified and accounted for.</p> |

f) The cost of purchasing diesel in the year under review was overstated by Rs. 700,718 due to the calculation including value added tax.	Agreeing.	Value should be accurately identified and accounted for
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1.5.3 Accounting policies

Audit Observation	Management comments	Recommendation
Although the Company's financial reporting framework should be Sri Lanka Accounting Standards in terms of Section 5 of the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Extraordinary Gazette No. 1074/7 dated 07 April 1999, the Company had adopted the Sri Lanka Accounting Standards for Small and Medium Sized Entities as the financial reporting framework.	The company has determined its financial reporting framework in accordance with Part 1 of the Sri Lanka Accounting Standards for Small and Medium-Sized Entities and has maintained its accounts since 2011.	Sri Lanka Accounting Standards should be followed.

1.5.4 Unreconciled control accounts or reports

Subject	The value according to the financial statements Rs.	Value According to the corresponding reports Rs.	Difference Rs.	Management comments	Recommendation
a) At the end of the year under review, the trade payables value in the statement of financial position was Rs. 761,200,999 and the total	761,200,999	763,068,837	1,867,838	A reconciliation statement will be prepared monthly and at the end of the year for the difference between the balances stated in the financial statements as at 31 December 2024 and the	The balance of trade debtors shown in the financial statements should be reconciled with the total value of the schedules.

value of the schedules provided for audit was Rs. 763,068,837, difference was amounted to Rs. 1,867,838.

b)	The sales revenue on the basis of newspaper subscriptions for the year under review was stated as Rs. 20,929,229, while in the accounting system, the value was a balance of Rs. 21,693,248, resulting in a difference of Rs. 764,018.	20,929,229	21,693,248	764,018
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balances in the relevant debtors' schedule, and those differences will be reconciled with the relevant balances in subsequent months.

The accounting system shows a difference of Rs. 764,018 between the subscription sales revenue recorded in the accounting system and the related operating computer system (Sp Solutions), and a reconciliation statement is being prepared to explain the reasons for that difference.

Actions should be taken to identify and compare the differences between newspaper sales revenue and the value of the operating system on a subscription basis.

1.6 Accounts Receivable and Payable

1.6.1 Accounts receivable

Audit Observation	Management comments	Recommendation
a) During the year under review, the receivables due to the Commercial Printing Division of the Company for external printing activities amounted to Rs. 25,814,282, receivables due from newspaper sales agents amounted to Rs. 12,120,068, receivables due from newspaper agents whose agency was	Necessary steps are being taken for the process of recovering the loan balances.	Action should be taken to recover the debts due promptly

terminated amounted to Rs. 41,773,384, receivables due from debtors referred for legal proceedings amounted to Rs. 75,849,393, receivables due from newspapers and periodicals provided by the Company on a subscription basis amounted to Rs. 14,244,992, receivables due for and Rs. 2,209,560, receivables due for the supply of newspapers to the Divi Neguma Development Department, totaling Rs. 172,011,679, had not been recovered even at the end of the year under review.

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| b) | As of the last day of the year under review, action had not been taken to recover the balances due from 59 employees who had left the company from years 01 to 26 due to retirement, termination of service or death, totaling Rs. 7,970,214. | Currently, internal control mechanisms have been implemented to recover such arrears, such as retaining guarantors for distress loans and stopping the monthly salary preparation process in view of the arrival of the transition month. | Action should be taken to recover the debts due promptly |
| c) | Out of 663 debtors who sent letters of confirmation in the year under review, 606 debtors with a balance of Rs. 456,168,104 had not responded, resulting in 91 percent of the debtors' balances not being confirmed. Furthermore, only 32 debtors with a balance of Rs. 16,725,813 had agreed with the debtors' balances, while the non-agreed balance was Rs. 27,720,038. Out of the 25 non-agreed debtors, only 08 had made | Although some debtors did not respond to the letters sent to confirm the balance, the relevant debts were settled between January and April 2025. The main reason for the difference between the debtor balance shown in the company's accounts as of 31 December 2024 and the balance confirmed by the debtors is that the cheques were in transit on that date. It is stated that the relevant debtor balance could not be settled until these cheques were received by the entity, and that | Balance confirmations should be compared with account balances. Action should be taken to recover debts promptly. |

payments of Rs. 4,063,390 the settlements were made by cheque on the last day after the cheques were of the year under review. received.

Accordingly, 56 percent of the debtors who responded agreed with the debtors' balances, while 44 percent did not agree.

1.7 Non-compliance with laws, rules, regulations and management decisions, etc.

Reference to Laws, Rules, Regulations, etc.	Non-compliance	Management comments	Recommendation
a) Paragraph 3.3 of Public Enterprises Circular No. PED/1/2015 dated 25th May 2015	Although officers receiving the monthly transport allowance cannot obtain a driver or a driver's allowance, in addition to the vehicle allowance in the year under review, Rs. 6,425,600 was provided as driver's allowance ranging from Rs. 10,000 to Rs. 35,000.	The company is not required to follow the Public Enterprises Circulars and the relevant allowances have been provided in accordance with the company's transportation allowances procedure.	Actions should be taken in accordance with the circulars.
b) Section 27 (2) (A) of the Employees' Provident Fund Act, No. 15 of 1958	The surcharge for late payment of Employees' Provident Fund contributions totaling Rs. 76,810,224 for the years 2019, 2020, 2021 and 2022 had not been paid by the end of the year under review	It has been informed that the Department of Labour has filed a case in the Magistrate's Court for this purpose and that the Board of Directors has decided to file a writ application in the Court of Appeal in this regard.	Actions should be taken in accordance with the Employees Provident fund Act.

1.8 Non-compliance with tax regulations

Audit Observation	Management comments	Recommendation
Although the company is required to make deductions (12%) based on the total gratuity amount payable when the gratuity amount exceeds Rs. 5,000,000, the company had paid Rs. 600,000 less to the employee due to withholding Rs. 958,360 from the gratuity amount of an employee who should have withheld only Rs. 358,360 according to the tax cycle.	The relevant employee has been informed and upon receipt of the statement containing the contribution amount, the excess amount withheld will be released to the relevant employee.	The excess withheld money should be paid to the employee.

2. Financial review

2.1 Financial results

The operating result of the year under review amounted to a profit of Rs. 23,785,000, and the corresponding profit in the preceding year amounted to of Rs. 31,365,000. Therefore a deterioration amounting to Rs. 7,580,000 of the financial result was observed. A slight increase of 6 percent in newspaper advertising income compared to previous year while other income decreased by 55 percent and commercial printing income by 41 percent are the main reasons caused for the deterioration.

2. Ratio analysis

Rate	2024	2023
Current Asset Ratio (periods)	3.46	3.17
Instant Asset Ratio (periods)	2.60	2.54
Gross profit margin (%)	58%	56%
Net profit ratio (%)	1%	2%
Debt capital ratio (number of periods)	0.82	0.87

The company's gross profit margin increased by 2 percent in the year under review compared to the previous year, while the net profit margin decreased by 1 percent

3. Operational review

3.1 Uneconomic Transactions

Audit Observation	Management Comments	Recommendation
In December 2008, the company had spent Rs. 1,200,000 to purchase 1200 shares of Lanka Puwath Limited. However, no benefits had been received as of 31 December 2024.	The Lanka Puwath Company, which is under the Ministry of Mass Media, has been inactive since 2014.	Investments should be made in a way that yields returns in line with the objectives of the entity.

3.2 Management Inefficiencies

Audit Observation	Management Comments	Recommendation
a) Although Lake House Property Development (Private) Company was established in 1985 to engage in the property development business, no operational activities were carried out during the year under review.	Lakehouse Property Development (Private) Company is a non-operating company.	Action should be taken by the Management to streamline operations enabling to achieve the objectives of the company.
b) Although the Company had stated as its expectation to reduce the total number of employees employed by the Company on permanent and contract basis to 850 by the end of the year under review as per Clause 3(i) of the Memorandum of Understanding signed with the Ministry of Mass Media on 23 June 2023, the total number of employees of the Company was 889. As per Clause 3(ii) of the Memorandum of Understanding, a recruitment procedure for the posts was to be	According to the Memorandum of Understanding signed with the Ministry of Mass Media, the company had expected to reduce the total number of employees on permanent and contract basis to 850 by 31 December 2024, and since the expected number of employees did not resort to the voluntary retainment scheme during that period, it has not been possible to reach that expected level.	Should act in accordance with the agreements.

formulated, but the recruitment procedure had not been formulated and finalized as on the date of audit on 31 March 2025.

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| <p>c) In accordance with the Cabinet Decision No. අම/21/2112/316/032-1 dated 21 December 2021, it has been made mandatory to publish advertisements of Associated Newspapers of Ceylon Limited for all advertisements in entities. Incentive targets were given including government advertisement revenue, and an incentive of Rs. 24,258,043 was paid in 2024 to employees in the Advertisement and Accounts (Revenue) sections alone.</p> | <p>According to the relevant cabinet approval, instructions have been given to publish 100% of advertisements of state and semi government entities in Lake House newspapers and to provide advertisements worth at least 25% of the media advertising estimate to Lake House, Rupavahini Corporation Independent Television, and Sri Lanka Broadcasting Corporation when publishing other commercial advertisements. Accordingly, Lake House advertisement managers and business promotion officers should make a strong effort to obtain commercial advertisements from state institutions, and taking all these factors into consideration, the method of providing advertising incentives has been revised from January 2025.</p> | <p>The incentive system should be designed in a way that increases employee motivation.</p> |
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3.3 Operational inefficiencies

Audit Observation	Management Comments	Recommendation
The company had published advertisements worth Rs. 165,720 in excess of the contractual value as per the counter-trade agreement entered into with a private media institution on 10th December 2024 and the validity period of the counter-trade agreement entered into	Steps will be taken to prevent these delays in the future.	The agreement should be complied with and a new agreement should be entered into before the expiration of the validity period.

with the Sri Lanka Rupavahini Corporation for the year 2023 had expired on 31st December 2023, and advertisements had been published without entering into a new agreement after the expiry of the validity period of that agreement. Later, the company entered into an agreement for the period from 01st January 2024 to 31st December 2024 after 05 months or on 30th May 2024.

3.4 Idle or underutilized property, plant and equipment

Audit Observation	Management Comments	Recommendation
The 8-acre land in Hokandara area, which was purchased in 1985 for the construction of a housing scheme and revalued at Rs. 733,000,000 in 2021, had remained idle since the date of purchase.	Considering implementing various investment projects to effectively utilize the land in the Hokandara area.	Investments should be made effectively in line with the objectives of the entity.

3.5 Procurement Management

Audit Observation	Management Comments	Recommendation
In a procurement call for the purchase of 500 MT of printing paper according to the Procurement Guidelines of the Associated Newspapers of Ceylon Limited Company, steps had been taken to approve 02 prices of 575 USD and 565 USD from 02 suppliers, each of 400 MT for a total of 800 MT, and the Procurement Committee had not taken steps to obtain a performance guarantee from the lowest bidder.	Although the quotations were called for 500 MT, the Procurement Committee has decided to order 800 MT, considering the existing stock situation, the increase in the use of printing paper and the good quality of the prices (low prices). Although no performance guarantee was given in relation to the order placed, the printing paper order has so far met the required performance.	Should comply with the procurement guidelines

3.6 Human Resource Management

Audit Observation	Management Comments	Recommendation
In 2017, the Human Resources Consultant was paid Rs. 3,150,000 and 07 policies related to human resource management were prepared, but the Board of Directors had not given approval to 06 policies, and once again the same consultant was recruited on a contract basis for the same work and a consultancy fee of Rs. 1,151,750 was paid from November 2022 to June 2023. During the period of engaging the services of this Human Resources Consultant, the Company had entered into an agreement with the Chartered Institute of Personnel Management Sri Lanka to prepare and complete the Company's recruitment procedure and approved staff by 11 March 2022, as per the revised resolution of the Chartered Institute of Personnel Management Sri Lanka dated 23 December 2021, and the Board of Directors of the Company had decided to incur a cost of Rs. 1,300,000 for that work. Rs. 1,137,500 of the agreed cost had been paid to the relevant institution by 31 December 2024, but the company's recruitment process and the task of preparing the approved staff as agreed had not been completed by 31 December 2024.	A Human Resources Consultant has been recruited since 25 April 2016. According to the Terms of Reference issued to her, it does not include the preparation of policies related to Human Resources Management. It has been informed that she has prepared 7 policies related to Human Resources Management, one of which has been approved and implemented. She has been recruited again as a Human Capital Consultant with effect from 08th November 2022, and that the recruitment procedure and approved cadre have not been carried out in the Terms of Reference issued to her. The approved cadre procedure prepared by the Chartered Institute of Personnel Management of Sri Lanka is being revised and implemented to suit the needs of the entity.	The recruitment process should be prepared expeditiously.