Sri Lanka Broadcasting Corporation

Annual Report

&

Statement of Accounts

From 01st January 2010 to December 2010

Hon. Minister of Mass Media & Information,
Ministry of Mass Media & Information,
Colombo – 05.

Hon. Minister,

Annual Report – 2010

In terms of Section 14 (i) of the Finance Act No. 38 of 1971, I have the honour to forward herewith, on behalf of the Corporation –

1. Administration Report of the Corporation for the year from 01-01-2010 to 31-12-2010
2. Statement of Accounts of the Corporation for the year from 01-01-2010 to 31-12-2010
3. Report of the Auditor General on the Accounts of the Corporation for the year ended 31-10-2010
4. Comments of the Corporation on the Report of the Auditor General.

I remain,
Yours faithfully,

Hudson Samarasinghe
Chairman
Sri Lanka Broadcasting Corporation
Colombo – 07

10-02-2012

Sri Lanka Broadcasting Corporation

01. Vision - Fulfilling the pioneering Public Service Broadcasting obligations in the Sri Lankan media field.

02. Mission - Carrying out radio broadcasting in such a manner as to improve the quality of life of the listeners by way of developing their skills, knowledge and attitudes relating to various fields such as economic, social, cultural, ethical, educational and entertainment

03. Objectives -

1. Continuing to function as the broadcaster maintaining the highest listenership for Sinhala, Tamil and English radio channels.
2. Continuing to function as the premier broadcaster that provides reliable, balanced, information promptly in attractive formats.
3. Producing and presenting high quality, creative programmes for the advancement of indigenous culture.
4. Providing essential training to develop a self-motivated workforce with ample skills, knowledge and attitudes.
5. Updating our production and transmission technology appropriately to provide a clear, strong broadcast output to local and overseas listeners.
6. Functioning as the pioneering institution to foster a meaningful broadcast media culture conforming to a Code of Ethics.
7. Contributing creatively as the national radio network to inform the public about the implementation of State policies and development programmes.
8. Maintaining optimum financial management as well as human resource management.
9. Winning the competitive market strategically.

Administrative Report – 2010

Administrative Report 2010

Introduction

This report is issued for the period of 12 months from 01st January -31st December 2010 and the Board of Directors are stated below for that particular period.

1. Mr.Hudson Samarasinghe – Chairman
2. Mr. Saman Ediriweera - Member
3. Mr. Kumaradasa Saputhanthri- Member
4. Mr. M Sharwananda – Member
5. Dr. Harischandra Wijethunge- Member
6. Miss. M.I Vishaka Amarasekera – Treasury Representative

Administrative Report

The Sri Lanka Broadcasting Corporation, with the biggest radio network and operating many local and international channels, is the pioneer in broadcasting in the country. Substantial progress has been made in the year 2010 in enhancing the knowledge and understanding of our audiences and providing quality entertainment as the national broadcaster.

The National Service, one of the leading Channels of the Corporation, has continued to present its programs catering to specific needs of the audiences. The series of Buddhist sermons, previously broadcast twice a week, was rescheduled this year to broadcast daily from 8.00-9.00 a.m to 8.00-9.00 p.m. with the aim of promoting a civilized and virtuous society. This year, the 'Sandhya Sevaya' (Evening Service) program has been produced under sponsorship by the Agriculture Department, and broadcast daily from 6.30-7.00 p.m. except Mondays and Tuesdays, combined with all Regional Services. In parallel with the concept "Api wawamu rata nagamu" the aim of the programme was to provide media support towards making "Mahinda Chinthana" a reality. The one-hour program "Sara Sanwada" focusing on daily significant events as well as current information continued to be broadcast this year. The program "Vidatha" aimed at providing computer literacy for success in the world of technology has drawn the attention of listeners. 'Lama Pitiya' program was broadcast in the year 2010 to promote the talents of younger generations in the island. 'Saraswathi Mandapaya', children's drama and children's musical program continued to be broadcast with creative presentations this year. 'Sarala Gee', 'Newum Gee', 'Ruwan Tharaka' and 'Padyawaliya' programs were broadcast over the National Service providing high quality entertainment to the listeners. The National Service has broadcast programs such as ‘Mihithalaya’, ‘Poojitha Jeewitha’, ‘Padyawaliya’, ‘Wedikawen Guwanata’, ‘Isuru Piyasa’, ‘Jeewithaya Jayagamu’, ‘Haritha Suwa’ and ‘Sama Sandeshaya’ enhancing its quality in year 2010.

The Commercial Service, broadcast over 7 frequencies, has presented many programs in year 2010 with greater coverage. ‘Samuduraka Asiriya’, ‘Rata Yana Atha’, ‘Pana Puthra Samaga Horawak’, ‘Sonduru Hendewa’, ‘Mahajana Handa’, ‘Aradhana Swara Dehena’, ‘Deshiya Ayurweda Hela Osuwa’ are some of the significant programs. Programs such as ‘Towards 2010: Decade of Prosperity’, ‘Renaissance Country’ and ‘A Page from the Past’ raised People’s awareness about development in the country, giving priority to needs of the times after thirty years of war. Focusing on the meaning of freedom, listeners were educated on their national responsibility this year through series of programs such as ‘Nayaka Asin Dutu Nidahasa’ and ‘Nidahas Udanaya’. In addition, the programs ‘Buddha Rashmi’, ‘Poson Pooja Kalapaya’, ‘Samma Ajeewa’ were eminently designed to enhance the inspiration on Buddhism.

Past memories of the Commercial service were highlighted in the program ‘60 Years of Commercial Service’ on 30 September 2010, the 60th anniversary of the Commercial Service. Special program on the State mission of His Excellency President Mahinda Rajapakse in year 2010 ‘Janapathi Dinapotha’ was broadcast on 31 December 2010.

‘Hitha Mithuru Sulanga’, ‘Gee Ama Dahara’, ‘Wasanthayata Ida Harinna’, ‘Pittaniye Sathi Anthaya’, ‘Lassana Udesana’ are some of the new programs introduced by the City FM at the beginning of 2010. The special musical programs ‘Miyuru Kalpana’ and ‘Weyum Ama’ have won high accolades from the audiences. The content of the ‘Ratama Katha Karai’ program was changed to include market price and current information, connect regional reporters and help to maintain the stability of the market. A daily series of Buddhist sermons called ‘Sathyawalokanaya’ was started by City FM, going on air from 5.00-5.45 a.m. City FM operated throughout the day achieving marketing goals, as well as catering to hopes and aspirations of youth.

Events attended by His Excellency President Mahinda Rajapakse were covered by the Presidential Unit. Initiatives have been taken to broadcast live programs focusing on ‘Api Wawamu Rata Nangamu’, ‘Maga Nenguma’, ‘Negenahira Navodaya’ and ‘Uthuru Wasanthaya’ under the ‘Mahinda Chinthana’ agenda. “Gamdora Waruna” is another live program produced by the Presidential Unit in parallel with “Maga Nenguma national development program. Purpose of this program is to contribute as a development communication medium in the effort to address people's problems and difficulties and provide solutions.

The prime mission of the SLBC News Division is to enlighten people on official Press Releases and development activities. The News Division provides 24 hours' news broadcast in three languages. Main news is collected by staff and Regional Reporters in addition to Internet and international news sources. The 'Subharathi' program broadcast daily over Sinhala National Service from 7.00 - 8.00 a.m., is a production of the Current Affairs Unit under the News Division. Overcoming long-running shortages and optimizing physical resources in the Newsroom has been a significant achievement this year. Another important proposal was made to recruit graduates in order to compensate for the inadequacy of human resources in the Division. Steps have been taken in the year 2010 to create a congenial working environment in the Newsroom so as to enhance staff productivity.

Many innovative musical programs which were started in year 2010. The "SLBC Orchestra", a new western music band, was formed this year in accordance with a concept of Chairman Mr. Hudson Samarasinghe, fulfilling a huge inadequacy in the Music Division. This year, after a lapse of many years, the SLBC resumed auditioning artistes for 'light songs'. Efforts have been made to revive 'Baila' music, a genre that has been distanced gradually from society. Workshops were conducted with the participation of selected "baila" artistes, and the Music Division has endeavoured to present their musical programs innovatively with the help of new technology.
Educational programs were broadcast targeting students as well as the general public. Some important examples among these are 'Sinhala Sahithya Rasawindanaya', 'Samanya Janathawata Ingreesi', 'Katha Karana Demala Bhashawa' and Subject-oriented programs broadcast on Fridays and Saturdays, 'Shishathwa Perahurauwa' based on year 5 scholarship examination. The "Poorwa Sarasawi" programme designed as an educational guide for Advanced Level students, won recognition as the best educational program in the Asian Media Awards Festival 2010. The 'Geethawalokanaya' program, a pathway for schoolchildren to learn songs of genuine artistic value, is a production of the Education Service.

Special attention has been given to optimize Regional and Community Services of the SLBC this year. The 'Girandurukotte Community Service' was reorganized as 'Radio Dambana' on 22.02 2010 and with upgraded reception quality. 'Radio Dambana' has been specifically designed to cater to the needs of indigenous (Veddah) Communities. The 'Rajarata Service' of SLBC has accomplished an outstanding Mission as a national channel safeguarding its identity and promoting social development. People's health, education and entertainment-oriented programs productions were another important step. Substantial progress has been achieved by 'Vayamba Handa' and 'Ruhunu Service' in this year.

The following measures have been taken by the Engineering Division to upgrade listening quality of all services of the SLBC in the year 2010.

- Setting up of central airconditioning system for all studios in Colombo head office.
- Starting program productions in Irattaperiyakulam, Vavuniya studio complex.
- Upgrading the Madukanda Transmission Station to cover the Mannar District.
- Installation of a 27 kW generator in Matara regional studio complex
- Setting up of a computerized Sever Room in the Colombo Head office.
- Transmitting All Asia Services and Middle East services over Deutsche Welle Transmission Station.
- Utilization of the Kokavil Transmission of SLBC.
- Installation of 25 kW medium wave transmitter in Puttlam transmitting station.

Statement of Accounts – 2010

BALANCE SHEET

As at 31st December 2010

Assets	Notes		31.12.2010 Rs.		Restated 31.12.2009 Rs
Non Current Assets					
Property, Plant & equipment	8		837,078,001		606,377,132
New FM Project work in progress		-		139,843,184	
Investment in Lanka Puwath Ltd.	9	1,000,000	1,000,000	1,000,000	140,843,184
Current Assets					
Inventories (Consumable)	10		26,757,117		87,110,788
Debtors - sale of Air Time		196,203,459		182,296,444	
(Less: Provision for bad debts.)		(58,186,429)	138,017,030	(55,739,716)	126,556,728
Staff Loans, Advances Goods in Transit	11		41,128,538		42,267,713
Miscellaneous debtors	12		45,091,131		39,264,590
Other Deposits			9,422,582		7,706,917
Cash, Bank Balances & Deposits on call	13		94,344,635		61,495,993
			354,761,033		364,402,729
Total Assets			1,192,839,033		1,111,623,045
Equity and Liabilities					
Capital & Reserve					
Capital		307,386,085			307,386,085
Capital Reserve		3,900,003			3,900,003
Revaluation Reserve		14,421,999			
Revenue Reserve		13,001,061	338,709,148		(25,019,808)
			338,709,148		286,266,280
Non Current Liabilities					
Provision for Gratuity	14	154,469,646			173,752,661
Loan (T.W.R.)	15				3,193,908
Deferred Income (Japan Grant)	16	109,213,811			116,490,680
Government Grant	17	248,767,202			236,406,383
Lease Account (Motor Vehicles)	18	16,671,355			115,131
			529,122,014		529,958,763
Current Liabilities					
Creditors - Sales of Air Time	19	124,497,945			117,247,393
Miscellaneous Deposits (Refundable)		9,575,202			4,764,969
Lease Account (Motor Vehicles)	18	4,496,426			798,841
Accruals, Advances & Sundry creditors	20	186,438,298			172,586,798
			325,007,872		295,398,001
Total Capital & Liabilities			1,192,839,033		1,111,623,045

Hudson Samarasinhe
Chairman
SLBC

Upali Jayalath
D.D.G.(Finance)
SLBC

INCOME STATEMENT
For the year ended 31st December 2010

	Notes	31.12.2010 Rs.		31.12.2009 Restated Rs.	
Revenue	1		504,636,711		456,955,998
<u>Add</u>					
Other operating income	2		319,085,118		394,661,765
Gross Revenue			**823,721,829**		**851,617,763**
<u>Less</u>					
Distribution Cost	3	56,560,161		47,380,316	
Administration Expenses	4	443,392,433		433,770,083	
Operating Expenses	5	275,986,153		254,053,375	
			775,938,748		735,203,774
Profit (Loss) before finance cost			**47,783,082**		**116,413,989**
<u>Less</u>					
Finance Cost	6	9,762,213	9,762,213	7,834,334	7,834,334
Profit/Loss before Taxation			**38,020,869**		**108,579,655**
Taxation					
Profit/Loss after Taxation			**38,020,869**		**108,579,655**
Balance B/F from previous year			(25,019,808)		(133,599,463)
Balance Carried Forward			**13,001,061**		**(25,019,808)**

CASH FLOW STATEMENT

For the year ended 31st December		2010		2009 Restated
Cash flow from operating activities				
Net profit before interest and tax		**38,020,869**		**108,579,655**
Adjustment for				
Provision for Income (Nivahana & Others)			(5,675,720)	
Amortization of government grant	(93,452,441)		(91,342,476)	
Effect on exchange rate	(117,752)		668,600	
Depreciation	77,949,423		48,265,157	
Provision for gratuity	3,566,675		5,854,289	
Provision for bad debts	2,446,712		2,542,176	
Profit/ Loss on disposal of assets	(2,343,665)		(1,464,590)	
Lease Interest	3,335,651		172,696	
ESC	5,779,257	**(2,836,140)**	5,132,753	**(35,847,114)**
Operating profit before working capital				
Increase/ Decrease in Other deposits	(1,715,666)		(184,000)	
increase/ Decrease in inventories	60,353,671		(11,895,415)	
Increase/Decrease in Debtors	(13,907,014)		(15,461,370)	
Increase/ Decrease in Staff loan, advance, GIT	1,139,175		(9,774,570)	
Increase/ Decrease in Mis. Debtors	(5,826,541)		(31,664,139)	
Increase/Decrease in Creditors	7,250,552		4,210,082	
Increase/Decrease in mis. deposit(refundable)	4,810,233		370,500	
Increase/Decrease in Accruals, advances and sundries	10,477,924	**62,582,334**	24,672,213	**(39,726,699)**
		97,767,063		**33,005,842**
Gratuity paid	(22,849,690)		(15,152,583)	
ESC Paid	(2,405,681)			
		(25,255,371)		(15,152,583)
Net cash from operating activities		**72,511,692**		**17,853,259**
Cash flow from investing activities				
Government Grant	100,000,000		90,000,000	
Sale of assets	2,343,665		9,002,590	
Purchase of property, plant and equipment	(131,739,965)		(40,436,060)	
Payment of lease rental	(7,072,842)		(901,036)	
Net cash used in investing activities		**(36,469,142)**		**57,665,494**
Cash flow from finance activities				
TWR Loan repayment	(3,193,908)		(38,910,688)	
Net cash from finance activities		**(3,193,908)**		**(38,910,688)**
Net I*ncrease/* Decrease in cash and cash equivalents		**(32,848,642)**		**36,608,064**
Cash and cash equivalents at beginning of period		**61,495,993**		**24,887,929**
Cash and cash equivalents at end of period (note 13)		**94,344,635**		**61,495,993**

Sri Lanka Broadcasting Corporation

Statements of Changes in Equity for the Year Ended 31st December, 2010

	Stated Capital Rs.	Capital Reserve Rs.	Revaluation Reserve Rs.	Accumulated Profit/Loss Rs.	Total Equity Rs.
Balance as at 1st January,2009	307,386,085	3,900,003		(766,165,361)	(454,879,273)
Adjustment Note - 21(iii)				(5,014,092)	(5,014,092)
Profit/Loss for the year				108,579,655	108,579,655
Balance as at 31st December,2009 Restated	307,386,085	3,900,003		(662,599,798)	(351,313,710)
Adjustment (as per SLAS 24) - Note 21(i,ii)				637,579,990	637,579,990
Balance as at1st January,2010	307,386,085	3,900,003		(25,019,808)	286,266,280
Profit/Loss for the year				38,020,869	38,020,869
During the year revalue the motor vehicles.			14,421,999		14,421,999 -
Balance as at 31st December,2010	**307,386,085**	**3,900,003**	**14,421,999**	**13,001,061**	**338,709,147**

Revaluation reserve relates to surplus on revaluation of motor vehicles.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2010

1.1 General

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

1.2 **Principal Activities and Nature of Operations**

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

1.3 **Date of Authorization for Issue**

Financial Statements of Sri Lanka Broadcasting Corporation for the year ended 31st December 2010 was authorized for issue on 14th September 2011

1.4 **Number of employees**

The number of permanent employees at the end of the year was 861.
(31.12.2009 – 911)

2.0 SUMMARY OF SIGNIFICANT ACCOUNTING

2.1 General policies

Basis of preparation

The Balance Sheet, Statement of Income, Changes in Equity, Cash Flow, together with Accounting policies and Notes, (“Financial Statements”) of the Sri Lanka Broadcasting Corporation as at 31st December 2010 and for the year then ended, comply with the Sri Lanka accounting standards.

These financial statements presented in Sri Lanka Rupees had been prepared on a historical cost convention.

2.2 Comparative Information

The Corporation has consistently applied accounting policies and is consistent with those used in the previous year. Previous year’s figures have been restated wherever necessary to confirm to the current year’s presentation.

2.3 Foreign currency transaction

All transactions involving foreign exchange are converted into Rupees at the rate of exchange prevailing at the time such transactions were arisen. All assets and liabilities denominated in foreign currency at the balance sheet date are converted at exchange rates prevailing on that date. Any gain or losses resulting from conversion is dealt with in the income statement.

2.4 Taxation

(a) Current taxes

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provision of the **Inland Revenue Act No: 38 of 2000 and amendments there too**. The Corporation is entitled to income tax rate 35% on the profit derived from the income.

(b) Deferred taxation

Deferred taxation is provided on the liability method .The tax effect of all temporary differences, which occur where items are allowed for income tax purposes in a period different from that when they are recognized in financial statements is included in the provision for, deferred taxation at effective rates of taxation.

Deferred tax assets are recognized for all deductible temporary differences and carry-forwarded of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused tax loses can be utilized. The carrying amount of deferred tax assets is review at each balance sheet date and reduced by the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the differed tax assets to be utilized.

2.5 Events occurring after the Balance sheet date

All material events occurring after the Balance sheet date are considered and where appropriate adjustments or disclosures had been made in the financial statements.

2.6 Borrowing cost

Borrowing cost are recognized as an expenses in the period in which they are Incurred

2.7 Inventories

Consumable inventories are stated at the purchase price. Provision is made where necessary, for obsolete, slow-moving and defective inventories.

3. Valuation of Assets and their measurement bases

3.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

The cost of property, plant and equipment is the cost of purchase or construction together with any expenses incurred in bringing the assets to their working condition or for its intended use.

Any subsequent expenditure incurred is capitalized only when it increases the future economic benefits of property, plant and equipment. All other expenditures are charged to income.

Any revaluation surplus is credited to the revaluation reserve include in the equity section of the balance sheet, except to the extent that it reverse a revaluation decrease of the same asset previously recognized in profit or loss, In which case the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except that a deficit directly offsetting a previous surplus on the same assets is directly offset against the surplus in the asset revaluation reserve.

3.2Depreciation

During the year the mode of depreciation was changed from written down value basis to straight line basis. Therefore profit was effected by Rs : 31,313,513. The depreciation rates are as follows:

Name	Depreciation Rates
Building	2.5%
Plant and Machinery	7.5%
Musical Instrument	10%
Motor vehicles	25%
Furniture, fixture and Equipment	10%
Record Tapes	33.33%
Audio Frequency	7.5%
Transmitters	7.5%
Computer Equipment	50%
Loose Tools	50%

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

3.3 (a) Leases

Finance Leases

Property, plant & equipment on finance leases, which effectively transfer to the Corporation substantially all of the risk and benefits incidental to the ownership of the leased item are capitalized at their cash price and disclosed as Property, plant & equipment and depreciated over the period the corporation is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve constant rate of interest on the remaining balance of the liability. The interest payable over the period of the lease is transferred to an interest in suspense accounts. The interest element of the rental obligations applicable to each financial year is charged to the statement of income over the period of the lease-using sum of digits method.

The cost of improvements to or on leasehold property is capitalized, disclosed as leasehold improvements, and depreciated over the unimpaired period of the lease or the estimated useful lives of improvements, whichever is less.

3.4 Trade and other receivables

Debtors and other receivables are stated at the values estimated to be realized after providing for bad and doubtful debts.

3.5 Cash and Cash Equivalents

The Cash Flow Statement has been prepared using the indirect method. Cash and Cash Equivalents are defined as cash in hand, demand deposit in banks and short-term highly liquid investments. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, deposits in banks, short-term highly liquid investment and outstanding bank overdrafts.

4. Liabilities and Provisions

Liabilities classified as current liabilities on the balance sheet are those, which will fall due for payment on demand or within one year from the balance sheet date. Items classified as long term liabilities will fall due for payment one year after the balance sheet date

4.1 Trade and other Payables

Trade and other Payables are stated at the cost.

4.2 Capital Commitment and Contingencies

Capital commitment and Contingencies of the corporation have been disclosed in the respective notes to the accounts

4.3 Retirement Benefit Obligations

4.3.1 Defined Benefit Plan- Retiring Gratuity

Gratuity is a defined benefit plan. The Corporation is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried forward in the balance sheet, in a manner computed using the prescribed formula in appendix E of SLAS 16 (revised). The resulting difference between brought forward provision at the beginning a year, net of any payments made and the carried forward provision at the end of a year is dealt with in the income statement. The principle assumptions used were as follows:

Discount rate	8.15 %
Expected Salary increment rate	5.00 %
Staff Turnover rate	6.00 %

The gratuity liabilities is funded nor actuarially valued. This item is grouped under Non Current Liabilities in the Balance Sheet.

4.3.2 Defined contribution plans- Employees Provident Fund contribution and Employee's Trust fund.

Employees are eligible for Employees' Provident Fund contribution and Employees' Trust Fund contribution in line with respective statutes and regulations. The corporation contributes 15% & 3% on gross emoluments of employees to employees' Provident Fund & Employees' Trust Fund respectively.

4.3.3 Government Grant

Government grant, which is recognized in the financial statements only upon receipt, are initially shown in the balance sheet under non-current liabilities & deferred income. Payments made are claimed against the grant and the amount unutilized is shown in the balance sheet.

Grant related to property, plant & equipment are allocated to income in a systematic basis over the straight line basis of the property, plant & equipment as follows.

Name	Amortization Rates
Building	2.5%
Plant and Machinery	7.5%
Motor vehicles	25%
Furniture, fixture and Equipment	10%
Record Tapes	33.33%
Audio Frequency	7.5%
Transmitters	7.5

5 Income statement

5.1 Revenue and Expenses

5.1.1 Turnover

The turnover of the Corporation represents the invoice value of sale of airtime.

5.1.2 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefit will flow to the corporation and revenue can be reliably measured

Gains or losses of a revenue nature on the disposal of Property, plant and equipment are accounted in the income statement.

Interest income is recognized on accrual basis.

Other income is recognized on accrual basis.

5.1.3 Expenditure Recognition

Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earnings of specific items of income.

1. All expenditure incurred in the running of the business and in maintaining the Property, plant & equipment in a state of efficiency have been charged to revenue in arriving at the profit/loss for the year.
2. For the purpose of presentation of income statement, the Board of Directors is of the opinion that function of expenses method presents fairly the elements of the Corporation's performance, and hence such method is adopted.

6 Related party transactions

There are no related party transactions during the period of these financial statements.

Name	Designation	Related party Transaction
Mr. Hudson Samarasinha	Chairman	No
Dr. Harischadra Wijethunga	Board Member	No
Mr. Kumaradasa Saputhanthri	Board Member	No
Mr. Manoge Pieris	Board Member	No
Mrs.Dharshana Senanayake	Treasury Member	No
Mr. Samantha Waliveriya	Director General	No
Mr. Erananda Hettiarachchi	Add. Director General	No

Notes to the Financial Statements

1 **Revenue**

	2010	2009
Sale of Air Time- Asia Service	31,560,998	34,650,536
Sale of Air Time- T.W.R.	114,901,933	121,375,436
Sale of Air Time -N.H.K.	-	-
Sale of Air Time- Local Service	309,676,854	291,768,314
Production Charges - Asia Service	-	-
Production Charges - Local Service	4,051,097	3,740,118
Obituary Notices	5,635,647	5,421,594
Sale of Air Time- BBC	22,945,756	-
Sale of Air Time- FEBA	1,618,728	
Sale of Air Time- Family Radio	14,083,197	
City & Guilt Course Fees	162,500	
	504,636,711	**456,955,998**

2 **Other Income**

-	2010	2009
Sale of Corporation Publications	56,039	185,341
Interest on Loans & Others	3,436,783	5,388,748
Miscellaneous Income (Other)	25,059,337	16,261,005
Fines from Advertising Agents for Returned Cheque	22,950	73,500
House Rent	6,310	17,378
Income from Circuit Bungalow - Niwahana & Ambewella	702,168	3,401,109
Special Recording	169,194	306,343
Rent on Canteen	0	0
Radio Deutsche Welle Lease Hire & Service Charges	31,719,960	23,519,400
Penalty for Late Licensing	1,954	6,084
Licensing of Importers, Dealers, Assemblers & Repairers of Radio Receivers	2,048,525	2,595,434
Sale of Cassettes	10,046,408	4,557,314
Fine Account	19,384	7,632
Govt. Grant for License Fees	150,000,000	247,000,000
Sale of Land	2,343,665	
Amortization of government Grant & Japan Grant	93,452,441	91,342,476
	319,085,118	**394,661,765**

2.1 Rs.150 million received from the government as grant in lieu of radio license in cancellation.

3 **Distribution Cost**

-	2010	2009
Commission on Sale of Air Time (Local)	44,028,961	38,072,104
Commission on Sale of Air Time (Foreign)	4,539,790	4,281,000
Urgent Scheduling Fees	31,625	31,625
Provision for bad and doubtful debts	2,446,712	2,542,176
Royalties Expenses	(230,720)	300,000
Business Promotion expenditure	5,743,792	2,153,410
	56,560,161	**47,380,316**

4 Administrative Cost

-	2010	2009
Allowances - Chairman & Members of the Cur	570,000	901,500
Salaries, Wages & Allowances	291,910,275	301,137,281
Contribution to EPF & ETF	51,208,540	50,811,378
Overtime to Staff	17,229,266	17,262,219
Relief Staff	45,921,218	31,832,060
Emoluments to Contract Staff	4,368,448	4,953,750
Staff training Charges (Local)	1,073,825	14,715
Travelling and Subsistence-(Foreign & Local)	1,615,040	1,964,375
Holiday pay	3,599,764	3,127,279
Gratuity	3,566,675	5,854,289
Entertainment by Chairman	410,521	193,363
Entertainment by Director General	152,156	130,876
Welfare	3,696,177	2,104,723
Medical Service	298,227	335,930
General Charges	3,975,253	2,231,115
Rent Rate & Taxes	5,280,673	6,172,583
Insurance	1,683,579	747,679
Audit fees	600,000	1,862,973
Legal Fees	2,524,978	648,582
Publications & Periodicals	561,342	617,295
Penalty for Gratuity, Courts case & Other etc.	3,146,478	866,118
	443,392,433	**433,770,083**

4.1 The Corporation had incurred Rs.1,073,000.00 in respect of broadcasting of obituary notices of relatives staff members for the year 2010. These notices were broadcast in accordance with the approved scheme in force. This was the practice adopted by the Corporation every year.

4.2 **Pending legal cases**

There are seven pending Court Cases against the Sri Lanka Broadcasting Corporation for the year 2011 to date as indicated below:

Labour Tribunal Cases	2
Court of Appeal Cases	2
Arbitration Cases	3

Reinstatement, back wages and compensation are requested by the applicants for the Labour Tribunal Cases.

As per the order of the Colombo District Court Case No.23089/MR, the Corporation has to make a payment of Rs.10,000,000/- to the Plaintiff, but the Corporation has appealed against this order to the Court of Appeal.

There are three Arbitration Cases pending at the Labour Department. In one Arbitration matter, three applicants request for payment of Rs.50,000/- per person and other grants given by the Arbitrator due to an anomaly created in the Voluntary Retirement Scheme 2001. The other two Arbitration matters are related to promotions and permanency of posts.

5 **Other Operating Cost**

-	2010	2009
Programme Expenditure	4,154,828	1,757,168
Contribution to Outside Broadcasting Organizations	478,296	478,296
News Service & News Summaries	1,225,953	1,450,130
Advertising and Publicity	6,901,399	2,681,574
Electricity and Power	105,460,213	91,618,421
Postage, Telegrams & Telephones (I) to (ii)	10,625,152	11,010,573
Printing & Stationery	5,124,905	4,429,421
Motor Vehicle running expenses	8,905,074	8,772,767
Repairs and Maintenance of Broadcasting equipment	14,084,933	32,736,132
Repairs and Maintenance of Musical Instruments	24,878	15,230
Repairs and Maintenance of Furniture fix & fittings	603,619	1,426,015
Repairs and Maintenance of Building & Garden	7,282,015	21,911,981
Depreciation	77,949,423	48,265,157
Private Security Service	169,000	73,600
Audience Survey& Market Research		9,800
Cassettes expenditure	1,647,381	2,557,367
Vehicle hiring Charges	22,901,863	19,585,828
Hirer of satellite Fees	2,500,000	
Economic Service charges	5,779,257	5,132,753
Stamp duty	167,966	141,162
	275,986,153	**254,053,375**

6 **Finance Cost**

	2010	2009
Bank Charges	619,607	159,775
O.D. Interest	5,847,394	6,707,594
Debit Tax	34,176	76,681
Gain/(Loss) on Exchange	(117,752)	668,600
Credit Card Commission	43,137	48,989
Lease Interest	3,335,651	172,696
	9,762,213	**7,834,334**

7 Income tax expenses

	2010	2009
Accounting Profit/Loss	**38,020,869**	**108,579,655**
Add		
Disallowable items		
Depreciation	77,949,423	48,265,157
Provision for bad debts	2,446,712	2,542,176
Provision for Gratuity	3,566,675	5,854,289
Entertainment	562,677	324,239
Amortization of Government Grant	(93,452,441)	(91,342,476)
Economic Service Charges	5,779,257	5,132,753
Provision for Niwahana income and others		(5,675,720)
	(3,147,697)	**(34,899,582)**
Less		
Allowable expenses		
Capital Allowance	60,841,480	28,154,105
Lease Rental	7,072,842	901,036
Gratuity payment	22,849,690	15,152,583
Government Grant	150,000,000	247,000,000
	240,764,012	**291,207,724**
Taxable profit/loss	**(205,890,840)**	**(217,527,651)**
Tax losses brought forward	2,239,550,245	2,655,577,903
Total tax losses carried forward	**2,033,659,405**	**2,438,050,252**

The corporation is liable for income tax at the rate of 35% on profit derived from the income. However no provision had been made in these financial statements on account of income taxes in view of adjusted in view tax losses of the corporation.

8.1 Property, Plant & Equipment

Gross Carrying Account At Cost	Balance as at 01.01.2010 Rs.	Additions/ Transfers Rs.	Disposals/ Transfers Rs.	Balance as at 31.12.2010 Rs.
Land	7,713,229			7,713,229
Building	161,781,504	4,474,042		166,255,546
Plant & Machinery	554,858,632	9,214,606		564,073,238
Musical Instruments	6,569,890	103,200		6,673,090
Motor Vehicles	1,820,000		9,596,000	11,416,000
Furniture, Fixtures & Office Equipment	124,465,398	1,880,719		126,346,117
Records & Tapes	24,470,071	43,850		24,513,921
Audio Frequency Equipment	732,507,814	111,124,938		843,632,752
Transmitters	1,130,967,246	136,264,941		1,267,232,187
Computer equipment	16,950,857	7,102,338		24,053,195
Library Books	419,860	8,955		428,815
Loose Tools	71,852	19,703		91,555
	2,762,596,352	**270,237,293**	**9,596,000**	**3,042,429,645**
8.2 **Assets on finance leases**				
Motor Vehicles	**3,275,000**	23,991,000	**(269,001)**	26,996,999
	3,275,000	**23,991,000**	**(269,001)**	**26,996,999**
Total	**2,765,871,352**	**294,228,293**	**9,326,999**	**3,069,426,644**

8.3

Depreciation	Balance as at 01.01.2010 Rs.	Charge for the period/ Transfers Rs.	Disposals/ Transfers Rs.	Balance as at 31.12.2010 Rs.
Building	96,716,735	3,761,911		100,478,646
Plant & Machinery	449,948,370	4,936,866		454,885,236
Musical Instruments	6,050,977	406,513		6,457,490
Motor Vehicles	5,095,000	4,498,312	5,095,000	4,498,312
Furniture, Fixtures & Office Equipment	71,684,896	12,718,591		84,403,487
Records & Tapes	24,052,098	424,960		24,477,058
Audio Frequency Equipment	646,115,868	16,467,979		662,583,847
Transmitters	851,232,033	23,988,603		875,220,636
Computer equipment	8,527,082	10,739,251		19,266,333
Loose Tools	71,162	6,437		77,599
Total	**2,159,494,221**	**77,949,423**	**5,095,000**	**2,232,348,644**

8.4

Net Book Values **At Cost**	**2010** Rs.	**2009** Rs.
Land	7,713,229	7,713,229
Building	65,776,900	65,064,769
Plant & Machinery	109,188,002	104,910,262
Musical Instruments	215,600	518,913
Motor Vehicles	33,914,688	0
Furniture, Fixtures & Office Equipment	41,942,630	52,780,502
Records & Tapes	36,863	417,973
Audio Frequency Equipment	181,048,905	86,391,946
Transmitters	392,011,551	279,735,213
Computer equipment	4,786,862	8,423,775
Loose Tools	13,956	690
Library Books	428,815	419,860
Total	**837,078,001**	**606,377,132**

9 The Corporation invested Rs. One million in Lanka Puwath Ltd.

10 Inventories

	2010	2009
Stationary & office equipment	392,374	288,467
Radio & electrical sets	228,952	34,113,545
Motor spares	735,235	1,286,728
General spares	1,776,415	1,972,507
Inventory stocks control account	6,215,155	28,188,326
Diesel & power	705,128	3,179,938
Cassettes & CD's	6,707,148	4,707,148
Sub stores-Ekala	9,996,710	12,864,696
Sub stores-Hunnasgiriya	-	3,318
Sub stores-Uda Radalla	-	
Sub stores-Puttalam	-	2,004
Sub stores-Haputale	-	2,913
Sub stores-Seeduwa	-	-
Sub stores-Jaffna	-	
Sub stores-Ruhunu sevaya	-	887
Sub stores-Galle	-	-
Sub stores-Rajarata sevaye	-	261,685
Sub stores-Ampara	-	-
Sub stores-Kandurata sevaya	-	43,444
Sub stores-Senkadagala	-	-
Sub stores-Mannar	-	-
Sub stores-Deniyaya	-	157,831
Sub stores-Vauniya	-	
Sub stores-Yatiyantota	-	
Sub stores-Karagahatanna	-	36,257
Sub stores-pulathisirawaya	-	580
Sub stores-Ferrai FM (akkarapattu)	-	516
Sub stores-Wanni sewaya	-	-
	26,757,117	**87,110,788**

11 Staff Loans, Advances and Good in Transit

	2010	2009
Goods in transit	12,768,174	15,854,872
Loans to Staff	7,967,217	9,227,445
Other advances to staff	15,741,171	12,919,102
Staff Debtors E.P.F.	347,181	387,391
Payments in advance	259,661	681,486
Advance payment to Suppliers	4,045,134	3,193,917
Salaries & wages advance A/C	-	3,500
	41,128,538	**42,267,713**

12 Miscellaneous Debtors

	2010	2009
Sundry Creditor T.W.R.	-	(209,079)
Current A/C with I.T.N.	-	-
Sundry Debtors	11,662,464	8,356,628
Dishonored Cheques	3,088,437	3,921,506
P.M.G. current a/c - Obituary notices	7,936,123	7,914,213
Death Donation a/c	91,690	(49,070)
Insurance claims pending	-	-
Goods Lost and Damage in transit	-	-
Branch Account with Lakhanda	12,807,862	12,807,862
G.S.T. Control Account	109,575	109,575
With Holding Tax	(124,962)	(179,769)
P.M.G. Current A/c Radio License fees	195,700	195,700
Suspense A/c	221,965	221,965
Suspense A/c (Shroff)	111,808	111,809
Suspense A/c (ME Azam)	5,713,250	5,713,250
75th Anniversary	-	-
Niwahana advance a/c	-	-
Payment in advances (compensation)	350,000	350,000
Differed income	2,927,219	
	45,091,131	**39,264,590**

13 Cash and bank balances

	2010	2009
Bank of Ceylon - Giraduru Kotte		
Bank of Ceylon - Matara	642,329	466,180
Bank of Ceylon - Corporate Branch		16,165
People's Bank International Division	8,619,388	1,963,863
Bank of Ceylon - Torrington - 265	(9,364,327)	(29,426,495)
State Bank of India	3,434,090	1,848,623
Bank of Ceylon - Anuradhapura	426,449	415,999
Bank of Ceylon - Kandy	1,131,992	1,008,427
Nation's trust Bank	1,892,810	9,576,270
Bank of Ceylon - Torrington -307	1,724,483	2,840,387
Bank of Ceylon - Torrington -316	120,695	33,195
Cash Imprest	607,055	882,986
Bank of Ceylon - Torrington 339	190,479	9,443,575
Bank of Ceylon - Madras	76,896	76,896
Commercial Bank - Duplication Rd.	254,129	186,366
Bank of Ceylon - Kothmale	215,908	215,908
Saving A/c (BOC) Torrington	72,872	70,019
Bank of Ceylon - Torrington -014(Sanasuma)	350,443	410,503
Margin A/c	2,704,188	447,127
Fixed Deposit	81,242,200	61,020,000
Bank of Ceylon - Yaldevi	2,557	
	94,344,635	**61,495,993**

14 Retiring Gratuity

	2010	2009
Opening balance	173,752,661	183,050,954
Provision for the year	3,566,675	5,854,289
Payment made during the year	22,849,690	15,152,583
Closing balance	**154,469,646**	**173,752,661**

15 Trans World Radio-Loan

	2010	2009
Opening balance	**3,193,908**	**41,437,096**
Repayment	3,193,908	38,910,688
Exchange loss/gain		667,500
Closing balance	**-**	**3,193,908**

16 Japan Government Grant

Balance as at 01st January 2009	**111,877,031**
Adjustment	12,463,015
Balance after adjustment at the beginning of the year 2009	**124,340,046**
Amortisation for the year 2009	(7,849,366)
Balance as at 31st December 2009	**116,490,680**
Amortisation for the year 2010	(7,276,869)
Balance as at 31st December 2010	**109,213,811**

17 Government Grant

Capital Gift contribution		43,091,132	
Capital Expenditure		125,377,507	
Capital Equipment		29,930,575	
FM project		415,563,987	
Studio Rehabilitation fund		52,035,941	
Micro wave project		61,437,460	
Introduction of dedicated studios		152,505,896	
Balance as at 01st January 2009			**879,942,498**
adjustment			(650,043,005)
Balance after adjustment as at 01st January 2009			**229,899,493**
Addition for the year 2009			
	Capital Expenditure	18,086,944	
	Introduction of dedicated studios	71,913,056	90,000,000
Amortisation for the year 2009			(83,493,110)
Balance as at 31st December 2009			**236,406,383**
Additions for the year 2010			
	Capital Expenditure		100,000,000
Amortisation for the year 2010 (Grant)			(86,175,572)
Amortisation for the year 2010(Differed Exp.)			(1,463,609)
Balance as at 31st December 2010			**248,767,202**

18 Finance Leases

	2010	2009
Finance Leases (Motor Vehicles)	1,086,668	1,987,705
Add during the year	33,652,560	
	34,739,228	1,987,705
Lease Rental	7,072,842	901,036
	27,666,386	1,086,668
Less		
lease Interest suspense A/c	6,498,605	172,696
	21,167,781	913,972
Currant Liability	**4,496,426**	**798,841**
Non Currant Livability	**16,671,355**	**115,131**

19 Creditors

	2010	2009
Sale of air time-	123,252,859	103,077,439
Sale of air time- local (Rajarata Sevaya)	1,058,558	1,203,721
Sale of air time- local (Ruhunu Sevaya)	341	(16,861)
Sale of air time- local (Kandurata Sevaya)	67,334	25,334
Sale of air time- local (Kothmale)	118,854	118,854
Sale of air time- local-BBC		12,838,906
	124,497,945	**117,247,393**

20 Accruals, Advances & Sundry Creditors

	2010	2009
National Security Levy	15,007,806	15,007,806
Accrued Expenses	72,875,501	68,366,042
E.P.F.	2,432,225	2,729,469
Save the Nation Fund	(12,418)	(12,418)
Dues to Government	-	
Dues to Government	-	
Unclaimed Salaries & Wages	549,546	32,788
PAYEE Tax	187,603	196,405
Creditors Control A/C	(259,552)	
Sundry Creditors	3,900,000	3,702,833
Sundry Creditors (Unclaimed cheques)		534,498
Sundry Creditors Rupavahini Corporation		-
Kothmale community Radio Project		-
General Treasury		
National Defense Fund	2,835	2,835
With Holding Tax	(27,074,350)	(21,580,098)
ME's Security Deposit	138,427	119,335
VAT Control A/c	28,390,268	28,374,835
Provision for taxation (ESC)	32,674,912	29,301,336
R.N.T.C.(Radio Netherland)		-
Humanitration Assistant A/c" Tsunami"	350,443	410,503
Nations Building Levy	6,246,930	(875,773)
Stamp Duty Payable		47,555
Radio Deutsche Welle	51,025,565	46,228,845
Construction of Railway Yaldevi	2,557	
	186,438,298	**172,586,798**

21 Government Grant, Japan Grant and other adjustment

Year	Japan Grant Adjustment Difference between final accounts & calculation **(SLAS 24)**	Government Grant Adjustment Differences between final accounts & calculation **(SLAS 24)**	Other Adjustment	Total Adjustment	Profit/Loss	Profit/Loss after Adjustment
	(i)	(ii)	(iii)			
1991	(17,595,934)					
1992	(16,276,238)	-		(16,276,238)	55,561,485	39,285,247
1993	(15,055,520)	-		(15,055,520)	52,890,028	37,834,508
1994	(13,926,357)	-	5,259,265	(8,667,092)	9,505,928	838,836
1995	(12,881,881)	-		(12,881,881)	2,015,826	(10,866,055)
1996	(11,915,740)	-		(11,915,740)	(46,486,704)	(58,402,444)
1997	(11,022,058)	-		(11,022,058)	(38,938,374)	(49,960,432)
1998	(17,686,365)	16,406,655		(1,279,710)	(38,186,450)	(39,466,160)
1999	61,464,655	38,036,341	8,545,066	108,046,063	(158,247,105)	(50,201,042)
2000	47,781,144	50,121,133	(297,048)	97,605,229	(159,907,306)	(62,302,077)
2001	48,804,413	59,318,414	183,523	108,306,350	(146,676,275)	(38,369,925)
2002	44,429,969	65,371,559		109,801,528	(128,540,228)	(18,738,700)
2003	28,109,195	66,024,946	(409,550)	93,724,592	(55,868,695)	37,855,897
2004	(20,787,973)	66,385,602		45,597,630	(24,829,970)	20,767,660
2005	(18,600,894)	66,783,729	(530,924)	47,651,911	(97,857,657)	(50,205,746)
2006	(17,250,692)	70,047,538		52,796,846	(87,216,277)	(34,419,431)
2007	(15,990,303)	72,392,997	(188,287)	56,214,407	(37,370,287)	18,844,120
2008	(14,815,860)	79,154,090	(7,547,954)	56,790,276	(18,225,255)	38,565,021
2009	(13,723,067)	83,493,110		69,770,042	38,283,331	108,053,373

Report of the Auditor General on the Accounts of the Corporation for the Year Ended 31st December – 2010

TM/A/SLBC/FAC/2010 27 November 2011

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 2010 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 2010 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 13(1) of the Finance Act No.38 of 1971 and Section 27 of the Sri Lanka Broadcasting Corporation Act No.37 of 1966. My comments and observations which I consider should be published with the annual report of the Corporation in terms of Section 14(2)(c) of Finance Act appear in this report. In addition, a detailed report in terms of Section 13(7)(a) of the Finance Act had been furnished to the Chairman on 20 April 2011.

1:2 Responsibility of the Management for the Financial Statements

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

1:3 Scope of Audit and Basis of Opinion

My responsibility is to express an opinion on these financial statements based on my audit. Audit opinion, comments and findings in this report are based on review of the financial statements presented to audit and substantive tests of samples of transactions. The scope and extent of such review and tests were such as to enable as wide an audit coverage as possible within the limitations of staff, other resources and time available to me. The audit was carried out in accordance with Sri Lanka Auditing Standards to obtain reasonable assurance as to whether the financial statements are free from material

misstatements. The audit includes the examination on a test basis of evidence supporting the amounts and disclosures in financial statements and assessment of accounting policies used and significant estimates made by the management in the preparation of financial statements as well as evaluating their overall presentation. I have obtained sufficient information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. I therefore believe that my audit provides a reasonable basis for my opinion. Sub-sections (3) and (4) of the 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.

2. Financial Statements

2:1 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Sri Lanka Broadcasting Corporation had maintained proper accounting records for the year ended 31 December 2010 and except for the effects on the financial statements of the matters referred to in paragraph 2.2 of this report, the financial statements have been prepared in accordance with Sri Lanka Accounting Standards, give a true and fair view of the state of affairs of the Sri Lanka Broadcasting Corporation as at 31 December 2010 and the financial results of its operations and cash flows for the year then ended.

2:2 Comments on Financial Statements

2:2:1 Presentation of Financial Statements

The financial statements had been presented to the Auditor General on 01 March 2011 and the revised financial statements had been presented for audit on 23 September 2011.

2:2:2 Accounting Deficiencies

The following deficiencies were observed.

(a) Interest of Rs.181,203 receivable on the investment of Rs.5,722,200 made in the Bank of Ceylon on 6 August 2010 had not been accounted for.

(b) A sum of Rs.130,500 had been understated in the accounts while accounting the interest receivable on investments amounting to Rs.14,500,000.

(c) Electricity charges for the year under review had been understated in the accounts by Rs.91,672.

(d) The sum of Rs.2,343,665 received on sale of land during the year under review had been accounted as income. The profit or loss on sale of land had not been identified and adjusted in the accounts.

2:2:3 Unreconciled Control Accounts

Balance exceeding a total sum of Rs.15,075,113 existed in two accounts while reconciling the balances as per accounts with the balances as per schedule. Meanwhile, the balance as per schedule had exceeded the balance as per Value Added Tax Control Account by

Rs.1,723,668 and the value of the stock as per physical verification reports of the Ekala stores had exceeded the value of the stocks at the Ekala Stores as per financial statements by Rs.4,683,185.

2:2:4 Suspense Accounts

The following matters were observed.

(a) Unidentified balances of Rs.211,965 remaining unsettled for over 21 years had been shown as a balance of suspense accounts.

(b) Cash fraud of Rs.111,809 identified in 2007 had been included in the Unsettled Suspense Account balance.

(c) The unsettled sum of Rs.5,713,250 of a Marketing Executive during the year 2009 had been shown in the accounts as a balance of Suspense Account.

2:2:5 Accounts Receivable and Payable

The following matters were observed.

(a) A sum of Rs.116,247,849 was receivable as at 31 December 2010 on behalf of local advertisements of the Corporation. Of these, a sum of Rs.14,126,933 referred to advertisements pertaining to a period prior to 10 years. The recovery these amounts were in suspense.

(b) The amount receivable on behalf of foreign advertisements as at 31 December 2010 amounted to Rs.79,955,611. Of these, a sum of Rs.1,400,280 referred to advertisement pertaining to a period prior to 1974 and a sum of Rs.46,269,590 referred to advertisements pertaining to 1974 – 1999. No action had been taken to recover these amounts.

(c) The current account maintained with the Lakhanda Broadcast had a debit balance of Rs.12,807,862 since 2004. So far, action had not been taken to recover this amount.

(d) A sum of Rs.350,000 had been deposited in 2005 with regard to a verdict given by a court of law in 2007. Action had not been taken to get this money refunded up to 10 June 2011.

(e) There were debit balances of Rs.109,575 and Rs.195,700 respectively in the Goods and Services Tax Control Account and the current account maintained on behalf of the Post Master General. These had not been recovered and continued to be carried forward since 2001.

(f) The sum of Rs.15,007,806 payable to the National Security Trust Fund continued to be brought forward from 2006 without being settled.

2:2:6 Lack of Evidence for Audit

Documentary evidence in respect of the following matters had not been furnished.

(a) Fifty Seven paid vouchers totally valued at Rs.2,207,844.

(b) Performance reports relating to 27 retired officers had who had been recruited on the basis of paying an allowance of Rs.25,000 per month.

(c) The value of stock at the Head Office amounted to Rs.16,760,407. Proper physical verification of these had not been carried out. As a result, the value of stocks had not been physically confirmed.

2:2:7 Non compliance with Laws, Rules, Regulations and Management Decision

The following non compliances with laws, rules, regulations etc., were observed.

	Reference to Laws, Rules and Regulations etc.	Non compliance
(a)	Finance Act No. 38 of 1971	
	Section 13(2)	Audit fees of Rs.4,240,047 (including tax) for the period 2004 to 2010 had not been paid.
(b)	Financial Regulations	
	(i) F.R. 135	Financial authority had not been delegated among the related officers with regard to collection of income and incurring of expenditure.
	(ii) F.R. 373(1)	The imprest balance as at 31 December of the year under review should have been reimbursed to the head office. But, imprest account balances aggregating Rs.607,055 had not been reimbursed as at that date.
	(iii) F.R. 880	Officers in charge of cash and stock should furnish security. But, there were instances where it had not been done so.
	(iv) F.R. 1646	Running Charts should be furnished to the Auditor General. However, this had not been done.

(c)	Chapter XIX of the Establishments Code ---------------------------------	.
	(i) Paragraph 5.2.1	When government quarters are given on rent 12 ½% of the salaries of government officers should be recovered as rent. However, the two storied house at Aruppola, Kandy had been given on monthly rent at Rs.100 and Rs.125 respectively.
	(ii) Paragraphs 6.14 and 7	Action should be taken to remove the retired officer from government quarters. However, action had not been taken to remove retired officers occupying in the government quarters at Aruppola.
(d)	Public Administration Circulars --------------------------	
	(i) No. 41/90 dated 10 October 1990	Consumption of fuel of each vehicle should be tested once in 6 months. However, this had not been done.
	(ii) Sections 1.1.6 and 2.2.6 of No.22/99 dated 8 October 1999.	Three vehicles had been allocated to 3 officers without the approval of the Secretary to the Ministry.
(e)	Treasury Circular No. IAI/2002/02 dated 28 November 2002	A register of fixed assets had not been maintained for computer accessories and software.
(f)	Public Enterprises Circular No. PED 12 dated 2 June 2003 --------------------------------	
	(i) Section 5.1.3 and the Public Enterprises Circular No.PED 47 dated 18 December 2007	An updated copies of the Corporate plan approved by the Board of Directors and a copies of the budget should be forwarded to the respective Division 15 days before the commencement of the financial years. However, those had not been furnished during the period specified.
	(ii) Section 6.5.3	The annual report of the year 2009 had not been tabled in Parliament.
	(iii) Section 8:3:2	A sum of Rs.10,000 had been paid to the Chairman of the Corporation contravening the instructions that he was not entitled for incentive allowances and bonus.

(g)	Paragraph 2 of Circular No.42 of the Management Services dated 14 December 2010	The number of employees at the Corporation was 839. Incentive allowances had been paid based on monthly attendance and the amount so paid in 2010 amounted to Rs.7,376,982. In addition to the above incentive allowances, bonus amounting to Rs.7, 500 only can be paid according to the circular. However, a sum of Rs. 8,011,500 had been paid limited to maximum of Rs.10,000. In this connection, the approval of the Treasury had not been obtained even as at 6 June 2011.

3. Financial and operating Review

3:1 Financial Review

3:1:1 Financial Results

The following matters were observed.

(a) According to the financial statements presented the financial results of the Corporation for the year under review was a pre tax profit of Rs.38,020,869 as compared with the pre tax profit of the previous year amounting to Rs.108,579,655 showing a decrease in the pre tax profit amounting Rs.70,558,786. The following matters mainly attributed to the financial result of the year under review.

(i) The Treasury grant given for recurrent expenditure under the personal emoluments amounted to Rs.150,000,000. It was 18.21% of the total income.

(ii) The credit balance depicting the value of the assets grant received from the Government of Japan had been written off and had been accounted as annual income and the amount so credited was Rs.7,276,869. Meanwhile, a sum of Rs.86,175,572 out of the value of the capital grant received from the Government of Sri Lanka from 1999 to 2010, had been identified as income for 2010 (as per Sri Lanka Accounting Standards 24) thus making a credit balance total of Rs.93,452,441 which had been included in the non operating income of the year under review.

(b) The income of Rs.38, 283,331 for the year 2009 had increased to Rs. 108,579,655 as a result of re preparation of financial results.

3:2 Operating Review

3:2:1 Management Inefficiencies

The following matters were observed.

(a) During the year overdraft facilities aggregating Rs.23,659,461 ranging from Rs.337,966 to Rs.558,106 had been obtained from time to time during 7 months exceeding the approved bank overdraft limits of Rs.30 million. This had become a common occurrence and the management had not prepared a suitable solution to avoid such a situation.

(b) The sum of Rs.154,469,646 provided for payment of gratuity upto 31 December 2010 had not been invested.

(c) A favourable balance of Rs.14,309,597 existed in the current accounts of the Head Office of the Corporation and 8 Divisional Offices as at 31 December 2010. Meanwhile, an adverse balance of Rs.4,171,827 was in the current account as at that date, form which bank overdraft facilities had been obtained. If proper financial management had been adopted, the overdraft interest of Rs.5,847,394 recovered by the bank during the year under review could have been minimized.

3:2:2 Identified Losses

The following matters were observed.

(a) A sum of Rs.433,672 had been paid as surcharge to the Electricity Board during the first half of 2010 as a result of not paying the electricity bills before the due date.

(b) Tenders had been called for the canteen at the Head Office of the Sri Lanka Broadcasting Corporation for the year 2010. But, a suitable tenderer had not been selected and the manager who had maintained the canteen during 2009 had been verbally requested to carry on with the activities. Building, water and electricity had been given free of charge for maintaining this canteen. In addition, the Corporation had spent Rs.35, 000 per month for supply of gas too. As there were no separate meters for the water and electricity supplied by the Corporation, it was unable to compute in audit the bills relating to those expenditure. Further, an agreement had not been entered into with the canteen lessee and no lease income had been recovered on behalf of 2009 and 2010.

(c) The Corporation had not remitted the Employees Provident Fund contributions of June 2008 amounting to Rs.4,848,276 on the due date. As a result, a sum of Rs.1,939,310 had been paid as surcharge.

3:2:3 Uneconomic Transitions

A sum of Rs.10 lakhs had been invested in Lanka Newspapers Limited according to the Board Paper of the Corporation dated 23 April 1993. This value had been shown in the final accounts as investments form 1993. However, no investment income had been received so far. Meanwhile, action had not been taken to get the investment refunded.

3:2:4 Idle and Under Utilized Assets

The following assets belonging to the District Transmission Stations and Divisional Services remained idle and under utilized.

District transmission Stations / Services		Category of assets remaining idle and under utilized
(i)	Ruhunu Service	Exceeding 5000 sq.ft of the building allocated for office activities 2000 sq. ft only had been made use of.
(ii)	Deniyaya Transmission Station	A fuel tank which could store 5,000 to 6,000 litres of fuel remained idle for 10 years.
(iii)	Kandurata Service	Two storied house built in a land of 19 perches at Aniwatta remained idle from 2007.
(iv)	Kotmale Community Broadcasting Service	The land together with a 4,000 sq.ft house situated at Doragala remained idle for 8 years.

3:2:5 Cost of Personnel

The approved cadre of this Corporation was 528, according to the Management Services circular No.30. (The Corporation had rejected this and had proposed to revise it). But, the actual permanent cadre as at 31 December 2010 was 839 and the employees on piece rate basis, temporary and contract basis were 53. In addition, services had been obtained from 21 employees as Sales Executives on contract basis and about 77 employees as Relief Announcers. (Payments made on number of hours and days calculated as per decision made on the sample of the month of June)

3:2:6 Corporate Plan and Action Plan

(a) Corporate Plan

The requirements expected to be included in the Corporate Plan as per Public Enterprises Circular No. PED 12, that is, a note pertaining to the present resources of the Corporation, Organization Chart, the energy and weaknesses of the Corporation, an analysis relating to operating results of the past 3 years and details of staff have not been covered up in the Corporate Plan prepared for 2010 – 2014.

(b) Action Plan

The officers responsible for functions referred to in the Corporate Plan had not been clearly identified as required by Section 5.1.2 of that Circular. Further, the financial provision required for the functions expected to be carried out for certain functions had not been clearly stated.

4. Systems and Controls

The 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) Annual survey of goods and stocks
(b) Assignment of duties
(c) Recovery of air time sales income
(d) Budget
(e) Methods of evaluation for payment of incentives
(f) Vehicles

Sgd. H.A.S. Samaraweera
Auditor General.

Comments of the Corporation on Auditor General's Report 2010

Final Accounts Report by 31-12-2010

14(2) report

2.2.2. Accounts deficits

(a) Correctly accounted the interest amounting Rs 5,722,200 /= to be revenue for the year 2011 for a period of one year on 06.08.2010.

(b) Correctly accounted the income of the interest from investments amounting 14,500,000 in year 2011.

(c) Final month electricity bills of Regional Services have not been received at the preparation of Accounts Release, consequently the Accounts have been prepared on accrued basis.

2.2.3. Unsettled Control Account.

An increase of 1,723,668/= balance in sub-schedules is more than the balance of VAT Control Account and steps have been taken to find out those differences and to correct them.

Steps have been taken to correct and to find out the difference in stock validity of Account Release and the stock validity according to the stock research report of Ekala Stores.

2.2.4 Suspense Account

(a) A Court case is in progress with regard to the amount of Rs 211, 965 stated in the suspense Account.

(b) Measures have been taken to reduce the balance of Rs 111,809 in the suspense Account from the Gratuity as the case is closed in the Labor Judiciary Council.

(c) A case is in progress against a Marketing Executive with regard to an unsettled amount of 5, 713,250 in the Suspense Account balance in the year 2009.

2.2.5. Receivable and Payable Accounts

(a) A total of Rs 116,247,849 was to be recovered from debtors up to 31 December 2010 for local commercials given by the Corporation. Out of this, an amount of Rs.14,126,933 which was accrued within the period 1987-1999, was deemed irrecoverable. As a corrective measure, proper approval was obtained and an amount of Rs.76, 668,129 which was accrued within the same period was offset to the Creditor's balance in 2011.

(b) Receivable amount for a foreign commercial by 31 December 2010 was Rs 79,955,611. In 2011 this has been offset under proper approval from Creditor's balance between 1974-1999 and before 1974.

(c) Written notification was given to Independent Television Network regarding the settlement of a balance of Rs 12,807, 862 in the Current Account related to "Lakhanda Radio".

(d) Correctly accounted the amount of Rs.350, 000 along with a penalty in 2012.

(e) This tax system is not functioning now and necessary actions have been taken to rectify these accounts.

(f) This balance prevails due to previous financial situation of the Corporation and it has been sent to Board of Appeal of the Inland Revenue Department to be written off from the books.

2.2.6. <u>No evidence for Audit</u>

(a) 57 Vouchers worth of Rs.2, 207,844 have been produced for Audit.

(b) These recruitments have been done in accordance with the Board decisions.

(c) A physical stock survey has been conducted with regard to stock in the Head office.

2.2.7 <u>Non-compliance with the rules, regulations and management decisions</u>

(a) Steps have been taken to make the payments.

(b) Financial Regulations

i. Steps will be taken in future to grant financial authority among respective officers with regard to collecting income and bearing expenses will be settled in future.

ii. Complete balance of Imprest Account has been reimbursed to Head Office by January 2011.

iii. A warranty system has been implemented by financial and officers in charge of appliances.

iv. Running Chart records have been duly sent for Audit.

(c)

i. This house is in decrepit condition and unsuitable to be rented out on normal rental basis.

ii. He has been notified to vacate this house. Legitimate steps have been taken to evict this officer.

(d)

i. Observations progress regarding fuel burning under the supervision of Internal Audit

ii. These vehicles have been allocated according to service requirements.

(e) Details about accessories and software are entered into this prepared Permanent Assets list.

(f)

i. Corporate plan prepared by year 2011, and the budget approved by the Board of Directors have been produced to Audit Division.

ii. Initiatives have been taken to submit the Annual Report to Parliament.

(g)

This allowance has been paid on an attendance basis since 1983. In addition, a maximum annual allowance of Rs.10,000/- per employee has been paid in year 2010.

3.2.1. <u>Management Inefficiencies</u>

(a) Financial account balances in current accounts in Regional Services have maintained so as not to exceed overdraft facilities and to receive bank overdrafts within limits.

(b) Money has been provisioned to pay gratuity. Measures have been taken to pay according to the order of retirement without delay.

(c) Balance of current accounts in Regional offices will be transferred monthly to a Current Account in the C. Balances of other Current Accounts in the Head Office are maintained separately for different purposes, and cannot be transferred to a main Current Account. However, Current Accounts are maintained since 2011 while minimizing overdrafts.

3.2.2 <u>Identified deficits</u>

(a) Electricity bills are settled without surcharges since 2011.

(b) the Canteen is maintained for the welfare of employees. A tender has been called in 2010 and a Manager has been appointed for this purpose. This situation has taken place Due to the incapability of the chosen Canteen Managers to provide the desired services.

(c) Contributions to the Employees’ Provident Fund are being paid without surcharges in 2011.

3.2.3 As per Board paper dated 23 April 1993, an amount of Rs. one million has been invested in Lanka Puwath Ltd . However, no income has been received on this investment.

3.2.4

i. Land has been allocated as per the Corporation’s requirements.

ii. Second-hand generators and Fuel storage tanks have been given to another FM Transmitting Station at the closure of the MW Transmitting Station network. Although the capacity of this tank was too large for the generator at Deniyaya, it has been used out of necessity. Plans have been made to utilize this tank after increasing its transmitting capacity.

iii. Steps have been taken to make use of the Anniwatha two-storey building after renovations.

iv. Steps have been taken to make use of the land and the house at Doragala after renovations.