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இலங்கை ஒலிபரப்புக் கூட்டுத்தாபனம்

Sri Lanka Broadcasting Corporation



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ஆண்டுறிக் கை
ANNUAL REPORT

2014

SRI LANKA BROADCASTING CORPORATION

**ANNUAL REPORT
&
STATEMENT OF ACCOUNTS
2014**

From 01st January 2014 to 31st December 2014

Hon. Minister of Parliamentary Reforms and Media
Ministry of Parliamentary Reforms and Media
Colombo 05.

Hon. Minister,

Annual Report -2014

In terms of Section 14(i) of the Finance Act No 38 of 1971, I present the Annual Report of the Corporation comprising of the following documents for the year ended 31 December 2014.

01. Administrative Report on the functions executed by the Sri Lanka Broadcasting Corporation from 01 January 2014 to 31 December 2014.
02. Statement of Accounts of the Corporation for the Accounting Year from 01 January 2014 to 31 December 2014.
03. Report of the Auditor General on the final accounts for the year ended 31 December 2014.
04. Comments of the Corporation on the Report of the Auditor General for the year 2014.

Yours faithfully,

Nanda Muruttettuwegama, Attorney at law
Chairman
Sri Lanka Broadcasting Corporation
Colombo 07

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Sri Lanka Broadcasting Corporation

VISION

To be the leading Sri Lankan broadcaster

MISSION

Guiding the media of broadcasting in such manner to enhance knowledge, attitude and skills to brighten lives of listeners by elevating their living condition to a higher plane by means of diverse spheres affecting the life of the listener such as economy, culture, morality, education, entertainment, etc.

OBJECTIVES

01. Functioning as the broadcaster maintaining the highest listenership for Sinhala, Tamil and English radio channels.
02. Acting as the premier Sri Lankan broadcaster that provides balanced information promptly with responsibility.
03. Producing and presenting high quality creative programmes for the advancement of indigenous culture.
04. Providing training required for creating a self-motivated staff replete with knowledge, attitude and skills.
05. Updating production and transmission technology appropriately to provide a clear broadcast output to local and overseas listeners.
06. Functioning as the pioneering institution to generate a meaningful broadcasting media culture.
07. Making an imaginative creative contribution as the national radio network to create awareness amongst people on state policies and the implementation of development programmes.
08. Maintaining sound financial control and human resources management.
09. Winning the competitive market through strategic measures.

ADMINISTRATIVE REPORT 2014

ADMINISTRATIVE REPORT - 2014

INTRODUCTION

Sri Lanka Broadcasting Corporation was established by Ceylon Broadcasting Corporation Act No. 37 of 1966 and came into operation on 05 January 1967.

This Annual Report covers the 12 month period from 01st January to 31st December 2014.

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

01. Mr. Hudson Samarasinghe - Chairman
02. Mr. Kumaradasa Saputhanthri - Member
03. Dr. Harischandra Wijetunga - Member
04. Mr. Manoj Pieris - Member
05. Mr. Lionel Pinto - Member
06. Mrs. Dharshana Senanayake - Member

ADMINISTRATIVE REPORT - 2014

Sri Lanka Broadcasting Corporation continued to be the leading audio electronic media even in the year 2014. As the people's radio, the Corporation initiated action to carry out a slew of functions for the attainment of its objectives. Sri Lanka Broadcasting Corporation is the dominant media partner in development programmes launched by the government. A summary of services and programmes aired by the SLBC during the year 2014 in which it played a pioneering role in expanding the horizons of its audiences in the spheres of knowledge, understanding and taste is outlined below.

NATIONAL SERVICE

As the premier national radio channel, the National Service has aired a variety of programmes on wide range of subjects relating to socioeconomic, ethical, educational and literary aspects.

Prominence was given to religious programmes of all faiths and some of the popular programmes were dhamma sermon, Dhammachintha, dhamma discussion, Kithurasa Vindana, Chirstian half hour and synagogue. In addition, a number of programmes on the papal visit were broadcast during the visit of His Holiness and a musical compact disc was launched to mark the event.

Among the news and current affairs programmes such as Subahrathi, Puvath Atuwava, Pravurthi Pasubima have struck a chord without listeners. Programmes were aired highlighting the importance of dengue eradication week and World Environment Day and other popular current affairs programme included Isiwara Asapuwa, Suwasetha medical discussion, Liya Sarani, Siri Medura and Latha Madulla.

Mahavamsa, Pujitha Jeewitha, Guwan Viduli Ranga Mandala, Sarasa Ravaya, Nurthi and Nadagam Gee, Sevaka Sangrahaya, Lalitha Kakale, Mandela Geethaya, Guvan Viduli Natya Dekma, Dharmapala Punaragamanaya were the programmes focused on enhancing literary knowledge and improved artistic taste.

Programmes associated with agriculture included Gewatta, Sarabhoomi, Govithenata Peyak, Sandhaya Sevaya.

National Service has also lined up special programmes for children, the lifeblood of the nation, daily from 2.00 to 6.00 p.m. Ratakas Mahima, Guwanin Nuwanata, Kithunu Lama Hamuwa, Samanala Landa, Mathuda Prathibha Prabha, Dosthara Honda Hitha, Guwan Thaksalawa, Me Ape Pasala, Ratata Pipena Mal are broadcast over Vidula Radio by the National Service.

EDUCATION SERVICE

This channel is dedicated to helping candidates sitting the national level comeptitve examinations conducted by the Department of Examinations by airing a slew of educational programmes. A series of seminars was organized in the year 2014 for underserved schools in Colombo, Gampaha and Kalutara districts. In addition to the exam targeted programmes, informal education programmes such as Shilpa Mandulu Yata, oral health in indigenous medicine, Daham Thaksalawa, Sahithyayen Jeevithaya Jayagamu too were aired. Education service programmes are aired daily from 3.00 p.m. to 4.00 p.m.

COMMERCIAL SERVICE

As the flagship commercial radio channel, the Commercial Service of the SLBC has discharged its responsibility to the fullest in the year 2014, too.

It earned wider appreciation of sponsors as well as listeners through a host of distinct programmes including Rantharu Payana Ridde Reyak, Sobaketha, Uruma Rakimu- Deya Surakimu and Palama. Other well liked programmes were Handa Mama, Avidda Paya Dahas Wati, Govi Bimai Jaya Tembai, Sadhaham Dhamma Desana, Janapriya Gee, Madhu Rasanga, Gee Manaram, Muwanpelassa, Rata Yana Atha and Dasa Desin.

Programmes that reflected the emerging trends of radio broadcasting were Janajaya Mawatha, Ayurveda Setha Arana, Samurdhi Pilisandara, Nirogimatha Daruwa Deyata Sampathaki, Geeyaka Viyamana, Sathiye Vaidya Sayanaya, Jeevithayata Vinadiyak, Samma Ajeewa and Geeyaka Bana Pada.

CITY FM SERVICE

City FM is the SLBC's exclusive channel for the country's youth population. Programmes of this channel are designed to attract young audience.

It also allocates significant portion of airtime for religious programmes with most prominent being Dhamma sermons, Christian religious programmes as well as programmes of other faiths. In 2014, it also broadcast programmes to migrant Sri Lankan population in the Middle East.

Current affairs programme based on timely and socially important events such as Dasa Desin, Rata Yana Atha, Panaputhra samaga Horawak, Wedihitiyanta Pamanai are also popular among the young crowd.

Hitha Mithuru Sulanga, Aradhana, Subhavitha Geethaya, Miyurusara, Janapriya Hindi Geetha, Miyasi Kirula, Peduru Sajjaya are among the most favoured musical programmes of City FM.

In addition, a number of client sponsored programmes, educational programmes, women's programmes and entertainment programmes have featured prominently as top rated radio programmes.

TAMIL SERVICE

As the most favoured channel of the Tamil speaking people, the Tamil service has contributed immensely to keep them abreast with socioeconomic, cultural and educational developments while improving their artistic taste. Vidium Velei, Kawdei Kalasam, Muththaavidanam, Penualagam, Siruvarmilar were some of the most sought after programmes aired by the Tamil Service and special programmes to mark national and international events such as Thaipongal Day, Independence Day, International Women's Day, International Children's Day were broadcast on such as days. Considerable airtime was also allocated for religious programmes.

THENDRAL SERVICE

Throughout the year 2014, Thendral Service produced programmes to meet the demands of Tamil speaking youths. Youths were attracted to sponsored programmes like Pon Malai Poludu, Pattuku Pattu, Paalam, Arivoli and Thendral Service also broadcast programmes to mark important event and days.

MUSLIM SERVICE

As most of the programmes broadcast by the Muslim Service are sponsored by our clients, the airtime allocated to this service is from 08.00 a.m. to 10.30 a.m. Sometimes the airtime has to be extended up to 12.30 on popular demand. A series of sponsored special programmes and prayer sessions from mosques were broadcast during the Hajji and Ramazan periods.

ENGLISH SERVICE

English Service, the trailblazing first radio channel of the SLBC is known for its unique musical programmes that dominate most of its airtime. As English listenership of the country too are heavily inclined towards entertainment programmes, the channel has designed its programme to cater to this segment. In addition, it also produces current affairs and news programmes, and children and women's health programmes. Further, the channel has also produced a number of programmes covering foreign embassies in the country.

MUSIC UNIT

The Music Unit which provides music to all programmes produced by the Corporation is the livewire of the SLBC. This Unit produces the 'Sarala Gee' programme all five working days of the week with a view to enhancing vocal skills of selected artistes and another programme, "Subavitha Geetheya" geared towards promoting the genre of art song. "Miyurusara" musical programme with euphonious instrumentals presented by the SLBC orchestra became an instant hit with local music fans. Lalitha Kalalaya, Irida Sangrahaya, folk songs, drama songs (Nurthi and Nadagam Gee) Virindu, Baila, Dhamma Pada Gee are the regular programmes produced and presented by the Music Unit. In addition, the Music Unit produces special programmes to commemorate anniversaries of music maestros recalling their services to the local field of music. Two other popular programmes "Sarasa wessa" focuses on new artistes and their creations and Shradhdhanhali offers analytical insights in to Buddhist songs.

NEWS AND CURRENT AFFAIRS UNIT

News and Current Affairs Unit which plays a crucial role in the process of news communication of the SLBC executed the functions assigned to it in the year 2014 as well with same vigor and efficacy.

SLBC presents 12 main news bulletins in Sinhala, Tamil and English languages with a view to educating people about the state policies. In addition, latest news headlines are broadcast hourly in all three languages through 'news in brief'.

News and Current Affairs Unit of the SLBC has rendered a commendable service in disseminating state policies and taking news with national importance to the public.

STUDIO OPERATIONS UNIT

The unit made a significant contribution in the year 2014 in recording, editing and live broadcasting of programmes of the SLBC and all publicity activities were also handled by this unit.

TRAINING AND FOREIGN RELATIONS DIVISION

During the year 2014, training programmes for the staff of the corporation and external organizations, cash generating workshops, sessions such as communication technology certificate course and other training courses were conducted by the training institute of the SLBC. As the Urban Development Authority carried out construction work in the training institute, it was relocated in a limited space at the upper floor of the multipurpose studio.

CASSETTES AND PUBLICATIONS DIVISION

Cassettes and Publications Division launched in the year 2004 as the latest source income of the SLBC successfully continued its operations in 2014 as well. 'Sandaken Wetila' and instrumentals of Hindi songs were the latest compact discs produced by this division in 2014. In addition, three volumes of the journal "Handa" were published during the year. As in previous years, CDs produced by SLBC, especially 'Oolu Pipeela' Muthu Pabalu, Gramophone songs, folk songs, 'Ape Amma Colamba Gihilla' were in great demand in the year 2014 as well.

MARKETING DIVISION

The Marketing Division was able to generate an income of Rs. 453,614,182 by selling the airtime during the year.

Parallel to the 'Deyata Kirula' national exhibition in 2014, an awareness programme was conducted to brief the people on the role and functions of respective ministries and departments. During the Vesak festival, media sponsorship was extended to Dehiwala- Mount Lavinia Vesak Zone and Mahara Vesak Zone. In addition, the following promotional campaigns were carried out by the Marketing Division.

The ceremony organized at Nelum Pokuna to mark the Ramazan festival earned deep recognition and appreciation of the Muslim community. A musical show titled "Aradhana" was organized in collaboration with the Peradeniya and Ruhuna universities with the support of reputed sponsors with the objective of fostering the genre of art song. The price pass method was adopted to further to get more clients on board both from the public and private sectors.

ENGINEERING DIVISION

The commencement of the modernization activities at the Karaghatena transmission centre was the most significant task undertaken by the Engineering Division during the year 2014. Procurement of new equipment to be installed at the centre too was done during the year.

The following improvements are expected to take place consequent to the modernization of Karaghatenna FM transmission centre.

01. Improvement in reception quality and audio coverage zone
02. Qualitative improvement in the reception quality.
03. Listeners provided with uninterrupted service even during a main power outage
04. In fine tuning channels relayed by Karaghatenna transmission station, the name of the radio station and identification information are displayed in the screen in the latest radio receivers and mobile phones.
05. Ability to remote control and observe new transmission equipment.

As the buildings of the Corporation had to be dismantled during the modernization of the Torrington Square, foundation stone was laid for the construction of a new building on 05.05.2014 and the construction activities were carried out right through the year under the supervision of the Engineering Division.

AUDIO RESEARCH UNIT

The research launched in 2012 on the use of radio media continued in the year 2014.

Another research on radio services too was carried forward to the year 2014. As per the research methodology, the research was conducted using a sample of 514 listeners from the Colombo, Gampaha, Kandy, Kalutara, Matale, Nuwaraeliya, Galle, Matara, Hambantota, Jaffna, Ampara, Kurunegala, Puttalam, Anuradhapura, Badulla, Ratnapura and Kegalle districts. Sixteen radio channels were subject to the research.

In addition, qualitative and quantitative evaluation of radio programmes was held in the year 2014. Arrangements were also made to compile news reports on local and international events of significance of the day and air them for the information of the listenership. Another praiseworthy function discharged by the Audio Research Unit is to make available information and inculcate knowledge on the history, services and programmes of the SLBC to researchers from universities and other academic institutions who undertaken researches on the field.

**STATEMENT OF ACCOUNTS
2014**

SRI LANKA BROADCASTING CORPORATION

Statement of Financial Position

(all amounts in Sri Lanka Rpuee)

	Note	31 st December 2014	31 st December 2013
ASSETS			
Non-current Assets			
Property, plant and equipment	9	2,735,137,013	2,950,482,030
Deferred tax Assets		945,105	1,139,358
Capital Working Progress		142,180,474	20,884,033
Available for Sales	10	1,000,000	1,000,000
		2,879,262,593	2,973,505,421
Current Assets			
Inventories		31,862,620	35,668,853
Trade and other receivables	11	183,852,186	188,653,353
Goods in Transit		5,501,811	3,448,443
Cash and cash equipment	12	101,096,412	18,046,256
		322,313,029	245,816,906
Total Assets		3,201,575,622	3,219,322,326
EQUITY AND LIABILITIES			
Capital and Reserves			
State Capital		307,386,085	307,386,085
Revaluation reserves		14,421,999	14,421,999
Retained earnings	13	(290,331,449)	(219,291,349)
		31,476,635	102,516,735
Non-current Liabilities			
Defined benefit obligations		222,655,326	188,323,835
Deferred Income (Japan Grant)		84,949,026	90,366,039
Government Grant		444,048,924	282,901,656
Grant Trinco		1,897,474,699	2,075,243,796
Deferred Tax liabilities		85,864,191	65,647,681
Lease Account (Motor Vehicle)	14	4,494,231	12,756,311
		2,739,486,397	2,715,239,318
Current Liabilities			
Trade and other payables	15	315,293,967	304,321,934
Non financial Liabilities	16	115,318,623	97,244,339
Total Liabilities		430,612,590	401,566,273
Total Equity and Liabilities		3,201,575,622	3,219,322,326

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 : 28/04/2015

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 06th April 2015.

Nanda Muruththettuwegama

Chairman

Date :

Board of Director

Date :

SRI LANKA BROADCASTING CORPORATION

Statement of Comprehensive Income

(all amounts in Sri Lanka Rpupee)

	Note	31 st December 2014	31 st December 2013
Sales	1	538,486,063	517,749,399
Cost of Sales	2	393,510,002	358,393,871
Gross Profit		144,976,061	159,355,528
Other operating Income	3	547,241,520	442,318,420
Distribution Costs	4	81,066,276	61,323,918
Other operating Expenses	5	326,026,131	363,632,260
Administrative Expenses	6	326,871,198	308,817,113
Operating Profit		(41,746,024)	(132,099,342)
Finance Costs	7	8,883,313	7,832,182
Profit before Tax		(50,629,337)	(139,931,525)
Tax Expenses	8	(20,410,763)	(20,691,814)
Profit after Tax		(71,040,100)	(160,623,339)
Total Comprehensive Income		(71,040,100)	(160,623,339)

SRI LANKA BROADCASTING CORPORATION

Statement of Changes in equity
(all amounts in Sri Lanka Rpee)

	Note	Stated Capital	Capital Reserve	Revaluation Reserve	Retained Earnings	Total
Balance at 01 st January 2013		307,386,085	-	14,421,999	(75,806,365)	246,001,719
Comprehensive Income						
Comprehensive Income for the year		-	-	-	(160,623,339)	(160,623,339)
Revenue Reserve Adjustment - 2013		-	-	-	17,138,355	17,138,355
Balance at 31st December 2013		307,386,085	-	14,421,999	(219,291,349)	102,516,735
Comprehensive Income						
Comprehensive Income for the period		-	-	-	(71,040,100)	(71,040,100)
Balance at 31st December 2014		307,386,085	-	14,421,999	(290,331,449)	31,476,635

SRI LANKA BROADCASTING CORPORATION

Cash Flow Statement

(all amounts in Sri Lanka Rpee)

Fro the year ended 31st December	2014	
Cash flow from operating activities		
Net profit before interest and Tax		(50,629,337)
Adjustment for		
Amortisation of government grant	(62,272,581)	
Amortisation of grant Trinco	(177,769,097)	
Depreciation	50,005,060	
Depreciation Trinco	178,531,044	
Provision for gratuity	44,218,603	
Provision for bad debts	2,541,373	
Profit/ Loss on disposal of assets		
Gain/ (Loss) on Exchange	170,572	
Lease Interest	2,490,894	
ESC	6,273,298	44,189,166
Operating profit before working capital		
Increase/ Decrease in inventories	3,086,233	
Increase/ Decrease in Trade & other receivables	2,206,428	
Increase/ Decrease in Goods in transit	(2,053,368)	
Increase/ Decrease in Trade & other payables	16,485,451	
Increase/ Decrease in Non financial Liabilities	11,800,986	32,245,730
Gratuity Paid		(10,104,537)
Tax Paid		
Net cash from operating activities		
Cash flow from investing activities		
Government Grant	218,002,836	
Sales of Assets		
Purchase of property, piant and equipment	(13,191,090)	
Payment of lease rental	(16,266,392)	
Capital work in prograss	(121,196,219)	67,349,135
Net cash used in investing activities		
Revenue Reserve Adjustment		
Cash flow from finance activities		
Net increase/ Decrease in cash and cash equivalentents		83,050,156
Cash and cash equivalentents at beginning of period		18,046,256
Cash and cash equivalentents at end of period (Note 130)		101,096,412

Notes to the Financial Statements

1. General information

1.1 Reporting Entity

Sri Lanka Broadcasting Corporation, a Corporation duly incorporated and established under the Ceylon 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 31st December 2014 was presented for approval on

1.4. Number of employees

The number of permanent employees at the end of the year was 886
And the number of Contract staff at the end of the year was 3
(31.12.2013 – 891)

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 1st January 2012.

3. 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). 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%

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 3.8 and 3.9).

3.2.3.3. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or arrangement intends to dispose of it within 12 months of the end of the reporting period.

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 uncollectable, 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. 10 of 2006 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 reduce to the extent that 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 SLAS 16 (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 actuary includes the followings,

01. Rate of Interest of 11%
02. Rate of Salary increment of 5%
03. Retirement age of all employees 60 Years

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.

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 SLASs 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

<i>Name of the Relationship</i>	<i>Designation</i>	<i>Nature of the Transaction</i>
Mr. Nanda Muruttettuwegama	Chairman	No
Mr. W.Jayasiri	Board Member	No
Ms. Deepika Priyadarshani Pieris	Board Member	No
Mrs. Chandrika Kulathilaka	Treasury Member	No
Dr. Arundathi Sri Renganadan	Board Member	No
Mr. Kithsiri Samarasinghe	Board Member	No

NOTE - 1**REVENUE**

Description	2014	2013	Adjustment	2013 Approved
Sale of Air Time Asia Service	17,525,053	19,156,921		19,156,921
Sale of Air Time T.W.R.	77,034,801	78,121,561		78,121,561
Sale of Air Time Local Service	431,226,096	398,178,327	1,972,590	396,205,737
Production Charges - Local Service	4,863,033	5,103,667	72,500	5,031,167
Obituary Notices	4,322,106	4,513,474		4,513,474
Sale of Air time BBC	11,317,400			11,317,400
Sale of Air Time FEBA	3,382,704	1,358,049		1,358,049
Income from PCJ	132,270			
City & Guilt Course Fees				
	538,486,063	517,749,399	2,045,090	515,704,309

NOTE - 2**COST OF SALES**

Description	2014	2013
Salaries, Wages & Allowances	195,667,088	173,365,646
Contribution to Employees Provident Fund	26,583,887	21,797,452
Contribution to Trust Fund	4,924,964	4,588,106
Overtime to Staff	1,517,627	7,336,580
Traveling and Subsistence	773,952	845,154
Programme Expenditure	7,212,010	6,033,369
Telephone	2,325,369	1,589,542
Relief Staff	14,569,139	16,214,567
Vehicle Running expenses	7,785,725	7,418,629
Maintenance cost	12,853,663	3,168,678
Electricity	112,512,994	115,946,922
Welfare		89,226
Other expenses	6,783,584	
	393,510,002	358,393,871

NOTE - 3**OTHER OPERATING INCOME**

Description	2014	2013	Adjustment	2013 Approved
Interest on Loans	2,936,467	10,558,231		10,558,231
Miscellaneous Income (Other)	51,623,952	50,497,496	(270,068)	50,767,565
Fines from Advertising Agents for Returned Cheques	25,774	49,493		49,493
House Rent	20,951	2,782	(25,788)	28,569
Special Recording	207,086	172,388		172,388
Penalty for Late Licensing	8,571	285		285
Licensing of Importers, Dealers, Assemblers & Repairers of Radio Receivers	8,715,940	9,398,973	(13,640)	9,412,613
Sale of Cassettes	1,073,715	6,395,905		6,395,905
Fine Account	1,799	5,000	5,000	
Income from Circuit Bungalow-Ambewella	802,954	998,625		998,625
Sales of Publication	227,767	198,108		198,108
Revenue Trincomalee Project	23,394,866	(10,369,767)		(10,369,767)
Sub Total	89,039,842	67,907,519	(304,496)	68,212,015
Amortisation of government grant	62,272,581	75,624,269		75,624,269
Amortisation grant Trinco	177,769,097	177,769,097		177,769,097
Govt. Grant for Licence Fees	218,160,000	96,020,000		96,020,000
Govt. Grant for Recurrent Expenditure		24,997,535		24,997,535
Sub Total	458,201,678	374,410,901	-	374,410,901
Grand Total	547,241,520	442,318,420	(304,496)	442,622,916

3.1) Rs. 218.16 million received from the government as grant in lieu of radio license.

NOTE - 4**DISTRIBUTION COST**

Description	2014	2013
Business promotion expenditure	3,452,297	1,181,919
Commission on Sale of Air Time (Local)	55,645,241	54,615,635
Commission on Sale of Air Time (Foreign)	2,062,577	2,897,304
Urgent Scheduling Fees		18,000
Provision for bad and doubtful debts	2,541,373	416,534
Royalties Expences	17,364,788	2,194,526
	81,066,276	61,323,918

NOTE - 5**OTHER OPERATING COST**

Description	2014	2013	Adjustment	2013 Approved
Programme Expenditure	4,076,399	5,773,617		5,773,617
Contribution to Outside Broadcasting Organisations	2,434,285	2,935,220		2,935,220
News Service & News Summaries	1,114,865	722,940		722,940
Advertising and Publicity	583,665	1,016,042		1,016,042
Electricity and Power	19,995,905	15,449,666	(1,054,721)	16,504,387
Postage, Telegrams & Telephones (I) to (ii)	8,973,145	9,607,300		9,607,300
Printing & Stationery	5,261,523	6,765,180		6,765,180
Motor Vehicle running expenses	13,684,531	19,238,569		19,238,569
Repairs & Maintenance of Broadcasting equipment	1,819,239	11,755,291		11,755,291
Repairs and Maintenance of Musical Instruments	56,100	13,200		13,200
Repairs and Maintenance of Furniture fix & fittings	8,254,443	2,467,247		2,467,247
Repairs and Maintenance of Building & Garden	3,610,881	14,317,756	314,297	14,003,459
Depreciation	50,005,060	68,459,187	2,218,881	66,240,306
Depreciation Trinco	178,531,044	178,044,930		178,044,930
Private Security Service				
Taxation (ESC)	6,273,298	5,839,153		5,839,153
Audience Survey & Market Research	13,600	176,280		176,280
Vehicle hiring Charges	6,203,846	962,940		962,940
Income Tax				
Stamp Duty	134,303	26,027		26,027
Higher of satalight Fees				
Radio frequency Charges	15,000,000	20,061,714		20,061,714
	326,026,131	363,632,260	1,478,458	362,153,802

NOTE - 6**ADMINISTRATIVE COST**

Description	2014	2013	Adjustment	2013 Approved
Allowances - Chairman & Members of the Cor	2,069,200	1,788,500		1,788,500
Salaries, Wages & Allowances	158,625,985	163,087,801	(294,745)	163,382,546
Contribution to Employees Provident Fund	26,316,412	27,997,533		27,997,533
Contribution to Trust Fund	5,655,096	5,366,608		5,366,608
Overtime to Staff	19,244,178	9,005,624		9,005,624
Relief Staff	19,202,221	18,018,341		18,018,341
Emoluments to Contract Staff	29,505,949	29,728,773		29,728,773
Staff training Charges (Local)	42,500	44,500		44,500
Traveling and Subsistence-(Foreign & Local)	1,669,304	1,643,625		1,643,625
Holiday pay	2,490,725	2,905,158		2,905,158
Gratuity	44,218,603	33,506,189		33,506,189
Entertainment by Chairman	730,702	376,483		376,483
Entertainment by Director General	233,567	166,385		166,385
Welfare	1,277,041	1,783,784		1,783,784
Medical Service	157,890	379,873		379,873
General Charges	1,705,107	1,293,468		1,293,468
Rent Rate & Taxes	7,035,380	7,313,859		7,313,859
Insurance	2,428,299	1,925,451		1,925,451
Audit fees	550,000	600,000		600,000
Legal Fees	2,039,208	802,453		802,453
Publications & Periodicals	455,222	508,197		508,197
Penalty for gratiuity,court cases & other etc	1,218,609	574,508		574,508
	326,871,198	308,817,113	(294,745)	309,111,858

6.1) The Corporation had incurred Rs. 290268.00 in respect of Broadcasting Obituary notice of relatives staff members for the year 2014. These notice were Broadcast in accordance with the approved scheme in force. This was the practice adopted by the corporation every year.

PENDING LEGAL CASES

There is a case pending at Supreme Court. It is an appeal filed by the Corporation to set aside a Judgment of the D. C. Case No: 23089/MR - awarding Rs.10,000,000/- with legal interest for the plaintiff of the D. C. Case.

Two cases are pending at High court. Two cases are pending at Commercial High Court. Five cases are pending at District Court.

Five cases are pending at Magistrate Court, and Two cases at Labour Department Arbitration.

NOTE - 7**FINANCE COST**

Description	2014	2013	Adjustment	2013 Approved
Bank Charges	490,217	693,070		693,070
OD Interest	5,683,109	2,805,348	(20,000)	2,825,348
Gain/(Loss) on Exchange	170,572	53,463		53,463
Credit Card Commission	48,521	47,851		47,851
Lease Interest	2,490,894	4,232,450		4,232,450
	8,883,313	7,832,182.36	(20,000)	7,852,182

NOTE - 8**8 (I) INCOME TAX**

	2014	2013
Net profit/ loss as per accounts	(50,629,337)	(140,508,406)
Add - Disallowable expenses		
Depreciation	50,005,060	66,240,306
Depreciation Trinco	178,531,044	178,044,930
Provision for bad debts	2,541,373	416,534
Provision for Gratuity	44,218,603	33,506,189
Entertainment	964,269	542,868
Economic Service Charges	6,273,298	5,839,153
	282,533,647	284,589,980
Less - Allowable expenses		
Capital Allowance	125,289,729	107,673,562
Lease Rental	15,520,524	15,520,524
Gratuity payment	10,104,537	12,269,407
Government Grant	218,160,000	96,020,000
	369,074,790	231,483,493
Taxable profit / loss	(137,170,480)	(87,401,919)
Tax losses brought forward		
Total tax losses carried forward	(137,170,480)	(87,401,919)
Provision for Income Tax		(692,759)

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.

8 (II) DEFERRED TAXATION COMPUTE & CONSIDER THE RECOGNITION OF DEFERRED TAXATION AS PER LKAS 12

DIFFERED TAX ASSETS & LIABILITIES

Description	2014	2013
Financial Position		
Differed Tax Liabilities	85,864,191	65,647,681
Differed Tax Assets	(945,105)	(1,139,358)
Net Differed Tax Assets	84,919,086	64,508,323
Statement of comprehensive income		
Differed Tax Liabilities	20,216,510	19,819,243
Differed Tax Assets	194,253	179,812
Net Differed Income Tax Income/(Expenses)	(20,410,763)	(19,999,055)

NOTE - 9**PROPERTY, PLANT & EQUIPMENT S.L.B.C**

Gross Carrying Account All Cost	Balance as at 01.01.2014 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance as at 31.12.2014 Rs.	Provision for Depreciation 01.01.2014 Rs.	Charge for the Period Rs.	Disposals/ Transfers Rs.	Provision for Depreciation 31.12.2014 Rs.	NBW as at 31.12.2014
Land	7,764,234			7,764,234					7,764,234
Building	168,153,640	139,997		168,293,637	111,883,602	3,816,972		115,700,574	52,593,063
Plant & Machinery	593,569,358	651,570		594,220,928	472,515,724	4,770,667		477,286,391	116,934,537
Musical Instruments	6,859,440			6,859,440	6,640,656	45,122		6,685,778	173,662
Motor Vehicles	16,058,169	19,267,570		35,325,739	45,594,186	8,234,282		53,828,468	15,242,518
Assets on finance leases - Motor Vehicles	52,963,457		(19,218,600)	33,744,857					
Furniture, Fixtures &	131,950,959	162,756	(214,075)	131,899,640	103,232,706	4,471,960		107,686,827	24,212,813
Records & Tapes	24,598,606	325,948		24,924,554	24,548,606	100,789		24,649,395	275,159
Audio Frequency	878,472,516	1,604,972		880,077,488	717,716,887	8,755,120		726,472,007	153,605,481
Transmitters	1,409,956,468	654,237		1,410,610,705	943,853,539	16,927,472		960,781,012	449,829,693
Computer Equipment	34,527,097	529,359		35,056,456	27,643,332	2,882,656	2,236,721	32,762,709	2,293,747
Library Books	445,646	2,114		447,760					447,760
Loose Tools	107,675			107,675	103,551	20		103,570	4,105
	3,325,427,266	23,338,913	(19,432,675)	3,329,333,504	2,453,732,791	50,005,060	2,236,721	2,505,956,732	823,376,772

PROPERTY, PLANT & EQUIPMENT S.L.B.C

Gross Carrying Account All Cost	Balance as at 01.01.2014 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance as at 31.12.2014 Rs.	Provision for Depreciation 01.01.2014 Rs.	Charge for the Period Rs.	Disposals/ Transfers Rs.	Provision for Depreciation 31.12.2014 Rs.	NBW as at 31.12.2014
Plant & Machinery	203,231,757			203,231,757	30,484,763	15,242,382		45,727,145	157,504,611.82
Motor Vehicles	4,344,000			4,344,000	2,172,000	1,086,000		3,258,001	1,085,999.20
Furniture, Fixtures &	3,228,585			3,228,585	484,288	242,144		726,432	2,502,153.12
Office Equipment	8,848,274			8,848,274	1,769,655	884,827		2,654,482	6,193,791.60
Generators	234,689,948			234,689,948	35,202,428	17,601,746		52,804,174	181,885,773.60
Audio Frequency	57,280,268			57,280,268	8,592,040	4,296,020		12,888,060	44,392,207.60
Transmitters	1,665,970,376	9,070,777		1,675,041,153	249,517,888	125,240,784		374,758,672	1,300,282,480.84
Computer Equipment	73,612,786			73,612,786	73,612,786				73,612,786.00
Loose Tools	5,266,693			5,266,693	790,004	395,002		1,185,006	4,081,686.60
Equipment	180,561,849			180,561,849	26,800,960	13,542,139		40,343,099	140,218,750.32
	2,437,034,539	9,070,777		2,446,105,313	429,426,813	50,005,060		534,345,072	1,911,760,240.70

NOTE - 10

AVAILABLE SALES

D epreciation	2014	2013
Investment in Lanka Puwath Ltd.	1,000,000	1,000,000

CAPITAL WORKING PROGRESS

D epreciation	2014	2013	Adjustment	2013
Capital Working Progress	142,180,474	20,884,033	100,222	20,984,255
	142,180,474	20,884,033	100,222	20,984,255

NOTE - 11**TRADE AND OTHER RECEIVABLES**

Depreciation	2014	2013	Adjustment	2013 Approved
Debtors Airtime	197,360,736	182,178,530	1,963,812	180,214,718
Less : Impairment of financial Assets	(100,307,731)	(98,041,358)		(98,041,358)
Loans to Staff	6,745,921	6,819,205		6,819,205
Other advances to staff	9,107,983	9,909,801		9,909,801
Staff Debtors E.P.F.	319,973	327,195		327,195
Payments in advance		857,394		857,394
Advance payment to Suppliers	2,793,558	2,386,419		2,386,419
Sundry Debtors	20,073,043	5,306,017		5,306,017
Dishonoured Cheques	3,921,340	4,040,514	(6,400)	4,046,914
P.M.G. Current A/C - Obituary Notices	7,997,854	7,997,854		7,997,854
Branch Account with Lakhandha	12,807,862	12,807,862		12,807,862
G.S.T. Control Account	237,267	237,267		237,267
Receivable Income (Other)	7,862,609	33,392,883	(3,134,230)	36,527,113
With Holding Tax	(133,967)	(133,967)		(133,967)
P.M.G Current A/C Radio Licence fees	195,700	195,700		195,700
Suspense A/C	221,965	221,965		221,965
Suspense A/C (Shroff)	281,110	281,110		281,110
Diferred Income	5,102,000	10,204,000		10,204,000
Other Deposits	9,264,962	9,664,962		9,664,962
	183,852,186	188,653,353	(1,176,818)	189,830,171

NOTE - 12**CASH AND CASH EQUIVALENTS**

Description	2014	2013
Bank of Ceylon - Matara	61,150	1,825
People's Bank International Division	194,498	(65,206)
Bank of Ceylon - Torrington - Main Account	(48,087,342)	(48,529,414)
State Bank of India	377,104	384,391
Bank of Ceylon - Anuradhapura	(16,020)	17,900
Bank of Ceylon - Kandy	982,282	836,481
Nations' Trust Bank	6,840,698	(303,317)
Bank of Ceylon - Torrington - Radio Licences	9,415,910	303,130
Bank of Ceylon - Torrington - FM Project	1,626,410	706,524
Cash Imprest	205,530	114,287
Bank of Ceylon - Torrington - Cassette Sales	10,581,799	994,212
Bank of Ceylon - Madras	980,886	549,989
Petty Cash Imprest		25,000
Cash Book Trincomalee Project	11,080,809	2,631,599
Bank of Ceylon - Kotmale		
Bank of Ceylon - Saving	85,502	82,155
Fixed Deposits	20,133,672	59,969,349
Sanasuma	322,147	322,147
Margin A/C (People's Bank)	86,308,377	5,204
	101,096,412	18,046,256

NOTE - 13**RETAINED EARNING**

Description	2014	2013
Revenue Reserve 01st of January	(219,291,349)	(75,806,365)
Revenue Reserve Adjustment		17,138,355
Revenue Reserve	(71,040,100)	(161,200,220)
Revenue Reserve Adjustment 2014		576,881
Revenue Reserve (Adjusted)		(160,623,339)
Total	(290,331,449)	(219,291,349)

NOTE - 15**TRADE AND OTHER PAYABLES**

Depreciation	2014	2013	Adjustment	2013 Approved
Creditors sale of airtime	7,772,612	8,828,329		8,828,329
Miscellaneous deposits refundable	10,002,729	9,793,729		9,793,729
Accrued Expenses	246,510,016	233,486,179	(21,703,891)	255,190,070
E.P.F.	3,863,076	3,313,155		3,313,155
Unclaimed Salaries & Wages	487,477	487,477		487,477
Sundry Creditors	20,181,326	17,526,848	278,658	17,248,190
Sundry Creditors	10,000	10,000		10,000
ME's Security Deposit	895,371	356,624		356,624
Sanasuma-Tsunami	322,147	322,147		322,147
Radio Deutsche welle	16,932,095	16,932,095		16,932,095
Lease account	8,047,022	13,560,440		13,560,440
City & Guilt Exam Fees		(295,089)		(295,089)
Rajarata Circuit Bunglow	270,096			
	315,293,967	304,321,934	(21,425,233)	325,747,167

NOTE - 16**NON FINANCIAL LIABILITIES**

Description	2014	2013
N S L	15,007,806	15,007,806
Save the Nation Fund	(12,418)	(12,418)
Payee Tax	(192,098)	(211,044)
With Holding Tax	(32,861,470)	(32,103,873)
VAT Contrall A/C	34,237,030	31,219,222
ESC	58,041,334	51,768,036
NBT	40,402,845	30,881,016
National Defence Fund	2,835	2,835
Provision for Income Tax	692,759	692,759
	115,318,63	97,244,339

NOTE - 14**FINANCE LEASES**

Description	2014	2013
Finance Leases (Motor Vehicles) Add during the year Adjustment	30,029,135	44,746,910
Lease Rental	30,029,135 (16,266,392)	44,746,910 (14,717,775)
Less	13,762,743	30,029,135
Lease Interest suspense A/C	(1,221,490)	(3,712,384)
	12,541,253	26,316,751
Currant Liability	8,047,022	13,560,440
Non Currant Liability	4,494,231	12,756,311

**REPORT OF THE AUDITOR GENERAL ON THE
ACCOUNTS OF THE CORPORATION FOR THE YEAR
ENDED 31ST DECEMBER - 2014**



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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය } TM/D/SLBC/1/14/316
எனது இல. }
My No. }

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உமது இல. }
Your No. }

දිනය }
திகதி }
Date }

29 October 2015

The Chairman,
Sri Lanka Broadcasting Corporation

Report of the Auditor General on the Financial Statements of the Sri Lanka Broadcasting Corporation for the year ended 31 December 2014 in terms of Section 14(2)(c) of the Finance Act No.38 of 1971.

The audit of financial statements of the Sri Lanka Broadcasting Corporation for the year ended 31 December 2014 comprising the statement of financial position and the comprehensive income statement, cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 27 of the Sri Lanka Broadcasting Corporation Act No.37 of 1966 and Section 13(1) of the Finance Act No.38 of 1971. A detailed report in term of Section 13(7)(a) of the Finance Act will be furnished to the Chairman of the Corporation in due course.

1.2 Management's Responsibility for 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.



1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

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

1.4 Basis for Adverse Opinion

Had the matters described in paragraph 2.2 of this report been adjusted, many elements in the accompanying financial statements would have been materially affected.



2. Financial Statements

2.1 Adverse Opinion

In my opinion, because of the significance of the matters described in paragraph 2.2 of this report, the financial statements do not give a true and fair review of the financial position of the Sri Lanka Broadcasting Corporation as at 31 December 2014 and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Continuous Existence of the Institution

It was revealed at the analysis of the financial statements of the Corporation that the financial position of the Corporation deteriorates continuously. The bank overdraft of the Corporation as at end of the year under review amounted to Rs.36.7 million and the interest paid thereon during the year under review amounted to Rs.5.7 million. Out of the Rs.77.5 million granted by the General Treasury for capital expenditure in the year 2011, a sum of Rs.40 million had been spent on revenue expenditure before the creation of bank overdrafts referred to above. The General Treasury had granted provision in view of the unfavourable financial position existing in the Corporation. The amount granted by the General Treasury for capital and revenue expenditure during the year under review amounted to Rs.436 million. Accordingly, it was observed that the existences of the Corporation is in suspense without the financial provisions of the General Treasury.

2.2.2 Sri Lanka Accounting Standards (LKAS) and the Sri Lanka Reporting Standards (LKAS)

The following non compliances with Sri Lanka Accounting Standards and Sri Lanka Reporting Standards were observed in audit.

Reference to Standards -----	Non-compliance -----
(a) Sri Lanka Reporting Standard 5	(i) The investments of Rs.1,000,000 had been identified in 2012 as remained without return for a long time and needs to be sold. But, action had not been taken either to sell it or to value it at the market value or fair value, whichever is less and bring it to the accounts.





- (ii) The income, expenditure, profit/ loss before tax should be disclosed whenever a unit (service centre) is closed/ terminated. However, the Kotmale Broadcasting station closed down on 04 April of the year under review had not been disclosed in the financial statements.
- (b) Sri Lanka Reporting Standard 8 There are 06 Regional Services, 08 channels and a Deutsche well Relay station maintained as a separate project belonging to the Corporation. However, those services and the assets, liabilities and the sources of income relating to the segments due to be reported from those services had not been disclosed in the financial statements.
- (c) Sri Lanka Accounting Standard 1 The withholding tax deducted by the bank from the interest obtained on fixed deposits from 2000 to the year under review aggregated Rs.32,862,470. This should have been adjusted in the profits of those years concerned. But, the entire amount had been shown in the financial statements under non financial liabilities.
- (d) Sri Lanka Accounting Standard 7 The unreconciled difference of the cash flow statement furnished along with the financial statements had been adjusted in the balance receivable of the working capital. As a result, the variance of the balance receivable (debtors) of the cash flow statement had been understated by Rs.328,367.
- (e) Sri Lanka Accounting Standard 16 Assets disposed of, should be deleted from the non current assets and shown in the financial statements. However, the cost and the accumulated depreciation of assets disposed of, during the previous years and during the year under review for Rs.1,661,326 and Rs.186,396 respectively had not been deleted from the non-current assets account.





- (f) Sri Lanka Accounting Standard 17 The motor vehicles purchased on lease basis should be accounted for, on the basis of cost or the fair value, whichever is lower. However, contrary to the standard, the value had been understated by Rs.2,155,753 in the financial statements, while depreciation had also been understated.
- (g) Sri Lanka Accounting Standard:18 Out of the agreements entered into by the corporation for broadcasting long term commercial advertisements, the recognized income so as to indicate the under of commercial advertisements broadcast during the year under review and number of commercial advertisements obliged to be broadcast in future separately and the broadcasting obligations to be fulfilled in future had not been disclosed in the financial statements.
- (h) Sri Lanka Accounting Standard 19 Details relating to the accounting policies adopted by the Corporation for accounting of payment of retirement benefits, current and future service costs and the profit and loss of actuarial values had not been disclosed in the financial statements.
- (i) Sri Lanka Accounting Standard 20 The Corporation had received government grants amounting to Rs.436,162,836 for capital and recurrent expenditure. However, the accounting policy adopted for accounting of government grants, conditions not fulfilled with regard to the government grants and amortization of capital grants had not been disclosed in the financial statements.
- (j) Sri Lanka Accounting Standard 21 (i) The foreign debtors amounting to US\$ 1,040,090 and Indian Rupees 54,718 of the Corporation as at 31 December of the year under review had not been converted at the exchange rate existed as at end of the year under review and shown as Rs.139 million in the financial statements. As a result, the favourable foreign exchange fluctuation benefits of Rs.73 million





had been understated in the financial statements.

(ii) While accounting the broadcasting of 4 advertisements in the country through foreign trade agencies and the income due from 2 foreign broadcasting services, the income from sale of air time had been accounted on the basis of the exchange rate existed at the time of commencement of the agreement instead of the exchange rate existed at the date of transaction. As a result, the income from sale of air time for the year under review and the debtors had been understated in the accounts by Rs.952,603.

(iii) The value of sale of foreign air time for the year under review amounted to Rs.197,962,756. However, adjustments had not been made for the favourable/adverse exchange fluctuation rates with regard to the duration between the sale of air time and the receipt of money thereon.

(k) Sri Lanka Accounting Standard 24

Balances payable to government institutions noted as related parties had not been disclosed in the financial statements.

(l) Sri Lanka Accounting Standard 38

A sum of Rs.3,400,000 had been spent during the previous years to obtain automation facilities for broadcasting services. This had not been shown in the financial statements under intangible assets. Instead, it had been accounted for, under computer accessories and provision for depreciation had also been made.





- (c) The current account maintained at the Head Office for each regional services and the current accounts with the head office maintained at each regional services had not been reconciled and necessary adjustments had not been made in the accounts. Instead, credit balances of current accounts of the Head Office as at end of the year under review aggregating Rs.4,845,298 had been added to the creditors as at end of the year and shown.
- (d) The value of 2 motor vehicles registered under the name of the Corporation in the year 2011 and the year under review had not been shown in the financial statements. As a result, the depreciation for the year under review and the accumulated depreciation had been understated in the financial statements by Rs.1,691,562 and Rs.5,106,288 respectively.
- (e) Two vehicles removed from the service had subsequently been repaired by spending Rs.4,480,200 and brought for use. However, the assets had been understated by Rs.680,031 while accounting these motor vehicles again.
- (f) The royalties of Rs.510,000 paid on behalf of the previous year had not been retrospectively adjusted and the payments made for the ensuing year amounting to Rs.16,854,788 had not been accounted for, as expenditure of the year under review.
- (g) The sum of Rs.5,081,632 paid for co-ordination of programmes by the relay broadcasting stations during the year under review had not been shown as direct expenditure of the cost of sales in the financial statements. Instead, it had been shown under the expenditure on Maintenance of Equipment and Fittings in the financial statements. The broadcasting charges of Rs.1,020,408 for 2 months of the year under review had not been identified as expenditure of the year under review.
- (h) The value of lease instalments had been adjusted more to the expenditure on tax by Rs.272,170 while computing the expenditure on tax for the year under review and the lease liability at the commencement had been overstated by Rs.802,979 in the financial statements.
- (i) The Economic Services tax payable for the last 10 years amounted to Rs.51,368,972 as per assessment notice of the Department of Inland Revenue. However, it had been shown as Rs.58,041,334 in the financial statements resulting in an overstatement of liabilities by Rs.6,672,362.





- (j) According to various adjustments made to the balances of the Stock Control (Inventory) Account, the balance of the account should be Rs.3,296,381. However, the physically verified stock balance was Rs.2,129,075 and thus difference of Rs.1,167,306 was observed.
- (k) According to the Memorandum of Understanding entered into between the Broadcasting Corporation and the Uva Provincial Council, the amount due to the Corporation for the year under review was Rs.3,323,333. Of this, an income of Rs.2,323,333 had been understated in the financial statements.
- (l) The sum of Rs.23,394,866 received from the Trincomalee Project had been shown under Other Income. But, its depreciation value of Rs.178,531,044 had been shown as an expenditure of the Corporation and the expenditure of the Project had been added to the cost of sales and shown in the financial statements.
- (m) Contributions to external broadcasting institutions payable as at 31 December of the year under review had been computed at an erroneous exchange rate in the expenditure account and the accrued expenses account and the expenditure for 2012, 2013 and 2015 had been computed as the expenditure of the year 2014 and a sum of Rs.2,079,496 had been shown as expenditure of the year under review. Accordingly, the expenditure of the year under review had been overstated in the accounts by Rs.1,419,054 whereas the accumulated profit and the accrued expenses account had been understated in the accounts by Rs.1,429,902 and Rs.10,848 respectively.
- (n) The expenditure on electricity of Rs.2,074,016 reimbursed during the year under review on behalf of the year 2013 for giving towers on lease to private institutions had been credited to the accrued electricity expenditure account instead of being credited to the accounts receivable concerned. As a result, the accrued electricity expenditure account and the income receivable account had been overstated by similar amounts.
- (o) The shortcomings pointed out in the reports of the previous years had not been rectified. As a result, the effect on accumulated profit, assets and liabilities amounted to Rs.3,046,987, Rs.35,687,683 and Rs.5,121,333 respectively.





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2.2.5 Unreconciled Control Accounts

A difference of Rs.13,875,844 was observed between the balances appearing in the schedule and the balances shown in the financial statements furnished for audit with regard to 3 items of accounts. Meanwhile, an unidentified balance of Rs.14,726,349 had been included in the schedule furnished for audit with regard to 4 items of accounts which had been equalized with the balances appearing in the financial statements.

2.2.6 Unexplained Variations

A difference of Rs.2,636,228 was observed between the value shown in the financial statements and the value shown in the board of survey reports with regard to the balances of 6 items of stock.

2.2.7 Suspense Account

The cash shortage of Rs.221,965 detected over 21 years ago and the cash fraud of Rs.281,110 detected in 2007 had been transferred to a Suspense Account. This had been shown as a balance of Suspense Account under the Current Assets in the financial statements.

2.2.8 Lack of Evidence for Audit

The following items of assets and liabilities could not be satisfactorily vouched or accepted in audit due to lack of evidence to confirm the existence, ownership and value indicated against each item.

Details -----	Value ----- Rs.	Evidence not made Available -----
(a) Fixed assets (Vehicles as at 31 December 2014 and assets purchased in 2012, 2013 and 2014 excluding cost of assets)	3,038,827,778	The register of fixed assets in form General 287 and the ledger of fixed assets in form General 288 and the board of survey report.
(b) Project income (Trincomalee Project)	23,394,866	Details of computation.



(c)	Value of motor vehicles	16,816,920	Schedule confirming the difference between the cost of motor vehicles shown in the financial statements as Rs,73,414,986 as at 31 December 2014 and the motor value of vehicles as per the Transport Division.
(d)	Dishonoured Cheques	2,468,535	Register of dishonoured cheques/ detailed schedule.
(e)	Deposits payable	9,259,694	Detailed schedule.
(f)	Debtors (obituary notices)	7,997,854	Detailed schedule.
(g)	Deposits receivable	561,272	Detailed schedule and register of deposits.
(h)	Fixed assets at the Trincomalee (Deutsche well) Relay broadcasting station	2,446,105,313	Board of survey reports.
(i)	Furniture and equipment at the Trincomalee Relay broadcasting station	Value had not been included in the accounts	Board of survey reports.
(j)	Spare parts of transmitters and antennas at the Trincomalee Relay broadcasting station	Value had not been included in the accounts	Register of Inventory or vesting register and schedule of goods taken over.
(k)	Payments for work in progress	130,000,000	Invoices, receipts, expected work plans, cost, estimates, documents approving payments.
(l)	Advances to employees	7,684,737	Detailed schedule and reconciliation statements.
(m)	Adjustments made in the accounts (Regarding Journal Entry 17)	65,486,992	Supporting documents.





Rs.5,481,053 and Rs.532,214 relating to periods of over 10 years, 5 to 10 years and 1 to 5 years were among those balances respectively.

- (c) It was observed that a sum of Rs.7,628,917 representing 82 per cent of the balance of deposits receivable amounting to Rs.9,264,962 as at 31 December of the year under review continued to be in existence for over 5 years.
- (d) Action had not been taken to settle the audit fees of Rs.3,035,760 due for the period 2007 to 2011.
- (e) Advances amounting to Rs.2,793,558 given to suppliers were in the possession of suppliers for over 3 months to 2 years.
- (f) The Nation Building Tax of Rs.40,402,845 recovered from employers for the period 2010 to the year under review had not been remitted to the Department of Inland Revenue. Instead, it had been shown under non financial liabilities in the financial statements.

2.4 Non compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non compliance with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations etc.	Non compliance
-----	-----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 104(1)(a)	No investigations had been conducted to identify the loss and the parties responsible with regard to the vehicle purchased in December 2009 and subsequently removed as unusable due to the accident caused. The compensation received from the insurance for this vehicle in the year 2015 amounted to Rs.2,779,300.





- | | | | |
|------|----------------------|------------|---|
| (ix) | Financial
1645(b) | Regulation | Log books in Form General 267 had not been updated and maintained after 2006. |
| (x) | Financial
1647(c) | Regulation | Reports relating to spare parts removed during repairs to motor vehicles had not been maintained and proper procedure had not been followed in returning those to the stores. |
- (b) Paragraph 4.2.2 of the Public Enterprises Circular No.PED12 of 02 June 2003.
- Monthly cash flow statement and reports relating to the liquidity position and obtaining loans had not been prepared and referred to the Board of Directors of the Corporation for its attention.

3. Financial Review

3.1 Financial Results

The financial results of the Corporation for the year under review amounted to a pre tax loss of Rs.50,629,337 as compared with a pre tax loss of Rs139,931,525 for the preceding year thus indicating an improvement in financial results by a sum of Rs.89,302,188. The amortization of the assets acquired from the government grants amounting to Rs.240,041,678 and the government contributions for revenue expenditure amounting to Rs.218,160,000, totalling Rs.458,201,678, had been recognized as income and had mainly attributed to the decrease in loss of the year under review by this amount.





3.2 Working Capital Management

The following observations are made.

- (a) An important ratio analysis is shown below.

Ratio	2014	2013
<u>Liquidity</u>		
(i) Current	0.74:1	0.61:1
(ii) Quick	0.66:1	0.51:1
<u>Profitability</u>		
(i) Gross Profit (in percentage)	26.92	30.78
(ii) Net Profit (in percentage)	(9.41)	(27.02)

- (b) A comparison with the previous year shows that the gross profit ratio of the year under review had decreased from 31 to 27 per cent, that is 4 per cent and the net loss had decreased by 18 per cent as compared with the previous year.
- (c) The overdraft continued to increase in the main bank account during the year under review resulting in the payment of Rs.5,683,109 as interest on overdrafts during the year under review. It was observed that this shows an increase of 103 per cent as compared with the previous year.
- (d) The current and quick ratios shown above had deteriorated further due to the lack of efficiency in recovering loans and due to the lower liquidity assets amounting to Rs.184 million shown under current assets.

3.3 Legal matters against the Corporation or Initiated by the Corporation

The following observations are made.

- (a) The Corporation had not taken action to properly obtain the broadcasting rights of the cricket match between Sri Lanka and England during the year under review and action had been taken to obtain commercial advertisements while broadcasting the cricket match. As a result, the institution which had obtained proper broadcasting rights had instituted legal action to claim compensation amounting to Rs.50 million. A sum of Rs.872,000 had been paid lawyers' fees by the Corporation during the year under review in this connection.





- (b) An employee of the Corporation had instituted a case in a District Court claiming a compensation of Rs.8 million for damages caused while travelling in a Corporation's motor vehicle.
- (c) A marketing executive officer had defrauded Rs.13.21 million and due to improper maintenance registers and books of accounts the Department of Criminal Investigation had filed a case to claim only Rs.5.65 million. Subsequently, the Corporation had filed a case at the Colombo Commercial High Court to recover the balance of Rs.7.56 million.

4. Operating Review

4.1 Performance

The following observations are made.

- (a) The Action Plan had not been prepared so as to measure the performance and as a result, the performance of the Corporation could not be evaluated.
- (b) According to 4.2.2 of the Public Enterprises Circular No.PED 12 of 02 June 2003 relating to Good Governance, the Board of Directors should periodically investigate the Corporate plan, Budget and the Performance and should find out whether the actual performance differs from the planned performance and the Corporate Plan and the Budget should be altered accordingly. However, such a supervision had not been made.

4.2 Management Inefficiencies

The following observations are made.

- (a) Action had not been taken to recover the lease of Rs.7,210,000 due from a holiday resort belonging to the Corporation for the period 2005 to February of the year under review. Further, legal fees amounting to Rs.2,151,206 had been spent from the year 2010 to obtain the ownership of properties again from the lessee. However, necessary action had not been taken to recover the legal fees upto 30 June 2015.





- (b) Automation activities of the radio channels of the Corporation had been commenced in the year 2008 and a sum of Rs.3,400,000 had been spent by 14 May 2012. This work had not been completed even by July 2015 and the Corporation could not achieve the expected benefits from this process.
- (c) During the year under review, purchases valued at Rs.13,951,244 had been made as urgent purchases on 14 instances through the online purchasing system contrary to Procurement Guideline. A period of 02 to 9 months had been taken to receive the items. However, out of these, 3 purchases, purchase totalling Rs.6,860,574 represented purchase of Rs.2 million each and 3 purchases totalling Rs.3,943,046 represented purchase exceeding Rs.1 million each. A certificate to show that the goods received at the Corporation were of the required specifications had not been obtained.
- (d) Action had not been taken to obtain vesting orders and to ensure proper ownership of two houses which had been purchased by the Corporation by paying Rs.860,000.
- (e) It was observed that out of the 22 official quarters of the Corporation 3 quarters had been used by the Sri Lanka Army and 2 other quarters were being used by persons who were not employees of the Corporation. The Director's bungalow in the Anuradhapura city limits had to be demolished as it had not been used and lying without safety. Three more houses remained without being used safety.

Apart from this, allocation of official residence among the staff had not been done in a proper manner. Necessary supporting documents and reports had not been maintained to confirm the officers occupying those quarters at present, how those quarters had been allocated to them and whether rent was being charged.

- (f) Accrued expenses of Rs.135,375,722 pertaining to a period of 2 to 10 years had been also included in the accrued expenses shown under the current liabilities. Further, action had not been taken to analyze and write off the non-liable expenditure which had exceeded the liable period or expenditure which had no actual liability.
- (g) According to the Air time Creditors' Schedule, a sum of Rs.1,269,922 to be payable to a customer as at 31 December 2014 whereas the marketing division had written a letter stating that the credit balance was Rs.136,969.





- (h) Invoices had been issued by the trade division with regard to 3 agreements during the year under review. This had been noted as “no sales” by the Accounts Division based on the Broadcasting schedule.

4.3 Operating Inefficiencies

The following observations are made.

- (a) A loss of Rs.9.2 million was caused to the Corporation due to abandonment of the project for installation of antenna towers at Puthur. The Handicrafts Board to which the contract had been awarded had no capability to perform to the construction activities and making of an erroneous payment of Rs.5,024,998 for iron to the Board concerned along with the advances paid had attributed to this. The Chairman concerned had agreed to pay the entire loss a sum of Rs.4,348,041 on 16 July 2014 and it had repaid by September 2015. But, legal action had not been taken to recover the remaining loss, and submitted of wrongful information regarding the ability to carry out construction work when entering into agreement and the fraudulent act of a external person signing on behalf of the Handicrafts Board.
- (b) A police radio antenna had been installed on the transmission tower of the Corporation and had been it operated through out the 24 hours, the required electricity had been supplied though the electrical circuit of the Corporation. So far, no action had been taken to estimate the number of electricity units consumed this antenna and to recover the charges.
- (c) According to the rental agreements of the transmission towers, security deposits amounting to Rs.1,600,000 should had been charged from 16 lessees at the rate of Rs.100,000 each. However, these deposits had not been charged.

4.4 Identified Losses

The following observations are made.

- (a) A surcharge amounting to Rs.1,218,609 had to be paid during the year under review on an order made by the Department of Labour due to under payment of gratuities to retired employees.





- (b) Economic Services Fees had not been paid on the due dates and as such surcharge amounting to Rs.11,979,867 had been levied on the arrears of tax from the assessment year 2004/ 2005 to 2013/2014. This surcharge had not been paid upto 31 May 2015.
- (c) Action had not been taken upto the date of this report to identify and write off from the books the value of 77 damaged and missing items belonging to of 21 varieties damaged and missing as per board of survey conducted the year 2011 of the external publicity division and to take necessary action in terms Financial Regulations 101 and 113.
- (d) Even though a land of 30 acres the Weeraketiya Transmission Station and 68 acres of the Mahawa Transmission Station together with the buildings constructed by the Corporation had been transferred to the government. However, action had not been taken to recovery of compensation at the present market value of those lands.
- (e) Thirty acres of the Weeraketiya transmission Station had been released to the Sagara University and Youth Military Programme. However, action had not been taken, so far, to recover the present value of those land and buildings which had been purchased by the Corporation.

4.5 Deficiencies in Contract Administration

Technical assistance had been obtained from a private institution in 2012 linking programmes for relay broadcasting centres on a lease basis by paying an initial amount of Rs.15 million and Rs.400,000 monthly rental without acting in accordance with the instructions of the Ministry. Although lease amount had been increased to Rs.510,204 during the year under review, it was observed that the services rendered were not efficient as there were frequent breakdowns. However, the management had not taken action upto June 2015 for repair and make use of the Micro Link System installed in the year 2000 valued at Rs.45,175,730 and said to be not functioning properly or for acquisition a suitable system.

4.6 Commencing Projects on Lands/ Properties not Properly Acquired

The Corporation had purchased only the ownership of the holiday resort building situated on a land of 1 rood, 20 perches extent situated in the Grama Niladhari Division, Hawa Eliya of Nuwara Eliya for a sum of Rs.250,000 in the year 1979. According to the letter



dated of January 1987 of the Nuwara Eliya Additional Government Agent and the Deputy Commissioner of lands had informed to pay Rs.6000 per year for the years 1985, 1986 and 1987 and obtain the lease hold right to the land. But, the lease rights of the land had not been obtained upto 30 June 2015.

4.7 Resources of the Corporation Given to other Government Institutions

The following observations are made.

- (a) Number of machinery not belonging to the Corporation had been parked in a land of about 12 acres where the Ekala Transmission Station was situated. Apart from this, water and electricity of the Corporation had been used by external parties. Action had not been taken upto 31 December of the year under review to obtain information relating to external persons who make use of the assets of the Corporation and to compute the value of water and electricity consumed by them and recover the persons concerned.
- (b) The Corporation had provided necessary building facilities for the maintenance of the Selacine Institution from the year 2004 to April 2014. An agreement had not been entered into in this connection. Rent of building had not been recovered while no recoveries whatsoever had been made for water supplied from the year 2004 to April 2014.

4.8 Personnel Administration

The following observations are made.

- (a) Even though the Department of Management Services had informed the Corporation to prepare the scheme of recruitment and Promotions in accordance with the Circular of the Department of Management Services No.30 dated 22 September 2006 and forwarded to the Ministry for approval, the Scheme of Recruitment and promotion had not been furnished to the Secretary to the Ministry even by 30 June 2015.
- (b) It had been informed that employees should not be recruited without approving the scheme of recruitment. In spite of this, contravening the directions of the Department of Management Services and without obtaining approval, 160 permanent employees and 90 employees on contract basis had been recruited in the years 2012, 2013 and 2014.



- (c) The officer recruited as Director (Music) on 01 July 2004 after calling for applications by following the scheme of recruitment had been assigned the cassette sales division which did not have post of Director, and officer who had not forwarded application for the post of Director (Music) and who has no qualifications for the post of Director (music) had been appointed to act in the post since the year 2009. This had not been rectified till June 2015.
- (d) According to the information furnished, the salaries and wages paid as at 31 December of the year under review to 886 permanent staff and 3 officers on contract basis amounted to Rs.383,304,981 whereas the amount paid to the supportive staff amounted to Rs.33,771,360. Obtaining the services of from relief staff and from the staff on contract basis staff, despite the existence of excess staff in the permanent staff is a problematic situation.
- (e) Three Chief Executive posts of the Corporation, namely, Deputy Director General (Finance), Deputy Director General (Engineering) and the Deputy Director General (Administration) had been vacant for a long period. An officer had been recruited on contract basis for the post of Deputy Director General (Administration) from 6 July 2012 to 31 December 2014.
- (f) The period of service of fifteen officers and a consultant recruited on assignment basis had been extended during the year under review solely on the approval of the Board of Directors. Allowances amounting to Rs.4,685,000 had been paid to them without examining their performance. Meanwhile, approval of the Cabinet of Ministers had not been obtained to extend the period of service of consultants.
- (g) Copies of letters assigning duties to officers in the Head Office and the Regional officers had not been furnished to audit. An examination of personal files revealed that assignment of duties had not been properly done.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

The financial statements should be furnished to the Auditor General within 60 days of the closure of the financial year in terms of Section 6.5.1 of the Public Enterprises Circular NO.PED12 of 02 June 2003. However, the financial statements had been presented to the Auditor General on 08 May 2015.



5.2 Corporate Plan

The following observations are made.

- (a) The Corporate Plan for 2012 – 2016 had not been prepared as per paragraph 5.1.2 of the Public Enterprises Circular No.PED 12 dated 02 June 2003.
- (b) According to Section 5.1.3 of the above circular and the Public Enterprises Circular No.PED 47 of 18 December 2007 the Corporate Plan approved by the Board of Directors and the updated budget should be forwarded to the Department of Public Enterprises and the Treasury. However, it had not been approved and furnished, as required.

5.3 Action Plan

The following observations are made.

- (a) The Action Plan should be prepared according to the Corporate Plan. However, 5 Divisions included in the Corporate Plan had not been mentioned in the Action Plan. Certain activities too had not been included in the Divisions furnished.
- (b) Seven of the 41 activities under 3 Divisions out of 5 divisions, included in the action plan had not been implemented.

5.4 Internal Audit

The following observations are made.

- (a) One hundred audit queries had been issued by the internal audit division, comprising 20 in 2011, 25 in 2012, 30 in 2013 and 25 during the year under review. However, the management had furnished replies for 20 of those queries even by 30 June 2015.
- (b) There were 4 posts of Audit Assistants in the Internal Audit Division as per approved cadre. However, only 2 audit assistants had been employed as at 31 December 2014.



5.5 Audit Committees -----

According to Section 7.4.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the committee should consist of at least 3 non executive members of the Board of Directors. However, deviating this requirement, a Director of the Corporation employed on an assignment basis too had participated.

5.6 Tabling of Annual Reports -----

The annual report of 2012 had not been tabled in Parliament even by 31 June 2015.

5.7 Unresolved Audit Paragraphs -----

The following observations are made.

- (a) A sum of Rs.23,119,683 had been spent in 1996 for the import of 2 antenna towers which were 60 meters and 100 metres in height and sum of Rs.2,568,000 had been paid as advance to a private institution to install the tower. The towers had not been installed even by end of the year under review as the sites for installation had not been decided. Further, the entire value had been accounted under work in progress till 2010 and subsequently at the end of the year 2010 it had been incorrectly accounted under the Audit Frequency Account. This too had not been rectified.
- (b) It had been identified that the sales executive who had carried out 32 contracts had defrauded a sum of Rs.356,853. However, the police had filed action to recover a sum of Rs.945,000 only. Action had not been taken even by 24 July 2014 to take legal action for recovery a sum of of the balance.

5.8 Discharge of Environmental and Social Responsibilities -----

A unit to accept complaints regarding the quality of transmission had not been established in the Corporation and none of the Division of the Corporation had registered complaints received from the listners. Eventhough action should have been taken to refer complaints to the Audio Record Division to take suitable action, such a procedure was not in existence. Hence the Corporation had filed to take timely action due to the prevailing situation.





6. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Corporation from time to time. Special attention is needed in respect of the following areas of control.

- (a) Assets Control
- (b) Income from Air time
- (c) Debtors
- (d) Staff control
- (e) Management Information
- (f) Control over Income form trade advertisement agencies
- (g) Procurement
- (h) Budget
- (i) Execution of Projects
- (j) Payment of advances

W.P.C. Wickramaratne
Acting Auditor General

**COMMENTS OF THE CORPORATION ON
AUDITOR GENERAL'S REPORT - 2014**

Report of the Auditor General on the financial statements of the Sri Lanka Broadcasting Corporation for the year ended 31 December 2014 in terms of Section 14 (2) (c) Finance Act No.38 of 1971

This is with reference to your draft report 14 (2) (c) No. TM/D/SLBC/1/14/316/ and dated 15 July 2015 regarding the above matter.

In agreement with matters set out in sections 1.2 and 1.3.

2.2. Comments on financial statements

2.2.1. Institution as a going concern

As motioned in this paragraph, the correct overdraft is Rs 36.7 million and the interest is Rs. 5,683,109/-.

The amount of Rs. 2,426,477,649 shown as capital and revenue expenditure received for the current year is wrong. The amount received was Rs. 436,162,000/-.

All public sector institutions are maintained on treasury provisions and not in agreement with the opinion that there is uncertainty regarding the institution as a going concern.

2.2.2. Sri Lanka accounting standards

Standard No. 5

- a.
 - i. The sum of Rs 1,000,000 shown as investments has been invested in Sri Lanka Press Institute on a request made by the Ministry for the launch of that institution. Further, this is not an institution where calculable transactions of market value take place. Therefore a decision has to be taken having consulted the Ministry.
 - ii. Since these sold items are very old, the documents needed to compute the value of the cost and depreciation were not available. Hence they have been accounted as income.

b. ***Standard No. 07*** Has been disclosed.

c. ***Standard No. 08***

- i. Sri Lanka Reporting Standard 8 states that assets, liabilities and source of income of business branches associated with institutions maintained on the basis of geographical and economic factors shall be explained in the financial statements. However, the regional services of the SLBC are maintained as transmission stations for ensuring good audio quality across the island. These are not separate accounting units. Therefore, cannot agree with the paragraph. Deutsche welle relay station, Trincomalee was maintained as a separate entity under German Federal Republic and subsequently transferred to the SLBC. Therefore, considering it as a separate unit, its income and expenditure have been brought into separate accounts.
- ii. Since loss and profits have not been computed treating Kotmale as a separate unit, there was no need to indicate as such and cannot agree with the matters set out in the paragraph.

d. ***Standard No.1***

- i. Agree with the observations in the paragraph. Such amounts of which payment was delayed due to financial difficulties experienced by the Board in the respective years, cannot be written off from the books as proposed by the audit. They might have to be paid in the future.

- ii. Since the amount deducted as withholding tax is a receivable amount, non-financial liabilities have been shown less this amount. Had income tax been paid in those years, this money would have been deducted as paid income tax and would not have been returned in cash. Therefore, disclosing it in this manner does not appear to be a lapse. This has been shown under non financial liabilities.
- e. **Standard No.5**
These assets sold are very old and since they were scraps of iron and parts of furniture which could not identified separately and since it was difficult to compute their cost and depreciation, they could not be indicated in accounts separately. This matter has been explained in 2013 as well.
- f. **Standard No. 7**
This difference remains as a result of several adjustments made in previous years. Acknowledged.
- g. **Standard No. 12**
The matter expected is unclear. Therefore it is difficult to offer a definite reply.
- h. **Standard No. 17**
The value of vehicles purchased on lease has been shown in accounts as per the value inclusive of the cost price and the payable interest. Rs. 55,119,210/= shown as faire value is wrong. Therefore cannot agree with this paragraph.
- i. **Standard No.18**
 - i. Airtime income of the SLBC is accounted on the basis of publicity schedules. Advertisements are aired as per the agreements entered into by the Marketing Division and after broadcasting, airtime income is identified as per the announcers' schedules and accounted accordingly. SLBC cannot agree with the opinion expressed by the audit which said "airtime income has been accounted disregarding criteria". It appears that the explanation made in this regard in the year 2013 too had not been acknowledged.
 - ii. As introduced by the paragraph, the money due for the year as per agreements entered in respect of long term publicity agreements is accounted in accordance with advertising schedules. Identifying the income from advertisements expected to be aired in the future and disclose same as receivable income in financial statements is not a fruitful task. Therefore the SLBC cannot agree with this paragraph.
- j. **Standard No.19**
An explanation in this connection has been made through notes under paragraph 3.2.1 (a) of the financial report.
- k. **Standard No.20**
The amount of Rs. 2,426,477,649 indicated as capital and revenue expenditure received by the Corporation during the year under review is wrong. The capital grant received from the government was Rs. 436,162,000/-.

Documents for amortization have been presented with the final accounts.

l. **Standard No. 21 I,ii,iii**

The sum of \$ 1,040,089.87 indicated as receivable from foreign debtors is wrong.

A debtor balance of Indian Rs. 547,717.19 too has been added to values given dollars. Debtor balance from the year 2000 to 2013 has been calculated as per the foreign exchange prevailed

at the respective years and brought to accounts and it must also be stated that the larger portion of this is non-recoverable debt. By calculating the non-recoverable loans to their present value and bringing them into accounts, a large sum of money too will have to be paid as taxes. This matter has been explained in the year 2013 as well. Therefore this paragraph cannot be agreed with at all. By calculating non-recoverable debt to the present value will result the Corporation being bound by large tax liabilities.

m. **Standard No. 24**

i. It is acknowledged that what is given in the report is the current board of directors and details of the board of directors that resigned in the year 2014 would be included in the Annual Report. The sixth paragraph of these financial statements has been amended by including the names of former board of directors and submitted herewith. (Annex 01)

ii. Liabilities in respect of public sector institutions have been disclosed in financial statements.

l. **Standard No.**

As equipment for purchased for obtaining automation facility had been computers and accessories, a classification has been done to identify some of them as intangible assets. Since the annual report relevant to the accounts of 2009, 2010 and 2012 has already been made public, you are kindly requested to reconsider whether it is advisable to include these matters in the 2014 report.

J. **Standard No. 39**

The basis for allocating bad debt for trade debtors was carried out on a reasonable foundation having got the approval for same through a board paper of the Corporation. The statement made to the effect that it was done without any basis cannot be accepted.

2.2.3. Accounting Policies

a. This matter has also been raised under 2.2.2 a II and e of the report. Explanation therein is applicable here as well.

b. As a policy, accounting of airtime income is based on advertisement schedules. This can be corroborated by inspecting advertisement schedules.

In respect of matters cited as examples, the following observations are made.

i. Correct

ii. Cannot agree with this observation since the invoices issued during the year are not confined only to the current year.

iii. Cannot agree to the matter "Noted as no sales". As the programmes were not broadcast, these amounts have been indicated under the creditors. This will be corrected in the year 2015.

2.2.4. Accounting deficiencies

a. Up to the year 2010, depreciation was carried out on the basis of reducing balance but from that year the depreciation policy was shifted to the straight line method and having made adjustments considering the useful life of the assets existed at the time using straight line method, depreciation was calculated.

If the depreciation was to be calculated with 100% accuracy when the depreciation policy was changed, the date of purchase and the purchased price have to be identified and depreciation on the reducing balance and the depreciation on the straight line method have to be calculated

and compared for the identification of the depreciation value. However as information is not available to identify the fixed assets belonging to the Corporation in that manner, it is hereby informed that this cannot be done with 100% accuracy and having considered the life of the existing assets, the estimated depreciation value has been adjusted to the accounts. Such a determination, having considered the life of the assets, has been allowed by the standards as well. Depreciation value computed and shown in the observations cannot be agreed with. This matter has been explained in the year 2013 as well.

- b. Airtimes mentioned in schedule ii attached together with the accounts become equal after the addition of the value of the dishonoured cheques.
- c. Agreed with the paragraph
- d. Money being added by the head office on behalf of the regional offices to the current accounts maintained in respect of regional offices is entered in the current account. A description of the money received in each month is sent to the relevant regional office and a monthly journal note is sent back by the regional offices indicating the value of advertisements broadcast in respect of the money received and the relevant adjustments are made in the current account accordingly. Subsequent to the adjustment of journal notes, the balance is shown under the creditors. It is acknowledged that this balance that should e inspected and corrected.
- e. Agreed with audit recommendations.
- f. Vehicles received in the year 2013 from the Ministry and in December 2014 from the Treasury were not included in the accounts due to the delay in obtaining their prices. This will be corrected in 2015.
- g. Cost of the repaired vehicles- Of the money pointed out by the audit as not indicated in accounts, Rs 480,012/- is VAT and Rs 200,009/- is money paid from withheld money. Only withheld money should be included in the cost account. VAT does not come under the cost account. Action will be taken to correct the sum of Rs 200,009/ - that should be indicated in the cost account.
- h. Even though it has been shown that Rs. 17,874,788/- has been paid during the year under review as per the audit report, the actual amount paid was Rs. 17,364,788/-. It is acknowledged that a sum of Rs. 510,000/- out of this money is relevant to the years 2012 and 2013 and according to the accounting standards, when paying an amount that was missed in a preceding year in the current year, there is no need to make an adjustment for the relevant year. That notwithstanding, though the royalty paid for broadcasting rights for the Cricket World Cup that was held in February 2015 has been accounted as an expenditure incurred in 2014, it would have been more appropriate if that was included in the accounts of 2015.
- i. As expenses are accounted under each head of expenditure and categorized by the channel and prepared separately as administrative expenses and operational expenses at the end of the year, the expenses for the connection of programmes by the transmission centres have been divided under the sales cost.

It is acknowledged that the cost of two months has not been included in the expenditure for the year.

- j. Though the items have been released by paying the custom duties, in order to calculate the actual value of the items, the money to be paid to the agencies should be added. After all such expenses are definitely identified; the goods receipt voucher is prepared by the store. Monies paid till then have been show under transit stocks. These accounts will be corrected in the year 2015.

- k. Acknowledged. Corrected note number 8 is submitted herewith. (Annex 02)
- l. Acknowledged. Corrected in the year 2015.
- m. No vehicles have been purchased on lease basis during the year under review and of vehicles purchased in 2010 and 2011, vehicles WP PC 4298, 4283, 4284, 4281 have been sent for repairs to the relevant companies and the two vehicles PB 8583 and PB 8531 have been removed from running due to meeting with accidents. In 2011, insurance compensation was received for one vehicle and accounts had been adjusted. Compensation was also received for the other vehicle in 2015. Vehicles sent for repairs cannot be considered as condemned vehicles.
- n. Up to 2011, the percentage for computing Economic Services Tax was 1% and as a result of computing it as 0.25% after April 01, 2011 and over-calculation has taken place. However this money has not been remitted to the Inland Revenue Department and action will be taken in 2015 to correct this.
- o. Items to the value of Rs. 180,988 shown under this paragraph should be credited to the stocks control account. Therefore the accounting is correct.

Items valued at Rs 277,918/- shown as "Items received free of charge" are not items received free of charge but are items brought to studio operations unit and their actual value is Rs. 277,936.48. This has been correctly accounted.

Musical instruments to the value of Rs 301,750/- have been obtained under supplies advances in December 2014 and it has been accounted by journal notes in January 2015. Therefore it is correct to show it as supplies advances by December 2014.

The difference between the stock control and physical balance remains unchanged.

- p. According to the accounting standards, it is not an offence to bring into account a missed expenditure to the accounts of the next year. Matters stated in the paragraph are acknowledged.
- q. Of Rs. 420,000/- received from leasing lands on December 12 2013, the amount relevant for 20 day period in the year 2013 was Rs. 25,013/- and it is acknowledged that the remaining amount belonged to the year 2014.
- r. Owing to the suspension of the transmission of the Uva Provincial Council on a decision of the Board, the money to be received at the time was calculated and included in the account. This will be inspected and a reply will be given at a later date.
- s. It is acknowledged that under the Trincomalee project, the net amount is shown by deducting expenditure from income. Depreciation of the fixed assets as well as amortization on it has been shown under the expenditure of the Corporation. As the net result of thereof is zero, it has no effect on the corporation account. Invoices and all other details relating the calculation of Rs. 6,783, 584 shown as expenditure and Rs. 23,394,866/= shown as income have been submitted to the audit.
- t. Though the acquisition cost of the assets of the Trincomalee project has been accounted by value, it was decided to revalue computers and accessories as used items and identify their value and bring them into accounts and as such they were not amortized. Had this been amortized, it would on the other hand have an impact on the profit due to being adjusted under the amortization account.

- u. Though the financial year of the foreign institution has been mentioned as 2012/2013, it has been treated by the Corporation as the year 2012, years 2013/2014 as the year 2013 and years 2014/2015 as the year 2014. Therefore the accounting is correct. This would not have any special impact on accounts.
- v. As matters stated in the paragraph are equivocal, they would be examined an answer would be given later.
- w. Just because the letters of credit are issued, there is no need to make an allocation.
- x. Observations of the audit are correct.
- y. Observations of the audit are correct.

Accounting deficiencies of the last year

- a. Lease rent receivable is shown in the accounts.
- b. This has not been corrected as this expenditure has been borne to renovate several buildings and to make an extension to another building. This will be corrected after inspecting in the year 2015.
- c. It appears that this matter has been raised again in the year 2014 despite being provided an answer in 2013. The land at Seeduwa is an old land transferred to the SLBC and initially its value had not been assessed. When it was transferred to the Army, the value was assessed and money was received in respect of that value and it had been credited to the building fund. There is an error in the accounting method.

The land at Hapugala, Galle too had been transferred by the government and the value of the land on the date of the acquisition had not been accounted. Therefore the income received had been credited to the income. As lands are not depreciated, it has no effect on the depreciation account and the cumulative depreciation account.

- d. As some of the spare parts in the Ekala store can be used, these assets have to shown under the current assets account until the activities pertaining to the closure of the store are finalized.
- e. Observation is correct.
- f. An answer would be given after inspecting the vouchers relating to this purchase. As the manner under which Rs. 25,687,683/- has been calculated and details of the vouchers have not been mentioned in the query and since it was a transaction that took place many years ago, it has to be inspected again.

2.2.5. Unreconciled control accounts

- a. Airtime creditors
The difference shown in the report is correct.
- b. Airtime debtor
There is no difference. A part of the debtors has been classified under “trade debtors” and another part under “dishonoured cheques” in the financial statements. No difference in the balance.

- c. Income Receivable (Miscellaneous)
This balance comprises of both the receivable airtime and tower income of Rs. 6,240,717.22 and receivable fixed deposit interest of Rs. 1,681,891.98. This corresponds with the schedule and the correct value is Rs. 7,862,609/-

Unidentified balances

The unidentified balance of Rs. 29,040,205/- shown under (a) to (c) is a balance that has been brought forward from even before 2002 and it cannot be identified as the relevant documents are unavailable.

- d. Unexplained differences
Of the balances shown under the warehouse stocks account, aside from the spare parts balance other balances are correct. According to the reports of the board of survey the stocks balance should be Rs. 120,985/- accordingly, the difference should be Rs. 724,415/-.

2.2.7. Suspense account is correct.

2.2.8 Lack of evidence for audit

- a. Detailed report on buildings and lands has been prepared by including the required details as per General 287 in respect of fixed assets. The assets ledger too is being prepared accordingly. To further correct the lands and buildings register under General 287, the detailed register on lands prepared as at 28.06.2015 is attached hereto. (Annex 03)
- b. The cost of Rs. 73,414,986/- shown in financial accounts is correct. The reasons for comparing with the cost of the transport division are unclear.
- c. Since this is an unidentified balance, a detailed schedule cannot be provided.
- d. This schedule will be prepared and submitted later.
- e. The balance shown for obituaries is correct. It is a balance that should be inspected and corrected.
- f. Since the balance shown under payable deposits is an unidentified balance, a schedule cannot be submitted.
- g.h.i. After receiving the inventory on the assets of Trincomalee relay station, each item is inspected and inventory lists are being prepared for each room. Once this is completed a board of survey will be conducted and the survey report will be presented in 2015.
- j. Advances paid for the construction activities of the new building is shown under this and since all expenses and work plans, expenditure estimates are carried out under the Urban Development Authority, the Corporation is not in a position to submit the schedules mentioned.
- k. Employee advances
Since this is an unidentified balance, schedules cannot be submitted.
- l. Applicable documents too have been submitted with the journal entries. If the schedules further required are indicated, they too can be submitted.
- k. -do-

- l. Debtor balance list has been submitted.
- n. It is the statement of accounts that is used as invoices for foreign airtime sales. The statement of accounts has been submitted to the audit. Money is charged on the basis of this.
- o. Lakhanda radio channel was operated from the premises of the SLBC before 2001 before its removal from the premises in April 2001. This has been accounted as a amount receivable through journal number 118 in the year 2000 for the facilities provided to that channel from the SLBC. Details in this connection are entered in file AP 220 of the Finance Director. Though a request was made on December 17, 2000 from the Chairman of Independent Television Network to settle this amount, so far no payment has been made.
- p. 12 vouchers out of the vouchers not submitted are related to payment of salaries and their value is Rs. 289,892,775/-. Salary sheets have been submitted for the audit. After inspecting the remaining vouchers, they too will be submitted for the audit. This is due to the non-preparation of a separate voucher for salary sheets. Measures will be taken in 2015 to prepare a voucher for this purpose.
- q. Airtime creditor schedules have been submitted.
- r. Airtime debtor schedules have been submitted.

2.3 Accounts receivable and payable

- a. This has been shown in the debtors' schedule.
- b. Audit observation is correct.
- c. Receivable money has been deposited to obtain utilities such as water, electricity and telephones for the SLBC. Until such services are obtained, deposits cannot be reclaimed. A board paper should be submitted to a decision needs to be taken regarding these deposits.
- d. Observation is correct.
- e. Observation is correct.

2.4 Non compliance with laws, rules and regulations

- (a) Audit observation is correct.
- (b)
 - i. Audit observation is correct.
 - ii. Audit observation is correct.
 - iii. Audit observation is correct.
 - iv. Will be inspected and measures will be taken for correction.
 - v. Audit observation is correct.
 - vi. Audit observation is correct.
 - vii. This matter is settled by now.
 - viii. Though the summary on travels was not submitted on due date, it has been submitted later.
 - ix. Log books for all vehicles are being written now.
 - x. Due to lack of space, it was difficult to store them in a systematic manner when the buildings were renovated. However action will be taken to correct this situation in the future.
- (c) Though not submitted in every month, cash flow statements and income/ expenditure report have been submitted on the need of the Board of the Corporation.

2.5. Transactions not confirmed by adequate authority

Observations under this has not been made.

3. Financial Summary

3.1. Financial outcome

Audit observation on the financial outcome is correct.

3.2. Analytical financial review

Audit observation is correct.

3.3. Legal incidents initiated against or by the institution

Audit observation is correct.

3.4. Working capital management

Audit observation is correct.

4.0. Operational Review

4.1. Performance

(a) Action Is being taken to correct.

(b) Relevant reports have been submitted to the board of the corporation.

4.2. Management inefficiencies

a. The matter has been referred to the Legal Division to take action to recover the money due from the defendant.

b. Audit observation is correct.

c. Do not act in violation of procurement guidelines and items are purchased through e-mails in emergencies. But such purchased are made only after ensuring that they comply with the relevant specifications.

d. Measures have been taken to address shortcomings regarding official quarters.

e. Action is being pursued to gain the ownership of both houses.

f. Three official quarters of the Corporation used by the army were transferred to the Arm on a request made by the then government and legal action has been initiated to reclaim the houses used by external individuals. Unusable houses too are being inspected to see whether they can be put to use after renovation.

4.3. Operational Inefficiencies

- (a) Audit observation is correct.
- (b) Having regard for the national security requirements, Police Department has been granted permission to use this tower.

4.4. Nonperforming and Underutilized Assets

The possibility of making use of houses of the corporation in dilapidated condition after renovation is being explored.

4.5. Non-economical Transactions

- (a) Not in agreement with citing as non-economical transactions. Surcharges have to be paid on the orders of the Department of Labour under legal obligations.
- (b) Inland Revenue Commissioner has notified that penalties should be paid due Economic Service Charges not being remitted properly.

4.6. Identified shortcomings

- a. Audit observation is correct.
- b. The possibility of securing compensation as per the assessed value is being explored when action is taken to transfer the possession of lands.
- c. Though the purchase of this accounting system has been carried out having inspected its suitability, this situation has arisen as a result of the institution going bankrupt.
- d. The possibility of recovering the current assessed value is being explored.

4.7. Deficiencies in contract administration

Cannot agree with the matter that has been highlighted as a deficiency in contract administration.

4.8. Commencing projects in lands/assets that have not been properly acquired

The land mentioned here has been given on a long term lease of 30 years and measures are underway to extend the lease for a further period of time.

4.9. Resources of the Corporation given to other public sector institutions

- a. A part of the land where Ekala transmitting station was located had been acquired by the Army to establish a farm for disabled soldiers and since this was carried out under state patronage, it is difficult for the SLBC to make an intervention.
- b. Since 'Selacine' is an institution under the purview of the Ministry of Media, it has been established at the premises of the Corporation without an agreement. The money to be recovered in this regard has been computed and shown in accounts.

4.10. Staff Administration

- (a) Relevant measures are being taken to formulate the recruitment procedure.
- (b) These recruitments have been made on service requirements.

- (c) Transfer of these duties has been done according to the duties existed at those divisions.
- (d) Considered the staff is in excess, this service has to be procured as there isn't sufficient staff to be deployed for these duties.
- (e) Action is to be taken in the future to fill these vacancies.
- (f) This service extension has been granted on service requirements with the approval of the Board of the Corporation.
- (g) Action is to be taken in this regard in the future.

5.0. Accountability and Good Governance

5.1. Presentation of financial statements is correct.

5.2. Corporate Plan

- (a) This is due to be included in preparing the Corporate Plan for the year 2016.

5.3. Action Plan

- (a) Attention was paid to Public Finances Circular in preparing the action plan for 2016.
- (b) Action has been taken to correct the mistakes pointed out in the audit in respect of the Corporate Plan.
- (c) Action will be taken to rectify shortcomings pointed out in the audit as regards the Action Plan and Corporate Plan.

5.4. Internal Audit

- a. Though audit queries issued by the internal audit division in each year have not been responded to, measures have been taken to rectify the shortcomings highlighted.
- b. Audit observations are correct.

5.5. Audit Committees

Audit observations on audit committees are correct.

5.6. Tabling Annual Reports

2012 Annual Report is being printed.

5.7. Unresolved audit paragraphs

- a. If a fraud has been committed by an external individual appearing for the Handicrafts Board, action in that regard has to be taken by the Handicrafts Board.

- b. Computation of Rs. 23,119,683/- spent on importing antenna towers is not clear. It is acknowledged that it should have been shown under the ongoing work account. However, as per a report of the Engineering Division, it had been transferred to the capital account in 2010. This will be reexamined and action will be taken for correction.

5.8. Fulfilling Environmental and Social Responsibilities

- a. The usual practice is to refer to officials handling the audio quality of the Corporation functioning under the Director (Transmission). In accordance with matters highlighted in the audit, action will be taken in the future to explore the possibility of inspecting the quality of audio reception.

6. Systems and controls

It is acknowledged that attention needs to be paid to the matters pointed out under the systems and controls.

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Chairman
Sri Lanka Broadcasting Corporation

Copies: Secretary, Minister of Media
Secretary, Ministry of Finance and Planning

