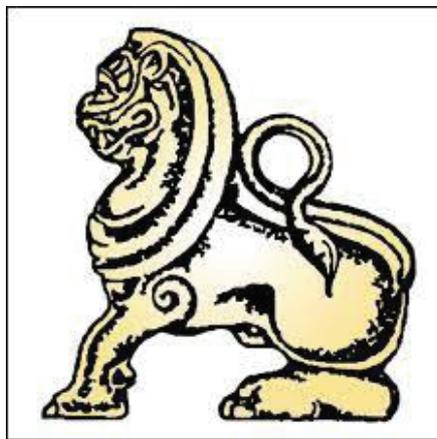


වාර්ෂික වාර්තාව
ஆண்டறிக்கை
ANNUAL REPORT
2019



ශ්‍රී ලංකා ජාතික චිත්‍රපට සංස්ථාව
இலங்கை தேசிய திரைப்படக் கூட்டுத்தாபனம்
NATIONAL FILM CORPORATION OF SRI LANKA

National Film Corporation of Sri Lanka



**Annual Report
2019**

Presentation

My No - NFC/119/02/02/09

Through
Secretary
Ministry of Buddhasasana, Religious and Cultural Affairs

Hon. Vidura Wickramanayake
Ministry of Buddhasasana, Religious and Cultural Affairs
8th Floor
Sethsiripaya,
Battaramulla

National Film Corporation- Annual Report- 2019

The annual report of the National Film Corporation is hereby submitted along with the following documents for the year ended 31 December 2019 as per section 14 (1) of the Finance Act and section 32 (1) of National Film Corporation Act No. 47 of 1971 amended by the Act No. 45 of 1980.

1. Tasks performed by the Corporation in year 2019 and relevant statements
2. Profit and Loss Account, related notes for the year ended 31 December 2019 and the Balance Sheet as at the same date.
3. Report of the Auditor General for the year ended 31 December 2019. 2019

Yours faithfully



G.A.Kithsiri
General Manager
National Film Corporation of Sri Lanka

Administrative Report

01. Introduction
02. Board of Directors
03. Local Movie Production and Publicity for movies/ Cine Ads
04. Personal and Institutional Management
05. Internal Audit Activities
06. Cine Culture and Educational Activities
07. Local Supplies - Import and Export
08. Movie Distribution and Stores
09. Legal Affairs
10. Studio
11. Investigation Activities
12. Financial Activities
13. Plans, Statistics and Training
14. Medical Aids System
15. Welfare Society
16. Religious Activities
17. Sports Association
18. Trade Union
19. Acknowledgement

01. Introduction

Annual Report of the National Film Corporation of Sri Lanka for the year 2019, which is submitted to Hon. Mahinda Rajapaksha, Prime Minister and the Minister of Buddha Shasana, Religious and Cultural Affairs and the Auditor General under Section 32 (1) of the National Film Corporation Act No 47 of 1971 amended by the Act No 45 of 1980 and section 14 (1) of the Finance Act No. 38 of 1971.

This report, which is submitted for the year of 2019, is in relation to 47th year of the National Film Corporation.

02. Board of Directors

The Board of Directors , who held office for the year 2019, consists of the members mentioned below.

Mr. Sunil S. Sirisena has held office as the Chairman during the period from 01.01.2019 up to 16.01.2019.

Board of Directors of National Film Corporation of Sri Lanka from 01.02.2019 up to 22.05.2019

Mrs Anusha Gokula Fernando	-	Chairman
Mr. Kumara Jayakantha	-	Working Director
Mr. Erananda Hettiarachchi	-	Member of the Board of Directors (Ex officio)
Mr. Nalaka Kaluwewa	-	Member of the Board of Directors (Ex officio)
Mrs B.M.D.N Balasuriya	-	Representative of General Treasury
Mr. Sudheera Nilanga Withana	-	For Director of Cultural Affairs
Prof. Patric Rathnayaka	-	Member of the Board of Directors
Prof. K.G.Amarasekara	-	Member of the Board of Directors
Mrs. P.V.P.Dayarathna	-	Member of the Board of Directors
Mr. Anura Rathnayake	-	Member of the Board of Directors

Board of Directors of National Film Corporation of Sri Lanka from 23.05.2019 up to 06.12.2019

Mrs Anusha Gokula Fernando	- Chairman
Mr. Kumara Jayakantha	- Working Director
Mr. Erananda Hettiarachchi	- Member of the Board of Directors (Ex officio)
Mr. Nalaka Kaluwewa	- Member of the Board of Directors (Ex officio)
Mrs B.M.D.N Balasuriya	- Representative of General Treasury
Mr. Sudheera Nilanga Withana	- For Director of Cultural Affairs
Prof. Patric Rathnayaka	- Member of the Board of Directors
Prof. K.G.Amarasekara	- Member of the Board of Directors
Mrs. P.V.P.Dayarathna	- Member of the Board of Directors
Mr. Anura Rathnayake	- Member of the Board of Directors

3. Local Movie Production and Publicity for movies/ Cine Ads

❖ Registration of local movies in year 2019

Registration of 42 movies for a charge of Rs. 3000.00 each for the period from January 2019 up to June and registration of 23 movies for a charge of Rs. 5000.00 each for the period from July 2019 up to December.

❖ Appreciation of artists who have made a significant contribution to local movie industry in 2019 and granting a financial award of Rs. 50,000

- 1) Mrs. Sujatha Aththanayaka
- 2) Mrs. Helan Kumari
- 3) Mr. H.M.Jayawardana
- 4) Mr. S.M.Sarath
- 5) Mr. Sugathapala Senarath Yapa
- 6) Mrs. Sobhani Amarasingha
- 7) Mrs. Manel Vanaguru
- 8) Mr. Suminda Sirisena
- 9) Mr. Sanet Dikkumbura
- 10) Mr. Jayalath Manorathna
- 11) Mr. Hemasiri Liyanage
- 12) Mr. Hemasiri Sellapperuma
- 13) Mrs. Liyoni Kothalawala
- 14) Mr. Alfred Perera
- 15) Mr. Robin Fernando

- ❖ Granting a financial aid of Rs. 100,000.00 on 01/04/2019 for the demised Mrs Anjaleen Gunathilaka.
- ❖ Granting a financial aid of Rs. 50,000.00 on 20/01/2019 for the demised Mr Mark Samson.
- ❖ Granting a financial aid of Rs. 50,000.00 to Mr. Priyankara Perera for medical facilities.
- ❖ Granting a financial aid of Rs. 50,000. for the demised Mrs. Indrani Senarathna
- ❖ Financial grants have been awarded in the following manner for the appreciation of local artists who were appreciated at the international level.

1)	Mrs. Neeta Fernando	-50,000.00
2)	Mrs. Nilmini Sigera	-50,000.00
3)	Mr. Visakesha Chandrasekaram	-50,000.00
4)	Mrs. D. Nishadi Ruwanmali	-25,000.00
5)	Mr. Ranga Bandaranayaka	-25,000.00
6)	Mr. R.H. Shiran Rathnayaka	-25,000.00
7)	Mr. Kumara Karamdeniya	-50,000.00
8)	Mr. Athula Peries	-25,000.00

- ❖ Granting a financial aid of Rs. 50,000.00 to Mr. A.V. Rathnaweera De Silva for medical facilities.
- ❖ Issuance of certificates to prove the identity of cine artists and old movies.
- ❖ Issuance of clearance letters to Sri Lanka Customs.
- ❖ Issuance of letter of confirmation to Department of Inland Revenue for granting tax relief to movie theaters.
- ❖ Issuance of identity cards of cine artists for actors and technical staff.
- ❖ Issuance of clearance letters for releasing relevant items from the customs when movie theaters import items, which are required for screening.
- ❖ Issuance of letters to confirm the identity of cine artists, who leave the country for movie festivals and shooting purposes.
- ❖ Granting assistance for the welfare of cine artists.
- ❖ Issuance of custom clearance letters to Sri Lanka Customs for obtaining a security for the technical equipment including cameras imported for local and foreign films, which are filmed in the country.

Film Import Summary - 2019

CIRCUIT	Total Film	Amount
EAP	26	130,000.00
CEL	49	245,000.00
LFD	34	170,000.00
MPI	34	170,000.00
RITHMA	28	140,000.00
BOM	9	45,000.00
Total	180	900,000.00

Approved Quota

Tamil	70
English	65
Hindi	25
Total	<u>160</u>

CIRCUIT	English	Tamil	Hindi	
EAP	9	13	4	
CEL	12	26	11	
LFD	14	15	5	
MPI	17	14	3	
RITHMA	11	22	4	
Total	63	90	27	180

Non- Refund Amount **25,000.00**

Number of applicants - **19**
2019

475,000.00

- ❖ Ceremony conducted to mark the 47th anniversary of National Film Corporation and 72nd anniversary local movie industry (21.01.2019)
- ❖ Indigenous Medical Clinics conducted for the benefit of artists (22.03.2019)
- ❖ Publicity for the discourse 'Cinema for the life' conducted monthly(Cinema Discourse for Life)
- ❖ Organization of Presidential Film Awards-2019 conducted based on 2016,2017,2018 - (July 2019)

04. Personal and institutional management

Staff	
Approved cadre	186
Permanent staff	113
Number of employees recruited during the year	34
Number of employees who left the institute during the year 2019	
Number of employees who retired	01
Number of employees who resigned from service	01
Chairman	01
Working Director	01
Daily allowances	-
Casual	01
Performing duties	02
Training	-
Total staff as at 31.12.2019	147

4.2 Administration of the institute and fulfilling the requirements of employees

Service delivery has been ensured continuing the action followed in relation to the control of employees of the institution.

05. Internal Audit Activities

Annual Internal audit plan- 2019 has been prepared as per the instructions of the Auditor General in accordance with the action plan prepared to achieve the objectives set out in the Act No. 18 of 1971 and the Amendment Act.

Number of the Internal Audit Reports submitted during the year is 29.

Meetings of the Audit and Management Committee

Name list of the members of Audit and Management Committee -2019 is as follows.

- | | | |
|--|---|--|
| 01. Mrs. B.M.D.N.Balasuriya | - | Representative of General Treasury
(Member of the Committee) |
| 02. Mr. Nalaka Kaluwewa | - | Member of the Board of Directors |
| 03. Mr. Erananda Hettiarachchi | - | Member of the Board of Directors |
| 04. Mrs. P.V.P.Dayarathna | - | Member of the Board of Directors |
| 05. Mr. Anura Rathnayaka | - | Member of the Board of Directors |
| 06. Mr. Upul Premachandra | - | Govt Audit Office |
| 07. Mr. R.S.Samarakkody | - | Ministry of Cultural Office |
| 08. Secretary- Mrs. Wathsala Wickramarachchi | - | Secretary of the Board of Directors |
| 09. Convener - Mrs. W. Shriyani Hanwella | - | Internal Auditor |

Meetings have been conducted during the year 2019 in the following manner.

22/03/2019
18/06/2019
02/08/2019
21/10/2019

06. Education, Promotion and Cultural Division

Programmes conducted to enhance the taste on cinema culture

Date	Institute	District
08/02/2019	1. Divisional Secretariat, Ambalantota 2. Divisional Secretariat, Beliatta	Matara
21/02/2019	1. Deniyaya National School, Kotapala 2. Rotumba Maha Vidyalaya, Pasgoda	Galle
22/09/2019	1. Opatha Maha Vidyalaya, Thavalama 2. Ananda Maha Vidyalaya, Elpitiya	Galle
15/03/2019	1. Twon Hall, Bandarawela 2. Police Training Collage, Borolanda	Badulla
19/03/2019	St. Ann's Church, Mount Lavinia	Colombo
21/03/2019	Divisional Secretariat, Moratuwa	Colombo

22/03/2019	Divisional Secretariat, Padukka	Colombo
03/04/2019	1. Divisional Secretariat, walallawita 2. Divisional Secretariat, Agalawaththa	Kalutara
20/06/2019	1. Divisional Secretariat, Udubaddawa 2. Divisional Secretariat, Bingiriya	Kurunegala
21/06/2019	Divisional Secretariat, Galigamuwa	Kegalle
05/09/2019	Divisional Secretariat, Yatinuwara	Kandy
06/09/2019	Divisional Secretariat, Deltota	Kandy
14/09/2019	1. Collage of Education, Uva, Bandarawela 2. Army Camp, Diyathalawa	Badulla
23/09/2019	Divisional Secretariat, Kotawehera (Nikaweratiya)	Kurunegala
21/10/2019	National School, Mawathagama	Kurunegala
21/10/2019	Divisional Secretariat, Eheliyagoda	Rathnapura
21/10/2019	Divisional Secretariat, Kuruwita	Rathnapura
01/11/2019	Town Hall, Nuwaraeliya	Nuwaraeliya
05/11/2019	Thondaman Cutural Hall, Kothmale	Kandy
06/11/2019	Divisional Secretariat, Minipe	kandy

Discourse on Cinema

<u>Date</u>	<u>Theme</u>	<u>Venue</u>
27/02/2019	The film is based on great cinema	Kobbekaduwa Agrarian Research and Training Institute
27/03/2019	21st century cinema	Auditorium, Mahaveli Center
29/05/2019	Life is philosophy and cinema	Tharangani Movie Theater
26/06/2019	Cinematography	Tharangani Movie Theater
31/07/2019	Cinema is a perverse art	Tharangani Movie Theater
28/08/2019	Features of Cinematic Enjoyment in the Digital Visual Culture Age	Tharangani Movie Theater
31/10/2019	Effect of education on promotion of film industry	Tharangani Movie Theater
27/11/2019	Epic cinema	Tharangani Movie Theater

Cine publications

Books

1. Wonderful cinematography – Donald
2. The world of cinema

Magazines

1. Film Magazine -2019 First Volume
2. Film Magazine -2019 Second Volume

Diploma on Cinematography -2019

- ❖ Duration- one year.
- ❖ Conducted on weekends.
- ❖ Conducted with the contribution of the veterans in cinema industry and lecturers of Universities.
- ❖ Number of the registered students in 2019- 40

Display cubicles on cinema education

- ❖ Jathika Yovun Puraya- 2019, Thissamaharamaya
- ❖ National Literary Festival, Bandarawela

Books purchased in 2019 to the library

Imagery and song visualization
Hela Cinema Fleet - 6 photos
Bogala Soundaris - Screen Drama
Family Sex and Politics
Sineru query
The art of cinema
In Maduravsan

07. Local Supplies - Import and export

During the year, goods and services have been supplied to the Corporation and service providers as per the demand.

08. Distribution and stores

Screening of movies

- 67 cinema halls were operated in 2019 under Rithma Circuit.
- Maxlite- Moratuwa, Ama- Matale, G.K.Cine Max- Kalmune have been established as new cinema theaters under Rithma circuit.
- Screening of films have been again started in 2019 at H.R. Cinema, Dikwella and Hasalaka Cinema,Hasalaka, which were closed down temporarily. .

Releasing movies

- Rithma circuit has released movies for 67 cinema theaters.
- Action has been taken to distribute movies as a joint effort by Rithma circuit and other circuits in 2019.
- Further action has been taken also by the National Film Corporation to distribute movies from 18/06/2019 up to 18/07/2019 in accordance with the order given by the Court on distribution of movies.
- Rithma circuit has taken action to release 07 Sinhala movies.
- Action has been taken during this year to distribute 21 Tamil movies and 04 Hindi movies imported by suppliers and 01 local Tamil movie as a joint effort by Rithma circuit and other circuits from January 2019.
(Further Rithma circuit has taken action to release movies obtaining them from the quota allowed to the circuit of the Corporation.)

Movie Rental

Rental has been collected in the following manner for the movies supplied to other circuits by our circuit. (Up to December 2019)

- | | |
|--|-------------------|
| ➤ Lanka Selms Distributors Company (Pvt) Ltd | - Rs. 3176481.30 |
| ➤ Movies Producers and Importers (Pvt) Ltd | - Rs. 1928461.19 |
| ➤ Cinema Entertainment (Pvt) Ltd | - Rs. 11953684.28 |
| ➤ E.A.P. Films and Theaters (Pvt) Ltd | - Rs. 4964002.51 |

Our circuit has made payments for the movies obtained from other circuits in the following manner. (Up to December 2019)

➤	Lanka Selms Distributors Company (Pvt) Ltd	- Rs. 4393472.19
➤	Movies Producers and Importers (Pvt) Ltd	- Rs. 9255239.45
➤	Cinema Entertainment (Pvt) Ltd	- Rs. 26479558.21
➤	E.A.P. Films and Theaters (Pvt) Ltd	- Rs. 24874616.28

RIPO deposits

Rs. 28290737.80 has been invested during year 2019 as RIPO deposits.

The income collected from commission for the period from January up to August 2019 is nearly Rs. 19302000.67.

- Provision of movies in 2019 on concessionary rates to various societies, associations and university and school students for raising funds.
- Provision of movies free of charge and on concessionary rates to police training collages and army camps.

09. Legal Division

- ❖ Making proxies on behalf of the Corporation for the cases in which the Corporation is declared as a party and appearing for the Corporation at the courts.
- ❖ Appearing for the Corporation at Department of Labor in respect of the labor disputes.
- ❖ Preparation and signing of all agreements for the movies produced, imported and distributed by National Film Corporation and for granting loans for the production of movies/ studio services/ copy printing/ making subtitles/ publicity.
- ❖ Preparation and signing all legal agreements to obtain supporting services to National Film Corporation and for other activities.
- ❖ Providing consultations for the legal issues referred from any division of the Corporation depending on the necessity.

Court Cases

Legal Division has performed all necessary legal activities regarding the following cases/ complaints, of which the Corporation became a party.

1. Supreme Court Case No : SC/HCCA/LA/329/2019
2. Appeal Court Case No. : CA/WRIT 308/2019
3. Appeal Court Case No : CA/WRIT 309/2019
4. Appeal Court Case No : CA/WRIT 329/2019
5. Appeal Court Case No : CA/WRIT/239/2019
6. Appeal Court Case No : 870/99
7. Western Province Civil High Court Case No : WP/HCCA/COL/114/2019/LA
8. Western Province Civil High Court Case No : WP/HCCA/13/COL/2019/LA
9. Commercial High Court Case No : CHC/MR/23/19
10. Commercial High Court Case No : DSP 0099/18
11. Colombo District Court Case No : DSP 00131/2018
12. Colombo District Court Case No : 1126/2012
13. Colombo District Court Case No : DMR/2306/2013
14. Colombo District Court Case No : DSP 166/17
15. Colombo District Court Case No : 140/2015
16. Matara District Court Case No : Pro/318
17. Magistrate Court Case No : CO01/29/2018
18. Labor Tribunal Case No : 13-41-2013
19. Arbitration No : A/11/2019
20. Human Right Commission Case No : HRC/2804/19
HRC/2754/19
HRC/2994/18
HRC/2805/19
HRC/2571/19

10. Supply of Studio Services

Studio services and activities - 2019

01. Movies to which services were provided by Sounds Division for sound mixing, dialogue recoding, and track laying etc.

	Movie/ Institute
01	Nihanda Sevanely- Movie
02	Bullet Proof Children
03	Rush - Movie
04	Wishama Bhaga- Movie
05	Husma- Movie
06	Ayu- Movie
07	Yugathra- Movie
08	Rajadahana- Movie
09	U Turn - Movie
10	Govi Thatththa- Movie
11	Sri Lanka Foundation
12	E thalaya- Movie
13	Tsunami- Movie

02. Editing Division

Editing system is not working from May 2018.

03. Provision of film studios and studio premises

	Movie/ Institute
01	Derana – 60 Plus
02	Super Star - Movie
03	Ambient Luxe (Pvt) Ltd
04	Midunu Vishvaya- Movie
05	Derana – Little Star Season 10
06	Regional Development Bank

04. Movie Archive (Movie cleaning)

Nearly 400 movie reels have been cleaned in year 2019.

05. Sound Division

Establishment of Folly Sound Recording Room for Sound Division. (Not yet completed)

Annual income of the studio is Rs. 4,496,612.50

11. Investigations

Tasks performed by the Investigation Division during year 2019

01. Collection of information on lands and buildings for the construction of movie theaters
02. Opening new movie theaters and re opening movie theaters, which have been closed.
03. Inspecting movie theaters and issuing debit notices for malpractices
04. Supervision on the shooting of foreign movies
05. Giving recommendations for the revision of movie ticket fees examining the conditions of movie theaters.
06. Issuance of necessary clearance letters, which are required for liquor permits.

01. Collection of information on lands and buildings for the construction of movie theaters

Collection of information on the construction of movie theaters during the year 2019 and the movie theaters, which are being constructed.

- 01) Jaffna district - Movie theaters complex at Kopai city
- 02) Kochchikade
- 03) Kandy Municipal Council Complex
- 04) Dematagoda
- 05) Vavuniya
- 06) Kottawa
- 07) Jaffna - Kopai
- 08) Polonnaruwa

02. Opening new movie theaters and re opening movie theaters, which have been closed

New movie theaters, which have been opened during year 2019

01) PVR Cinema Colombo	- 09 Theaters
02) GK Cine max 02 Kalmunai	- 01
03) Ama Cinema- Matale	- 01
04) Maxlite, Moratuwa	- 01
05) Janajaya-Rajagiriya	- 01
06) Savoy Premier- Gampaha	- 01
07) Saxon- Bambalapitiya	- 01

03. Inspecting movie theaters

Main duty of the Investigations Division is the inspection of movie theaters.

Number of the inspections carried out during year 2019 is 918.

Issuing debit notices for the malpractices revealed in movie theaters

Various malpractices have been revealed by Inspection Officers at the inspections carried out at movie theaters. Therefore action has been taken in the following manner as per the circulars of the Corporation.

- Debit notices to the value of Rs. 750,540.00 have been issued for year 2019 and Rs. 639990.00 has been recovered out of the above.
- The amount recovered in year 2019 for 03 debit notices, which have been issued in previous year, is Rs. 75,500.00.

Recovery of the trust of Corporation and rental for movies, which have been neglected

- The amount recovered during year 2019 is Rs..5 604 614.74

Filming foreign movies within the country

Supervision was carried out on the movies and documentaries, which were filmed by foreigners arriving to Sri Lanka. Accordingly,

- Shooting of 55 foreign movies has been supervised during year 2019.
- Making recommendations for the revision of ticket fees examining the condition of movie theaters
- Permission has been given to revise ticket fee of nearly 60 movie theaters.

Issuance of the clearance letters for liquor permits

35 clearance letters have been issued during year 2019 for granting liquor permits to movie theaters.

12. Financial Activities

01. Income Sources

Particulars of the actual income of year 2018 - 2019 and the budgeted income of 2019 are as follows.

Income	2018	2019	Increase/ Decrease %	2019
	Actual Rs. M	Actual Rs. M		Budget Rs. M.
Commission for distribution				
Local	12.9	12.6	(2.3)	32
Foreign	11.7	20.6	76.1	
Increase-Trust of Corporation	8.5	7.9	(7.1)	8.5
Surcharges, fines on investigations and other	5.6	5.7	1.7	5.5
Cine Ads- commission	0.8	0.6	(25)	0.7
Income from studio	1.3	1.7	30.8	2.2
Trade affairs	2.2	1.7	(22.7)	2.1
Income from operations	43.0	50.8	18.0	51
Other income	72.7	68.6	(5.6)	47.9
Receipts from General Treasury for recurrent expenses of Presidential Awards Ceremony	-	25	-	-
	63.8	80.8	26.7	130.4
Total receipts	179.5	225.2	25.4	229.3

When considering the year 2018, income from operations has shown an increase by 18% in 2019 comparatively to 2018. The increase in the commission from distribution of foreign movies by 76.1% and increase of the income at studio by 30.8% have caused for the income from operations.

02. Source of the expenditure

Particulars of the actual expenditure in year 2018,2019 and the budgeted expenditure of year 2019 are as follows.

Expenditure	2018 Actual Rs. M	2019 Actual Rs. M	Increase/ Decrease %	2019 Budget Rs. M.
Employees' remuneration	80.6	90.0	11.7	84.7
Travelling and subsistence allowances	1.4	1.4	-	3
Supplies and equipment	7.2	9.1	26.3	11.6
Repairs, maintenance and depreciations	32.9	30.5	(7.3)	33.8
National movie festivals	0	26.2	-	32.2
Cost of sales	1.8	4.4	144	2.5
Transport links, requisites and other	24.5	29.3	19.6	42.9
Allocations for bad debts	22.2	0.2	(99)	5
Allocations for gratuity	7.1	3.5	(50.70)	6.6
Movie artists' and technical officers' fund	0.5	0.5	-	-
Total expenditure	178.2	194	9.5	222.3

The expenditure has shown an increase by 9.5% in year 2019 comparatively to year 2018. Main reason for such situation is the increase in all the expenses corresponding to the increase of 11.7% of employees remunerations as a result of recruiting new employees and spending Rs. 26.2 million for Presidential Film Awards Ceremony in 2019.

	<u>2018</u> <u>Rs. M</u>	<u>2019</u> <u>Rs.M</u>	<u>%</u>
Income from operations	43.0	50.8	18.1
<u>Less</u>			
Expenses for operations	<u>178.2</u>	<u>194.0</u>	<u>8.8</u>
Profit/ loss from operations	(135.2)	(143.2)	5.9
<u>Add</u>			
Other income	<u>72.7</u>	<u>68.6</u>	<u>(5.7)</u>
Profit/ loss of the year	(62.5)	(74.6)	19.4
<u>Add</u>			
From General Treasury - For recurrent expenditure	<u>63.9</u>	<u>105.8</u>	<u>65.6</u>
Surplus	<u>1.4</u>	<u>31.2</u>	

Even though the loss from operation has increased by 5.9% and other income has decreased by 5.7% in year 2019 comparatively to 2018, the loss of year 2019 has marked an increase by 19.4% comparatively to year 2018. Main reason for such situation is the increase in expenditure on operations due to recruitment of new employees. The excess in year 2019 is Rs. 31.2 million after adjusting the receipts for recurrent expenditure.

03. Fixed Assets

Rs. 7.8 million, Rs. 3 million and Rs. 4 million have been spent during year 2019 for the purchase of office equipment and air conditioners, landscaping of cinema complex and the premises at head office and purchase of machines to studio respectively. Further Rs. 2 million has been spent for B.A.W. Jayamanna room and Rs. 0.5 million has been spent for the purchase of Quick Book accounts package. The amount of depreciation in year 2019 is Rs. 22.2 million.

04. Current Assets

When comparing to the previous year, the current assets has marked an increase by Rs. 4.7 million. However the total balance of debtors has marked a decrease by Rs.12 million as a result of deducting old debts, which cannot be recovered, as bad debts. As a result of re investing the interest received on maturity of investments in 2019, the investments of the year has marked an increase by Rs. 21 million. However the cash and bank balance has decreased by Rs. 12 million.

05. Current Liabilities

When comparing with the previous year, the creditors on film rental has marked an increased by Rs. 1.95 million. However other creditors has decreased by Rs. 23 million.

13. Plans, Statistics and Training

Main role of this Division is as follows.

- Making necessary guidelines required for the preparation of institutional plans.
- Preparation of corporate plan and action plan and supervision of the progress
- Preparation of annual reports
- Submission of monthly and quarterly progress to the line Ministry and other relevant institutions.
- Identifying the training needs of the staff and preparation of annual training plan.
- Maintaining computerized data system by way of collecting gazette, circulars and other statistical data relevant to the Corporation.

14. Medical Aids System

Medical Aids System, which is maintained by the money granted from the Corporation and membership fees, is continued during the year under review and the Governing Committee of the MAS is as follows.

- Mr. Sudheera Nilangaa Withana - Acting General Manager (Chairman of the Committee)
- Mr. Namal Weerabahu - Acting General Manager - (Administration and Human Resources)
- Mr. K.R. Winston - Member of the Committee
- Mr. Sukhitha Ilangakoon - Member of the Committee

15. Welfare Society

The Welfare, Thrift and Credit Society of the Corporation performed its functions during the year under review to ensure the welfare of the members.

16. Buddhists' Society

Mainly, books have been donated to the school going children of the employees of the Corporation during the year.

17. Sports Association

Sports Association made its contribution during the year in sports activities.

18. Trade Unions

Jathika Sevaka Sangamaya, Sri Lanka Nidahas Sevaka Sangamaya and Employees Association of Film Corporation have worked during this year also in association with the Administration of the Corporation.

19. Acknowledgement

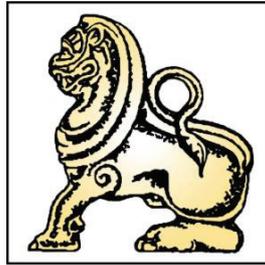
The staff of National Film Corporation has proved their commitment and enthusiasm in the achievement of goals successfully during year 2019.

The Board of Directors highly appreciates their services and extends gratuity to the staff for their commitment.



G.A.Kithsiri
General Manager
National Film Corporation of Sri Lanka

**National Film Corporation of Sri
Lanka**



**Financial Statements
2019**

National Film Corporation of Sri Lanka
Comprehensive statement of income
for the year ended 31 December 2019

Description	Note	<u>2019</u> Rs	<u>2018</u> Rs
Sales	03	50,800,475	43,078,671
<u>Less - Cost of sales</u>	04	(4,424,231)	(1,804,339)
Gross profit		46,376,244	41,274,332
<u>Less- Expenses</u>			
Employees' Remunerations	05	(89,929,560)	(80,615,419)
Travelling and subsistence allowance	06	(1,386,049)	(1,389,173)
Supplies and equipment	07	(9,142,609)	(7,198,155)
Repairs, maintenance and depreciatons	08	(30,475,643)	(32,937,727)
Transport, links, requists and other services	09	(29,373,187)	(24,480,563)
Impairment adjustments for bad debits	16-A	(210,041)	(22,190,423)
Allocations for gratuity		(3,486,140)	(7,131,374)
Contributions for the fund of cine artists and technicians		(500,000)	(500,000)
		(164,503,230)	(176,442,835)
Operational profit/ loss		(118,126,986)	(135,168,503)
<u>Add:</u>			
Other income	10	15,737,276	
Interest for fixed deposits and treasury bills		27,615,541	
Identifying receipts from General Treasury to the income		17,021,778	
224 Building rent		8,238,000	
		68,612,595	72,720,747
Profit/loss of the year		(49,514,391)	(62,447,756)
<u>Add: receipts from General Treasury</u>		80,750,000	63,850,000
Profit before tax		31,235,609	1,402,245
<u>Less- allocation for taxes</u>			
Deficit/ surplus		31,235,609	1,402,245

National Film Corporation of Sri Lanka
Statement of Financial Position
as at 31 December 2019

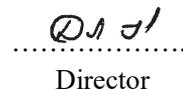
	Note	2019 Rs	2018 Rs
<u>Reprented by</u>			
<u>Fixed Assets</u>			
Property Machinery and equipment	11	330,003,870	339,841,802
Long term investments	12	23,590,724	21,588,312
		353,594,595	361,430,114
<u>Current assets</u>			
Short term investments	13	315,230,612	295,820,920
Stocks	14	6,303,556	6,050,331
Debtors	15	117,087,522	127,374,293
Miscellaneous debtros	16	189,353,380	190,736,133
Deposits and payments in advance	17	3,631,673	3,877,434
Cash and bank balance	18	23,541,601	35,948,047
		655,148,343	659,807,157
Total Assets		1,008,742,937	1,021,237,270
<u>Utilized capital</u>			
Approvaed capital		10,000,000	10,000,000
Accumulated profit		415,669,539	385,259,178
Other reserves		134,282,759	134,282,759
		559,952,299	529,541,937
<u>Non current liabilities</u>			
Grants	19	87,160,132	104,181,910
Allocations fro gratuity	20	42,365,554	43,151,056
		129,525,686	147,332,966
<u>Add- current liabilities</u>			
Deposits	21	3,256,525	2,969,499
Creditors- Rental for films	22	251,146,803	253,098,466
Other creditors	23	64,861,624	88,294,402
		319,264,953	344,362,367
Total liabilities		1,008,742,937	1,021,237,270

Accounting policies from page number 05 to 21 and notes to accounts from oage number 25 to 36 are an essential part of financial statements. The Board of Directors holds responsibility for preperation and submission of financial statements. On behalf of the Board of Directors, follwong signatures have been plced to the effect these financial statements have been approved by the Board of Directors.



Assist Gen Manager (Actg)- revenue
National Film Corporation of Sri Lanka
303, Baudhdhaloka Mawatha
Colombo 07
03.07.2020


Chairman


Director

National Film Corporation of Sri Lanka
Statement for the change of equity
for the year ended 31 December 2019

	<u>Equity</u> <u>Capital</u> Rs.	<u>Accumulated</u> <u>Profit</u> Rs.	<u>Capital</u> <u>Reserves</u> Rs.	<u>Revaluation</u> <u>Reserves</u> Rs.	<u>Other</u> <u>Reserves</u> Rs.	<u>Total</u> <u>Rs.</u>
Balance as at 31 December 2	10,000,000	383,856,933	499,898	115,153,399	7,829,462	517,339,692
Profit of the year	-	1,402,245	-	10,800,000	-	12,202,245
Adjustments for previous year		(825,248)				(825,248)
Balance as at 31 December 2	10,000,000	384,433,930	499,898	125,953,399	7,829,462	528,716,689
Profit of the year	-	31,235,609	-	-	-	31,235,609
Balance as at 31 December 2	10,000,000	415,669,539	499,898	125,953,399	7,829,462	559,952,299

National Film Corporation of Sri Lanka
Cash Flow Statement
for the year ended 31 December 2019

	R	2019 Rs.	2018 Rs.
<u>Cash received from operational activities</u>			
Net profit before deduction of taxes		(49,514,391)	(62,447,755)
(less)			
Interest on production loans		(5,761)	(2,163,409)
Interest on fixed deposits and treasury bills		(27,615,541)	(25,428,638)
		<u>(77,135,693)</u>	<u>(90,039,802)</u>
<u>Adjustments for subjects which do not affect for the cash flow</u>			
Depreciations		22,293,932	25,755,076
Allocations for gratuity		3,983,291	7,131,374
Revaluation of fixed assets		-	10,800,000
Allocations for doubtful debts		-	22,190,423
Identifying government grants to the income		(17,021,778)	(20,168,009)
Receipts from General Treasury- Presidential Film Awards		(20,000,000)	-
Adjustments of the revaluation of fixed assets		-	6
Profit from the removal of fixed assets		-	(50,249)
		<u>(87,880,247)</u>	<u>(44,381,181)</u>
<u>Subjects of previous periods</u>			
Adjustments for subjects of previous periods		5,268,690	(35,339,836)
Profit from operations before making changes to working capital subj		<u>(82,611,557)</u>	<u>(79,721,017)</u>
<u>Changes in the working capital subjects</u>			
Stock (Decrease)		(253,225)	(647,646)
Debtors (Decrease)		11,669,524	(47,218,937)
Deposits and payments in advance (Decrease)		245,761	37,989
Liabilities on deposits (Increase)		287,027	85,272
Creditors (Decrease)		(1,951,663)	(5,834,582)
Other creditors (Decrease)		(23,432,778)	41,494,610
		<u>(96,046,911)</u>	<u>(91,804,311)</u>
Less-			
Payment of gratuity		(4,768,794)	(4,208,523)
		<u>(100,815,704)</u>	<u>(96,012,834)</u>
<u>Cash flow incurred from investment activities)</u>			
Interest on production loans		5,761	2,163,409
Interest on fixed deposits and treasury bills		27,615,541	25,428,638
Acquiring fixed assets		(18,549,939)	(25,619,946)
Investment of fixed deposits and treasury bills		(21,412,105)	(24,500,438)
Money received from the sale of fixed assets		-	50,250
Receipts from General Treasury		100,750,000	63,850,000
Net increase in cash and cash equivalent (Decrease)		<u>(12,406,446)</u>	<u>(54,640,921)</u>
Balance of subject of cash and cash equivalent at the beginning of the		35,948,047	90,588,968
Balance of subject of cash and cash equivalent at the end of the year		<u><u>23,541,601</u></u>	<u><u>35,948,047</u></u>

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2019

Declaration of Management Responsibility in Financial Reporting

Management of the Corporation is responsible for,

1. Maintaining proper accounts on revenue and expenditure, assets and liabilities and all other financial transactions of the Corporation,
2. Preparing accounts in accordance with Sri Lanka Accounting Standards introduced by the Institute of Chartered Accountants of Sri Lanka under Sri Lanka Accounting and Auditing Standards Act No 15 of 1995 for a true and fair presentation of financial process and the financial status of the Corporation and
3. Taking actions to secure assets of the Corporation and to prevent fraud and discrepancies.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2019

1. General Information

1.1.1 Establishment and Legal Status

National Film Corporation of Sri Lanka has been established in Sri Lanka under Act No 47 of 1971. Its registered office is located at No 303, Bauddhaloka Mawatha, Colombo 07.

1.1.2 Nature of Basic Functions and Operations

National Film Corporation has become the pioneer in the effort for the establishment of a cinema culture with high qualities, which has the capacity to mark the local identity of the cinema of Sri Lanka in the world cinema.

1.1.3 Date Approved for Issuance

Approval has been granted by the Board of Directors on 03.07.2020 for these financial statements to be distributed.

1.2 Basis of Preparing Accounts

1.2.1 Declaration of Compliancy

Statement on financial status, extensive revenue, Statement of Change in Equity, Notes with summary of important accounting policies (financial statements) of the Corporation have been prepared according to Sri Lanka Financial Reporting Standards (SLFRS) issued by the Institute of Chartered Accountants in keeping with International Financial Reporting Standards (IFRS) issued by the Board of International Financial Reporting Standards.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2019

1.2.2 Responsibility of Financial Statements

The responsibility of formulating and presenting financial statements devolves on the management of the National Film Corporation of Sri Lanka.

1.2.3. Baisi for accounting

Financial statements have been prepared based on the historical cost except where appropriate disclosures have been made on fair value under relevant notes.

1.2.4 Continuity

In preparing financial statements, the management of the Corporation has assessed the continuity of the Corporation and sincerely expects that the Corporation has sufficient resources to maintain its operations in the recent future. When considering available information, no reason is evident for the Corporation to discontinue its operations or liquidate it and the financial statements have been prepared based on its continuity.

1.2.5 Implementation and Presentation Currency

This financial statements have been presented in Sri Lankan Rupees, the currency in used in the Corporation

1.2.6 Important Accounting Judgments, Estimates and Schedules

In preparing financial statements, the Corporation requires the income, expenditure assets and liabilities as at date of reporting, to make judgments, estimates and assumptions affecting the figures reported in relation to revelation of contingent liabilities. However, impacts requiring considerable adjustments to the future value of assets and liabilities may occur due to uncertainty of these assumption and estimates. Judgments, estimates and assumptions may include in them.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2019

Estimates and Assumptions

Major assumptions and estimate sources in relation to the future as at date of reporting, which may cause special risks and requiring considering adjustments in the value of assets and liabilities in the ensuing financial year, are mentioned below.

(a) Fair Value of Financial Instruments

Fair value of financial assets and financial liabilities reported in the Balance Sheet will not be derived in the active market, and they have been defined using discounted financial transfers and / or mathematical structures. Inputs in these structures have been obtained as far as possible with the use of market data, which could be observed and otherwise they could be determined.

The changes in assumptions related to these factors may affect the fair value of financial instruments reported.

(b) Fair Value

Fair Value is the transferable value of an asset in a transaction happened at arm's length between two parties with knowledge and discretion. At first, the fair value of a financial instrument is generally its received or paid value. Later, the fair value of a financial instrument will be the bid value in an active market. It is the demanding price of financial responsibilities. The current value for the purpose of cash equivalents and short term investments is the fair value.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2019

2. Specialized Accounting Principles

2.1 Assets and the Basis of Evaluation

Cash and bank balances classified as current assets in the financial statement are assets realized within the least duration between the regular operational circle or a period of one year.

2.2 Financial Instruments

2.2.1 Financial Assets (Non-derivative)

Financial Assets will be categorized as follows; i.e. assets at fair value through profit or loss, debts and receivables, assets held for trading purposes or to be matured. The management has determined this classification based on basic identification and the purpose of acquiring these assets.

2.2.2 Classification, Identification and Measurement

The management classifies its financial assets as follows,

- a. Debts and Receivables
- b. Things to be sold

a. Debts and Receivables

These are financial assets, which are not declared in fixed or active market and with pre-determined payments. Firstly, the cost of directly related transactions added in fair value of these assets will be identified. Later, debts and receivables will be amortized and measured in consideration with any loss in allocation if available.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2019

b. Financial Assets for Trading Purposes

Financial assets for trading purposes are assets determined to be kept for an undefined period and to be traded upon liquidity reasons, change of interest rates, change of foreign exchange rates or the equity price or the financial assets at fair value through profit or loss that are kept till maturity and has not classified as debts or receivables.

2.2.3 Determination of Fair Value

In determination of the fair value of debts, advances and liabilities in consideration of their present value, quality of debts based on agreed cash flows, liquidity as well as their cost. Near fair cost of receivable and payable items is the balance after the reduction for impairment from the actual value.

2.2.4 Re-classification

Permission will be granted as a rare incident to classify financial assets apart from debt and receivables isolated from items for trade. Among debt and receivables, only the items for trade, which satisfy the definition of the Corporation for debt and receivables, will be re-classified.

Re-classification will be done at the fair value as of the day of re-classification. Fair value will be measured at the new cost or the amortized cost.

2.2.5 Impairment

(a) Financial Assets Maintained at Amortized Cost

As at each reporting date, the evidence for reduction of value of a financial asset or a group of financial assets will be evaluated by the Corporation. The value of a financial asset or a group of financial assets is considered to be reduced only if ultimate evidence of a reduction of value is available as a result of one or several occasions of losses after

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2019

the initial identification of an asset and such loss creates an impact on the estimated future cash flow or credibly estimated group of financial assets. Evidence of the reduction of value may include that a debtor or a group of debtors facing considerable financial difficulties, negligence of the payment of interest or capital payments, possibility of bankruptcy or any other financial reorganization, economic situations correlated with negligence of payments or data, which could be observed as an evaluated reduction of estimated future financial flows such as differences in arrears.

For financial assets at amortized cost, the Corporation evaluates significant financial assets separately for evidence of reduction and the financial assets separately insignificant are evaluated as a whole. Irrespective of significance, if separately evaluated financial assets are collaboratively defined to be devoid of ultimate evidence of reduction of value, such assets will be included in a group of assets with similar liability risks and they will be collaboratively evaluated for reduction of value. Assets, which were separately evaluated for reduction of value, and assets with a reduction in value or assets to be continuously recognized will not be included in collaborative evaluation.

If ultimate evidence of a loss upon the reduction of assets measured at amortized cost prevails, the amount of loss would be evaluated from the difference between the present value of the asset and the present value of future financial flows discounted at the first effective interest rate of the financial asset (Except for unexpected future losses not occurred). If a certain debt has a variable interest rate, the discounted rate to evaluate a loss in reduction of value will be the present effective interest rate. Present value of the asset is reduced through the use of an Allowance Account and the impairment will be recognized in the income statement. Assets will be maintained upon the reduced present value and will be gathered using the discounted interest rate of future financial flows for the purpose of evaluation of the loss of value reduction. Interest income will be entered under investment income in the financial statements. When actual expectations of future

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2019

recovery does not exist, debts will be written off along with associated allowances and all securities will be realized or transferred. If the loss or reduction in the estimated value increases or decreases on any reason after the recognition of value in a recent year, the identified loss or reduction of value will be increased or decreased as applicable by adjusting the amount of allowances. If a future writing off is later recovered, such recovery will be adjusted in the Allowance Account in the income statement.

(b) Impairment of Other Non-Financial Assets

In the circumstance that the present value of an asset seems unrecoverable it will be subjected to impairment. If the present value exceeds its estimated recoverable value, it will be identified as a loss or reduction of value. The recoverable value of an asset means the highest among its value in use and the difference between its fair value and its sales cost.

2.2.6 Giving-up of Identification

Instances for giving-up identification of a financial asset (including a part of an asset or a part of a group) will be as follows;

- Expiry of the right to receive financial flows
- Transferring the right to receive financial flows through the asset by the Corporation or assuming the possibility of transferring the financial flows received to a third party

(a) Transferring of all benefits and risks by the Corporation

(b) Transferring of controlling right without retaining or transferring all benefits or risks

2.2.7 On instances where legal right exist, the net value will be indicated through the concentration of financial assets and liabilities.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2019

2.3 Property, Plant and Machinery

2.3.1 Identification and Measurement

Items of property, plant and machinery are indicated at the assessed value or at cost after deducting accumulated depreciation and loss of impairment. Cost includes the expenditure directly related to the acquisition of the asset. Self-created assets include the material cost, direct labour and any other directly related expenditure spent on upgrading such assets in to usable status. Expenditure on repairs and the expenses made upon expected future benefits are identified as expenditure at their occurrence.

2.3.2 Post-construction Cost

Expenses on completion of accessories i.e. extensive inspections and total repairs are capitalized only if they cause economic benefits and such benefits can be credibly measure. Daily services will be identified as expenditure in the income statement at the occurrence.

2.3.3 Depreciation

Allocation for depreciation will be calculated upon cost / assessed value according to depletion method of depreciation. Depreciation of property excluding land, plant and machinery will be calculated as per following percentages within their productive life

Buildings	-	Head Office	2.5%
	-	Auditorium	5%
Film Complex	-	Buildings	5%
	-	Other Machinery	10%
Furniture fixations			25%
Motor vehicles			25%
Film Archive			10%
Cultural / Educational / Film Equipment			10%
Film Equipment			10%
Welfare equipment			10%

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2019

Property, plant and machinery will be depreciated commencing from the date of acquisition.

2.3.4 Removal of Identification

Identification ceases to exist at the depletion of the present value of an item of property, plant or machinery or when no longer benefits are expected from such asset. When an item is not identified, the profit or loss born out of non-identification of an item of property, plant or machinery will be entered in the income statement.

2.3.5 Impairment of Tangible Assets

In order to determine an indication of a reduction of value of non-financial assets, the current value of non-financial assets excluding deferred leased assets will be reviewed as at each reporting date. On such instance, the recoverable value of the asset will be estimated. The recoverable value of intangible assets with indefinite productive life or assets no longer exist will be estimated then and there in each year. If the current value of an asset or a finance sourcing unit exceeds its estimated recoverable value, a loss in reduction of value will be identified. The recoverable value of an asset or a finance sourcing unit will be the highest among its value in use and the difference between its fair value and its sales cost. In evaluation of value in use, it will be discounted at the pre-tax discount rate, which reflects the present market evaluation of the current rupee and the present value of future financial flows estimated using risks unique to the asset or the financial sourcing unit.

Assets, which could not be inspected individually for the purpose of evaluating value reduction and smaller assets sourcing financial flows with continuous use will be grouped in to one category of assets. Loss in reduction of value will be identified in the income statement.

2.4 Stock

All stocks are evaluated at the least between the cost and the net revaluation. Cost will be determined based on the FIFO method.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2019

2.5 Income Tax

Allocations are made by the Treasury for salaries and other allowances of Corporation employees as well as to cover part of expenditure. Allocations are not made for tax on the basis of tax should not be paid for Treasury allocations.

We are of the view that 24% should be allocated for tax out of the profit after payment of income tax upon the annual profit of the Corporation and we believe that it should be out of the net profit after adjustments for income tax.

2.6 Other Assets

Other assets include miscellaneous debtors, receivables, advances, deposits, advance payments and receivable tax.

(a) Advances, Deposits, Expenditure-in advance

Expenditure providing benefits for more than one financial year are classified as advances, deposits and expenditure in-advance. Such expenditure will be written off during the period concerned on the basis of time.

(b) Other Debtors

Other debtors are identified at the impaired value out of the cost.

2.7 Cash and Cash Equivalents

Cash and cash equivalents contain cash balances and demand deposits used for short term liability management with 03 months or less maturity from the date of acquisition and subject to inconsiderable risk at the change of their fair value. When treasury bills and bills of resale are accounted the investments of three months or less are shown as liquid asset equivalent to cash in the cash flow statement.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2019

2.8 Financial Liabilities

2.9.1 Initial Recognition and Measurement

As per LKAS 39, financial liabilities are classified as financial liabilities measured at fair value through profit or loss as applicable or loans or borrowings. The Corporation has determined its classification of financial liabilities according to initial recognition. All financial liabilities are recognized at fair value at first and the amortization method is used for loans and borrowings. Directly related transaction cost is included here.

Financial liabilities of the Corporation include sales and other payables.

2.8.2 Post Measurement

Measurement of financial liabilities is based on their classification as follows.

2.8.3 Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities for trading purposes as well as derivatives. Financial liabilities are classified as for trading purposes only if they are to be traded in immediate future. Returns or losses on financial liabilities for trading purposes will be recognized in the income statement. The Corporation has not made the initial recognition of any financial liability at fair value through profit or loss. .

2.09 Other Financial Liabilities

After initial recognition of loans and borrowings, amortization method is used for other financial liabilities.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2019

<u>Accrued Expenses</u>	<u>Rs.</u>
Salary payable and other	28,885,776
EPF in arrears	22,896,857
ETF in arrears	3,126,657
Salary payable	2,862,262
Other expenses	16,054,782
For internet facilities	<u>1,357,000</u>
`	<u>46,297,558</u>

2.10 **Other Liabilities**

Other liabilities include accrued expenditure. They are valued at historical cost, which is considered to be their fair value.

Charges for the supervision of film shooting

Since there is a possibility for filing a case on the amount of Rs. 5 lakhs recovered due to a problematic situation arisen at the shooting of an commercial trailer, that amount has been allocated under miscellenous creditors.

2.11 **Government Grants**

Government grants related to assets will be deferred in the balance sheet and they will be recognized in the income statement during the lifetime of the asset and receipts to incur expenditure will be accounted as they receive.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2019

Recognizing treasury grants properly with the income according to the utilization

Recognizing Grants received from General Treasury in relation to enhancement of assets as per LKAS 20 during the lifetime of the respective asset.

Incomes recognized in year 2019 are as follows.

	<u>R. Cts</u>
New buliding	1,308,864.03
Cinema Complex	5,871,317.70
Head Office	4,251,471.57
Machinery at studios	5,173,074.56
Internet Facilities	135,700.00
Furniture	281,350.33
	<u>17,021,778.19</u>

Amount received for recurrent expenditure of the institution -Rs.80,750,000.00

2.12 Employee Benefits

Determined Contributory Plan

As per Statutes and Regulations, the employees of the Corporation are entitled for Employees' Provident Fund and the Employees' Trust Fund. Corporation makes a fixed contribution to these funds upon the gross remuneration of the employees and the Corporation has no other legal obligation in this regard.

Determined Beneficiary Plan

Definite beneficiary plan means a post-employment beneficiary plan changed in to a definite contributory plan. The Corporation is obliged to this plan by the Gratuity Act No 12 of 1983.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2019

2.13 Income

2.13.1 Production Loan Interest and Surcharge

The interest for the loans provided to producers has been accounted for the period up to one year from the date of screening. If the recovery of the loan is completed at a certain occasion, action will be taken to calculate and recover relevant interest.

The surcharge for the amounts to be recovered from cinema halls has been calculated and recovered as per the Gazette Notification.

The production loan interest has marked a decline as a result of the decrease in the provision of loans for production of movies in year 2019.

2.13.2 Films released for Screening

Interests for loans will not be accounted after one year of the release of film due to non-recovery of loan as a result of the non receipt of income during the screening of the film.

2.13.3 Unscreened Films

(a) Interests in relation to films, which have obtained film production loans and yet services have not been obtained for the past two years, have not been accounted.

(b) In relation to studio services, interests of films, which have suspended production activities and not obtained services for a longer period, have not been accounted.

Even though the annual interest has not been calculated as per two matters mentioned above, steps will be taken to recover the interest as and when the loan is recovered.

2.13.4. Surcharges from movie theaters

Only an amount of 25% has been taken in to the income on the basis that 100% of the surcharge to be recovered for the rental of movies, which is due from the movie theaters, is not received.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2019

2.13.5. 224 Rental from buildings

Rental is recovered from following institutions providing the 224, building belonging to the Corporation on temporary basis.

	Monthly Rental	Annually
01. SALACINE institute	291,500,00	3,498,000.00
02. Public Performance Board	80,000.00	960,000.00
03. SAARC Cultural Center	315,000.00	3,780,000.00
	<u>686,500.00</u>	<u>8,238,000.00</u>

2.13.6. Projects not included in the account of the Corporation.

01. Film Education for school children

Current account No 5152460 at Bank of Ceylon.

The funds of the Ceylon Biscuits Company have been utilized for this project.

The balance as at 31.12.2019 is Rs. 976,303.16.

02. Insurance of the artists in movie industry

Account No. 013514633 01 of Standard Chartered Bank.

Monet has been invested personally for this project. The balance as at 31.12.2019 is 00.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2019

2.13.7 Presidential Film Awards

The amount spent during the year 2019 for the Presential Film Award Ceremoney of 2017 is Rs. 26,172,934 and it should be reimbursed by the General Treasury. Hovever the amount reimbursed is only Rs. 20 million and Rs. 5 million out of the balance has been set off against the loan of the General Treasury.

2.13.8 Salaries of the employees

The amount received for reimbursement of salary has been adjusted in year 2019 as a reimbursement of the remuneration of employees, since the General Treasury has agrred to reimburse the money spent for the salaries of the employees of the Corporation by way of entrusting the distribution of movies, which were belonging to Corporation, to private circuits in the implementation of methodology in Nilaweers reports, which has been recommended by the Ministry of Finance in year 2001.

National Film Corporation
Notes to statements of income
for the year ended 31 December 2020

		<u>2019</u>	<u>2018</u>
		Rs	Rs
(03) <u>Sales</u>			
Light Fed Movies	3.1	46,907,845	38,916,762
Screening	3.2	477,596	612,770
Studio	3.3	1,687,900	1,292,200
Trade Affairs	3.4	1,727,133	2,256,939
		<u>50,800,475</u>	<u>43,078,671</u>
3.1 <u>Light Fed Movies</u>			
Local Movie rental			
Eastern Movie rental			
<i>Commission for distribution</i>			
Local		12,550,578	12,942,272
Foreign		20,609,406	11,655,093
Increase		7,915,187	8,506,324
Commission for services		180,852	230,497
Surcharge		4,894,982	4,889,096
Fines on inspections		756,840	693,480
		<u>46,907,845</u>	<u>38,916,762</u>
3.2 <u>Screening</u>			
Cine Ads		477,596	612,770
		<u>477,596</u>	<u>612,770</u>
3.3 <u>Studio</u>	<u>No. of</u>		
	<u>Movies</u>		
Sounds		1,687,900	1,240,300
Editing		-	51,900
Laboratory (Black- White)		-	-
		<u>1,687,900</u>	<u>1,292,200</u>
3.4 <u>Trade affirs</u>	<u>Amount</u>		
Cinema carbn		160,675	129,995
Spare parts		5,696	14,595
Sstationary and publishing		1,465,421	1,651,782
<i>Internal usage</i>			
Spare parts		9,469	16,266
Cost for stationary		85,872	444,301
		<u>1,727,133</u>	<u>2,256,939</u>

National Film Corporation
Notes to statements of income
for the year ended 31 December 2019

(04) <u>Cost of sales</u>	<u>Screening</u>	<u>Studios</u>	<u>Productions</u>	<u>General administration expenses</u>	<u>2019 Total</u>	<u>2018 Total</u>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stock 01.01.2019	5,253,887	1,409,412	-	5,156,233	11,819,532	11,158,240
<u>Add -</u>						
Purchases and transfers	-	-	-	3,905,932	3,905,932	2,465,631
	5,253,887	1,409,412	-	9,062,165	15,725,464	13,623,871
<u>Less (</u>						
Losses from stocks	-					
Transfers	-					
Ending balance 31.12.2019.	5,253,887	1,409,412	-	4,637,934	11,301,233	11,819,532
	-	-	-	4,424,231	4,424,231	1,804,339

For extensive notes see (4-a) (4-b) and 4-c)

National Film Corporation
Notes to statements of income
for the year ended 31 December 20219

(04 - A) **Cost of sales**

	<u>Stock</u> <u>01.01.2019</u>	<u>Purchases</u>	<u>Total</u>	<u>Stock</u> <u>31.12.2019</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
<u>Lit movies</u>				
Light fed movies	3	-	3	3
Western	244	-	244	244
Eastern	471	-	471	471
	<u>718</u>	<u>-</u>	<u>718</u>	<u>718</u>
<u>Movies not released</u>				
Local	3,043,931	-	3,043,931	3,043,931
Western	982,492	-	982,492	982,492
Eastern	8	-	8	8
Total	<u>4,026,431</u>	<u>-</u>	<u>4,026,431</u>	<u>4,026,431</u>
	<u>4,027,149</u>	<u>-</u>	<u>4,027,149</u>	<u>4,027,149</u>
		<u>2019</u>		<u>2018</u>
		<u>Rs</u>		<u>Rs</u>
Stock 01.01.2019		-		-
<u>Add</u>				
	purchases	-		-
	publicity	-		-
		<u>-</u>		<u>-</u>
Less	Stock			
	31.12.2019	-		-
	Cost	<u>-</u>		<u>-</u>
<u>Add</u>	Other movies			
Stock 01.01.2019				
I. On percentage basis	259,890	-	259,890	
II. Cine siththam	966,848	1,226,738	966,848	1,226,738
<u>Add</u>	Expenses	-		-
		<u>1,226,738</u>		<u>1,226,738</u>
less	Transfers			
SStock 31.12.2019				
I. On percentage basis	259,890	-	259,890	-
II. Cine siththam	966,848	1,226,738	966,848	1,226,738
Total cost		<u>-</u>	<u>-</u>	<u>-</u>

National Film Corporation
Notes to statements of income
for the year ended 31 December 2020

(04 - B) Cost of Sales

	<u>Negatives</u>	<u>Cinema carbon</u>	<u>Spare parts</u>	<u>Chemicals</u>	<u>Stationary</u>	<u>Total</u>	<u>Total</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>2019</u>	<u>2018</u>
						<u>Rs.</u>	<u>Rs.</u>
Opening stock	287,951	1,170,579	277,864	-	3,419,839	5,156,233	4,494,941
01.01.2019							
<u>Add/</u>							
Purchases And transfers	-	-	-	-	3,905,932	3,905,932	2,465,631
	287,951	1,170,579	277,864	-	7,325,771	9,062,165	6,960,572
<u>Lesss/</u>							
Loss of stocks							
Ending balance 31.12.2019	287,951	1,018,492	267,748	-	3,063,743	4,637,934	5,156,233
	-	152,087	10,116	-	4,262,028	4,424,231	1,804,339

National Film Corporation
Notes to statements of income (Studio)
for the year ended 31 December 2019

(04 - C) Cost of Sales

	<u>Negatives</u>		<u>Cinema carbon</u>		<u>Spare parts</u>		<u>Chemicals</u>		<u>Stationary</u>		<u>Total</u>	
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>2019</u>
												<u>Rs.</u>
Opening stock	816,569	-	538,753	54,090	1,409,412	1,409,412						1,409,412
01.01.2019												
Purchases	-	-	-	-	-	-	-	-	-	-	-	-
	816,569	-	538,753	54,090	1,409,412	1,409,412						1,488,344
<u>Lesss/</u>												
Loss of stocks	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Ending balance 31.12.2019	816,569	-	538,753	54,090	1,409,412	1,409,412						1,409,412
Internal usage within the year	-	-	-	-	-	-	-	-	-	-	-	-

National Film Corporation of Sri Lanka
Notes to the statements of income
for the year ended 31.12.2019

Note- 05

	<u>2019</u>	<u>2018</u>
	Rs	Rs
<u>Employees' remuneration</u>		
Salaries and wages	53,681,072	42,973,075
Overtime, holiday pay and compensation	9,307,207	4,838,815
Contributions to E P F andd E T F	10,238,526	8,074,850
Other allowances	16,702,755	24,728,678
	89,929,560	80,615,419
	89,929,560	80,615,419

Note- 06

Travelling and subsistence allowance

Travelling expenses	(Local)	61,439	121,719
	(Foreign)	524,890	1,077,204
Subsistence allowance		799,720	190,251
		1,386,049	1,389,173
		1,386,049	1,389,173

National Film Corporation of Sri Lanka
Notes to the statements of income
for the year ended 31 December 2019

Note-07

	<u>2019</u>	<u>2018</u>
	Rs.	Rs.
<u>Supplies and equipment</u>		
Stationary and office equipment	2,732,085	2,065,529
Electricity	5,888,347	4,869,052
Refreshments	478,310	189,929
Electrical appliances	43,867	73,645
	9,142,609	7,198,155

Notes- 08

Repairs, maintenance and depreciation

<u>Fuel/lubricants and maintenance of vehicles</u>	5,251,490	4,732,661
Maintenance	2,930,222	2,449,990
Depreciation	22,293,932	25,755,076
	30,475,643	32,937,727

National Film Corporation of Sri Lanka
Notes to the statements of income
for the year ended 31.12.2019

Note- 09

	<u>2019</u>	<u>2018</u>
	Rs.	Rs.
<u>Transport, links, requists and other services</u>		
Transport	119,719	64,382
Links	2,196,781	2,483,812
<u>Requists</u>		
Internal usage	67,061	460,567
Foreign movie festivals	-	-
Welfare expenses	2,856,366	2,941,760
Recruitment of employees and training	2,689,691	719,647
Water bills	280,267	404,093
Discussions and conferences	567,036	247,477
Conservation of movies	285,085	2,241,138
Rates	829,313	829,313
Cinema museum account	16,463	-
<u>Other services</u>		
Charges for the Board of Directors	1,249,804	837,099
Publicity	443,757	709,829
Special commission	182,644	370,379
Legal fees	895,762	489,415
Festivals of the Corporation	1,372,811	1,267,391
Audit fees	700,000	700,000
Security services	4,982,550	5,169,591
Bank charges	139,028	83,749
Cinema Education	774,110	705,865
Funeral aids for outside parties and expenses for cine technicians	968,050	943,635
Expenses of new movie theatre	192,515	484,240
Scripts reading	21,000	6,000
Delay charges	16,034	10,872
Sanitary services	5,555,388	2,310,301
Cost of the interests for loans granted to employees	1,552,869	968,843
^-& Income from the interest of loans granted to employees	(1,552,869)	(968,843)
Loss from the removal of fixed assets	-	6
Movie categorization expenses	608,519	-
President's Cinema Awards ceremony	26,172,934	-
Investigation Officer- payments	190,500	-
	54,373,187	24,480,563
Reimbursement of the expenses for President's Awards Ceremny	(20,000,000)	-
Setting off expenses of President's Awards Ceremony from the loans from C	(5,000,000)	-
	29,373,187	24,480,563

National Film Corporation
Notes to the statements of income
for the year ended 31 December 2019

<u>Notes - 10</u>	<u>2019</u>	<u>2018</u>
<u>Other income</u>	<u>Rs.</u>	<u>Rs.</u>
Income from dividends	39,697	20,000
Interest for production loans	5,761	2,163,409
Interest for loans granted to employees	499,137	484,421
Miscellaneous income	867,346	2,960,735
Outside shooting	3,772,713	4,580,700
For repairs made to movies not belonging to Corporation	85,039	120,417
Interests for fixed deposits and treasury bills	27,615,541	25,428,638
Movie registration fees- local and foreign	1,165,930	883,000
Income of NFC movie theater	6,613,699	4,329,875
Receipts for watching movies	30,000	-
Approval for scripts	35,000	5,000
224 income from building rental	8,238,000	8,658,000
Receipts for courses	1,082,500	1,542,000
Identifying receipts from treasury to the income	17,021,778	20,168,009
Adjusting exchange rates	(29,613)	99,345
Income from rental of lecture hall	67,500	166,150
Compensation received from Insurance Corporation	-	11,300
Boards for publicity	386,567	7,500
Assets removal account	-	50,249
Annual registration fees- Importers of foreign movies	475,000	575,000
Fines from employees	-	466,999
Receipts from investigation officers and approval for documentaries	641,000	-
	<u>68,612,595</u>	<u>72,720,747</u>

National Film Corporation
Notes to financial position
for the year as at 31. December 2019

Note- 11 – Fixed assets

	<u>01.01.2019</u>		<u>31.12.2019</u>		<u>01.01.2019</u>		<u>31.12.2019</u>	
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
01. Free hold lands	174,343,458.00	-	174,343,458	-	-	-	-	174,343,458
02. Free hold buildings	146,866,590	2,746,838	149,114,227	60,932,895	5,881,715	24,960	66,789,650	82,324,577
03. Cinema complex	125,789,704	3,265,961	122,837,432	74,213,774	5,183,708	621,823	78,775,659	44,061,773
04. Mini cinema equipment	331,451	-	331,451	331,449	-	-	331,449	2
05. Furniture, Installation & Fix:	18,851,777	5,668,300	24,520,077	16,350,814	982,114	-	17,332,928	7,187,149
06. Office equipment	25,722,928	2,112,480	27,835,408	17,373,942	1,578,863	-	18,952,805	8,882,603
07. Motor vehicles	18,182,879	-	18,182,879	10,082,877	2,700,000	-	12,782,877	5,400,002
08. Movie archiving	1,610,655	493,800	2,104,455	1,256,924	146,659	-	1,403,583	700,872
09. Push bicycles	18,281	-	18,281	18,277	-	-	18,277	4
10. Movie equipment	910,689	-	910,689	762,830	49,280	-	812,110	98,579
11. Projecting equipment	925,202	-	925,202	603,939	50,209	-	654,148	271,054
12. Machinery at studios	93,758,992	4,262,559	97,995,676	85,835,263	5,644,608	2,588	91,477,284	6,518,393
13. Equipment for cine educatio	1,241,350	-	1,241,350	961,744	75,204	-	1,036,948	204,402
14. Welfare equipmentmt	210,677	-	210,677	198,103	1,572	-	199,675	11,003
	608,764,633	18,549,939	620,571,262	268,922,831	22,293,932	649,371	290,567,392	330,003,870

National Film Corporation
Notes to Financial position
as at 31 December 2019

	<u>2019</u>	<u>2018</u>
	Rs.	Rs.
<u>Notes-12</u>		
<u>Long term investments</u>		
Fixed deposits	23,463,724	21,461,312
Associated Newspapers Ceylon Limited	127,000	127,000
	<u>23,590,724</u>	<u>21,588,312</u>
<u>Note- 13</u>		
<u>Short term investments</u>		
Deposits at National Savings Bank- employees	5,000	5,000
REPO deposits	201,624,456	187,811,682
Treasury bills	113,601,156	108,004,238
	<u>315,230,612</u>	<u>295,820,920</u>
<u>Note- 14</u>		
<u>Stocks</u>		
Movies	5,253,887.00	5,253,887
Trade affairs	4,349,982.96	4,868,282
Studio	1,697,363.00	1,697,363
Spare parts for studio maintenance	1,472,575.00	1,472,575
Stationary and other	2,126,924.00	1,355,400
	<u>14,900,731.96</u>	<u>14,647,507</u>
Allocation for slow-marketed and non-marketed stocks	<u>(8,597,175.78)</u>	<u>(8,597,176)</u>
	<u>6,303,556.18</u>	<u>6,050,331</u>
<u>Note -15</u>		
<u>Debtors</u>		
Movie theaters	362,063,333	
(-) Allocations for surcharges	(148,844,015)	
(-) impairment adjustments for debtors 16 a	<u>(111,603,285)</u>	103,789,395
		<u>101,616,033</u>
Producers	83,569,548.76	
(-) Allocations for production loans	(4,618,805.70)	
(-) impairment adjustments for debtors 16 a	<u>(63,479,254.89)</u>	23,584,897
	<u>(96,131,797)</u>	<u>127,374,293</u>
<u>Note 16</u>		
<u>Miscellaneous Debtors</u>		
Other	175,766,202	176,195,055
Impairment adjustment for miscellaneous (Note 16 A)	(8,788,310)	(8,809,753)
Employee Advances	22,375,488	23,350,831
Employee Loan Asset Account	1,467,383	3,224,642
(-) Employee Loan Liability Account	<u>(1,467,383)</u>	<u>(3,224,642)</u>
	<u>189,353,380</u>	<u>190,736,133</u>

National Film Corporation of Sri Lanka
Notes to the financial position
as at 31 December 2019

Schedule of Allocation for Doubtful Debt

<u>Debtors</u>	<u>Total</u> <u>2019</u> Rs.	<u>Not agreed and</u> <u>Non-recoverable</u>		<u>Recoverable</u> Rs.	<u>Allocation of 5%</u> Rs.		<u>Total Allocations</u> Rs.
		Rs.	Rs.		Rs.	Rs.	
Movie theaters	362,063,333	98,421,177		263,642,156	13,182,108		111,603,285
Producers	83,569,549	62,421,871		21,147,678	1,057,384		63,479,255
Other	175,766,202			175,766,202	8,788,310		8,788,310
Employee Loans	20,847,308	-		20,847,308	-		-
	642,246,391	160,843,048		481,403,343	23,027,802		183,870,850

	Movie theaters	Producers	Other
Balance B/F	183,660,809	110,944,780	63,906,276
Transfer to Profit & Loss Account	210,041	658,505	(427,021)
	183,870,850	111,603,285	63,479,255
			8,788,310

Impairment adjustments for debtors
As at 01.01.2019

183,660,809

Transfer to Profit & Loss Account
Balance B/D 31.12.2019

210,041
183,870,850

National Film Corporation
Notes to financial position
as at 31 December 2019

	<u>2019</u>	<u>2018</u>
	Rs.	Rs.
<u>Note : 17</u>		
<u>Deposits and Advance Payments</u>		
Deposits	3,792,893	4,209,588
Advance Payments	492,508	321,574
	<hr/>	<hr/>
	4,285,401	4,531,162
Impairment adjustment for non- recoverable loans	(653,728)	(653,728)
	<hr/>	<hr/>
	3,631,673	3,877,434

Note : 18

Cash and Bank Balances

People's Bank - C. A. No 004-1-001-1-0208647	874,707	1,585,453
People's Bank - C.A. No 055-1-001-5-0667533	1,530,032	2,124,340
People's Bank - C. A. No 004-1-001-6-0208664	3,420,112	7,166,206
Bank of Ceylon - C.A. No 0002323272	(241,062)	4,863,086
Bank of Ceylon - C.A. No 0002323131	792,846	952,745
Bank of Ceylon - C.A. No 0002323354	4,328,874	6,296,658
Bank of Ceylon - C. A. No 0002323363	11,035,364	6,715,678
Bank of Ceylon - C. A. No 0005002189	763,288	5,223,378
Bank of Ceylon - C. A. No. 5152460	976,303	976,303
	<hr/>	<hr/>
	23,480,463	35,903,848
<u>Cash at Hand</u>		
Petty Cash - Head Office	36,134	48,971
Petty Cash - Studio	24,970	(4,805)
Petty Cash - Film Archive	34	34
	<hr/>	<hr/>
	61,138	44,200
Total	<hr/>	<hr/>
	23,541,601	35,948,047

Note-19

Grants

Treasury grants	104,181,910	124,349,919
(-) Amortisation	(17,021,778)	(20,168,009)
	<hr/>	<hr/>
	87,160,132	104,181,910

National Film Corporation of Sri Lanka
Notes to the financial position
as at 31 December 2019

	<u>2019</u>	<u>2018</u>
<u>Note : 20</u>		
<u>Allocations for the gratuity</u>		
Balance brought forward 01.01.2019	43,151,056	40,228,205
Allocations deficient in year 2018	497,151	-
Allocations for the year	3,486,140	7,131,374
Cash payments	(4,768,794)	(4,208,523)
	42,365,554	43,151,056.29
	42,365,554	43,151,056.29
 (Invested in treasury bills)		

Note : 21

Deposits

NFC Theatre Security Deposits	430,272	295,272
Canteen Deposit	35,000	30,000
Security Deposit - Theatres	2,573,754	2,326,727
Employees	5,000	5,000
Film Importation	7,500	7,500
Cinema Project	45,000	45,000
Sanitary Services	160,000	260,000
	3,256,525	2,969,499
	3,256,525	2,969,499

Note : 22

Film Rent Creditors

Film Rent Creditors	269,193,607	271,145,270
(-) Impairment adjustment for Creditors	(18,046,804)	(18,046,804)
	251,146,803	253,098,466
	251,146,803	253,098,466

National Film Corporation of Sri Lanka
Notes to the financial position
as at 31 December 2019

Note 23

Other creditors

Accrued expenses (Shown in notes to financial statements no 2	46,297,558	63,895,493
VAT payable	152,612	152,612
Allocations for audit fees	3,215,795	2,515,795
Commissioner of Inland Revenue (Stamps)	55,848	75,022
Unclaimed Wages	947,611	944,912
E. P. F.	1,901,241	656,726
E. T. F.	242,662	72,955
Miscellaneous Creditors	1,429,773	759,853
(- Allocations for Non-payable Liabilities)	(644,840)	(644,840)
Generakl Treasury	-	5,000,000
National Film Development Fund	3,697,545	3,557,545
Rithma circuit administration account	5,316,841	5,542,572
Payment of Paye tax	38,253	35,304
Account for Allocation for Salaries and Wages	577,190	550,887
Account for allocation for Receivable Production Loan Interest	1,028,122	1,028,122
Advances for funeral aids to Welfare Society	-	46,150
Public Performance Board	114,801	682,973
Rehabilitation of films	(485,692)	2,446,017
Ceylon Biscuits Limited	976,303	976,303
	<u>64,861,624</u>	<u>88,294,402</u>

Chairman,
National Film Corporation of Sri Lanka

Report of the Auditor General on the Financial Statements and other Legal and Regulatory Requirements of the National Film Corporation of Sri Lanka for the year ended 31 December 2019 as per Section 12 of National Audit Act No 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Film Corporation of Sri Lanka for the year ended 31 December 2019 comprising the comprehensive statement of income, Statement of Changes in Equity, and Statement of Cash flow for the year then ended and notes on financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 and provisions of the Finance Act No 38 of 1971. My report will be tabled in the Parliament in due course, in terms of the Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in the Basis for qualified opinion, the accompanying financial statements give a true and fair view of the financial position of the fund as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

- (a) An amount of Rs. 20 million received from General Treasury for President's Film Awards Ceremony has been shown in the statement of comprehensive income in contrary to para 32 of Sri Lanka Accounting Standards No 1 by setting off it against Rs. 26.2 million, which was the expenditure of President's Film Awards Ceremony, and without identifying to the income.
- (b) Rs. 63,426,512 and Rs. 201,932,207 , which are relevant to the value of 14 treasury bills to be matured within a period of 03 months and re sale of 19 treasury bills (Repo) respectively have not been shown in the statement of cash flow and cash and cash equivalent as per para 7 of of Sri Lanka Accounting Standards No 7.
- (c) Even though the net book value of the idle assets should be revealed in financial statements as per para 79 (a) of Sri Lanka Accounting Standards No 16, no such revelation has been made on accounting of technology and out dated old assets belonging to the black and white and colour laboratories of Kelaniya studio of the Corporation.

- (d) The software applied for the post production activities of the laboratory of Sarasavi studio, Kelaniya has not been shown in financial statement under intangible assets as per para 119 of Sri Lanka Accounting Standards No 38.
- (e) Even though the investment assets should be identified and accounted as per para (c) 75 of Sri Lanka Accounting Standards No 40, no such appropriate revelation has been made regarding a building provided by the Corporation on rental to the Public Performance Board, SALACINE institute and SAARC cultural centre for more than 17 years.
- (f) The accounting policy for the accounting of income has not been revealed in financial statements after identifying the same as per para 35 (a) of Sri Lanka Accounting Standards No 18.
- (g) Even though it has revealed in financial statements that the policy followed for accounting of properties is on cost or valuation, no such action has been taken to make the assessment of the land of Kelaniya studio and the land bearing no 224 and belonging to the Corporation, which is located at Bauddhaloka Mawatha, to account its fair value in accounts.
- (h) With the abolition of the monopoly of the Corporation for the distribution of movies belonging to Corporation in year 1999, it has lost one of its main sources of income; namely the commission for distribution. Due to such situation, the income of the Corporation was not sufficient to cover its expenses and therefore the General Treasury has taken action from year 2011 to provide provisions for payment of the salaries of the employees of Corporation. Further a situation was revealed, where the Corporation was facing a loss continuously during the period under review and previous 05 years before receiving the provisions from General Treasury, and it was observed that it is not possible to continue the Corporation either without obtaining legal rights for distribution of movies to the Corporation or financial assistance of the Corporation.

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

1.3 Responsibilities of the management and those charged with governance for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for determining such internal control which is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance of the fund are responsible for overseeing the financial reporting process of the fund.

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

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- In terms of the requirement prescribed in the section 12 (a) of the National Audit Act No 19 of 2018, I have obtained all information and other clarifications, which were necessary for the audit, except for the effects of the matters described in the Basis for qualified opinion, and according to my inspection the Corporation has maintained financial reports in the proper manner.
- The financial statements presented by the Corporation are consistent with the preceding year as per the requirements of section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.
- Recommendations, which have been made by me during the previous year in terms of the requirement prescribed in the section 6 (I) (d) (iv) of the National Audit Act No 19 of 2018, have been included in the financial statements, which were submitted, except the para 1.2 (a), 1.2 (c), 1.2 (d), 1.2. (e), 1.2 (g), and 1.2 (h).

Based on the procedures performed and evidences obtained were limited to matters that are material, nothing has come to my attention,

- to state that any member of the governing body of the Corporation has any direct or indirect interest in any contract entered into by the Corporation which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.
- to state that the Corporation has not complied with any applicable written law, general and special directions issued by the governing body of the Corporation as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018, except the following recommendations;

Reference to laws, rules and order	Description
(a) Section 27 of the National Film Corporation Act No 47 of 1971 and Sections 10 (5) and 11 of the Finance Act No 38 of 1971	The surplus income of Rs. 173,169,736 relevant to the period from year 2014 to 2019 has not been remitted to the General Treasury and further Rs. 115,091,406 and Rs. 201,624,456 inclusive of the interest received have been invested in treasury bills and re sale of treasury bills respectively without obtaining the approval of the Minister of Finance and relevant Minister.

(b) Section 7 (2) of the Finance Act No 38 of 1971	Rs. 80,750,000, which was the grants received from the Government during the year under review, has been shown in the Comprehensive statement of income after calculating the profit/ loss of the Corporation.
(c) Para 9 of the National Movie Policy and Guidelines dated 17 June 1999	Even though a film archives should be established and its management should be carried out by the Corporation, nearly 273 old movies have been deposited in a repository of the Department of National Archives and further a programme has been made to preserve the copies of 987 old and new movies , which were screened from year 1947, no supervision and follow up action have been made in this regard.
(d) F.R. 381 (1) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Even though the Chief Accounting Officer should obtain approval from the General Treasury for opening official bank accounts, 09 bank current accounts have been opened by the Corporation by 31 December 2019 without obtaining the approval of the General Treasury and the total of the balances of such accounts as at the aforesaid date was Rs. 36,979,808.
(e) Para 6.5.3 of Public Enterprises Circular No. P E D 12 dated 02 June 2003	The annual report of year 2018 has not been tabled in the Parliament even by 15 September 2020.

- To state that the Corporation has not performed according to its powers, functions, and duties as per the requirements of section 12 (g) of National Audit Act No 19 of 2018
- To state that the resources of the Corporation had not been procured and utilised economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirements of section 12 (h) of the National Audit Act No 19 of 2018.

3. Other audit observations

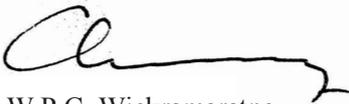
- (a) Action has been taken to invest treasury bills and resale of treasury bills to the value of Rs. 316,715,862 continuously in one and the same bank instead of investing them on more profitable interest rates calling quotations from the state banks in the primary market.
- (b) Action has not been taken to settle the balances of Rs. 43,771, Rs. 5,316,841 and Rs. 3,697,545 respectively out of the balances of the current account maintained by the Corporation with Fund for Film Artists' and Technicians' Fund, Rithma Circuit and Film Development Fund.

- (c) Action has been taken to provide the building No 224 belonging to the Corporation on a rental to two institutions on a lower rate without determining the rental as per the valuation of the Government and further to provide it on a lease rent lower than the valuation of the Government considering requests made by those institutions.
- (d) Even though an amount of Rs. 976,303 has been maintained in a current account of the Corporation for a project under 'Cinema Education for Children', no project work has been launched during the year under review.
- (e) As a result of the weaknesses in the internal control system applied for the management and protection of assets of the Corporation, 107 computers and office equipment have misplaced by 31 December 2019. Further action has not been taken to recover the damages caused to such items, which have been identified at the revaluation of assets.
- (f) Rs. 182,798 i.e. 70% to be recovered out of Rs. 263,940 in relation to the fines imposed at the inspections conducted on movie theatres has not been recovered even by the end of the year under review.
- (g) The monthly balance maintained in 9 bank current accounts of the Corporation was nearly Rs. 29.2 during the year 2019 and no attention has been paid to earn an extra income by way of investing it in short term investments productively.
- (h) Negatives and chemical stock of Rs. 870,659 has become useless as they have expired from year 2014.
- (i) 7917 'Chithrapata' magazines, which were printed before 5 years, were decaying in the main store as no action has been taken either to remove or sell them and further nearly 450 items, which are not used at present and expired, are kept in the store. Further the cost or present value of them has not been shown in the registers of the Corporation.
- (j) Works have been commenced for the construction of a film archive and a museum in the name of Dr. Lester James Peries, veteran film maker, on an estimate of Rs. 99.9 million on 05 April 2019 and it had to be completed before 10 July 2019. Even though it has planned to open museum on 05 April 2020, which is the birthday of this veteran film maker, the project has not been completed and even the approval of the Urban Development Authority had been obtained for the purpose.
- (k) As a result of computing the contributions for the Employment Provident Fund for the period from January 2006 to December 2015 without considering the cost of allowance, it has been informed by the last letter of demand that Rs. 12,211,657, Rs. 8,141,105 as contribution of employer and employee respectively and Rs. 10,176,381 as the surcharge on the above have to be paid. In addition to the above, Corporation has been informed that Rs. 2,763,753 and

Rs. 1,381,876 has to be paid for the contribution to the Employees' Trust Fund and the surcharge for the above. However, provisions of Rs. 34,674,772 have been made in year 2018 in financial statements for the full payment as the adjustments of previous years without obtaining the approval of the Board of Directors and without obtaining approval of the General Treasury for the payment of surcharge.

- (l) Even though there was a bank overdraft to the value of Rs. 241,062 as at 31 December 2019 in a current account maintained by the Corporation at Bank of Ceylon, no proper approval has been obtained by the Corporation to obtain such overdraft.
- (m) The income from the rental recovered by the Public Performance Board for the building has reduced by Rs. 420,000 in the year under review and no proper agreement for the reduction of rental has been submitted and the report of the Chief Valuer regarding the rental of the buildings has not been submitted for the audit.
- (o) No action has been taken either to pay the amount of Rs. 1,332,143, which is shown in the unpaid salary account for more than 04 years, to the relevant persons or to add it again to the income.
- (p) A balance of Rs. 71.32 million had to be recovered as at 31 December 2019 from the loan value granted to the movie producers for their productions during the period from 1975 to 2014. Rs. 25.10 million out of the above has not been utilized for movie productions and further it has become suspicious the recovery of the arrears of the loan balance of Rs. 8.29 million as the relevant producers have demised. As a period of more than 10 years has lapsed, the possibility to recover the loans is at a low level and further the activities of the Committee, which has been appointed to take action in this regard and the amount of the loans, which has been recovered, have not been submitted for the audit.
- (q) Action has not been taken even by 15 September 2020 to recover the rental for movies to the value of Rs. 12,343,433 from the Cine City Cinema Complex, Maradana for the period from year 2003 to 31 My 2016 and it has become impossible to calculate and account the income from movie rental as no action has been taken to call for daily reports after 31 May 2016.
- (r) Even though the time of the remaining part of the compensation granted by the General Treasury for sending employees on retirement, which is Rs.5,000,000, has lapsed more than 05 years, it has not been remitted again to the General Treasury but deducted as the contribution from General Treasury. However, the approval of the General Treasury has not been obtained for the deduction.

- (s) The balance of the loan advance, which cannot be identified, as at 31 December 2019 was Rs. 539,221 due to the weaknesses in the system applied for the payment and recovery of loan advances of employees.
- (t) The estimated expenditure for the refreshments of the President's Film Awards Festival conducted on 26 July 2019 for the three years i.e. 2016, 2017 and 2018, was Rs. 1,707,300 but the actual expenditure was Rs. 2,687,430. Accordingly, 57.4% has been spent in excess to the estimated expenditure but the grounds for such expense had not been submitted for the audit. Further it has not been evaluated by the Technical Evaluation Committee as per the guideline No. 2.8.4 of the Government Procurement Guidelines.
- (u) 52 posts in the staff have fallen vacant in the Corporation as at 31 December 2019 and the approved cadre has not been reviewed as per the present requirements. Further, 7 essential posts in staff grade have also fallen vacant for a long period and for these posts, 4 officers have been appointed on acting basis and another 3 officers have been appointed on the basis of performing duties in the posts.



W.P.C. Wickramaratne
Auditor General