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இலங்கை ஒலிபரப்புக் கூட்டுத்தாபனம்  
Sri Lanka Broadcasting Corporation



# 2019

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ஆண்டறிக்கை  
Annual Report

**Sri Lanka Broadcasting Corporation**

**Annual Report  
and  
Statement of Accounts  
2019**

**From 01st January to 31st December 2019**



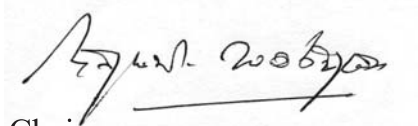
Hon. Minister of Mass Media  
Ministry of Mass Media  
Colombo

Hon Minister,

I hereby submit the Annual Report of the Corporation for the year ending 31st December 2019 in accordance with Section 14 (1) of the Finance Act No. 38 of 1971, comprising the following documents.

- 1 Administrative Report on the functions executed by the Sri Lanka Broadcasting Corporation from 01 January 2019 to 31 December 2019.
- 2 Statement of Accounts of the Corporation for the Accounting Year from 01 January 2019 to 31 December 2021
- 3 Report of the Auditor General on the final accounts for the year ended 31 December 2019
- 4 Comments of the Corporation on the Report of the Auditor General for the year 2019

Yours faithfully



Chairman  
Sri Lanka Broadcasting Corporation  
Colombo 07  
19. 01. 2022



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# **Sri Lanka Broadcasting Corporation**

## **Vision**

Providing ideals for a better electronic media culture.

## **Mission**

Engaging in a media mission in a multi-ethnic, multi-lingual, multi-religious society that strengthens reconciliation, economic development, and democratic value systems for personal development

## **Objectives**

1. Gathering information of politically, economically, and socially significant events from around the world and disseminate it to the public clearly.
2. Providing the necessary opportunity for people to accumulate general knowledge that will enable them to function as active people in the society in which they live.
3. Building a public knowledge fund for the society.
4. Identify the challenges to human existence and provide the knowledge required to face them.
5. Motivating to promote the short term and ultimate goals of the society.
6. Helping to resolve and define the basics of common issues,
7. Providing and motivating knowledge for the skills, characters, and intellectual development of the individual
8. Identify, protect, and develop the culture of the nation or a community.
9. provision of entertainment
10. Working to promote mutual understanding, coexistence, and respect between different communities
11. Update and upgrade new technological changes



# **Administrative Report - 2019**



## Administrative Report - 2019

### Introduction

The Sri Lanka Broadcasting Corporation was established with effect from 5th January 1967 under Act No. 37 of 1966.

This report covers the period of 12 months from 1st January to 31st December 2019.

During the period under review, the following members joined the Board of Directors.

1	Mr. Malaka Thalwatta	Chairman/ Board Member
2	Mr. Herald Senadheera	Acting Director / Board Member
3	Mr. M.J.R. David	Board Member
4	Mr. A.M.P. T.B. Abeysinghe	Board Member
5	Dr. Asanga Gunawansa	Board Member
6	Mr. W. A. B. Wimalasiri	Board Member

- **Sinhala National Service**

The Sinhala National Service of the Sri Lanka Broadcasting Corporation, which broadcasts on FM 91.7 and 91.9, has a special role to play in meeting the communication needs of the people of Sri Lanka. During the year under review, the National Service has been able to effectively implement the measures to fulfill that unique responsibility. In order to make progress in the economic, social, cultural, spiritual, and moral spheres covering all aspects of the lives of the people, the programs broadcast from the previous years continued into the year 2019 as well as the introduction of new programs have been carried out. Programs were produced and broadcast covering Vesak and all Poya days, Independence Day, Sinhala and Tamil New Year, World Labor Day, as well as special days of other faiths and days dedicated to special occasions and persons.

In order to draw the attention of the responsible parties on social issues, problems and needs and to create a platform for public opinion, program called 'Satyakshanaya' was aired in the form of a group discussion. During the year 2019 12 programs were aired with one program each month.

Aiming to enhance the enjoyment of the listener community, 12 programs titled 'Ealnga Meevitha' have been aired as a performance and discussion program on lyrical literature with the participation of veteran and new artists from various disciplines.

A function and a training workshop were organized to celebrate International Women's Day 2019 in the form of a scholarly discussion on the theme of "The Female Leadership for an ethical political culture and the responsibility of Mass Media"

"Ask the Minister" is a successful program implemented in the year 2019 was aired as a discussion with the involvement of the Hon. Minister with the objective of educating the public about health services.

Educational programs are broadcast within the National Service air time covering a specific air time. In the year 2019, as in every year, awareness programs for children are aired with the collaboration of the Department of Examinations around the time of major examinations. Apart from this, by engaging government school teachers knowledgeable in subjects who use unique teaching methods, programs needed to enhance subject knowledge of the children were produced and aired. These programs are aired targeting G.C.E Ordinary Level and Advanced Level. Programs with the objective of educating and teaching subjects for children sitting for Grade 5 scholarship exam were also aired during Education Service air time.

Vidula Children's Radio is also broadcast on National Service airtime. Engendering child radio artistes and producing quality children's programs is a task carried out by SLBC as a duty. As in previous years, a series of programs on historical places of interest called 'Vidula Charika' for the children of the nation, a series of blessing sermons for birthday celebrations called 'Punchi Sitata Daham Sisila', a patriotic song concert called 'Ratata Pipena Mal' with the participation of Vidula children's choirs and orchestras was aired by Vidula Children's Radio as aired in 2019.

The Religious Division, which makes a special contribution to the revenue generation of the Broadcasting Corporation, has also participated in religious sermons such as guiding the listeners to a pious life by broadcasting sermons on the national service airwaves, as well as participating them in contributory sermons such as chanting of merit.

- **Commercial Service.**

The Sinhala Commercial Service, which broadcasts on FM 94.3 and 94.5, has aired economic, social, cultural, religious, political, and musical programs in 2019 as in previous years. The "Sara Prabhagira" program that discusses about current topics, the "Soba Ketha" program broadcast with the chief objective of protecting the ozone layer with Environment Ministry, programs with social values like 'Handa Mama', 'Suwa Arana', 'Govijana Abhiman', cultural programs like 'Urumaya Rakimu Deya Surakimu', 'Muwanpalassa', religious programs like 'Sadhaham Dahara', political programs like 'Amathithumagen Ahanna', 'Shan samaga Horawak', also programs like "Radio Column", "Bollywood Geetha", "Geetha Sambhavanawa", "Mandaakiniya", "Swara Wasanthaya", Malathee Latha, Obe namin Gee, Salaru Seya, Madhurasanga, Diwa Dahana, Soduru Sewana, Rantharu Wimana, Soduru Minisa, Dharma Pradeepikawa, Seth Kaviyas well as sponsorship programs such as 'Rasa Janani', 'Manawa Poshanaya and Jaiva Vividhathwaya', and 'Yashodhara', are the programs that shaped the commercial service air time in 2019.

- **City FM service**

Broadcast on FM 89.6 and 89.8, City FM aims to become a popular quality radio channel among competing radio channels, delivering knowledge and information to the listener accurately and reliably in order to create a listener community with refined taste. As in previous years, the City FM service used its airtime in the year under review to achieve that goal. "NLB Prarthana" a program for enjoyment of songs, "Mulu Ratama Eliyai Dasatama Kala Eliyai" quiz program, "Aradhana Swara Dehana" sponsored by the Bank

of Ceylon and held at the BMICH are the special events held in the year 2019. The "Mihira Manaram" program has been successfully aired during the year under review in schools throughout Sri Lanka as a monthly program with the aim of enhancing the enjoyment of school children. A slew of programs was aired on City FM throughout 2019 including a musical program featuring the veteran musician Stanley Fernando, a Jothipala tribute musical concert titled 'Pata Podak', a promotional program called 'Adara Kanda' and special programs for the New Year and Christmas.

- **Tamil Service**

Tamil Service, which is broadcast on FM 102.1 and 102.3, is the flagship radio channel of the Tamil Division of the Sri Lanka Broadcasting Corporation. During the last 12 months of the year under review, the Tamil Service aired programs for the benefit of the people who are interested in the religious, social, artistic, cultural, and political information of the people. The programs of national significance, special variety programs, regional events, current events, children's programs, discussions, and dialogues in various dimensions were produced and aired and Tamil Education Service and the Muslim Service also airs during the Tamil Service air time.

Many programs were aired in the year 2019 including 'Vidiyum Valey' program broadcast daily, live broadcast of Thaipongal celebration as an exclusive program for SLBC, programs in line with 71<sup>st</sup> National Day celebration, Maha Siva Rathri live program, New Year programs, drug prevention programs, feast at the Our Lady of Madu shrine, Sarasvati Pooja, Haj festival, carol festival, Christmas Mass, December 31<sup>st</sup> Mass, dramas, and programs to mark international days.

- **Muslim Service**

The Muslim Service of the Sri Lanka Broadcasting Corporation, which broadcasts on FM 102.1 and 102.3 of Tamil Service airwaves, has been popular in the Sri Lankan Muslim community and in South India for over 65 years and is the only national radio channel to broadcast on behalf of the Muslim community. Hours 0545-0550, 0800-1030, 2000-2100 are Muslim service air time and Muslim service programs would be aired using the relevant air times if sponsorship is received. Religious programs, children's programs, musical and drama programs, quiz programs, youth magazine programs, nationally important programs, Malay magazines created for the Sri Lankan Malay people, programs related to speaking of Urdu language were aired in the year 2019. During

Ramadan, the Muslim Service airs programs integral with the Sri Lankan Muslim community and are fully client-sponsored for this month.

Through the intervention of the Muslim service, an Islamic religious program is propagated in the Sinhala language through the Sinhala national service.

The annual income of the Muslim Service for 2019 is Rs. 47,817,823.98.

- **Thendral Service**

The Tendral service, which airs on FM 104.7 and 104.9, broadcast programs in 2019 for a variety of listener needs. The Tendral service is specifically targeted at the youth community. In order to satisfy the tastes of the Tamil community representing different social strata, several entertaining programs have been aired in the year 2019 and in parallel with the Tamil Service, various programs have been aired for national, political, religious, and culturally significant occasions as well.

- **English Service**

For over 70 years, a community of exceptional taste has gathered around Radio Sri Lanka, the English language radio channel of the Sri Lanka Broadcasting Corporation. In the year 2019 also, Radio Sri Lanka has aired several programs of cultural, religious, social, entertainment and contemporary significance. Radio Sri Lanka has a large fan base that loves songs of yesteryear and the main function of the SLBC English Service is to air those songs as well as very old quality and entertaining programs in the Broadcasting Corporation's English Songs Library to cater to their enjoyment.

Producing and broadcasting a performance radio program with the participation of about 200 children from 10 schools on World Children's Day, the musical program 'Golden Melodies' is one of the special programs aired in the year 2019.

- **Regional Services**

During the year under review the channels Rajarata, Ruhunu, Kandurata and Wayamba functioned as main regional services in Sinhala medium. Pireyi FM that functions mainly for Muslim community of the Eastern Province and Yaarl FM based in Jaffna are the Tamil medium regional services. Radio Dambana functioned for adivasi people of Dambana as a community radio channel.

regional services produce and air programs relevant to agricultural, educational, health, environmental, sports and other important issues of the people living in the respective listener regions.

As in previous years regional service aired a slew of programs featuring those listener areas, on national festivals, Poya day programs, religious programs on other faiths, cultural events like perahara and health issues identified in each region like kidney disease, thalassemia, and a lot of programs on history, in 2019.

Radio Dambana has achieved the objectives of a community radio station in the year 2019 as a national responsibility and service with the aim of maintaining the cultural elements, language and artifacts of the aboriginal community and uplifting their lives.

- **News and Current Affairs Unit**

It is the responsibility of the SLBC to provide most accurate news to the public responsibly and with confidence. In the year 2019 04 news readings were aired daily in all three languages. For reliability voice cuts were also aired. Apart from that, airing Hourly News, Diary, Children's News is also done with supervision and involvement of the News Unit.

Programs such as 'Subharathi', 'Athulpattha', 'Sathyaokshanaya' are produced and aired by the news division under the theme of taking the Government's development activities to the people in the light of current events in the society, on the right path through crises and ideologies.

In addition, live broadcasts of parliamentary sessions took place in 2019.

At present, the News Division of the Sri Lanka Broadcasting Corporation (SLBC) has launched a new media unit to keep the Broadcasting Corporation competitive on social media.

- **Development Unit.**

The Development Unit has provided media coverage for various events attended by His Excellency the President from 01.01.2019 to 31.12.2019. The Development Unit is also tasked with preserving the speeches made by the President during those ceremonies. The Development Unit has also carried out pre-publicity activities related to these events. The Development Unit has also provided reporting on special foreign visits made by the

President. The Development Unit also covers the official programs in which the Prime Minister participates, produces, and airs the relevant programs.

- **Music Division**

The Music Division is responsible for producing music programs, composing new songs, providing music for concerts, organizing concerts and all other creative activities related to the music industry. During the year 2019 Music Division has made its contribution to every channel of the corporation. Music Division produced and aired such programs as the Sarasa Ravaya with Northern Indian ragadhari musical instruments, Janagi program broadcast on Vidula children's radio that includes traditional folk songs and traditional folk music, "Hela Gee Sittam" based on folk songs and folk melodies, Sarala Gee program with the participation of song artistes from SLBC, globally acknowledged music creations, Pansilu Amawa that was produced to include not only Sri Lankan genre of art song but also recitals and instrumentals of classical North Indian Raghadari music and operas, symphony and various styles in western music, Sevaka Sangrahaya, Vishwaye Vindaneeya Prathirawa, Shradhanjalee, Irida Sangrahaya with the resource contribution made by Dr Praneeth Abeysundara, Lalith Kalalaya, an educational program, Dhammapada Gee program with songs composed associating with Dhammapada. Apart from this Vasantha Veena and Nada Siththam programs were produced and aired.

- **Publishing Division**

The Publications Division is responsible for production and sales of publications of the Sri Lanka Broadcasting Corporation. No new publications were produced in 2019, and previously produced Corporation publications were sold.

The Corporation has conducted sales at various events, and has also sold CDs and Voice Magazines, which are published by the Broadcasting Corporation through its Broadcasting Corporation Dealer Network and at the International Book Fair.

- **Central Functional Division**

During the year 2019, the Central Functional Division has played a significant organizational role in achieving the objectives of the Broadcasting Corporation. Recording a variety of programs in Sinhala, Tamil, English, Hindi, Telugu and Malayalam, external recording, Support broadcasting and production of advertisements while maintaining high quality programs in live connection studios, and they effectively and efficiently assisted in the promotion of the Daily Advertising Paper and have systematically and efficiently

carried out the huge role assigned to their division, including contributing to the technical mission of maintaining the identity of the organization.

The Central Functional Division also allocates functional studios for recording programs, recording of special music and spectacular programs, and preparing daily production papers related to the maintenance of live connection studios and preparation of program production assistant service papers accordingly. A separate staff is also employed for allocation of studios.

The Central Functional Division, which is responsible for delivering quality programs to the listeners, has been cooperating well with all the divisions of the Broadcasting Corporation since its inception and has been fulfilling its responsibilities during year 2019 as well.

Malintha Deshapriya, Program Production Assistant, Central Functional Division, won the Best Radio Sound Effect Award at the 2019 State Radio Awards.

- **Research Training and Foreign Relations Division**

The duties of the Research, Training and External Relations Division are to provide training opportunities for external trainees as well as for internal needs, to implement radio research as well as to systematically manage foreign relations.

- **Audio Research Division**

The Audio Research Division is responsible for surveying the quality of programs in the local services, the auditory quality, and the audience community, and proposing solutions accordingly. Accordingly, surveys have been conducted in 2019 to identify audience satisfaction with programs aired on local services, listener feedback on auditory quality of local services, and audience responses to programs on local services. In the year 2019, the Audio Research Division has been responsible for presenting important information daily for programs, providing information required by students and radio researchers on radio, and updating and maintaining the pamphlet on the Broadcasting Corporation.

- **Training Division**

Radio Production and Communication Certificate Quarterly Courses, two groups and two months of institutional training for two students of the University of Kelaniya and training workshops for external trainees in the year 2019.

In addition to expanding the communication knowledge of the internal staff of the SLBC, for internal training requirements such as maintaining a formal office system by developing administrative knowledge, One day workshop on radio program formats, Two day workshop on Positive Thinking for Drivers, Skills Development One Day Workshop for Office Assistants, Studio Assistants and Civil Sector, One day workshops on office management and financial regulation for management assistants, 07 days typing training, Feedback on Sports Announcing practical Session, 03 days' workshop on Procurement Guidelines Provisioning and Planning, 07 days Computer Training for Administration Staff, 03 Days' Workshop on Recruitment Procedure, English Free Announcer Training (05 days), Two Day Workshop on Establishment Code are the Internal Workshops conducted for 2019 .

Referral of 04 Engineering Officers for a 03-day workshop in Singapore was also carried out by Training and External Relations Division in 2019.

- **Engineering Division**

Tasks performed by the Engineering Division of the Broadcasting Corporation during the year 2019

- ✓ Installation of 09 Audio Processors for Broadcasting Stations in Colombo and Yatiyantota

The value of the project is 12.1 million rupees.

- ✓ Installation of a lightning conductor system for the head office.

The value of the project is 16.8 million rupees.

- ✓ Installation of a security camera system for the head office.

The value of the project is 3.2 million rupees.

- ✓ Installing a UPS system for production Studios.

The value of the project is 3.5 million rupees.

- **Sales Division**

Marketing Promotion Programs in 2019

- ✓ The "Bollywood Show" was a reality show on the Sinhala Commercial Service, providing a platform for talented amateurs skilled in Hindi songs, and was a very popular Commercial program.
- ✓ A series of musical concerts titled 'Soduru Siyothun' was aired on the City FM service as a monthly radio reality show with the participation of various talented singers.
- ✓ With the aim of expanding the enjoyment of classical music by school children, a series of programs called 'Mihira Manaram' was aired with the participation of school orchestras and veteran singers with the aim of providing a high level of enjoyment to the youth.

## **Statement of Accounts - 2019**



**Sri Lanka Broadcasting Corporation**  
**Statement of Financial Position**  
(all amounts in Sri Lanka Rupees)


	Note	31 December	31 December
		2019	2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	2,162,736,211	2,311,430,062
Deferred tax Assets	8	11,555,647	8,970,648
Software	9	10,745,170	2,977,263
Capital Working Progresses	10	17,032,793	21,389,180
Fixed deposits		77,023,784	69,818,185
Investment	11	1,000,000	1,000,000
		<b>2,280,093,604</b>	<b>2,415,585,336</b>
<b>Current assets</b>			
Inventories	12	20,025,662	47,118,087
Trade and other receivables	13	235,393,552	247,924,946
Cash and cash equivalents	14	116,175,232	161,820,848
		<b>371,594,446</b>	<b>456,863,880</b>
<b>Total assets</b>		<b>2,651,688,050</b>	<b>2,872,449,215</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Stated capital		307,386,085	307,386,085
Revaluation reserves		11,971,999	11,971,999
Retained earnings	15	(203,004,112)	(98,140,157)
		<b>116,353,972</b>	<b>221,217,928</b>
Contingent Liabilities		11,783,507	11,783,507
<b>Non-current liabilities</b>			
Defined benefit obligations	20	232,428,448	197,804,973
Foreign Grant	19	857,697,784	1,064,823,598
Government Grant		827,690,965	805,199,976
Other Payable	18	8,551,384	13,403,384
Deferred tax liabilities	8	131,349,681	109,840,670
		<b>2,057,718,262</b>	<b>2,191,072,602</b>
<b>Current liabilities</b>			
Defined benefit obligations	20		2,517,832
Trade and other payables	16	358,002,646	323,372,573
Non financial Liabilities	17	107,829,664	122,484,772
<b>Total liabilities</b>		<b>465,832,310</b>	<b>448,375,177</b>
<b>Total equity and liabilities</b>		<b>2,651,688,050</b>	<b>2,872,449,215</b>


The Director Finance certifies that the financial statements have been prepared in compliance with the requirements of the Sri Lanka Financial Reporting Standards, Finance Act. No: 38 of 1971 and Sri Lanka Broadcasting Corporation act no.37 of 1966

  
Mr. Lalith Hettige  
Director Finance

Date: 10/03/2020

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were authorized by the Board of Directors on 17th June 2020.

  
Jagath Wickramasinghe  
Chairman  
Date:.....

  
S. Wicramasinghe  
Board of Director  
Date: 08/07/20

Board of Director  
Date:.....

**Sri Lanka Broadcasting Corporation****Statement of comprehensive income**

(all amounts in Sri Lanka Rupees)

	Note	Year ended 31 December 2019	Year ended 31 December 2018
Sales	1	659,857,071	658,556,215
Cost of sales	2	644,632,855	630,013,674
<b>Gross profit</b>		<b>15,224,215</b>	<b>28,542,541</b>
Other operating income	3	350,298,093	328,401,681
Distribution costs	4	-	2,231,926
Other Operating Expenses	5	359,430,850	348,330,839
Administrative expenses	6	396,388,501	386,726,869
<b>Operating profit</b>		<b>(390,297,043)</b>	<b>(380,345,412)</b>
Finance costs	7	4,073,406	2,972,696
<b>Profit/(Loss) before Govt. Grant</b>		<b>(394,370,449)</b>	<b>(383,318,108)</b>
Govt. Grant	3.1	365,000,000	360,000,000
<b>Profit/(Loss) after Govt. Grant</b>		<b>(29,370,449)</b>	<b>(23,318,108)</b>
Differed Tax	8	(18,924,012)	(28,005,270)
Other Comprehensive Income	20	(56,569,495)	8,653,266
<b>Profit after tax</b>		<b>(104,863,956)</b>	<b>(42,670,112)</b>
<b>Total comprehensive income</b>		<b>(104,863,956)</b>	<b>(42,670,112)</b>

**Sri Lanka Broadcasting Corporation**  
**Statement of changes in equity**  
**(all amounts in Sri Lanka Rupees)**

	Stated capital	Revaluation reserves	Retained earnings	Total
Balance at 1 January 2018	307,386,085	11,971,999	-	319,358,084
<b>Comprehensive income</b>				
Comprehensive income			(42,670,112)	(42,670,112)
Revenue Reserve			(55,470,945)	(55,470,945)
<b>Balance at 31 December 2018</b>	<b>307,386,085</b>	<b>11,971,999</b>	<b>(98,140,157)</b>	<b>221,217,928</b>
<b>Capital Reserve</b>				-
<b>Comprehensive income</b>				
Comprehensive income for the period			(104,863,956)	(104,863,956)
Revenue Reserve			-	-
<b>Balance at 31 December 2019</b>	<b>307,386,085</b>	<b>11,971,999</b>	<b>(203,004,112)</b>	<b>116,353,972</b>

**Cash Flow Statement for the year ended 31st December 2019**

Description	2019		2018	
<b>Cash flow from operating activities</b>				
Net profit before interest and tax		(29,370,449)		(20,127,590)
<b>Adjustment for</b>				
Amortisation of government grant	(107,878,577)		(86,531,268)	
Amortisation of grant Trinco	(155,406,674)		(155,406,674)	
Depreciation	97,492,400		78,900,888	
Depreciation Trinco	161,224,994		159,846,172	
Software Amortisation	2,913,028		830,250	
Provision for gratuity	30,471,666		31,435,470	
Provision for bad debts	(1,958,535)		2,231,926	
Disposal assets	(1,230,370)			
Gain/(Loss) on Exchange	(81,301)		(803,628)	
ESC	3,669,880	29,216,510	3,769,850	34,272,984
Revenue Reserve Adjustment		(153,939)		14,145,394 (207,000)
<b>Operating profit before working capital</b>				
increase/ Decrease in inventories	27,092,425		(1,999,520)	
Increase/ Decrease in Trade & other receivables	14,489,929		(6,261,324)	
Increase/ Decrease in Goods in transit			(108,923)	
Increase/Decrease in Trade & other payables	29,778,073		56,365,560	
Increase/Decrease in Non financial Liabilities	(14,564,709)	56,795,717	(20,429,685)	27,566,108
Gratuity paid		56,641,779 (54,935,519)		(49,736,515)
<b>Net cash from operating activities</b>				(8,232,013)
<b>Cash flow from investing activities</b>				
FD Interest	(7,205,599)		(6,449,587)	
Government Grant	126,000,000		19,672,630	
Purchase of property, plant and equipment	(162,910,503)		(70,790,307)	
Capital work in progress	(3,235,774)		(60,730,197)	
Net cash used in investing activities		(47,351,876)		(118,297,461)
Net Increase/ Decrease in cash and cash equivalents		(45,645,616)		(126,529,474)
Cash and cash equivalents at beginning of period		161,820,848		288,350,322
Cash and cash equivalents at end of period (note 14)		<b>116,175,232</b>		<b>161,820,848</b>

## **Sri Lanka Broadcasting Corporation**

### **Notes to the financial statements**

#### **1. General information**

##### **1.1 Reporting Entity**

Sri Lanka Broadcasting Corporation, a Corporation duly incorporated and established under the Sri Lanka Broadcasting Corporation Act No. 37 of 1966 having its registered office at Independence Square, Colombo 07 and principal place of business is situated at Independence Square, Colombo 07.

##### **1.2 Principal Activities and Nature of Operations**

During the year, the principal activity of the Corporation is sale of airtime.

##### **1.3 Date of Authorization for Issue**

Financial Statements of Sri Lanka Broadcasting Corporation for the year ended 31<sup>st</sup> December 2019 was presented for approval on 17<sup>th</sup> June 2020.

##### **1.4 Number of employees**

The number of permanent employees at the end of the year was 710  
And the number of Contract staff at the end of the year was 81  
(31.12.2018 – 847)

#### **2. Basis of preparation and adoption of Sri Lanka Financial Reporting Standards ("SLFRS")**

The Corporation prepares its financial statements in accordance with the Sri Lanka Accounting Standards ("SLFRS") issued by the Institute of Chartered Accountants of Sri Lanka and Sri Lanka Accounting and Auditing Standards Act No. 19 of 1995.

The institute of Chartered Accountants of Sri Lanka issued a new volume of Sri Lanka Accounting Standards ("SLFRS") and to require enterprises to apply these standards effective for years beginning on or after 1 January 2012.

##### **3.1 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

###### **3.1.1 Basis of preparation**

The financial statements of Sri Lanka Broadcasting Corporation have been prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRS)

for SMEs). The financial statements have been prepared under the historical cost and other specific measurements which are explained in the succeeding notes.

No adjustments have been made for inflationary factors affecting the financial statements.

The preparation of financial statements in conformity with SLFRS require the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying the corporation's accounting policies. The areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. The reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the report of amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

### **3.1.2 Going Concern**

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

### **3.1.3 Post Balance Sheet Events**

All material events occurring after the balance sheet date have been considered and where necessary adjustments have been made to /or disclosed in the financial statements.

### **3.1.4 Comparative Information**

The Accounting policies ,which have been consistently applied by the Corporation ,are unless otherwise stated ,consistent with those used in the previous years. Previous year's figures and phases have been rearranged to confirm to the presentation.

### **3.1.5 Foreign currencies**

#### **(a) Functional and presentation currency**

Items included in the financial statements of the Corporation is measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Sri Lankan Rupees, which is the Corporation's functional and presentation currency.

**(b) Foreign Currency Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

**3.2 Other Significant Accounting Policies****3.2.1 Assets and Bases of Their Valuation**

Assets classified as current assets in the Balance Sheet are cash and those which are expected to be realized in cash, during the normal operating cycle of the Corporation's business, or within one year from the Balance Sheet date, whichever is shorter. Assets other than current assets are those which the Corporation intends to hold beyond a period of one year from the Balance Sheet date.

**3.2.1.1 Property, plant and equipment**

Land and buildings comprise mainly head office, regional and transmission station. All the property, plant and equipment are stated at historical cost. The cost of PPE is the cost of purchase with any incidental expenses incurred in bringing the assets to its working conditions, for its intended use. Expenditure incurred for the purpose of acquiring, extending or improving assets of permanent nature has been treated as capital expenditure. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably.

**3.2.1.2 Restoration Costs**

Expenditure incurred on repairs or maintenance of property, plant and Equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance, is recognized as an expense when incurred.

**3.2.1.3 Depreciation**

Land is not depreciated. Provisions for depreciation for other assets are calculated by using a straight-line method on the cost / revalued amounts of all fixed assets. The principal annual rates used for this purpose are:

Buildings	2.5%
Plant and machinery	7.5%
Audio Frequency Equipment	7.5%
Furniture and fixture & Equipment	10%
Transmitter	7.5%
Motor vehicles	25%
Musical Instruments	10%
Computer Equipment	50%
Record Tapes	33.33%
Loose Tools	50%
Software	50%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

### **3.2.2 Capital Work-in-Progress**

Capital work-in-progress represents the accumulated cost of materials and other costs directly related to the construction of an asset. Capital work-in-progress is transferred to the respective asset accounts at the time it is substantially completed and ready for its intended use.

### **3.2.3 Financial Assets**

#### **3.2.3.1. Classification**

#### **3.2.3.2 Loans and receivable**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Corporation's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position. (Notes 13 and 14).

#### **3.2.5.4. Recognition and measurement**

Financial assets carried at fair value through profit or loss is initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other income.

#### **3.2.5.5 Impairment of financial assets**

##### **(a) Assets carried at amortized cost**

The Corporation assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Corporation may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the income statement.

#### **3.2.5.6 Trade receivables**

Trade receivables are carried at anticipated realizable value. A provision for impairment of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default payments are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income within distribution cost. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivable. Subsequent recoveries of amounts previously written-off are credited against distribution cost in the income statement.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

#### **3.2.6 Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a purchase price basis. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

#### **3.2.7 Cash and cash equivalents**

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

### **3.2.8 Borrowing costs**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### **3.2.9 Current and deferred tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

#### **a) Current Taxation**

Current tax liabilities arise to the Corporation in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and amendments thereto. These liabilities are provided for in the Financial Statements applying the said provisions which the management believes reflect actual liability. There can be instances where the stand taken by the Corporation on transaction is contested by the Revenue Authority. Any additional costs on account of these issues are accounted for as a tax expense at the point of liability is confirmed on the Corporation.

Current tax assets and liabilities for the current year and prior periods are measured at the amounts expected to be recovered from or paid to Revenue Authority. Tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Balance Sheet date. The provision for current tax is based on the elements of income and expenditure as reported in the Financial Statements.

#### **b) Deferred Tax**

Deferred tax is recognized using the Balance Sheet method, providing for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. Deferred tax is not recognized for the temporary differences arising in the

initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investment subsidiaries to the extent that they probably will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by reporting date. Deferred tax assets and liabilities are offset if there is a legal enforceable right to set off current tax liabilities and assets, and they relate to income taxes levied by the same tax authorities on the same taxable entity.

A deferred tax asset is recognized only to the extent that it is probable that future profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **3.2.10 Employee benefits**

#### **3.2.10.1 Retirement Benefit Obligations**

##### **a) Defined Benefit Plan – Retirement Gratuity Provision**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognized in the financial statements in respect of defined benefit plan is the present value of the defined obligation at the reporting date. The defined benefit obligation is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows.

Using interest rates that are determined in currency in which the benefits will be paid and that have term to maturity approximating to the terms of the related liability.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 (Revised 2006) on retirement benefit costs. However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded. The key assumption by the Management includes the followings,

01. Rate of Interest of 11.88%
02. Rate of Salary increment of 3%
03. Retirement age of all employees 60 Year
04. Staff Turnover factor 2%

**b) Defined Contribution Plans – “Employees Provident Fund” & “Employees Trust Fund”**

All employees who are eligible for “Employees Provident fund” contribution and “Employees Trust Fund” contribution are covered by relevant contribution funds in line with respective statutes and regulations. Employer’s contribution to the defined contribution plans are recognized as an expense in the Income Statement when incurred.

**3.2.11 Government grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the corporation will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

Amortization Rates are given below,

Buildings	2.5%
Plant and machinery	7.5%
Audio Frequency Equipment	7.5%
Furniture and fixture & Equipment	10%
Transmitter	7.5%
Motor vehicles	25%
Computer Equipment	50%
Software	50%

**3.2.12 Provisions**

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of

resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

### **3.2.13 Contingent Liabilities and Contingent Assets**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the corporation or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that can not be measured reliably. The corporation does not recognize a contingent liability but discloses its existence in the Financial Statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the corporation. The corporation does not recognize contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

### **3.2.14 Trade Payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### **3.2.15 Finance Lease Obligations**

Property, plant and equipment on finance leases which effectively transfers to the corporation substantially all the risks and benefits incidental to Ownership of the leased items are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payment at inception of the, less accumulated depreciation

The total interest payable is accounted as interest in suspense. The corresponding credit is recorded lease as an amount payable to lesser. The installments paid are used to reduce the liability.

The Interest charge of the year is transferred from the interest suspense account to the Income Statement.

### **3.2.16 Income Statement**

#### **3.2.16.1 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for service supplied, stated net of discounts and value added taxes. The corporation recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the corporation's activities, as described below the Corporation bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**(a) Sale of Air time**

Revenue comprises the sale of air time. Revenue from the sale of air time is recognized when advertisement are aired .

**(b) Interest income**

Interest income is recognized as the interest accrued on the time basis (taking into account the effective yield on the asset) unless collectability is in doubt.

**(c) Net Gains and Losses on Disposals of Property, Plant & Equipment**

Net gains and losses on disposal of an item on Property, Plant & Equipment are determined by comparing the net sales proceeds with the carrying amount of Property, Plant & Equipment and are recognized in the Income Statement.

**(d) Other Income**

All other incomes are recognized on an accrual basis.

#### **3.2.17.1 Expenditure Recognition**

**a) Operating Expenses**

Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running in the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the profit / (loss) for the year. Provisions have also been made for bad and doubtful debts, all known liabilities and depreciation on Property, Plant & Equipment.

**b) Finance Expenses**

Interest expenses are recognized on an accrual basis. Borrowing costs are recognized as an expense in the period in which they are incurred.

**3.2.18 Comparatives**

Where necessary, comparative figures have been adjusted to conform with change in presentation in the current year.

**4. Critical accounting estimates and judgment**

judgments, estimates, and assumptions that affects the application of accounting policies and reported amounts of assets, liabilities, income and expenses and disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcome that require material adjustments to the carrying amounts of assets or liabilities effected in future periods.

The judgments, estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments, estimates and assumptions about the carrying amount of assets, liabilities and contingent liabilities that are not readily identified from other sources.

The judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgments, estimates and assumptions made by the management in application of LKASs that could have a significant effect on the Financial Statements.

**(a) Pension benefits**

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The corporation determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the corporation considers the interest rates of corporate bonds. Other key assumptions for pension obligations are based in part on current market conditions.

**(b) Income taxes**

The corporation is subject to income taxes. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

**5. Financial Risks Management****5.1 Financial risks factors**

The corporation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Corporation's overall risk management program focuses to minimize potential adverse effects on the Corporation's financial performance.

Risk management is carried out by a Finance department under the policies approved by the board of directors.

**a) Market Risks****(i) Foreign exchange risk**

The Corporation imports required equipment internationally and it is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollars. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, corporation enter in to agreement with local agents.

**(ii) Price risk**

The group is exposed to commodity price risk . Corporation minimizes the risk by entering agreement with the main suppliers.

**iii) Credit risks**

Credit risk is exposing mainly from trade receivables and corporation is responsible for managing and analyzing the credit risk for each of their new clients before delivering the service.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customer's receivables and

committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings. The utilization of credit limits is regularly monitored.

**iv) Liquidity risks**

Cash flow forecasting is performed by the corporation and reviewed regularly to ensure the corporation's liquidity requirement. Such forecasting takes into consideration the corporation's debt financing plans, covenant compliance. Surplus cash held by the corporation over and above balance required for working capital management are transferred to the time deposit to earn interest income with appropriate maturities to meet the obligation.

**6. Related party transactions**

**Period – 01.01.2019 to 10.03.2019**

<b>Name of the Relationship</b>	<b>Designation</b>	<b>Nature of the Transaction</b>
Mr. Siddik M. Faruk	Chairman	No
Ms. M. Colonna	Board Member	No
Mr. M.J.R. David	Board Member	No
Mr. S. Muthukumarana	Board Member	No
Mr. B. K. R. Balasooriya	Treasury Member	No
Mr. Naveen Shanake	Board Member	No

**Period – 10.03.2019 to 31.12.2019**

<b>Name of the Relationship</b>	<b>Designation</b>	<b>Nature of the Transaction</b>
Mr. M. Thalwatte	Chairman	No
Mr. Senadeera	Board Member	No
Mr. A. Gunawansa	Board Member	No
Mr. A. Wimalasiri	Board Member	No
Mr. B. K. R. Balasooriya	Treasury Member	No
Mr. P. Abesinghe	Board Member	No

**Note 1****Revenue**

Description	2019	2018 Adjusted	Adjustment	2018 approved
Sale of Air Time Asia Service	11,624,771	11,047,173		11,047,173
Sale of Air Time T.W.R.	100,269,279	90,535,276		90,535,276
Sale of Air Time Local Service	410,261,182	451,613,159	(225,158)	451,838,317
Production Charges - Local Service	7,206,618	6,505,864		6,505,864
Revenue Trincomalee Project	124,223,056	92,656,288		92,656,288
Obituary Notices	2,528,651	2,848,196		2,848,196
Sale of Air Time FEBA	3,743,512	3,350,259		3,350,259
	<b>659,857,071</b>	<b>658,556,215</b>	<b>(225,158)</b>	<b>658,781,373</b>

**Note - 2****Cost of Sales**

Description	2019	2018
Salaries, Wages & Allowances	317,246,928	312,268,053
Employee Provident Fund	41,772,811	38,641,756
Employee Trust Fund	8,140,260	7,155,834
Traveling and Subsistence	3,353,708	2,361,144
Programme Expenditure	3,066,756	6,364,990
Relief Staff	7,234,534	6,381,641
Vehicle hiring Charges	10,188,903	7,273,519
Maintenance cost	13,446,919	13,723,584
Linking Charges	4,741,698	5,409,712
Higher of Outside Tower	5,305,843	
Electricity	170,572,953	164,105,794
Business promotion expenditure	2,570,187	3,074,515
Commission on Sale of Air Time (Local)	56,240,697	62,366,843
Commission on Sale of Air Time (Foreign)	750,658	886,289
	<b>644,632,855</b>	<b>630,013,674</b>

**Note - 3****Other Operating Income**

Description	2019	2018 Adjusted	Adjustment	2018 approved
Interest on Loans	11,453,664	8,723,208		8,723,208
Miscellaneous Income (Other)	63,551,858	63,318,379	(2,508,966)	65,827,345
Fines from Advertising Agents for Returned Cheques	17,429	84,612		84,612
House Rent	198,892	181,363		181,363
Income from Circuit Bunglow	749,569	768,329		768,329
Special Recording	981,923	1,410,470		1,410,470
Licensing of Importers, Dealers	7,240,708	7,684,706		7,684,706
Sale of Cassettes	2,406,604	3,902,418		3,902,418
Fine Account	12,470	17,795	(455,000)	472,795
Income from Circuit Bungalow-Ambewella	363,813	369,405		369,405
Sales of Publication	35,911	3,054		3,054
<b>Sub Total</b>	<b>87,012,842</b>	<b>86,463,739</b>	<b>(2,963,966)</b>	<b>89,427,705</b>
Amortisation of government grant	107,878,577	86,531,268	830,250	85,701,018
Amortisation grant Trinco	155,406,674	155,406,674		155,406,674
<b>Sub Total</b>	<b>263,285,251</b>	<b>241,937,942</b>	<b>830,250</b>	<b>241,107,692</b>
<b>Grand Total</b>	<b>350,298,093</b>	<b>328,401,681</b>	<b>(2,133,716)</b>	<b>330,535,398</b>

**Note - 3.1****Government Grant**

Description	2019	2018
Govt. Grant for Licence Fees	365,000,000	360,000,000
	365,000,000	360,000,000

3.1) Rs.365 million received from the government as grant in lieu of radio license.

**Note 04****Distribution Cost**

Description	2019	2018 Adjusted	Adjustment	2018 Approved
Provision for bad and doubtful debts	#REF!	2,231,926		2,231,926
	#REF!	2,231,926	-	2,231,926

**Note 5.****Other Operating Expenses**

Description	2019	2018 Adjusted	Adjustment	2018 approved
Contribution to Outside Broadcasting Organisations	961,662	1,513,447		1,513,447
News Service & News Summaries	687,580	764,025		764,025
Advertising and Publicity	1,100,095	729,011		729,011
Electricity and Power	9,780,037	3,782,571		3,782,571
Postage & Telephones	12,527,041	15,984,362		15,984,362
Printing & Stationery	5,032,219	4,187,488		4,187,488
Motor Vehicle running expenses	14,116,817	14,372,902		14,372,902
Repairs & Maintenance of Broadcasting equipment	22,807,521	19,780,289		19,780,289
Repairs and Maintenance of Musical Instruments	153,200	38,200		38,200
Repairs and Maintenance of Furniture fix & fittings	3,141,044	3,435,937		3,435,937
Repairs and Maintenance of Building & Garden	10,029,460	16,656,667		16,656,667
Depreciation	97,492,400	78,902,281	1,393	78,900,888
Depreciation Trinco	161,224,994	159,846,172		159,846,172
Software Amortization	2,913,028	830,250	830,250	
Generator Hiring Charges	-	1,705,290		1,705,290
Cassettes expenditure	384,606	1,066,707		1,066,707
Taxation (ESC)	3,669,880	3,769,850		3,769,850
NBT Expenses	8,485,739	10,818,830		10,818,830
Vehicle hiring Charges	929,807	654,763		654,763
Stamp Duty	112,700	47,990		47,990
Radio frequency Charges	3,881,020	9,443,807	-	9,443,807
	<b>359,430,850</b>	<b>348,330,839</b>	<b>831,643</b>	<b>347,499,196</b>

**Note 06****Administrative Expenses**

Description	2019	2018 Adjusted	Adjustment	2018 approved
Allowances - Chairman & Members of the Corp	1,921,878	1,462,286		1,462,286
Salaries, Wages & Allowances	145,783,069	168,504,289		168,504,289
Special Incentive	15,952,650	15,827,700		15,827,700
Employee Provident Fund	34,704,645	28,789,245		28,789,245
Employee Trust Fund	6,457,763	6,009,685		6,009,685
Overtime to Staff	37,682,813	35,818,221		35,818,221
Relief Staff	17,738,776	12,068,014		12,068,014
Emoluments to Contract Staff	56,134,503	42,969,690		42,969,690
Staff training Charges (Local)	95,000	0		
Traveling and Subsistence-(Foreign & Local)	989,351	2,616,173		2,616,173
Holiday pay	4,068,769	3,590,487		3,590,487
Gratuity	30,471,666	31,435,470		31,435,470
Entertainment by Chairman	237,294	342,579		342,579
Entertainment by Director General	102,327	125,580		125,580
Welfare	2,684,990	2,901,512		2,901,512
Medical Service	108,893	147,484		147,484
General Charges	1,919,044	2,219,456		2,219,456
Private security Service	10,050,700	7,989,350		7,989,350
Rent Rate & Taxes	16,278,460	16,874,317		16,874,317
Insurance	4,955,384	5,170,852		5,170,852
Audit fees	5,040,000	435,460		435,460
Legal Fees	1,473,920	509,795		509,795
Publications & Periodicals	846,603	397,945		397,945
Penalty for gratuity,court cases & other etc	690,006	976,279	455,000	521,279
	<b>396,388,501</b>	<b>387,181,869</b>	<b>455,000</b>	<b>386,726,869</b>

6.1) The Corporation had incurred Rs.156,828.96 in respect of Broadcasting Obituary notice of relatives staff members for the year 2019. These notices were broadcast in accordance with the approved scheme in force. This was the practice adopted by the corporation every year.

6.2) The Corporation has been informed to pay Rs. 122,356,000/- at the date of 31st December 2017 for the use of Lands owned by the state institutions. Provision has been allocated for the year 2018 & 2019.

**Pending Legal Cases – 2019**

There are two cases pending at the Supreme Court. The status of these cases are as follows:

One case relates to an appeal filed by the Corporation to set aside the judgment of the D.C. Case No: 23089/MR regarding the award of Rs. 10,000,000/-, with legal interest, to the Plaintiff. The other pending case relates to a Fundamental Rights Application filed by certain employees of the Corporation and the Trade Unions against the Corporation.

There are three cases pending at the Court of Appeal. The status of these cases are as follows:

One case relates to an appeal filed by Corporation to set aside the judgment of the Nawalapitiya M.C. Case No: 64296 regarding the award on non-payment of EPF to certain persons operating on relief basis. The other pending case relates to an appeal filed by the Corporation against the award given in Arbitration Case No. A/23/2017 by the Arbitrator to an employee. The other pending case relates to a Writ Application filed by an employee of the Corporation against an appointment given to another employee.

There are two cases pending at the High Court. One case relates to compensation amounting to Rs. 50 million demanded by the Plaintiff. The other case is filed by the Corporation.

There are five cases pending at District Court. In one case, the Plaintiff has demanded Rs. 8 million + interest. In the other case, the

Plaintiff has demanded Rs. 5,917,275 + interest and a commission of 10% from US\$ 26,775. The other three cases are filed by the Corporation.

Additionally, four cases are pending at the Magistrate Court, one case is pending at Labor Tribunal and three Arbitration cases are pending at Labor Department.

Provision has been made in the financial statements as Rs.11,783,507.20 (10,000,000 + 1,783,507.20)

**Note 07****Finance Cost**

Description	2019	2018 Adjusted	Adjustment	2018 Approved
Bank Charges	484,339	552,819		552,819
OD Interest	3,524,150	2,357,575		2,357,575
Credit Card Commission	64,917	62,302		62,302
	<b>4,073,406</b>	<b>2,972,696</b>	-	<b>2,972,696</b>

**Note 08****8 (i) Income Tax**

	2019	2018
Net profit/ loss as per accounts	(394,370,449)	(380,127,590)
<b>Add</b>		
<b>Disallowable expenses</b>		
Depreciation	97,492,400	78,902,281
Depreciation Trinco	161,224,994	159,846,172
Provision for bad debts	-	2,231,926
Provision for Gratuity	30,471,666	31,435,470
Penalty	690,006	521,279
Entertainment	339,621	468,159
Economic Service Charges	3,669,880	3,769,850
	<b>293,888,565</b>	<b>277,175,137</b>
<b>Less</b>		
<b>Allowable expenses</b>		
Capital Allowance	103,071,767	247,890,512
Gratuity payment	52,934,662	49,736,515
	<b>156,006,429</b>	<b>297,627,027</b>
Taxable profit /( loss)	(256,488,313)	(400,579,482)
Tax losses brought forward	(4,076,939,762)	(3,676,360,280)
Total tax losses carried forward	(4,333,428,075)	(4,076,939,762)
<b>Provision for Income Tax</b>		

The corporation is liable for income tax at the rate of 28% on profit derived from the income. A provision has been made in these financial statements on account of income taxes in view of adjusted taxable profits of the corporation.

**ii. Deferred Taxation compute & consider the recognition of deferred taxation as per LKAS 12****Differed Tax Assets & Liabilities**

	2019	2018
<b>Financial Position</b>		
Differed Tax Liabilities	131,349,681	109,840,670
Differed Tax Assets	(11,555,647)	(8,970,648)
Net Differed Tax Assets	119,794,034	100,870,022
<b>Statement of comprehensive income</b>		
Differed Tax Liabilities	21,509,011	30,439,150
Differed Tax Assets	(2,584,999)	(2,433,880)
Net Differed Income Tax Income/(Expenses)	18,924,012	28,005,270

**Note 9****Property, Plant & Equipment S.L.B.C**

Gross Carrying Account	Balance as at 01.01.2019 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance as at 31.12.2019 Rs.	Provision for Depreciation 01.01.2019 Rs.	Charge for the Period Rs.	Previous year adjustment	Provision for Depreciation 31.12.2019 Rs.	NBW As at 31.12.2019
At Cost									
Land	7,574,763			7,574,763					7,574,763
Building	410,088,133	18,764,477		428,852,611	145,210,071	9,872,761	-	155,082,832	273,769,778
Plant & Machinery	649,639,799	22,715,674	(163,367,824)	508,987,649	505,974,453	8,000,824	(161,163,487)	352,811,790	156,175,858
Musical Instruments	7,241,190	530,958		7,772,149	6,958,146	96,048		7,054,194	717,955
Motor Vehicles	53,863,675			53,863,675	52,230,438	552,962		52,783,400	1,080,275
Furniture, Fixtures & Records & Tapes	146,974,344	3,739,846	(21,168,186)	129,546,004	122,613,006	2,322,190	(21,029,490)	103,905,706	25,640,298
Audio Frequency	24,988,249			24,988,249	24,950,462	21,165		24,971,627	16,622
Transmitters	1,006,263,143	30,532,357	(310,743,875)	726,051,626	768,025,858	18,063,845	(287,531,990)	498,557,713	227,493,912
Computer equipment	1,629,407,044	16,457,571	(360,901,143)	1,284,963,472	1,044,575,536	33,765,195	(344,105,094)	734,235,637	550,727,836
Library Books	76,530,780	43,539,823		120,070,603	52,308,262	24,795,970		77,104,232	42,966,372
Loose Tools	450,340			450,340					450,340
	146,384	17,295		163,679	142,279	1,441		143,720	19,959
	<b>4,013,167,844</b>	<b>136,298,001</b>	<b>(856,181,028)</b>	<b>3,293,284,821</b>	<b>2,722,988,511</b>	<b>97,492,401</b>	<b>(813,830,061)</b>	<b>2,006,650,851</b>	<b>1,286,633,970</b>

**Property, Plant & Equipment Trinco**

Gross Carrying Account	Balance as at 01.01.2019 Rs.	Additions/ Trinco assets Rs.	Disposals/ Transfers Rs.	Balance as at 31.12.2019 Rs.	Provision for Depreciation 01.01.2019 Rs.	Charge for the Period Rs.	Previous year adjustment	Provision for Depreciation 31.12.2019 Rs.	NBW As at 31.12.2019
At Cost									
Plant & Machinery	178,847,308	734,750		179,582,058	93,862,573	13,431,917		107,294,490	72,287,568
Motor Vehicles	7,544,000			7,544,000	5,544,000	1,886,000		7,430,000	114,000
Furniture, Fixtures & Office Equipment	2,839,794			2,839,794	1,490,892	212,985		1,703,877	1,135,917
Generators	7,782,753			7,782,753	5,447,928	778,275		6,226,203	1,556,550
Audio Frequency	206,429,150			206,429,150	108,374,240	15,482,186		123,856,426	82,572,724
Transmitters	53,354,383			53,354,383	27,249,505	4,001,578		31,251,083	22,103,299
Computer equipment	1,506,345,613	15,563,259		1,521,908,873	778,251,495	113,144,126		891,395,621	630,513,252
Loose Tools	52,624,075			52,624,075	52,624,075	-		52,624,075	-
Equipment	4,632,471			4,632,471	2,432,046	347,435		2,779,481	1,852,990
	159,206,556			159,206,556	83,300,124	11,940,491		95,240,615	63,965,941
	<b>2,179,606,103</b>	<b>16,298,009</b>	<b>-</b>	<b>2,195,904,112</b>	<b>1,158,576,878</b>	<b>161,224,994</b>	<b>-</b>	<b>1,319,801,872</b>	<b>876,102,241</b>

**Intangible Asset**

Description	Balance as at 01.01.2019 Rs.	Additions/ Rs.	Disposals/ Transfers Rs.	Balance as at 31.12.2019 Rs.	Provision for Depreciation 01.01.2019 Rs.	Charge for the Period Rs.	Disposal/Transfer	Provision for Depreciation 31.12.2019 Rs.	NBW As at 31.12.2019
Computer Software Trinco project	12,124,157			12,124,157					-
Software	3,807,513	9,850,685		13,658,198		2,913,028		2,913,028	10,745,170

**Note 10**

## Capital Working Progress

Depreciation	2019	2018 Adjusted	Adjustment	2018
Capital Working Progress	17,032,793	21,389,180		21,389,180
	<b>17,032,793</b>	<b>21,389,180</b>	-	<b>21,389,180</b>

**Note 11**

The Corporation Invested Rs. One Million in Lanka Puwath Ltd.

**Investment**

Depreciation	2019	2018
Investment in Lanka Puwath Ltd.	<b>1,000,000</b>	<b>1,000,000</b>

**Note 12.****Inventory**

Description	2019	2018-Adjusted	Adjustment	2018
Consumable Items	20,025,662	<b>29,936,852</b>		29,936,852
Goods in Transit	-	<b>17,181,235</b>		17,181,235
	<b>20,025,662</b>	<b>47,118,087</b>	<b>0</b>	<b>47,118,087</b>

**Note 13****Trade and other receivables**

Description	2019	2018 Adjusted	Adjustment	2018 approved
Debtors Airtime	231,611,659	238,598,815	(225,158)	238,823,973
Less: Impairment of financial assets	(112,364,632)	(114,323,167)		(114,323,167)
Loans to staff	4,171,986	3,914,625		3,914,625
Other advances to staff	1,835,638	1,105,813		1,105,813
Staff Debtors E.P.F.	238,952	267,459		267,459
Payments in advance	-	4,447,986		4,447,986
Advance payment to Suppliers	1,114,536	1,022,692		1,022,692
Sundry Debtors	20,617,238	23,421,302		23,421,302
Branch Account with Lakhanda	12,807,862	12,807,862		12,807,862
G.S.T.Control Account	237,267	237,267		237,267
Receivable Income (other)	25,484,283	30,267,805	(2,731,860)	32,999,665
With Holding Tax (Income)	39,875,920	36,704,025		36,704,025
Other deposits	9,762,842	9,452,462		9,452,462
	<b>235,393,552</b>	<b>247,924,946</b>	<b>(2,957,018)</b>	<b>250,881,964</b>

**Note 14.****Cash and Cash Equivalents**

Description	2019	2018 Adjusted	Adjustment	2018
Bank of Ceylon - Matara	138,015	12,000		12,000
People's Bank International Division	184,797	134,936		134,936
Bank of Ceylon - Torrington -Main account.	-	24,002,549		24,002,549
State Bank of India	451,172	465,140		465,140
Bank of Ceylon - Anuradhapura	15,000	0		
Bank of Ceylon - Kandy	982,672	261,637		261,637
Nations' Trust bank	3,244,526	3,570,403		3,570,403
Bank of Ceylon - Torrington -Radio Licences	1,612,591	1,421,286		1,421,286
Bank of Ceylon - Torrington - F M Project	-	0		
Cash Imprest	189,920	60,395		60,395
Bank of Ceylon - Torrington-Cassette Sales	-	1,313,320		1,313,320
Bank of Ceylon - Madras	1,768,243	1,768,243		1,768,243
Bank of Ceylon Trincomalee project	31,203,239	23,408,205		23,408,205
Bank of Ceylon -Jaffna Branch	291,400	0		
Bank of Ceylon - Savings	104,044	100,171		100,171
Margin A/c (people's Bank)		105,302,563		105,302,563
Savings A/c (people's Bank)	75,989,614			
<b>Total</b>	<b>116,175,232</b>	<b>161,820,848</b>	<b>-</b>	<b>161,820,848</b>
<b>OD Balances (A/c No:265 &amp; 339)</b>	<b>(36,925,978)</b>			
<b>Balance for Cash Flow Statement</b>	<b>79,249,255</b>			

**Note 15.****Retained Earnings**

Description	2019	2018
<b>Opening Balance</b>	<b>(98,140,157)</b>	<b>(55,337,285)</b>
+ Adjustment	3,558,293	44,797,895
(-) Adjustment	(367,774)	(25,521,014)
Comprehensive Income	(104,863,956)	(42,670,112)
	<b>(3,190,519)</b>	<b>(19,409,641)</b>
<b>Total</b>	<b>(203,004,112)</b>	<b>(98,140,157)</b>

**Note 16.****Trade and other payables**

Description	2019	2018 Adjusted	adjustment	2018 approved
Creditors sale of airtime	14,601,069	12,419,431		12,419,431
Miscellaneous deposits refundable	6,303,983	5,461,355		5,461,355
Accrued Expenses	282,771,870	279,206,565	455,000	278,751,565
E.P.F.	4,232,117	4,367,398		4,367,398
Sundry Creditors	12,215,702	13,967,873		13,967,873
Current Account Regional	346,800	0		
ME's Security Deposit	205,621	377,886		377,886
Sanasuma-Tsunami	15,053	15,053		15,053
Bank of Ceylon - Torrington -Main account.	36,746,227	0		
Bank of Ceylon - Torrington-Cassette Sales	179,751	0		
Creditors Control A/c	-	6,942,341		6,942,341
Rajarata Circuit Bunglow	384,454	614,671		614,671
	<b>358,002,646</b>	<b>323,372,573</b>	<b>455,000</b>	<b>322,917,573</b>

**Note 17.****Non financial Liabilities**

Description	2019	2018 Adjusted	Adjustment	2018 approved
N S L	15,007,806	15,007,806		15,007,806
Save the nation fund	(12,418)	(12,418)		(12,418)
Payee Tax	100,466	76,852		76,852
With holding tax	887,295	235,206		235,206
VAT Contrall a/c	29,407,981	35,963,066		35,963,066
ESC	53,569,469	52,628,995		52,628,995
NBT	8,112,546	17,889,571		17,889,571
National Defence Fund	2,835	2,835		2,835
provision for income Tax	692,759	692,759		692,759
Stamp duty payable to Inland Re	60,925	100		100
	<b>107,829,664</b>	<b>122,484,772</b>	<b>0</b>	<b>122,484,772</b>

**Note 18.****Other Payables**

Description	2019	2018
E.P.F.Surcharge	8,551,384	11,551,385
Generator Hiring Charges		1,851,999
	<b>8,551,384</b>	<b>13,403,384</b>

**Note 19.****Foreign Grant**

Description	2019	2018
Foreign Grant - Japan & Korean	31,456,441	83,175,581
Grant Trinco - Deutschewelle	826,241,343	981,648,017
	<b>857,697,784</b>	<b>1,064,823,598</b>

**Note 20****Retirement benefit obligations**

As at 31st December 2019

**Movement in the present value of the retirement benefit obligations**

	2019	2018
<b>Retirement benefit obligations at the be</b>	<b>200,322,804</b>	<b>227,277,117</b>
Opening Balance adjustment	(2,517,832)	
	<b>197,804,972</b>	<b>227,277,117</b>
<b>Expenditure recognized in Income statement</b>		
Current Service cost	9,375,532	8,140,535
adjustment		945,244
Interest cost	19,095,278	22,349,691
	<b>28,470,811</b>	<b>31,435,470</b>
<b>Income recognized in other comprehensive income</b>		
Actuarial (gain)/loss	56,569,495	(11,171,098)
Adjustment (gain)/loss		2,517,832
		<b>(8,653,266)</b>
<b>Total payment</b>		
Benefits paid		(2,366,132)
Benefits paid by the plan	(50,416,830)	(46,425,141)
adjustment		(945,244)
	<b>(50,416,830)</b>	<b>(49,736,517)</b>
<b>Present Value of the obligations</b>	<b>232,428,448</b>	<b>200,322,804</b>

**The principal of assumptions**

Discount rate	11.88%	11.88%
Future salary increases	3%	5%
Retirement age	60 yrs	60 yrs
Staff Turnover factor	2%	2%

**REPORT OF THE AUDITOR GENERAL  
ON THE  
ACCOUNTS OF THE CORPORATION  
FOR THE  
YEAR ENDED 31<sup>st</sup> DECEMBER 2019**



## NATIONAL AUDIT OFFICE

My No: MED/A/SLBC/1/19/550

Date: 20<sup>th</sup> November 2020

Chairperson,

### **Sri Lanka Broadcasting Corporation.**

Auditor General's Report in terms of Section 12 of the National Audit Act No. 19 of 2018 regarding the financial statements and other legal and regulatory requirements for the year ended as at 31st December 2019 of the Sri Lanka Broadcasting Corporation.

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#### **1. Financial statements**

##### **1.1 Qualified Opinion**

The audit of financial statements of the Sri Lanka Broadcasting Corporation for the year ended 31 December 2019 comprising the statement of comprehensive income, the statement of changes in equity and cash flow statement for the year ended thereon and the financial statements for the year ended 31 December 2019 including the significant accounting policies and other explanatory notes 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 with the provisions of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971. My report will be tabled in due course in Parliament in terms of Article 154 (6) of the Constitution.

I am of the view that the financial condition of the Corporation and its financial performance and cash flows for the year ended December 31, 2019 reflect the true and equitable position of the Corporation in accordance with the Sri Lanka Accounting Standards, excluding the impact of the matters described in the section for the audited opinion of my report.

##### **1.2 Basis for Qualified Opinion**

###### **1.2.1 Non-compliance with the Sri Lanka Accounting Standards and finance reporting Standards**

- (a) The Corporation had not assessed the impact of employing the Sri Lanka Accounting Standard No. 16 for the current leased out assets and disclosed in the Financial Statements.

- (b) Though the carrying amount of the pension benefit indicated in the Statement on Financial Position was Rs. 232,428,448 in deciding the accounting basis in calculating the deferred tax for the pension benefit liability as per Para. 26 (a) of the Sri Lanka Accounting Standard No. 12, the annual gratuity provision adjusted to the Statement of Comprehensive Income was indicated as Rs. 85,040,305. The tax basis for the pension benefit liability was Rs. 50,416,830. And the deferred tax value of Rs. 15, 839,459 in respect of the actuarial loss of Rs. 56,569,495 for the year was not indicated under the Other Comprehensive Income.
- (c) According to the Sri Lanka Accounting Standard No. 19, the discount rate for the year 2018 had been decided as 11.88 per cent based on the weekly economic index issued by the Sri Lanka Central Bank and though this rate had been used for the year 2019, according to the weekly economic index as at 27<sup>th</sup> December 2019 issued by the Sri Lanka Central Bank, the market outcome ratio for the Treasury bonds had been between 8.64 to 10.54. According to Paragraph 84 of the Standard, the discount rate has a significant impact upon the pension benefit liability and it was observed that previous year discount rate had been applied for the year under review without any assessment on the current market rate.
- (d) According to the Para. 30 of the Sri Lanka Accounting Standard No. 37, the payments of Rs. 11,783,507 for the compensation legal proceedings that are not contingent liabilities, had not been re-classified and indicated as other liabilities in the Financial statements.

### **1.2.2 Accounting Deficiencies**

- (a) A difference of Rs. 318,240,140 was observed in the net deferred tax liability at the end of the year when independently calculating the deferred tax liability for the year 2019 based on the Schedules and data on the Statement on Financial Position presented for audit for the year 2019.
- (b) The bank overdraft balance of Rs. 36,746,228 and Rs. 179,751 respectively regarding two bank accounts maintained by the Corporation, had been included in Market and other payable balances instead of indicating separately as current liability in the Statement of Financial Position.
- (c) The foreign currency loss of Rs. 44,998 on the Chennai Bank account balance that was INR 676,658 had not been identified and due to which the bank balance had been increased in that amount.
- (d) As Rs. 886,166 and Rs. 67,864 for the computer software and buildings had been respectively depreciated less, the loss of the year under review had been indicated Rs. 954,030 less.

- (e) As the amount of interest cost of Rs. 23,499,231 in pension benefit liability had been marked as Rs. 19,095,278, the pension liability interest cost had been indicated Rs. 4,403,953 less.
- (f) Though the retained loss final balance was Rs. 94,949,636 according to the Financial Statements for the year 2018, the initial balance of the Statement on Changes in Equity in the Financial Statements of the year under review, had been indicated as zero.
- (g) The disposable CD, cassette and magazine stock valued at Rs. 1,430,845 at the 2018 Board of Survey had been indicated under stocks instead of indicating under the unusable stocks until they are disposed.
- (h) As per the verifications presented by the Sri Lanka Plantation Corporation, though the total lease amount payable for the Hunnasgiriya Broadcasting land as at the 31<sup>st</sup> December 2018 was Rs. 12,305,708, the payable lease amount had been indicated Rs. 11,090,708 less as it had been accounted as Rs. 1,215,000.
- (i) The amount of Rs. 124,344,000 payable as the lease amount for the land of 199.5309 hectares situated in the Kuchchaweli Divisional Secretariat that had been leased out on long term basis for the establishment of a broadcasting station, had not been accounted as at 31<sup>st</sup> December 2019.
- (j) Though the total tax liability (excluding fines) as at 31<sup>st</sup> December 2019 was Rs. 199,616,562 according to the reports of the Default Tax Recovery Unit of the Department of Inland Revenue and the tax accounts of the Corporation, it had been indicated as Rs. 106,891,027 under the Non-Financial Liabilities of the of the Statement on Financial Position, whereby the outstanding tax value is indicated Rs. 92,725,535 less.

### **1.2.3 Unreconciled Balances**

- (a) According to the Airtime Debtor Schedule presented for the audit, there were Rs. 231,733,058 debtors and as per the financial statements the Airtime Debtor balance was Rs. 231,611,659 showing a difference of Rs. 121,399.
- (b) According to the Financial Statements, though the receivable deposit balance was Rs. 9,452,462, as per the Schedules that said balance was Rs. 9,032,782. As an unidentified balance of Rs. 419,680 had been included in the Financial Statement, the receivable deposit had been indicated more in the respective amount.
- (c) According to the Schedule presented along with the Financial Statements for the year under review, though the balance of the total airtime debtors was Rs. 13,924,704, an unreconciled balance of Rs. 676,365 was observed, as the said balance was 14,601,069 as per the Airtime Debtor Controlling Account.

#### 1.2.4 Lack of Evidence for Audit

The evidence indicated in front of each of the following subject in respect of each asset, liability and payments of the accounts have not been presented for the audit.

<u>Account Subject</u>	<u>Value Rs.</u>	<u>Evidence Not Presented</u>
(a) Expenditure	856,253	Paying voucher
(b) Lands	7,761,326	Fixed Assets Register and Physical Verification Records
(c) Buildings	193,700,207	Fixed Assets Register and Physical Verification Records
(d) Lakhanda branch marketing debtors	12,807,802	File details and descriptive schedules
(e) Bank of Ceylon Chennai Bank Account Balance (INR 676,658)	1,768,243	Balance verification
(f) Marketing debtors	69,500,324	Balance verification

#### **Responsibility of the Management and Administration for the Financial Statements**

The 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.

When preparing financial statements, it is the management's responsibility to determine the ability to maintain the corporation and it is also the responsibility of the management to keep accounts on the basis of continuity and disclose the matters relating to the continuity of the corporation unless the management intends to liquidate the corporation or cease operations in the absence of any other option.

The controlling parties are responsible for the financial reporting process of the corporation.

Subject to subsection 16 (1) of the National Audit Act, No. 19 of 2018, the Corporation shall maintain proper books and records of its income, expenses, assets and liabilities in order to prepare annual and periodic financial statements.

### **1.3 Responsibility of the Auditor on the Audit of the Financial Statements**

My objective is to provide a reasonable assurance that financial statements are free from frauds and errors that occurred due to inaccurate false statements and to release the auditor's report along with my opinions. While fair assurance is a high-level guarantee, it does not always mean that auditing in accordance with the Sri Lanka Audit Standards that will always detect quantitative disclosures. Frauds and mistakes are likely to result in quantitative disclosures, either individually or collectively, and may be expected to affect users' economic decisions based on these financial statements.

I audited in accordance with Sri Lanka Auditing Standards with professional judgment and professional compliance,

- By planning appropriate audit procedures when identifying and assessing the risk of inaccurate misrepresentations in financial statements due to fraud or error, I obtained adequate and appropriate audit evidence to avoid the risks of fraud or error. The impact of fraud is stronger than the impact of inaccurate misrepresentation, and can lead to fraud, misconduct, forgery, intentional avoidance or avoidance of internal controls.
- In designing audit procedures that are appropriate in the circumstances, the auditor considers internal control relevant to the Corporation, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- The appropriateness of accounting policies used and the reasonableness of accounting estimates made by management is appreciated.
- The relevance of using the institution's continuity basis for accounting was determined based on the audit evidence obtained on whether there was sufficient uncertainty about the corporation's existence as a result of the events or circumstances. If I determine that there is sufficient uncertainty, my audit report should focus on the disclosures in the financial statements, and if that disclosure is inadequate, my opinion must be modified. However, continuity can end on future events or circumstances
- The presentation, structure and content of the financial statements included in the disclosures were evaluated and the underlying transactions and events were evaluated in a reasonable and fair manner.

Governing parties were briefed on the key audit findings, key internal control deficiencies and other issues identified during my audit.

### **Report on other legal and regulatory requirements**

The National Audit Act No. 19 of 2018 contains special provisions relating to the following requirements.

- In accordance with the requirements set out in Section 12 (a) of the National Audit Act No. 19 of 2018, I have obtained all the information and explanations required for the audit, excluding the impact of what is described in the section on the basis of the Qualified Opinion of my report. My investigation shows that the proper financial records were maintained by the Corporation.
- The financial statements presented by the Corporation in accordance with the requirements of Section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018, are consistent with the previous year.
- The recommendations I made last year have been included in the financial statements submitted as per the requirement of Section 6 (i) (d) (iv) of the National Audit Act No. 19 of 2018, except for the observations in Paragraphs 1.2.2 (h) (i) and 1.2.3 (b) of this report.

In terms of the measures adopted and the amount of evidence and quantitative considerations, nothing came to my attention as to the following:

- In accordance with the requirements of section 12 (d) of the National Audit Act, No. 19 of 2018, that any member of the Governing Body may be involved in any contract involving the corporation, directly or otherwise, out of the ordinary course of business.
- In compliance with the requirements set out in Section 12 (f) of the National Audit Act No. 19 of 2018, except for the following observations, that anyone has acted in non-compliance with a written law or any other general or special directive issued by the Governing Body of the Corporation.

#### **Reference to Laws, Rules, Regulations or Provisions issued by the Governing Board**

#### **Description**

(a) Financial Regulations 371 (2) (b) and 371 (5) amended by Public Finance Circular No. 03/2015	Though the adhocimprest has to be settled within 10 days of the completion of the respective task, an imprest of Rs. 1,206,006 that has been delayed from 33 days to 14 years, it has not been settled as at 31 <sup>st</sup> December 2019. Though the adhocimprest of Rs. 100,000
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maximum can be given by a staff level officer for a special task, the Corporation has issued advances at 14 instances exceeding the said maximum level and though the total advances of Rs. 538,850 had been delayed from 27 days to 567 days, they had not been settled as at 31<sup>st</sup>December 2019.

(b) Public Enterprise Circular No. PED 1/2015

(i) Para. 3.1

For the vehicles allocated for 04 officers on the Corporation, an expenditure of Rs. 1,323,456 has been incurred for the additional fuel exceeding the approved fuel limits in the year 2019 and 2020. The covering approval of Board of Directors had been obtained only for the expenditure of Rs. 553,574 for the months of April, June, July and August of 2019 and January of 2020. At the same time, an amount of Rs. 95,763 had been incurred for the fuel of the vehicle allocated for the Director of the Corporation for the months from February to June 2020 exceeding the allocated monthly fuel limit.

(c) Para. 3.3 of the Public Enterprise Circular No. PED 1/2015 dated 05<sup>th</sup> May 2015 and Para. 02 of the Public Administration Circular No. 05/2016 dated 09<sup>th</sup> March 2016

Though an officer entitled for an official vehicle has the alternative of choosing either the monthly transport allowance of Rs. 50,000 and the monthly fuel allowance instead of the official vehicle or using the official vehicle, this provision has been disregarded and an amount of Rs. 200,000 as the transport allowance and Rs. 93,160 as fuel allowance have been paid to the Director from April to July 2020 even though an official vehicle had been allocated for him from February 2020.

(d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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|---|--|
| (i) Financial Regulation 110  | The Corporation had not maintained a register on loss for the year under review.   |
| (ii) Financial Regulation 396 (d) (ii) and (iii)                                      | Action had not been taken as per the Financial Regulations on 60 cheques valued at Rs. 277,986 that were not produced to Bank that had exceeded 6 month valid period as at 31 <sup>st</sup> December 2019.   |
| (e) Sri Lanka Broadcasting Corporation Staff Announcement No: Section 4 of SLBC/ 3142 | 10 occasions were observed where the advances had been given to the same officer when he had not settled one advance as at 31 <sup>st</sup> December 2019 and thereby the total money in hand during the year of 10 officers had been Rs. 1,476,171. |
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- That the Corporation has acted in non-compliance with the powers, duties and functions of the Corporation except the following observations as required under Section 12 (g) of the National Audit Act No. 19 of 2018.
  - That the Corporation has not procured and utilized its resources in an economical, efficient and effective manner as required under Section 12 (h) of the National Audit Act No. 19 of 2018.
- (a) Five projects of Rs. 38.95 million that were mandatory to be performed from the projects included in the procurement plan for the year 2019, had not been performed as at 25<sup>th</sup> September 2020. According to the Financial Statements of the Corporation as at 31<sup>st</sup> December 2019, Rs. 75 million had been deposited in Bank as capital provisions for the Corporation out of which Rs. 63.5 million had been received for the renovation work of the Corporation in the year 2015.
- (b) Though a provision of Rs. 42.50 million had been allocated for the procurement plan for the year 2018 for the construction of a studio complex for the Jaffna Yaal FM Service, by the year 2019, the said provisions had been revised to Rs. 28 and the land in respect of the construction of the building had not been resolved as at the end of the year 2019 resulting in not initiating the construction of the building as at the year under review and more than a two year period has exceeded as at 15<sup>th</sup> September 2020 after preparing the assessment papers and cost estimates for the building construction contract.

### **3. Other Audit Observations**

#### **3.1 Accounts Receivable and Payable**

- (a) The Employee Provident Fund contribution of Rs. 238,952 that had been paid in excess for the staff which is pending from the year 1986, had not been recovered and brought forward as at 23<sup>rd</sup> July 2020.
- (b) Advances of Rs. 449,415 paid to the suppliers in the years 2017 and 2018, had not been recovered even as at 31<sup>st</sup> December 2019 and had been indicated as marketing debtors.
- (c) The Corporation had not taken any action as at 31<sup>st</sup> December 2019 to recover the total amount of Rs. 29,753,026 that were receivables from sundry income, receivable electricity charges and sundry debtors that were old from two to 19 years.
- (d) The Corporation had not taken any action as at 31<sup>st</sup> December 2019 to recover the foreign debtor balance of Rs. 61,163,788 and the local debtor balance of Rs. 29,965,096 that was old for around 10 years.
- (e) It was observed that the balance of Rs. 149,420,035 that was payable for the Telecommunication Regulatory Commission as at 31<sup>st</sup> December of the year under review, is not settled for 38 years, i.e. from the year 1981 to the year 2016.

#### **3.2 Management Inefficiencies**

From the year 2017, the Korean Server, that was received under Korean grants, has been used to store the conserved data of the Corporation audio resources and only the digitally conserved “songs” had been stored in this server while ‘programmes’ had not been stored. Due to this reason, it has been unable to achieve the objectives of the Corporation and the Corporation had not taken action from October 2017 to update the programme by connecting with the Korean company by way of online commands.

#### **3.3 Idling/ Under-utilized Assets**

- (a) The land extent of the idling buildings belonging to the Corporation was around 1126.45 square meters and it was observed that the said buildings were subject to decay as the Corporation had not maintained them for a long time even when such buildings could be developed and utilized for a productive task.
- (b) Six vehicles belonging to the Corporation had been left in idle from 6 months to 3 years and though it was mentioned that such vehicles were to be disposed, the disposing process had been delayed for 04 of the said vehicles for more than 02 years.

#### **4. Finance Management**

As an amount of Rs. 3,244,526 had been deposited in a current account of a private bank belonging to the Corporation, the interest income that could have been earned if the said amount had been deposited in an interest paying account had been lost.

#### **5. Presentation of Annual Reports in Parliament**

The Annual reports for the years 2016, 2017 and 2018 had not been tabled at Parliament as at 06<sup>th</sup> October 2020.

Signed by  
W.P.C. Wickramarathna  
Auditor General

**COMMENTS OF THE CORPORATION ON  
AUDITOR GENERAL'S REPORT - 2019**



**Annotation of the Corporation in relation to the Auditor General’s Report as per section 12 of the National Audit Act No. 19 of 2018 on the financial statements and other legal and regulatory requirements for the year ended from 31<sup>st</sup> December 2019 for Sri Lanka Broadcasting Corporation.**

The report prepared by the Corporation as the answer to the above report is submitted herewith as follows.

**1.2.1 Inconsistency with Sri Lanka Accounting Standards and Sri Lanka Financial Reporting Standards**

- (a) Sri Lanka Financial Reporting Standards – No. 16

There is no need to estimate and include with regard to evacuation of the relevant lease assets, since no precise decision has been taken on them.

- (b) Sri Lanka Accounting Standards – 12

Agreed with the audit observations. Noted down for acting to correct for the years to come.

- (c) Sri Lanka Accounting Standards – 19

Agreed with the audit observations. This loss has been occurred due to correcting the impacts of the salary increases in the salary conversions in the year 2019. It is scheduled to be corrected depending on the economic indicator of the year 2020.

- (d) Sri Lanka Accounting Standards – 37

Agreed with the audit observations. It will be mentioned under the accurate categorization when preparing the accounts applicable to the year 2020.

**1.2.2 Accounting shortcomings**

- (a) Measures will be taken to correct the differences observed in calculating the differed tax liability in the year 2020

- (b) The audit observations are correct and will take necessary actions to correct in the year 2020.

- (c) Agreed with the audit observations.

- (d) The audit observations are correct and will take necessary actions to correct in the year 2020.

- (e) The audit observations are correct and will take necessary actions to correct in the year 2020.

- (f) The audit observations are correct and necessary actions have been taken to correct in the year 2020.
- (g) Agreed with the audit observations and necessary actions have been taken to correct in the year 2020.
- (h) It is accepted that an error has been occurred during the accounting total payable rental for the land of Hunnasingiriya transmission premises while steps are being taken to solve the issue applicable to the rental across discussions with the State Plantation Corporation.
- (i) Measures are being taken to pull back the rental through a Cabinet Memorandum by having discussions with the relevant institutions in this connection
- (j) The Department of Inland Revenue is to examine the documents of the Corporation in relation to the rental responsibility and adjust and correct the accounts of the Corporation accordingly.

### 1.2.3 Unreconciled balances

- (a) The audit observations are correct and steps will be taken to correct the observed difference in the year 2020.
- (b) The audit observations are correct and steps will be taken to examine and correct the difference in the year 2020.
- (c) The audit observations are correct and steps will be taken to examine and correct the difference in the year 2020.

### 1.2.4 Lack of evidences at the audit

a	Expenditure	Payment vouchers to the value of Rs. 856,253 have been submitted for audit later on.
b	Lands	Agreed with the audit observations. The report on the land has been submitted to the Audit and the fixed assets register is being prepared subject to the financial regulations as per General 287 specimen.
c	Buildings	Above answer is applicable.
d	Lakhanda branches trade debtors	Agreed with the audit observations
e	Account balance of Chennai branch of the Bank of Ceylon	Agreed with the audit observations
f	debtors	Agreed with the audit observations

**1.3 The responsibility of the management and governing parties of the financial statements.**

Agreed with the particulars furnished by the audit in regard to the above facts

**1.4 The responsibility of the auditor in regard to the audit of financial statements.**

Agreed with the particulars furnished by the audit in regard to the above facts

**2. The report on other legal and regulatory requirements**

Agreed with the particulars furnished by the audit on the facts mentioned above.

Reference to rules and regulations or the provisions issued by the governing board.

- (a) Agreed with the audit observations while it is scheduled to pay strong attention on the unsettled advances and act in regard.
- (b) Agreed with the audit observation and it is scheduled to act as per the circular No. 1 / 2015 from the year 2020.
- (c) Agreed with the audit observation
- (d) Agreed with the audit observation and it is scheduled to correct by the year 2020.
- (e) Agreed with the audit observations

In terms of the requirement mentioned in section 12 (h) of the National Audit Act No. 19 of 2018, it is observed that the Cooperation has acted against its powers, performance and functions.

In terms of the requirement of section 12 (g) of the National Audit Act No. 19 of 2018, apart from the following observation; the resources of the Cooperation have not been procured and utilized according to the applicable rules and regulations within the specified periods with efficiency and productively as well as thriftily.

- (a) These modification activities are scheduled to be completed by the end of the year 2020
- (b) Acquisition of lands for the inauguration of Yaal F M service is in progress

### **03. Other audit observations**

#### **3.1 Receivable and payable accounts**

- (a) Audit observations are correct and the applicable actions are being taken to remove balances from the accounts.
- (b) Audit observations are correct and actions will be taken to correct the advance accounts of the suppliers.
- (c) Audit observations are correct and actions will be taken to perform further activities applicable in that connection.
- (d) Audit observations are correct and applicable measures are scheduled to be taken to recover from the miscellaneous debtors.
- (e) Agreed with the audit observations.
- (f) Audit observations are correct and applicable measures are scheduled to be taken to settle the balances before the year 2016

#### **3.2 Management shortcomings**

It is planned to pay sufficient attention on the particulars mentioned in the audit and act accordingly.

#### **3.3 Neutral / Under – utilized Assets**

- (a) It is scheduled to implement in the future in relation to the facts mentioned at the audit.
- (b) Actions are being taken in relation to the facts pertaining to discarding vehicles mentioned in the audit.

#### **3.4 Financial Management**

Has been retained for utilizing in the emergency situations.

#### **3.5 Tabling the Annual Reports in the Parliament**

2016 Approval has been granted at the meeting of the Cabinet of Ministers on 01.03.2021 to table in the Parliament.

2017 It has been submitted to the Ministry on 22.01.2020

2018 It has been sent to the Department of Government Printing on 25.03.2021

Chairman  
Sri Lanka Broadcasting Corporation



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Sri Lanka Broadcasting Corporation