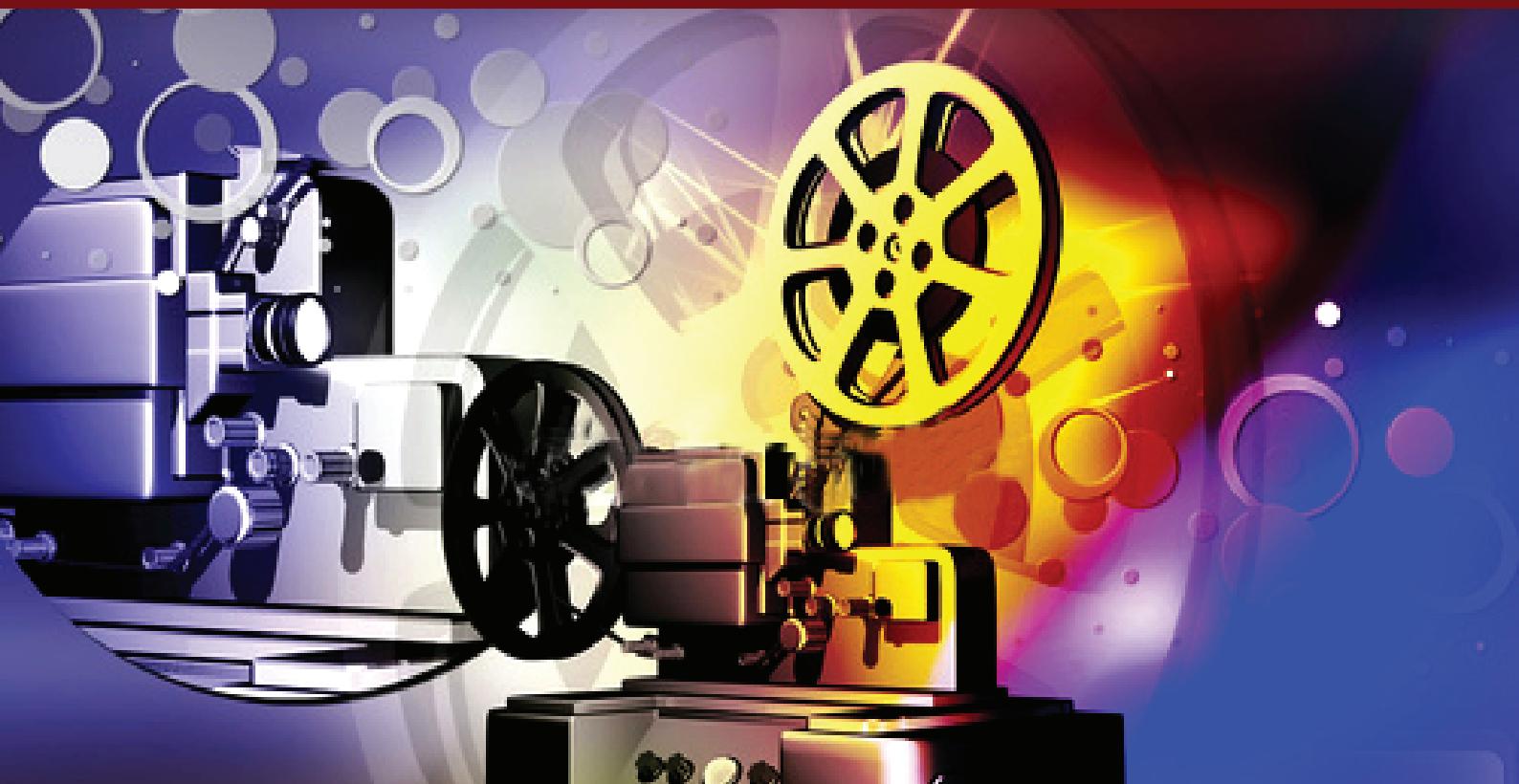


2012

ANNUAL REPORT



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National Film Corporation of Sri Lanka

National Film Corporation of Sri Lanka



**Annual Report
2012**

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- Presentation -

Date: 18.09.2013

My No. NFC/103/05/02/91

Dr. Keheliya Rambukwella,
Hon. Minister of Mass Media and Information,
Ministry of Mass Media and Information,
No.163, Kirulapona Mawatha,
Polhengoda,
Colombo 05.

Hon. Minister,

**NATIONAL FILM CORPORATION OF SRI LANKA – ANNUAL
REPORT – 2012**

I forward herewith the Annual Report of the National Film Corporation of Sri Lanka for the year ending as at 31st December 2012 in terms of section 32(1) of the National Film Corporation of Sri Lanka Act, No.47 of 1971 as amended by Act, No.45 of 1980 and in terms of section 14(1) of the Finance Act, No.38 of 1971 together with the following documents.

1. The statements relating to the functions performed by the Corporation during the year 2012.
2. Profit and Loss Account, Associated Notes and the Balance Sheet of the Corporation for the year ended on 31st December 2012.
3. The Auditor-General's Report for the year ended on 31st December 2012.
4. The replies sent to the Audit queries submitted by the Auditor-General, by the Chairman of the Corporation.

Yours faithfully,

Sgd.



Ashoka Serasinghe, Attorney-at-Law

Chairman,

National Film Corporation of Sri Lanka.

Administration Report

01. Introduction
02. Board of Directors
03. Local Film Production
04. Personnel and Establishment Control
05. Film Advertising/Cine Ads
06. Film Imports
07. Exhibition of Films
08. Internal Audit Affairs
09. Cinema, Cultural and Educational Affairs
10. Local Supplies, Import and Export
11. Film Store
12. Legal Affairs
13. Cinema Hall of the Film Corporation
14. Financial Affairs
15. Studio
16. Investigation Work
17. Welfare Activities
18. Sports Association
19. Religious Activities
20. Medical Aid Scheme
21. Trade Unions
22. Thanks

01. Introduction

The Annual Report of the National Film Corporation of Sri Lanka for the year 2012 submitted to the Honourable Minister of Mass Media and Information Dr. Keheliya Rambukwella and to the Auditor-General in terms of section 32(1) of the National Film Corporation of Sri Lanka Act, No. 47 of 1971 as amended by Act, No. 45 of 1980 and in terms of section 14(1) of the Finance Act, No. 38 of 1971.

This Report of the National Film Corporation of Sri Lanka for the year 2012 is in respect of its 41st year of operation.

02. Board of Directors

2.1 The Board of Directors of the Corporation consisted of the following Directors as at 2012.

Mr.Ashoka Serasinghe, - Chairman
Attorney-at-Law

Mr. D. Karunaratne, - Working Director
Attorney-at-Law

Professor Ariyaratne - Member of the Board of Directors
Etugala (ex-officio) – Director-General of
Government Information

Mr.Samantha Weliveriya, - Member of the Board of Directors
Attorney-at-Law (ex- officio) – Director-General of the
Sri Lanka Broadcasting Corporation

Mr.Wijith Kanugala - Member of the Board of Directors
(ex- officio) – Director – Department of
Cultural Affairs

Professor Roland Abeypala - Member of the Board of Directors

Dr.Praneeth Abeysundera - Member of the Board of Directors

Dr.D. Venkateshwaran - Member of the Board of Directors

Mrs.Renuka Balasuriya - Member of the Board of Directors

Mrs. Malani Gamage - Representative of the Treasury

03. Local Film Production

3.1 Registration of Local Films for Production

The number of films registered during the year 2011 is 36. Of the films that were registered the films that were screened during the year are 02. A sum of Rs.2000/- is being charged for the registration of a film.

3.2 Loan Facilities provided for the Production of Local Films

3.2.1 Loan Facilities provided for Studio Services

The following films have obtained this loan. The value of the Studio Services approved is Rs.400,000/-.

- Que Sera Sera
- Parapura
- Adara Poojasaney
- Oluwa Japan Kanda German
- Peter One

3.2.2 Loan Facilities provided for the production of films

Loan facilities have not been provided for the production of films during the year.

3.2.3 Providing Special Loan Facilities

Special Loan facilities have not been provided during the year.

3.2.4 Providing Loan facilities for printing copies

Loan facilities of Rs.05 million have been provided for the film “Vijaya Kuveni”.

3.2.5 Providing loan facilities for advertising

During this year no loan facilities have been granted for advertising.

3.2.6 Providing loan facilities for the insertion of sub-headings

No loan facilities have been granted for the insertion of sub-headings during this year.

3.2.7 Film Grading Committee

Printing of copies, advertising loans and special loan facilities are given according to the recommendations of the Grading Committee.

3.3 Registration of Technicians and issuing Identity Cards

Two Technicians have been registered and new Identity Cards have been issued to them.

3.4 Charges in respect of foreign Artistes and Technicians employed in Local Film Production

Approved charges have been recovered in respect of foreign Artistes and Foreign Technicians in the film ‘Kanchana’ produced by Sadesh Kumar and in the film “Oba Nathuwa Oba Ekka” produced by Prasanna Vithanage.

3.5 Charges levied for the approval of camera equipment for filming local narrative/commercial/documentary programmes

- Approved charges have been levied in respect of 09 Commercial Programmes produced in this country.
- Approved charges have been levied for obtaining camera equipment from abroad for the filming of the above programmes and for the filming of foreign films from 07 Institutes.

3.6 Holding Local/Foreign Film Festivals

- A Vietnam Film Festival was held by the Vietnam Embassy Office from 05. 02. 2012 to 20.02.2012 in the Cinema Hall of the Corporation.
- A SAARC Film Festival - Colombo was held in Sri Lanka by the SAARC Cultural Centre of Sri Lanka at the Cinema Hall of the Corporation from 15.05.2012 to 20.05.2012. Here films were exhibited from the countries India, Pakistan, Bangladesh, Maldives including two films from Sri Lanka.
- A Film Festival of the European Countries held by the European Association was held in the Corporation Cinema Hall from 02.12.2012 to 07. 12. 2012.
- The films “Ini Avan”, “Oba Nathuwa Oba Ekka”, “Samanala Sandhvaniya” and “Karma” were forwarded for exhibition at the Kerala International Film Festival held in India and the Chairman of the Corporation participated at this Film Festival.

3.7 National Film Development Fund

The members of the Board of Management of the National Film Development Fund are as follows :-

| | |
|--|-------------------------------------|
| Mr.Ashoka Serasinghe, Attorney-at-Law | - Chairman |
| Mr.D.Karunaratne, Attorney-at-Law | - Working Director |
| Mr. Professor Ariyaratne Etugala | - Member of the Board of Management |
| Professor Roland Abeypala | - - do - |
| Dr. Praneeth Abeysundara | - - do - |
| Mr. Samantha Weliveriya, Attorney-at-Law | - - do - |
| Mr. Wijith Kanugala | - - do - |
| Mrs. Malani Gamage | - do - |
| Mrs.K.W.T.N.Amaratunga | - do - |

| | |
|------------------------|--------|
| Dr.D.Venkateshwaran | - do - |
| Mrs. Renuka Balasuriya | - do - |

3.8 Granting permission to film foreign narrative/documentary/commercial Programmes

- Approved cost has been charged for 28 documentary films.
- Approved cost has been charged for 10 Commercial Programmes.
- Approved cost has been charged for 05 narrative Films.
- Approved cost has been charged in respect of the additional Artistes who came from foreign countries.

3.9 The National Film Corporation Trust for Film Artistes and Technicians

The new Board of Management of the Corporation Trust is as follows.

| | |
|---------------------------------------|-------------------------------------|
| Mr.Ashoka Serasinghe, Attorney-at-Law | - Chairman |
| Mr.D.Karunaratne, Attorney-at-Law | - Working Director |
| Mr.V.Vamadevan | - Member of the Board of Management |
| Mrs. Renuka Balasuriya | - - do - |
| Mr. Sudantha Thilakasiri | - - do - |
| Mr. Arjuna Kamalanath | - - do - |
| Mr. Roger Seneviratne | - - do - |
| Mr. Sanath Gunathilaka | - - do - |
| Mr. Lal Weerasinghe | - - do - |
| Dr. Praneeth Abeysundera | - Alternate member |

3.9.1 Payment of Pensions

Payment of pensions at the rate of Rs.2,000/- per person.

| | |
|--------------------|----------------|
| • January - March | Rs. 270,000.00 |
| • April - December | Rs. 756,000.00 |

3.9.2 Pensioners who died during the year 2012

- Mr. M. W. Gunasekara

3.9.3 During this year new Pensioners have not been recruited.

3.9.4 Death Donations granted

A “death donation” has been paid to the legal guardians of Mr.M.W.Gunasekera.

04. Personnel and Management Control

4.1 Staff

| | | |
|--|---|----------|
| The number of employees as at 01.01.2012 | - | 162 |
| The number of employees recruited in the year 2012 | - | <u>0</u> |
| | | 162 |

The number of employees who left the service in the year 2012

| | | |
|--|---|-----------|
| The number of employees who retired | - | 12 |
| The number of employees who resigned | - | 02 |
| The total number of employees who left | - | <u>14</u> |
| The permanent staff | | 148 |

Others

| | | |
|-------------------------------------|---|------------|
| On Contract | - | 05 |
| On Daily pay | - | 01 |
| On Training | - | <u>03</u> |
| The entire staff as at 31. 12. 2012 | - | <u>157</u> |

4.2 Management Control and fulfilling the needs of the employees

Services have been performed in accordance with the procedure which is followed in respect of the management of employees of the establishment.

05. Film Advertising/Cine Ads

5.1 The functions performed during the year

- By performing the functions of film advertising through the electronic and printing media for the Cinema Hall owners and Film Producers, the Cine Ads Advertising section has, by facing the competition with the representative private advertising firms by publishing the Cinema Hall advertisements daily in the Newspapers, recovered a service fee of 10% from the Client and a Commission of 15% from the Establishments.
- Fixing film Cut Outs in front of the Corporation premises and in front of the Dalugama Sarasavi Studio premises on payment of charges.
- In order to keep the filmgoer informed of the films that are being exhibited daily and the films that have been listed for exhibition in the future, and as a prior advertisement for the film, a half an hour open air Cinema advertising programme over the Commercial Service of the Sri Lanka Broadcasting Corporation under the name “Ridhi Thiraya” is being broadcast every Sunday from 10 a.m to 10.30 a.m.
- By publishing a Telephone Directory (including all the services relevant to the Cinema Industry) with the aim of creating the welfare of the Cinema Industry.
- Organizing all the media discussions of the Corporation.
- Issuing permits to media personnel, Cinema Critics and Intellectuals so that they can view films without any payment.
- Performing all the media work at the 65th commemorative festival of the Local Cinema held to honour the Cinematographer “Sirisena Wimalaweera”.
- Performing the advertising work at the National Film Corporation exhibition room at the “Dayata Kirula” educational development exhibition.

- Performing the media work at the Iranian Film Festival which was held in collaboration with the Iranian Embassy Office by the National Film Corporation.
- Performing media advertisement work in respect of a Special Show (a children's film) for school children concurrently on 1st October, the International Children's Day at 8 a.m. in some selected Cinema Halls, so that all the provinces of the Island are covered.

5.2 Progress during the year

- An income of Rs.952,000/- has been earned by performing the functions of film advertising through the electronic and printing media. Moreover by publishing all the newspaper advertisements relating to the Corporation with the consent of the higher management of the Corporation, a sum of money exceeding Rs.100,000/- has been saved as Commission for the Corporation by Cine Ads.
- By fixing film Cut-Outs in the Corporation premises an income of about Rs.500,000/- has been earned.
- By the “Ridi Thiraya” broadcasting programme an annual Commision income of Rs.79,800/- has been earned.
- Supporting advertisements have been received to the value of Rs.160,000/- to be inserted in the Cinema Artistes' Telephone Directory, and an income of about Rs.40,000/- has been received by the sale of the telephone directory.

06. Film Imports

The number of importers registered during the year – 37. The number of films that were granted approval to be imported during the year is as follows.

| Type of film | Number |
|--------------|--------|
| Tamil | 69 |
| English | 54 |
| Hindi | 14 |
| Others | 01 |

07. Exhibition of Films

7.1 Corporation Exhibition Board (Rithma Enterprises)

1. Exhibition of Films

- During the year 2012, 58 Cinema Halls of the Rithma Board have been in operation. The Pragash Cinema Hall at Pundaluoya has been re-opened. The newly built “Amity Light” Cinema Hall at Maharagama has commenced the exhibition of films under the Rithma Board in the year 2012. Further, the Corporation has given approval for the erection of a new Cinema Hall in the Nugegoda area.

2. Releasing of Films

- In the year 2012 Films have been exhibited in 58 Cinema Halls under the Rithma Board, and in collaboration with the other Boards the Rithma Board has taken action to release films.
- The Rithma Board has released 03 Sinhala Films. Since January this year the Rithma Board has, in collaboration with the other Cinema Halls of other Boards, taken action to release 15 Tamil Films and 03 English Films imported by suppliers. The Rithma Board has taken action to release films from the share which has been given to the Rithma Board and having obtained films from the shares of other Boards to release these films too.

3. Film hire

- The following film hire has been received for the films that have been supplied to other Boards from the Rithma Board.

(Upto the month of September 2011)

| | |
|-----|---------------|
| CEL | 15,112,025.72 |
| EAP | 2,446,221.67 |
| LFD | 6,642,131.51 |
| MPI | 8,253,274.80 |

- The Rithma Board has paid money as follows for the films that the Rithma Board has obtained from other Boards. (Upto the month of September 2011)

| | |
|-----|---------------|
| CEL | 10,597,641.79 |
| EAP | 17,864,364.90 |
| LFD | 3,832,162.03 |
| MPI | 4,144,790.61 |

The approximate commission money from January 2012 to September is Rs.18,381,899.40.

4. Repo Deposits

The Board has a deposit of Rs.22,000,000.00 from January 2012 to June 2012.

5. The Corporation Trust

- The Rithma Board has paid a sum of Rs.4,276,905.70 to the Corporation as the Corporation Trust from January 2012 to September 2012.

6. Benefit Shows

- Providing films to obtain assistance, to various societies and companies and to obtain assistance at a reduced rate for University students and school children and to provide films free for the Army Camp at Jaffna and to provide films at a concessionary rate to the Police Training College and Associated Institutions.
- Providing films for exhibition at the 2012 Dayata Kirula Development Exhibition ground.
- Holding a Special Film show for the World Children's Day covering the main cities, together with the collaboration of other Boards.

08. Internal Audit Affairs

The Audit affairs of the year have been performed during the year in accordance with the provisions of the Finance Act, No. 38 of 1971 and subject to the attention of the Auditor-General.

The Auditing and Management Committee which was in operation during the year consisted of the following members.

| | |
|---------------------------|--|
| Mrs. Malani Gamage | - Representative of the General Treasury – Chairman of the Committee |
| Professor Roland Abeypala | - Member of the Board of Directors – Committee Member |
| Dr. Praneeth Abeysundera | - Member of the Board of Directors – Committee Member |
| Mrs.K.C.P.Senaratne | - Auditor General's Department – Supervising Officer of the Committee |
| Mrs.W.Sriyani Hanwella | - Internal Auditor – Secretary of the Committee |

During the year 05 Auditing and Management Meetings have been held.

09. Cinema, Cultural and Educational Affairs

9.1 Diploma Course in Cinematography

| | | |
|--|---|----|
| Registered number of Students | - | 38 |
| The number of Students who followed the Course | - | 33 |

The first stage of the Course, the oral examination and the written examination have been completed and the results have been released. The lectures of the second stage are being completed.

9.2 Film Appreciation Programme

- Prior to the holding of the Dayata Kirula Development Exhibition, Cinema appreciation programmes were held free of charge in the schools in the Ampara District in the Ampara Educational Zone.
- An Appreciation programme was held free of charge on 15. 05. 2012 at the Police Crime Reporting Division, Colombo 07.
- An Appreciation Programme was held for the Kandy Law society. A sum of Rs.8800/- has been charged for this.

9.3 Exhibition of Films

- On 12. 05. 2012 the films “Angulimala” and “Abba” were exhibited for the Kalutara Etanamandala Jawatta Buddhist and general Social Service Samitiya. The fees charged were Rs.8000/-.
- The films “Tun Mang Handiya”, “Weera Puran Appu” and “Saravita” were exhibited free of charge for the Arts Festival of the “Kalyani Kala Prasadini” of the Kelaniya Pradeshiya Sabha on 18. 09. 2012.

- For the Literary Arts Festival of the Cultural Ministry, the films “Hansa Vilak”, “Saravita”, “Parasathumal”, “Weera Puran Appu”, and “Tunmanghandiya” were exhibited at the Siyane Adyapana Pitaya. The sum of money charged for it was Rs.17,000/-.

9.4 The Film Magazine

The four month periodical of the 2012 January to April “Chitrapata Cinema Shasthri Sangarava” has been issued. Action has been taken to sell 60 magazines.

9.5 Dayata Kirula Development Exhibition

- The Corporation exhibition chamber which was constructed for this Development Exhibition which was held from 04. 02. 2012 to 12. 02. 2012 at the Anuradhapura – Oyamaduwa area, raised a big response amongst the Exhibition sheds of the Media Zone and it was appreciated by the Media Ministry too.
- A sum of Rs.29,700/- was earned as the advertising income of the exhibition premises.

10. Local Supplies, importing and exporting

10.1 Services performed during the year

- Purchasing and selling carbon for the use of Cinema Halls. The income of marketing is Rs.6,430,235.69.
- A new Avid Mojo machine was purchased for the sound section of the Dalugama Sarasavi Studio. The sum of money spent was Rs.492,800/-.
- Purchasing 05 Air Conditioning Machines for the Dalugama Sarasavi Studio. The sum of money spent was Rs.647,001.60.

- Purchasing 04 finger printing machines for the use of the Corporation and the Dalugama Sarasavi Studio. The sum of money spent is Rs.323,652.00.
- Tenders were called for the construction of a proposed new office building at No.303, Main Office premises.
- Purchasing 03 Dehumidi fiers Machines and 03 Supply Timer Circuit for the Dalugama Sarasavi Studio. The sum of money spent was Rs.772,800.00.
- Supplying the official equipment and stationery necessary for the various sections of the Corporation and various equipment (including computers) necessary for daily official work.
- Supplying the health services and security services necessary for the premises Number 303 and 224 of the Corporation and the Dalugama Studio Office premises.

11. Film Store

11.1 Functions

- Accepting and taking action to register the films that are imported with the permission of the Film Corporation and the locally produced films.
- Examining the quality of these films and submitting them to the Public Performances Board and after obtaining the approval of the Public Performances Board, obtaining quality reports once again and delivering them to the Importer/Producer/Board of Distribution or distributing them to the Cinema Halls.
- Dispatching the films that are listed by the Board of the Corporation to the prescribed Cinema Halls and duly getting them back.
- Dispatching the advertising material relevant to these films in time to the relevant Cinema Halls.

- Re-examining and safely stocking all the films that are being received by the Store, in racks.
- Examining the films that are stocked in racks, from time to time.
- Maintaining files in respect of the above functions.
- Earning an income by obtaining quality reports in respect of all the Sinhala, Tamil, English and Hindi Films that are received at the Store.

12. Legal Affairs

12.1 Functions

- Filing proxies on behalf of the Corporation and appearing in Courts in Cases where the Corporation is a party.
- Appearing for the Corporation in Labour Tribunals, the Department of Labour and the Human Rights Commission.
- Drafting all the legal agreements where the Corporation is a party.
- Taking steps with regard to the amending of the National Film Corporation Act.
- Performing the internal disciplinary examinations of the Corporation.

12.2 Cases which are pending during the year 2012

- Court of Appeal Case No: 590/2007
- District Court of Colombo Case No: DMR/1897/11
- Court of Appeal Case No:870/99
- District Court of Colombo Case No.DSP 18/2012
- Colombo Magistrate's Court Case No.97659/5/11
- Supreme Court Case No: SC(FR) 475/2012

- District Court Case No: DMR 1126/2012 – Regarding the non-payment of the Corporation Trust by 04 Cinecity Cinema Halls.
- District Court Case No: DMR 2756/2012 – In respect of the non-payment of the loan obtained from the Corporation for the production of the film “Uduganyamaya”.

Inquiries held at the Department of Labour:

- Corporation employee – Mr. W.S. Fonseka
- Labour Office Complaint No. – IR/15/19/2012 – Film Corporation Employees, Union – Mr. Samitha Dissanayaka
- Labour Office Complaint No. – IR/15/20/2012 – Mr.K.G.D.Bandusena
- Labour Office Complaint No. – CCC/ කොළඹ /719/2012 – Mr.T.S.Prasanna Peiris.

13. Cinema Hall of the Film Corporation

The following Film Festivals were held at the Corporation Cinema Hall.

- Iranian Film Festival
- The Vietnam Film Festival
- SAARC Film Festival
- The Short Film Festival
- The European Film Festival
- The Cinema Week of the National Languages and Society Consolidated Societies Ministry.
- The Film Exhibition held by the Child Development and Women’s Empowerment Ministry concurrently with the World Women’s Day.
- Holding a Muhurath Ceremony.
- Exhibiting a film concurrently with the World Children’s Day.

14. Financial Affairs

14.1 When compared with the year 2011 the financial status of the Corporation is given below.

| | <u>2012</u> Rs. | <u>2011</u> Rs. |
|-------------------------------------|---------------------------|---------------------------|
| Income obtained from the exhibition | 37,648,738.00 | 37,267,082.00 |
| Sale of Cinematic Carbons | 2,343,081.00 | 2,311,824.00 |
| Sale of Spare Parts | 127,972.00 | 57,701.00 |
| Stationery | 1,497,874.00 | 1,497,925.00 |
| Cine Ads | 809,831.00 | 611,064.00 |
| Studio | 3,851,248.00 | 5,750,618.00 |
| Net Profit | 3,512,189.00 | 2,417,937.00 |

14.2 The income from sales in the year 2012 is Rs.46 million. It was Rs. 47.5 million in the year 2011. The income received in the year 2012 has decreased by Rs.1.5 million than in the year 2011. The reason for this is that the income of the Studio has decreased and the fact that the income of film hire has decreased due to the fact that foreign films were not imported.

Further, the Treasury Bills and the interest on fixed deposits which is another source of income has increased by Rs.4.2 million than in the last year. It has been caused due to the increase in the percentage of interest in the year 2012.

This year the total expense has been reduced by Rs. 4 million. When comparing it with the year 2011 the employees' remuneration has been reduced by Rs. 14.3 million. The main reason for this is that 13 employees have gone on retirement this year and the failure to recruit employees correspondingly. A sum of Rs.10 million has been reserved in consideration of the fact that it will have to be paid to the Employees' Provident Fund.

14.3 Bad Debts

The allocation of money as Bad debts has increased in the year 2012 than in the year 2011 by an increase of Rs.19.5 million because a considerable number of Cinema Halls have been closed down after the Cinema Halls have been taken over by the Distribution Boards. Bad Debts have been allocated considering that the money due to be recovered from these Cinema Halls will not be received.

14.4 Fixed Assets

The purchasing of official equipment in the year 2012 is Rs.3.6 million. A sum of Rs.12.7 million has been spent this year on the Studio Building and the new building which is being constructed in the main office premises is an uncompleted capital function. The depreciation this year is Rs.17.7 million.

14.5 Current Assets

In comparison with last year the current assets have increased by Rs.29 million this year, more than in the year 2011 due to the fact that the interests that are received on the deposits are re-deposited and the fact that the value of the Cinema Hall Sound instruments which have been purchased on the basis that these sound instruments will be given on credit to the Cinema Hall owners, has been added to the stock. The debit balance of the Cinema Halls has increased because the film-hire income which should be received from the Cinema Halls has not been paid and the Corporation Trust has not been paid, and because surplus is being charged on the balance of money which is not paid.

The deposits and future payments have been reduced by 19 million rupees because once the construction work and services are duly performed the payments made in advance will be transferred to the relevant accounts. Due to the delay in paying the Film-hire to the creditors the cash balance has increased by 10 million rupees.

14.6 Current liabilities

When compared with the last year current liabilities have increased by 10 million rupees. The main reason for this is the increase of Film Hire Creditors.

14.7 The employees' remuneration is being paid from the money received from the Treasury. Due to that reason allocation of money for income tax has not been made for this year.

15. Studio

The main function of the Dalugama Sarasavi Studio is to provide technical services and facilities to films which are in the post - production stage. Accordingly in the year 2012 too, the necessary technical services and facilities have been provided to the local film producers from the following sections of the Studio as they have usually done.

- (1) Sound Section (Digital)
- (2) Non-linear Editing Section (Digital)
- (3) Editing Section (Analogue)
- (4) Black and White Laboratory
- (5) Film Conservatory
- (6) Filming Chambers for filming Films and Televising.

15.1 Functions performed

1. The Sarasavi Studio has during the year provided technical services for 24 local films and 16 advertising short films, according to the technical facilities given to the film industry.

2. Facilities for the filming of films and Rupavahini programmes have been provided in the internal chamber of the Studio, and in the verandah of the Studio and in the garden, and during the relevant period television programmes, commercial advertisements and 14 films too were provided the same facility.
3. One chamber in the sound section of the Studio has been taken and modernized according to international standards and instruments have been fixed to mix up surround sound for films.

The preliminary plans have been completed for this project. An Indian National, A Dolby Sound Advisor Mr. T.Kishore is acting as the Technical Advisor of the Scheme. The Chairman of the Corporation has appointed a Committee for this and that Committee has discussed with Mr. Kishore and prepared the final drawings. For this modernization with the approval of the Board of Directors the small Chamber in the Studio (the Vijaya Cumaratunga Chamber) has been selected. It will be possible to call for tenders in the month of February 2013 to do the necessary constructions (refurbishing) and to purchase the instruments necessary for this scheme.

4. For the Cinema course of studies held by the Film Corporation and the Sri Lanka Foundation Institute, the practical training facilities have been supplied by the Studio.
5. Two suitable rooms in the black/white Laboratory were made ready to store the negative and positive copies of old films which were deposited in the old Conservatory.

This project has been concluded and all the films which were owned by the Conservatory have been duly stocked in those rooms. The necessary air

conditioning machines and De-Humidifier machines have been fixed and they are in operation during the 24 hours of the day. Accordingly the heat and the relative humidity of the store rooms are controlled.

6. The entrance gate of the Studio has been planned again and constructed, also constructing a marketing hall adjoining it, and the entrance road to the Studio is being paved with paving blocks and prepared.

This project too has not been fully completed.

7. The construction of a Canteen for the Studio has been commenced but this project too has not been fully completed.

15.2 The functions performed in the year 2012 to improve the technical facilities of the Studio.

1. Purchasing the essential equipment for the vivid technical sections of the Studio. Repairing a film store room and purchasing the air-conditioning machines and the De-Humidifiers necessary for it.
2. Purchasing 05 air conditioning machines for the new Conservatory.
3. Purchasing an Internal Hard Disc for the computer system of the Editing section.
4. Purchasing equipment including a Microphone Cable for the use of the Sound Studio.
5. Purchasing a vacuum cleaner machine for the use of the Studio.

15.3 Films that obtained Studio Technical Services – 2012

1. Igillenna Ayi Dangalanney
2. Rattharang
3. Kalpantaye Sihinayak
4. Bhagini
5. Abhnikmana
6. Jeevitey Lassanayi
7. Oba Nathuwa Oba Ekka
8. Chinna China Roja Poo
9. Que Sera Sera
10. Oluwa Japan Kanda German
11. Sakvithi Dadayama
12. Double Trouble
13. Sooriya Daruwo
14. Sihinaya Digey Enna
15. Pilikadaturawa
16. Athma Warsha
17. Sathiyakata Mata Rata Baradenna
18. Preethi and Joy
19. Adara Poojasaney
20. Parapura
21. Rajano
22. Peter One
23. Hero One
24. Api Marenne Naa

15.4 Films/Advertising Short Films which obtained the Visual Equipment Service – 2012

1. Karma
2. Sri Siddhartha
3. Geesa
4. Life Insurance
5. Fanta
6. Harris
7. Dulux
8. Samsun
9. Kandy
10. Micro
11. Mobitel
12. A. M. W.
13. Aviwa
14. Lucky Yoghurt
15. Coca Cola
16. Jana Shakti

15.5 Films/Rupavahini Programmes which were filmed in the Studio – 2012

1. Parapura Film
2. Igillenna Ayi Dangalanney
3. Double Trouble Film
4. Rassa Kaley Film
5. Nidana Ginna Film (Oba Nathuwa Oba Ekka)
6. Sanda Sittam Tele Drama
7. Derana – Little Star
8. Derana – Star Challenge
9. Derana – Dream Star
10. Cultural Festival of the Western Province
11. Higher National Diploma Course – Practical Lectures
12. Elephant House
13. People's Bank
14. Kottu Mee

16. Investigation Work

16.1 Services performed during the year

The number of shows that were investigated in Cinema Halls - 991

during the year

The amount of arrears of money that was collected - Rs.3,988,273.87

The value of Debit Notes issued during the year - Rs. 347,610.00

- Making recommendations to amend the charges for seats.
- Supervising the filming of foreign films.

17. Welfare

The work of the Corporation Welfare, Thrift and Credit Society has been actively carried on during this year too in respect of the welfare of its members, and the following facts especially have to be noted.

- Increasing the amount of the loans given to employees from Rs.15,000/- to Rs.20,000/-.
- Holding a medical clinic.
- Holding a Lottery draw in aid of the Corporation.
- Providing goods to the staff on the basis of an easy payment scheme.

18. Sports Society

- Holding the April Festival of the Corporation on 27. 04. 2012 in the Corporation premises.
- Holding a Leather Ball Cricket Competition as a training competition with the Delmege Insurance Firm.

- Making a cash donation of Rs.5,000/- to Mr. A. Jayaratne Silva of the staff of the Corporation to participate in the Asian Billiards Contest.
- Participating in the Asidisi Cricket Tournament and reaching the 8th place from amongst 39 Sports Groups.
- The Championship and the second place in the Nationalized Services Males Amateur Carrom Championship singles contest was won by T.Suresh Peiris and the second place by T.Suresh Peiris and W.Sanjaya Wijesekera. In respect of this an appreciative prize giving by the Union was held under the patronage of the Chairman of the Corporation.

19. Religious Affairs

19.1 Buddhist Association

- As the Corporation has completed 40 years, a whole night Pirith Ceremony and a Sanghika Dana almsgiving was held.
- Holding a Coffee Dansala in the Corporation premises on account of the Wesak Full Moon day and participating in the Buddabivandana Bhakti Geetha programme held by the Ministry of Mass Media and information in front of Nelum Pokuna.
- Holding a Coffee Dansala in front of the Ruwan Weli Maha Seya in Anuradhapura on Poson Poya Day.
- Holding Buddhist Sermons Dharma Desana on Wesak and Poson Poya days.
- Distributing exercise books to the children of the employees of the Corporation who are studying.

19.2 The Christian Society

- Holding the annual Christmas Suhada Hamuwa in the Corporation premises for the 34th occasion at a very high level.

20. Medical Aid Scheme

- The Medical Aid Scheme which is being maintained by means of the Membership Fees and money that is supplemented by the Corporation was in operation during this year too and its Management Committee is as follows.

| | |
|-------------------------------|---|
| 1. Mr. P. Liyanage | - Chairman of the Committee (Acting General Manager-Finance) |
| 2. Mrs.Ranjani Perera | - Committee Member (Acting Manager- Personnel) |
| 3. Mrs.Ranjani Fernando | - Committee Member (Office-in-Charge - Administration) |
| 4. Mr.R.P.Tissa | - Committee Member (Secretary, Independent Employees' Union) |
| 5. Mr. K.R. Vincent | - Committee Member (Representative of the National Employees' Union) |
| 6. Mr.Sukhita Illangakoon | - Committee Member (Chairman – Film Corporation Employees' Union) |
| 7. Mr. H.D.Asanka Gunathilaka | - Officer-in-Charge |

21. Trade Unions

Sri Lanka Independent Employees' Union, National Employees' Union, Executive Officers' Union and the Film Corporation Employees' Union have acted in co-operation with the management this year too.

22. Thanks

The Staff of the Corporation has performed its function with great responsibility and great strength in the year 2012 to obtain successful results and the Board of Directors value their services and express their thanks gratefully.

On behalf of the Board of Directors

Sgd.

A handwritten signature in black ink, appearing to read "Ashoka Serasinghe".

Ashoka Serasinghe, Attorney-at-Law

Chairman

National Film Corporation of Sri Lanka

NATIONAL FILM CORPORATION OF SRI LANKA
STATEMENT OF THE FINANCIAL SITUATION AS AT 31ST DECEMBER 2012

| | Notes | As at | | As at | | As at | |
|---|-------|------------|-----|----------------|-----|----------------|-----|
| | | 31.12.2012 | | 31.12.2011 | | 01.01.2011 | |
| | | Rs. | Cts | Rs. | Cts | Rs. | Cts |
| A. Capital Employed | | | | | | | |
| 1. Authorized Capital | | | | 10,000,000.00 | | 10,000,000.00 | |
| 2. Contributed Capital | | | | | | | |
| Government aid | | | | 10,000,000.00 | | 10,000,000.00 | |
| 3. Grants | | | | | | | |
| Treasury Grants | | | | 411,400,000.00 | | 404,400,000.00 | |
| Ministry Grants | | | | 34,560,854.00 | | 34,560,854.00 | |
| Foreign Grants | | | | 36,442.50 | | 36,442.50 | |
| | | | | 455,997,296.50 | | 448,997,296.50 | |
| 4. Reserves and Surplus | 10 | | | 77,130,460.39 | | 68,209,980.42 | |
| | | | | | | 64,146,046.14 | |
| | | | | 533,127,756.89 | | 517,207,276.92 | |
| | | | | | | 465,143,342.64 | |
| B. Represented by | | | | | | | |
| 5. Fixed Assets | | | | | | | |
| Property, Plant and Equipment | | | | | | | |
| Less: Depreciation | 11 | | | 340,797,551.12 | | 343,489,275.07 | |
| 6. Long-Term investment of funds | 12 | | | 127,000.00 | | 127,000.00 | |
| | | | | 340,924,551.12 | | 343,616,275.07 | |
| | | | | | | 337,941,032.19 | |
| 7. Current Assets | | | | | | | |
| Investment Short term | 13 | | | 105,506,896.89 | | 97,737,781.83 | |
| Stocks | 14 | | | 30,173,752.79 | | 19,438,152.75 | |
| Debtors (Less: Provision for bad debts) | 15 | | | 208,865,556.18 | | 189,727,926.30 | |
| Deposits and pre-payments | 16 | | | 11,521,174.07 | | 30,516,261.52 | |
| Cash and Bank Balances | 17 | | | 25,587,063.28 | | 15,555,331.54 | |
| | | | | 381,654,443.21 | | 352,975,453.94 | |
| | | | | | | 289,640,127.62 | |
| 8. Less: Current Liabilities | | | | | | | |
| Bank Balance | 18 | | | ----- | | ----- | |
| Deposits | 19 | | | 2,386,727.11 | | 2,386,727.11 | |
| Provision for Gratuity | 20 | | | 33,885,923.25 | | 38,017,195.75 | |
| Film hire creditors | | | | 103,182,563.38 | | 75,376,914.91 | |
| Other Creditors | 21 | | | 49,996,023.70 | | 63,603,614.32 | |
| | | | | 189,451,237.44 | | 179,384,452.09 | |
| | | | | | | 162,437,817.17 | |
| Working Capital | | | | 192,203,205.77 | | 173,591,001.85 | |
| Total | | | | 533,127,756.89 | | 517,207,276.92 | |
| | | | | | | 465,143,342.64 | |

Sgd.
Acting Deputy General Manager - Finance
National Film Corporation of Sri Lanka,
303, Bauddhaloka Mawatha,
Colombo 07.

Sgd.
Director
Chairman

Date : 21. 03. 2013

NATIONAL FILM CORPORATION OF SRI LANKA
STATEMENT OF INCOME FOR THE YEAR ENDED 31. 12. 2012

| | Notes | 2011 | | 2012 | | Exhibition | Studio | Production | General Administration Expenses | |
|---|-------|---------------------|------|---------------------|------|---------------|------------------|--------------|---------------------------------|------|
| | | Rs. | Cts. | Rs. | Cts. | | | | Rs. | Cts. |
| Sales | 01 | 47,546,217.99 | | 46,369,747.24 | | 38,458,570.22 | 3,851,248.58 | ----- | 4,059,928.44 | |
| | | ----- | | --- | | ----- | ----- | --- | --- | --- |
| <u>Add:</u> Internal Transfers | 02 | <u>1,355,497.49</u> | | <u>62,264.39</u> | | <u>-----</u> | <u>2,033.31</u> | <u>-----</u> | <u>60,231.08</u> | |
| | | 48,901,715.48 | | 46,432,011.63 | | 38,458,570.22 | 3,853,281.89 | ----- | 4,120,159.52 | |
| <u>Less:</u> Cost of Sales | 03 | <u>4,220,789.46</u> | | <u>3,261,146.39</u> | | <u>-----</u> | <u>40,339.07</u> | <u>-----</u> | <u>3,220,807.32</u> | |
| Gross Profit | | 44,680,926.02 | | 43,170,865.24 | | 38,458,570.22 | 3,812,942.82 | --- | 899,352.20 | |
| <u>Less:</u> Expenses | | | | | | | | | | |
| Personnel Emoluments | 04 | 79,863,530.51 | | 65,580,481.20 | | 12,839,097.50 | 9,517,302.20 | 3,626,295.93 | 39,597,785.57 | |
| Travelling and Subsistence | 05 | 1,134,393.76 | | 710,466.30 | | 7,235.00 | 31,173.00 | ---- | 672,058.30 | |
| Supplies and Requisites | 06 | 8,555,869.15 | | 6,991,428.07 | | 8,837.60 | 1,575,977.54 | 10,167.00 | 5,396,445.93 | |
| <u>Repairs, Maintenance and Depreciation</u> | | | | | | | | | | |
| (a) Repairs and Maintenance | 07A | 7,965,357.63 | | 7,392,056.38 | | 71,151.75 | 1,035,653.24 | 50,019.00 | 6,235,232.39 | |
| (b) Depreciation | 07B | 17,320,325.41 | | 17,648,515.97 | | ----- | 6,180,352.99 | ----- | 11,468,162.98 | |
| National Film Festival | 08A | 5,249,613.50 | | ----- | | --- | --- | --- | --- | --- |
| Transportation, Communication, Utility and other Services | 08B | 17,109,652.95 | | 15,048,326.66 | | 702,062.58 | 1,220,521.72 | 2,088,447.65 | 11,037,294.71 | |
| Provision for Bad Debts | 15A | 833,300.00 | | 20,310,000.00 | | 18,138,100.00 | --- | 2,047,600.00 | 124,300.00 | |
| Provision for Gratuity | | 2,133,608.25 | | 2,326,442.50 | | 480,217.50 | 300,937.00 | 121,492.50 | 1,423,795.00 | |

| | | | | | | | |
|--|-----|------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| Allocation for Film Artistes' and Technicians' Fund | | 200,000.00 | 200,000.00 | --- | --- | 200,000.00 | --- |
| Loss in Stock | 15B | 83,755.46 | 85,120.07 | --- | 5,564.47 | --- | 79,555.60 |
| | | <u>140,449,406.62</u> | <u>136,292,837.15</u> | <u>32,246,701.93</u> | <u>19,867,482.66</u> | <u>8,144,022.08</u> | <u>76,034,630.48</u> |
| Absorption of General Administration Expenses | | --- | --- | 14,885,771.14 | 11,034,450.23 | 4,562,077.83 | (30,482,299.20) |
| | | <u>140,449,406.62</u> | <u>136,292,837.15</u> | <u>47,132,473.07</u> | <u>30,901,932.89</u> | <u>12,706,099.91</u> | <u>45,552,331.28</u> |
| Operating Profit/Loss | | (95,768,480.60) | (93,121,971.91) | (8,673,902.85) | (27,088,990.07) | (12,706,099.91) | (44,652,979.08) |
| <u>Add:</u> Other Income | 09 | <u>23,186,418.46</u> | <u>28,326,161.78</u> | | | | |
| Profit/Loss of the year | | (72,582,062.14) | (64,795,810.13) | | | | |
| <u>Less:</u> Money received from the Treasury | | <u>75,000,000.00</u> | <u>68,308,000.00</u> | | | | |
| | | 2,417,937.86 | 3,512,189.87 | | | | |
| <u>Less:</u> Allocation for tax relief | | ----- | ----- | | | | |
| | | 2,417,937.86 | 3,512,189.87 | | | | |
| <u>Add:</u> Profit/Loss brought forward | | (57,690,716.55) | (49,864,488.59) | | | | |
| Balance brought backward | | <u>(55,272,778.69)</u> | <u>(46,352,298.72)</u> | | | | |

NATIONAL FILM CORPORATION OF SRI LANKA
NOTES ON THE STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31.12.2012

Note : 01

| | <u>Released Films</u> | <u>2012</u> | | <u>Released Films</u> | | <u>2011</u> | |
|--------------------------------|-----------------------|----------------------|------|-----------------------|------|----------------------|------|
| | | Rs. | Cts. | Rs. | Cts. | Rs. | Cts. |
| 1. <u>Exposed Films</u> | | | | | | | |
| Local Film Hire | | ---- | | | | ---- | |
| Eastern Film Hire | | ---- | | | | 49,181.07 | |
| Western Film Hire | | ---- | | | | ---- | |
| (Note No.03A) | | | | | | | |
| <u>Distribution Commission</u> | | | | | | | |
| Local | | 16,766,465.46 | | | | 15,517,645.79 | |
| Foreign | | 9,496,127.27 | | | | 10,838,921.86 | |
| Increase | | 7,267,075.94 | | | | 7,505,470.78 | |
| Cine Pictures | | --- | | | | --- | |
| Poster Sales | | --- | | | | 2,050.00 | |
| Commission on Services | | 223,755.40 | | | | 288,331.40 | |
| Surcharges | | 3,412,270.34 | | | | 3,065,482.00 | |
| Inspection Penalty Charges | | 483,044.00 | | | | --- | |
| | | <u>37,648,738.41</u> | | | | <u>37,267,082.90</u> | |
| 2. <u>Exhibition</u> | | | | | | | |
| Cine Ads | | 809,831.81 | | | | 661,064.75 | |
| | | <u>809,831.81</u> | | | | <u>661,064.75</u> | |
| 3. <u>Studio</u> | <u>No. of Films</u> | | | <u>No. of Films</u> | | | |
| Sound | 32 | 2,214,092.62 | | 45 | | 4,099,216.71 | |
| Editing | 27 | 1,593,453.56 | | 36 | | 1,386,410.90 | |
| Laboratory (Black & White) | 20 | 43,702.40 | | 14 | | 264,991.18 | |
| Laboratory (Colour) | -- | --- | | | | --- | |
| | | <u>3,851,248.58</u> | | | | <u>5,750,618.79</u> | |
| 4. <u>Trading Activity</u> | <u>Quantity</u> | | | <u>Quantity</u> | | | |
| Raw Films | ---- | ---- | | ---- | | ---- | |
| Cine Carbon | 81,050 | 2,434,081.70 | | 82,600 | | 2,311,824.88 | |

| | | | |
|-------------|------|--------------------|--------------------|
| Spare Parts | ---- | 127,972.49 | 57,701.34 |
| Chemicals | ---- | ---- | ---- |
| Stationery | ---- | 1,497,874.25 | 1,497,925.33 |
| | | <hr/> 4,059,928.44 | <hr/> 3,867,451.55 |

Note : 02

Internal Transfers

| | | |
|----------------------|-----------------|--------------------|
| Raw Films at Cost | ---- | ---- |
| Cine Carbons at Cost | ---- | ---- |
| Spare Parts | 4,744.39 | 995,121.41 |
| Stationery at Cost | 57,520.00 | 305,538.28 |
| Chemicals at Cost | ---- | 54,837.80 |
| | <hr/> 62,264.39 | <hr/> 1,355,497.49 |

Note : 03

Cost of Sales

| | <u>Total 2012</u> | | <u>Exhibition</u> | | <u>Studio</u> | | <u>Production</u> | | <u>General Administration Expenses</u> | | <u>Total 2011</u> | |
|----------------------------|-------------------|-------------|-------------------|-------------|---------------|-------------|-------------------|-------------|--|-------------|-------------------|-------------|
| | <u>Rs.</u> | <u>Cts.</u> | <u>Rs.</u> | <u>Cts.</u> | <u>Rs.</u> | <u>Cts.</u> | <u>Rs.</u> | <u>Cts.</u> | <u>Rs.</u> | <u>Cts.</u> | <u>Rs.</u> | <u>Cts.</u> |
| Stock on 01. 01. 2012 | 12,127,844.46 | | 5,253,886.52 | | 1,781,297.56 | | --- | | 5,092,660.38 | | 17,593,529.90 | |
| <u>Add:</u> | | | | | | | | | | | | |
| Purchases and Transfers | 7,960,043.45 | | --- | | 43,925.00 | | --- | | 7,916,118.45 | | 3,403,478.75 | |
| | 20,087,887.91 | | 5,253,886.52 | | 1,825,222.56 | | --- | | 13,008,778.83 | | 20,997,008.65 | |
| <u>Less:</u> | | | | | | | | | | | | |
| Loss on Stock | 85,120.07 | | --- | | 5,564.47 | | ---- | | 79,555.60 | | 80,819.46 | |
| Transfers | --- | | --- | | ---- | | ---- | | ---- | | ---- | |
| 31. 12. 2012 Closing Stock | 16,741,621.45 | | 5,253,886.52 | | 1,779,319.02 | | ---- | | 9,708,415.91 | | 16,695,399.73 | |
| | 3,261,146.39 | | --- | | 40,339.07 | | ---- | | 3,220,807.32 | | 4,220,789.46 | |
| Released Films | --- | | --- | | --- | | ---- | | --- | | ---- | |
| | 3,261,146.39 | | --- | | 40,339.07 | | ---- | | 3,220,807.32 | | 4,220,789.46 | |

NATIONAL FILM CORPORATION OF SRI LANKA
SUMMARY OF EXPOSED FILMS – 2012

Note: 03

Note : 03A

| | Stock as at | | Purchases | | Total | | Stock as at | | Depreciation | | Publicity | | Total cost | | Increase | | Distribution | | Total Receipts | | Profit/Loss | |
|-------------------------|-------------|--------------|-----------|----------|--------------|----------|--------------|----------|--------------|----------|-----------|----------|------------|----------|----------|----------|--------------|----------|----------------|----------|-------------|--|
| | 01.01.2012 | | | | | | 31.12.2012 | | | | | | | | | | | | | | | |
| | | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | |
| Exposed Films | | | | | | | | | | | | | | | | | | | | | | |
| Local | | 3.00 | --- | | 3.00 | | 3.00 | | --- | | --- | | --- | | --- | | --- | | --- | | --- | |
| Western | | 244.00 | --- | | 244.00 | | 244.00 | | --- | | --- | | --- | | --- | | --- | | --- | | --- | |
| Eastern | | 471.00 | --- | | 471.00 | | 471.00 | | --- | | --- | | --- | | --- | | --- | | --- | | --- | |
| | | 718.00 | --- | | 718.00 | | 718.00 | | --- | | --- | | --- | | --- | | --- | | --- | | --- | |
| Unreleased Films | | | | | | | | | | | | | | | | | | | | | | |
| Local | | 3,043,930.67 | --- | | 3,043,930.67 | | 3,043,930.67 | | --- | | --- | | --- | | --- | | --- | | --- | | --- | |
| Western | | 982,492.14 | --- | | 982,492.14 | | 982,492.14 | | --- | | --- | | --- | | --- | | --- | | --- | | --- | |
| Eastern | | 8.00 | --- | | 8.00 | | 8.00 | | --- | | --- | | --- | | --- | | --- | | --- | | --- | |
| Total | | 4,026,430.81 | --- | | 4,026,430.81 | | 4,026,430.81 | | --- | | --- | | --- | | --- | | --- | | --- | | --- | |
| | | 4,027,148.81 | --- | | 4,027,148.81 | | 4,027,148.81 | | --- | | --- | | --- | | --- | | --- | | --- | | --- | |

| | <u>2012</u> | | <u>2011</u> | |
|---------------------------|--------------|---------|--------------|---------|
| | Rs. Cts | Rs. Cts | Rs. Cts | Rs. Cts |
| Stock as at 01.01.2012 | 4,027,148.81 | | 8,594,704.08 | |
| <u>Add: Purchases</u> | --- | --- | --- | |
| Publicity | --- | --- | --- | |
| | 4,027,148.81 | | 8,594,704.08 | |
| <u>Less : Stock as at</u> | | | | |
| 31.12.2012 | 4,027,148.81 | | 8,594,704.08 | |
| Cost | --- | | --- | |

Add: Other Films

Stock as at 01.01.2012

| | | | | |
|------------------------|------------|--------------|------------|--------------|
| I. On percentage basis | 259,889.71 | | 259,889.71 | |
| II. Cine Pictures | 966,848.00 | 1,226,737.71 | 966,848.00 | 1,226,737.71 |
| <u>Add:</u> Expenses | | ---- | | --- |

1,226,737.71

1,226,737.71

Less: Transfers

Stock as at 31.12.2012

| | | | | |
|------------------------|------------|--------------|------------|--------------|
| I. On percentage basis | 259,889.71 | | 259,889.71 | |
| II. Cine Pictures | 966,848.00 | 1,226,737.71 | 966,848.00 | 1,226,737.71 |
| Total Cost | | ---- | | --- |

COST OF SALES

Note : 03

Note : 03B

| | Total 2012 | Raw Films | Cine Carbons | Spare Parts | Chemicals | Stationery | 2011 Total |
|---------------|----------------------|-------------------|---------------------|--------------------|------------------|---------------------|---------------------|
| | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. |
| Opening Stock | | | | | | | |
| 01. 01. 2012 | 5,092,660.38 | 287,950.91 | 1,336,472.99 | 992,576.38 | --- | 2,475,660.10 | 5,080,355.69 |
| <u>Add:</u> | | | | | | | |
| Transfers | --- | --- | --- | --- | --- | --- | --- |
| Purchases | 7,916,118.45 | --- | 6,429,735.69 | --- | --- | 1,486,382.76 | 3,235,523.40 |
| | <u>13,008,778.83</u> | <u>287,950.91</u> | <u>7,766,208.68</u> | <u>992,576.38</u> | <u>---</u> | <u>3,962,042.86</u> | <u>8,315,879.09</u> |
| <u>Less:</u> | | | | | | | |
| Loss in Stock | 79,555.60 | --- | 79,268.50 | 287.10 | --- | --- | 80,819.46 |
| Closing Stock | | | | | | | |
| 31.12.2012 | 9,708,415.91 | 287,950.91 | 5,790,356.58 | 926,429.02 | --- | 2,703,679.40 | 5,092,660.38 |
| | <u>3,220,807.32</u> | <u>---</u> | <u>1,896,583.60</u> | <u>65,860.26</u> | <u>---</u> | <u>1,258,363.46</u> | <u>3,142,399.25</u> |

COST OF STUDIO

NOTE : 03

NOTE : 03 C

| | Total 2012 | Raw Films | Cine Carbons | Spare Parts | Chemicals | Total 2011 |
|----------------------|---------------------|-------------------|---------------------|--------------------|------------------|---------------------|
| | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. |
| Opening Stock | | | | | | |
| on 01. 01. 2012 | 1,781,279.56 | 816,568.80 | ---- | 882,125.95 | 82,602.81 | 2,691,732.42 |
| Transfers at Cost | --- | ---- | ---- | ---- | ---- | --- |
| Purchases | 43,925.00 | ---- | ---- | 43,925.00 | ---- | 167,955.35 |
| | 1,825,222.56 | 816,568.80 | ---- | 926,050.95 | 82,602.81 | 2,859,687.77 |
| <u>Less :</u> | | | | | | |
| Loss on Stocks | 5,564.47 | --- | ---- | --- | 5,564.47 | --- |
| Transfers | --- | --- | ---- | --- | ---- | --- |
| Closing Stock as at | | | | | | |
| 31.12.2012 | 1,779,319.02 | 816,568.80 | ---- | 908,939.87 | 53,810.35 | 1,781,297.56 |
| Internal utilization | | | | | | |
| during the year | 40,339.07 | ---- | --- | 17,111.08 | 23,227.99 | 1,078,390.21 |
| | 40,339.07 | ---- | --- | 17,111.08 | 23,227.99 | 1,078,390.21 |

NOTE: 04

| | <u>Total 2012</u> | <u>Exhibition</u> | <u>Studio</u> | <u>Production</u> | <u>General</u> | <u>Total 2011</u> |
|--|----------------------|----------------------|---------------------|---------------------|----------------------|----------------------|
| | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. | Rs. Cts. |
| <u>Personnel Emoluments</u> | | | | | | |
| Salaries and Wages | 35,607,634.12 | 6,985,099.96 | 4,636,574.83 | 2,069,896.31 | 21,916,063.02 | 37,625,081.40 |
| Overtime, Holiday pay and compensation | 4,486,100.32 | 915,470.99 | 1,320,103.53 | 146,781.00 | 2,103,744.80 | 7,879,214.73 |
| Provident Fund and Trust Fund Contribution | 5,098,061.70 | 1,046,622.08 | 700,488.73 | 310,824.93 | 3,040,125.96 | 15,811,068.80 |
| Other allowances | 18,840,020.77 | 3,891,904.47 | 2,860,135.11 | 1,098,793.69 | 10,989,187.50 | 16,887,815.58 |
| Bonus | --- | --- | --- | --- | --- | 1,660,350.00 |
| Interest on Employees' debts | 1,548,664.29 | --- | --- | --- | 1,548,664.29 | --- |
| | <u>65,580,481.20</u> | <u>12,839,097.50</u> | <u>9,517,302.20</u> | <u>3,626,295.93</u> | <u>39,597,785.57</u> | <u>79,863,530.51</u> |

NOTE : 05

| | <u>Travelling and Subsistence</u> | | | | |
|-------------|-----------------------------------|-----------------|------------------|-------------------|---------------------|
| | Travelling Expenses (Local) | 2,160.00 | 4,000.00 | 74,367.20 | 141,624.12 |
| (Foreign) | 224,726.00 | --- | 18,000.00 | 206,726.00 | 320,122.13 |
| Subsistence | 405,213.10 | 5,075.00 | 9,173.00 | 390,965.10 | 672,647.51 |
| | <u>710,466.30</u> | <u>7,235.00</u> | <u>31,173.00</u> | <u>672,058.30</u> | <u>1,134,393.76</u> |

NOTE: 06

| | <u>Total 2012</u> | | <u>Exhibition</u> | <u>Studio</u> | <u>Production</u> | <u>General</u> | <u>Total 2011</u> | |
|---------------------------------|---------------------|------|-------------------|---------------|---------------------|-----------------------|---------------------|------|
| | | | | | | <u>Administration</u> | | |
| | Rs. | Cts. | Rs. | Cts. | Rs. | Cts. | Rs. | Cts. |
| <u>Supplies and Requisites</u> | | | | | | | | |
| Stationery and Office Equipment | 649,240.05 | | 8,837.60 | | 9,363.00 | | 9,397.00 | |
| Electricity | 5,967,025.02 | | ---- | | 1,541,715.54 | | ---- | |
| Uniforms | ---- | | ---- | | ---- | | ---- | |
| Entertainment Expenses | 298,521.00 | | ---- | | 2,640.00 | | ---- | |
| Mechanical and Electrical Goods | 76,642.00 | | ---- | | 22,259.00 | | 770.00 | |
| | <u>6,991,428.07</u> | | <u>8,837.60</u> | | <u>1,575,977.54</u> | | <u>10,167.00</u> | |
| | <u>6,991,428.07</u> | | <u>8,837.60</u> | | <u>1,575,977.54</u> | | <u>10,167.00</u> | |
| | | | | | | | <u>5,396,445.93</u> | |
| | | | | | | | <u>8,555,869.15</u> | |

Note : 07

Repairs, Maintenance and Depreciation

| | | | | | | |
|--|----------------------|------------------|---------------------|------------------|----------------------|----------------------|
| A. Repairs and Maintenance of Vehicles, Machinery and Equipment, Fuel and Lubricants | 4,000,808.24 | ---- | 256,061.74 | ---- | 3,744,746.50 | 4,860,743.57 |
| Repairs and Maintenance of Structures, Facilities and other Capital Assets | 3,391,248.14 | 71,151.75 | 779,591.50 | 50,019.00 | 2,490,485.89 | 3,104,614.06 |
| B. Depreciation | <u>7,392,056.38</u> | <u>71,151.75</u> | <u>1,035,653.24</u> | <u>50,019.00</u> | <u>6,235,232.39</u> | <u>7,965,357.63</u> |
| | <u>17,648,515.97</u> | <u>----</u> | <u>6,180,352.99</u> | <u>----</u> | <u>11,468,162.98</u> | <u>17,320,325.41</u> |
| | <u>25,040,572.35</u> | <u>71,151.75</u> | <u>7,216,006.23</u> | <u>50,019.00</u> | <u>17,703,395.37</u> | <u>25,285,683.04</u> |

Note : 08

| | <u>Total 2012</u> | | <u>Exhibition</u> | | <u>Studio</u> | | <u>Production</u> | | <u>General Administration</u> | | <u>Total 2011</u> | |
|--|----------------------|---------|-------------------|---------|---------------------|---------|---------------------|---------|-------------------------------|---------|----------------------|---------|
| | | | | | | | | | | | | |
| | Rs. | Cts. | Rs. | Cts. | Rs. | Cts. | Rs. | Cts. | Rs. | Cts. | Rs. | Cts. |
| A. <u>National Film Festival</u> | | | | | | | | | | | | |
| President's Awards | | | | | | | | | | | | |
| Reimbursement of Expenses | --- | | ---- | | ---- | | ---- | | ---- | | 5,249,613.50 | |
| | --- | | ---- | | ---- | | ---- | | ---- | | 5,249,613.50 | |
| | <u>---</u> | <u></u> | <u>----</u> | <u></u> | <u>----</u> | <u></u> | <u>----</u> | <u></u> | <u>----</u> | <u></u> | <u>5,249,613.50</u> | <u></u> |
| B. <u>Transportation, Communication,</u> | | | | | | | | | | | | |
| <u>Utility and other Services</u> | | | | | | | | | | | | |
| Transportation | 143,721.00 | | 143,721.00 | | ---- | | ---- | | ---- | | 125,235.00 | |
| Communication | 1,741,609.55 | | 276,334.08 | | 160,353.24 | | 139,521.01 | | 1,165,401.22 | | 1,667,401.39 | |
| Utility | 4,410,658.44 | | 282,007.50 | | 250,201.31 | | 342,213.21 | | 3,536,236.42 | | 5,723,374.17 | |
| Rentals | --- | | ---- | | ---- | | ---- | | ---- | | ---- | |
| Assessment Taxes | 731,677.53 | | ---- | | 73,111.07 | | ---- | | 658,566.46 | | 586,809.00 | |
| Other Services | 8,020,660.14 | | ---- | | 736,856.10 | | 1,606,713.43 | | 5,677,090.61 | | 9,006,833.39 | |
| | <u>15,048,326.66</u> | <u></u> | <u>702,062.58</u> | <u></u> | <u>1,220,521.72</u> | <u></u> | <u>2,088,447.65</u> | <u></u> | <u>11,037,294.71</u> | <u></u> | <u>17,109,652.95</u> | <u></u> |

Note : 09

Other Income

| | <u>2012</u> | <u>2011</u> |
|---|--------------------|--------------------|
| | Rs. Cts. | Rs. Cts. |
| Dividends | ---- | ---- |
| Bad Debts Receipts | ---- | ---- |
| Production Loan Interest | 1,653,326.24 | 1,363,980.29 |
| Staff Loan Interest | 2,064,885.72 | 565,979.16 |
| Miscellaneous Income | 3,288,600.91 | 4,913,663.13 |
| Outside Filming | 2,249,074.63 | 2,904,119.16 |
| Repairs to Films not owned by the Corporation | 2,031,199.00 | 1,823,890.00 |
| Interest on Fixed Deposits and Treasury Bills | 9,923,925.28 | 5,683,973.12 |
| Application Form Fees | 436,000.00 | 420,000.00 |
| Removal of Fixed Assets | ---- | ---- |
| Leased Cinema Halls | ---- | ---- |
| Income of the N.F.C Cinema Halls | 2,333,050.00 | 2,399,912.50 |

| | | |
|--|---------------|---------------|
| Compensation Received from the Insurance Corporation | 15,100.00 | 324,301.10 |
| Receipts for Viewing Films | 32,000.00 | 59,500.00 |
| Approval for Stage Plays | 28,000.00 | 50,000.00 |
| Rent Income from 224 building | 3,120,000.00 | 2,280,000.00 |
| Receipts from courses of studies | 1,151,000.00 | 397,100.00 |
| | <hr/> | <hr/> |
| | 28,326,161.78 | 23,186,418.46 |
| | <hr/> | <hr/> |

Note : 10

| <u>Reserves and Surplus</u> | <u>31.12.2012</u> | <u>31.12.2011</u> | <u>01.01.2011</u> |
|--|--------------------------|--------------------------|--------------------------|
| Development Reserve | 7,827,785.66 | 7,827,785.66 | 7,827,785.66 |
| Unappropriated Profit/Loss | (46,352,298.72) | (55,272,778.69) | (59,336,712.97) |
| Compensation received for the Studio Roadway | 1,676.00 | 1,676.00 | 1,676.00 |
| Capital Reserve – Vehicle Disposal | 499,898.45 | 499,898.45 | 499,898.45 |
| Recalculation of Assets | 115,153,399.00 | 115,153,399.00 | 115,153,399.00 |
| | <hr/> | <hr/> | <hr/> |
| | 77,130,460.39 | 68,209,980.42 | 64,146,046.14 |
| | <hr/> | <hr/> | <hr/> |

Note : 11

Fixed Assets

| <u>Property, Plant and Equipment</u> | <u>Cost as at</u> | | <u>Disposals during</u> | | <u>Depreciation</u> | | <u>Accumulated</u> | | <u>Additions</u> | | <u>Written down value</u> | |
|---|--------------------------|--------------------|--------------------------------|--------------------|----------------------------|--------------------|----------------------------|--------------------|-------------------------------|--------------------|----------------------------------|--------------------|
| | <u>01.01.2012</u> | | <u>the year</u> | | <u>for the year</u> | | <u>Depreciation</u> | | <u>during the year</u> | | <u>as at 31.12.2012</u> | |
| | <u>Rs.</u> | <u>Cts.</u> | <u>Rs.</u> | <u>Cts.</u> | <u>Rs.</u> | <u>Cts.</u> | <u>Rs.</u> | <u>Cts.</u> | <u>Rs.</u> | <u>Cts.</u> | <u>Rs.</u> | <u>Cts.</u> |
| A. 01. Freehold Land | 174,343,457.95 | | ---- | | ---- | | ---- | | ---- | | 174,343,457.95 | |
| 02. Freehold Buildings | 47,237,524.58 | | ---- | | 2,150,721.30 | | 31,867,931.94 | | ---- | | 15,369,592.64 | |
| 03. Temporary Buildings | 6,167,386.52 | | ---- | | 21,750.00 | | 6,123,885.52 | | ---- | | 43,501.00 | |
| 04. Cinema Complex | 105,670,408.43 | | 757,372.00 | | 7,061,861.64 | | 27,952,291.71 | | 14,900.00 | | 76,975,644.72 | |
| 05. Mini Cinema Equipment | 331,450.69 | | ---- | | ---- | | 331,448.69 | | ---- | | 2.00 | |
| 06. Furniture, Fixtures and Fittings | 14,748,037.72 | | ---- | | 284,763.14 | | 14,592,653.32 | | 1,106,066.60 | | 1,261,451.00 | |
| 07. Office Equipment | 15,831,160.11 | | 115,000.00 | | 360,616.55 | | 12,166,477.84 | | 470,114.92 | | 4,019,797.19 | |
| 08. Motor Vehicles | 15,612,932.00 | | ---- | | 1,928,447.00 | | 11,768,965.00 | | ---- | | 3,843,967.00 | |
| 09. Film Archives | 837,855.17 | | ---- | | 139,171.20 | | 673,250.39 | | 772,800.00 | | 937,404.78 | |
| 10. Bicycles | 18,281.05 | | ---- | | ---- | | 18,277.05 | | ---- | | 4.00 | |
| 11. Film Equipment | 417,889.39 | | ---- | | 49,280.00 | | 467,150.39 | | 492,800.00 | | 443,539.00 | |
| 12. Projection Equipment | 480,201.95 | | ---- | | 33,465.00 | | 377,984.95 | | ---- | | 102,217.00 | |
| 13. Studio Equipment | 88,049,679.08 | | ---- | | 5,494,954.42 | | 51,074,314.36 | | 460,377.06 | | 37,435,741.78 | |
| 14. Cinema Educational Equipment | 941,190.00 | | 13,440.00 | | 120,279.00 | | 420,370.00 | | 313,600.00 | | 820,980.00 | |
| 15. Welfare Equipment | 194,960.97 | | ---- | | 3,206.72 | | 194,959.97 | | ---- | | 1.00 | |
| | 470,882,415.61 | | 885,812.00 | | 17,648,515.97 | | 158,029,961.13 | | 3,630,658.58 | | 315,597,301.06 | |

Add:

| | | | | | | | | | | | | |
|---|----------------|--|------------|--|---------------|--|----------------|--|---------------|--|----------------|--|
| <u>B. Incomplete Capital Functions</u> | | | | | | | | | | | | |
| 1. Main Office Building | 2,069,367.17 | | ---- | | ---- | | ---- | | 11,328,698.89 | | 13,398,066.06 | |
| 1. Studio - Building | 9,141,881.26 | | ---- | | ---- | | ---- | | 1,426,456.88 | | 10,568,338.14 | |
| 2. Repairs on Buildings | 1,850,768.79 | | ---- | | 616,922.93 | | 616,922.93 | | ---- | | 1,233,845.86 | |
| | 13,062,017.22 | | ---- | | 616,922.93 | | 616,922.93 | | 12,755,155.77 | | 25,200,250.06 | |
| Total | 483,944,432.83 | | 885,812.00 | | 18,265,438.90 | | 158,646,884.06 | | 16,385,814.35 | | 340,797,551.12 | |

NOTE: 12

| | <u>31.12.2012</u> | <u>31.12.2011</u> | <u>01.01.2011</u> |
|---|-------------------|-------------------|-------------------|
| | Rs. Cts. | Rs. Cts. | Rs. Cts. |
| <u>Long-Term Investment of Funds</u> | | | |
| Shares in Associated Newspapers of Ceylon | | | |
| Ltd. | 127,000.00 | 127,000.00 | 127,000.00 |

Current Assets

NOTE : 13

Short-term Investment of Funds

| | | | |
|--|-----------------------|----------------------|----------------------|
| National Savings Bank Deposits Employees | 5,000.00 | 5,000.00 | 9,000.00 |
| Fixed Deposits | 18,538,590.75 | 17,169,000.00 | 1,387,000.00 |
| Repo Deposits | 16,857,184.14 | 39,138,377.07 | 44,259,421.87 |
| Treasury Bills | 70,106,122.00 | 41,425,404.76 | 37,196,453.73 |
| | <u>105,506,896.89</u> | <u>97,737,781.83</u> | <u>82,851,875.60</u> |

NOTE : 14

Stocks

| | | | |
|--------------------------------|----------------------|----------------------|----------------------|
| Films | 5,253,886.52 | 9,821,441.79 | 9,821,441.79 |
| Trading Activity | 10,463,630.93 | 5,847,875.40 | 6,835,007.93 |
| Studio | 1,024,104.00 | 1,026,082.54 | 932,700.18 |
| Studio Maintenance Spare Parts | 1,472,575.53 | 1,472,575.53 | 1,472,575.53 |
| Stationery and Others | 11,959,555.81 | 1,270,177.49 | 866,756.80 |
| | <u>30,173,752.79</u> | <u>19,438,152.75</u> | <u>19,928,482.23</u> |

NOTE : 15

Debtors

| | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|
| Cinema Halls | 163,205,899.37 | 136,475,559.95 | 123,125,249.62 |
| Producers | 113,515,569.81 | 101,180,892.93 | 92,399,491.74 |
| Others | 4,497,177.99 | 2,011,685.32 | 2,650,330.77 |
| Advances to Employees | 21,231,209.01 | 23,334,088.10 | 24,919,124.67 |
| | <u>302,449,856.18</u> | <u>263,002,226.30</u> | <u>243,094,196.80</u> |

Less:

| | | | |
|------------------------------------|-----------------------|-----------------------|-----------------------|
| Provision for Bad Debts (Note 15A) | 93,584,300.00 | 73,274,300.00 | 72,441,000.00 |
| | <u>208,865,556.18</u> | <u>189,727,926.30</u> | <u>170,653,196.80</u> |

SCHEDULE FOR PROVISION FOR BAD DEBTS

NOTE : 15A

| Debtors | Total 2012 | | Disputed and Irrecoverable | | Recoverable | | 5% Provision | | Total Provision | | |
|--|-----------------------|----------------------|-----------------------------------|----------------------|-----------------------|----------------------|---------------------|-------------------|------------------------|------------------------------|------|
| | Rs. | Cts. | Rs. | Cts. | Rs. | Cts. | Rs. | Cts. | Rs. | Cts. | |
| Cinema Halls | 163,205,899.00 | | 41,400,000.00 | | 121,805,899.00 | | 6,090,200.00 | | 47,490,200.00 | | |
| Producers | 113,515,570.00 | | 42,309,000.00 | | 71,206,570.00 | | 3,560,300.00 | | 45,869,300.00 | | |
| Others | 4,497,178.00 | | ---- | | 4,497,178.00 | | 224,800.00 | | 224,800.00 | | |
| Advances to Employees | 21,231,209.00 | | ---- | | 21,231,209.00 | | ---- | | ---- | | |
| | <u>302,449,856.00</u> | | <u>83,709,000.00</u> | | <u>218,740,856.00</u> | | <u>9,875,300.00</u> | | <u>93,584,300.00</u> | | |
| | | Total | | Cinema Halls | | Producers | | Others | | Advances to Employees | |
| | | Rs. | Cts. | Rs. | Cts. | Rs. | Cts. | Rs. | Cts. | Rs. | Cts. |
| Balance B/F | | 73,274,300.00 | | 29,352,100.00 | | 43,821,700.00 | | 100,500.00 | | ---- | |
| Bad Debts written off | | | | | | | | | | | |
| Transferred to Profit and Loss Account | | 20,310,000.00 | | 18,138,100.00 | | 2,047,600.00 | | 124,300.00 | | ---- | |
| | | <u>93,584,300.00</u> | | <u>47,490,200.00</u> | | <u>45,869,300.00</u> | | <u>224,800.00</u> | | <u>----</u> | |
| <u>Provision for Bad Debts</u> | | | | | | | | | | | |
| 01.01.2012 | | 73,274,300.00 | | | | | | | | | |
| <u>Less:</u> | | | | | | | | | | | |
| Bad Debts written off | | | | | | | | | | | |
| Transferred to Profit and Loss Account | | 20,310,000.00 | | | | | | | | | |
| Balance brought backward | | <u>93,584,300.00</u> | | | | | | | | | |

NOTE : 15B**DEBTORS**

| | Head Office | | Studio | | Total 2012 | |
|-----------------------|-------------|-----------|--------|----------|------------|-----------|
| | Rs. | Cts. | Rs. | Cts. | Rs. | Cts. |
| Raw Films | | --- | | --- | | --- |
| Cinema Carbons | | 79,268.50 | | --- | | 79,268.50 |
| Chemicals-Colour | | ---- | | 5,564.47 | | 5,564.47 |
| Spare Parts | | 287.10 | | --- | | 287.10 |
| Stationery-Mercantile | | --- | | --- | | --- |
| Stationery and Others | | --- | | --- | | --- |
| | | 79,555.60 | | 5,564.47 | | 85,120,07 |

NOTE : 16

| | <u>31.12.2012</u> | <u>31.12.2011</u> | <u>01.01.2011</u> |
|--|----------------------|----------------------|---------------------|
| | Rs. Cts. | Rs. Cts. | Rs. Cts. |
| <u>Deposits and Pre-Payments</u> | | | |
| Deposits | 3,902,089.12 | 3,593,290.01 | 3,485,075.01 |
| Advance Payments | 7,457,644.60 | 26,752,631.16 | 3,657,133.26 |
| Advance Payments to the Welfare Society | 161,440.35 | 170,340.35 | 145,840.35 |
| Advance Payments to the Investigation Officers | ---- | ---- | 11,320.00 |
| Script Bank | ---- | ---- | 44,900.00 |
| | <u>11,521,174.07</u> | <u>30,516,261.52</u> | <u>7,344,268.62</u> |

NOTE : 17

Cash and Bank Balances

| | | | |
|--|----------------------|----------------------|---------------------|
| People's Bank – Current A/C No.004-1-001-1-0208647 | 604,613.75 | 1,361,502.06 | ---- |
| People's Bank – Current A/C No.055-1-001-5-0667533 | 354,421.55 | 175,580.88 | 381,811.44 |
| People's Bank – Current A/C No.004-1-001-6-0208664 | 3,296,432.10 | 4,966,387.94 | 1,311,630.12 |
| Bank of Ceylon – Current A/C No.0002323272 | 1,798,529.57 | 84,069.85 | ---- |
| Bank of Ceylon – Current A/C No.0002323131 | 2,203,737.40 | 1,998,919.76 | 265,026.69 |
| Bank of Ceylon – Current A/C No.0002323354 | 4,503,948.70 | 197,863.43 | ---- |
| Bank of Ceylon – Current A/C No.0002323363 | 10,749,223.53 | 6,191,268.79 | 5,315,389.77 |
| Bank of Ceylon – Current A/C No.0005002189 | 2,056,866.38 | 550,383.53 | 1,530,898.55 |
| | <u>25,567,772.98</u> | <u>15,525,976.24</u> | <u>8,804,756.57</u> |

Cash in Hand

| | | | |
|--------------------------|------------------|------------------|------------------|
| Petty Cash – Head Office | 15,691.50 | 28,694.50 | 50,000.00 |
| Petty Cash - Studio | 3,564.80 | 626.80 | 7,513.80 |
| Petty Cash – Film Stores | 34.00 | 34.00 | 34.00 |
| | <u>19,290.30</u> | <u>29,355.30</u> | <u>57,547.80</u> |
| Total | 25,587,063.28 | 15,555,331.54 | 8,862,304.37 |

Current Liabilities**Note : 18****Bank Balance**

| | | | |
|--|-----|-----|--------------|
| Bank of Ceylon – Current A/C No. 0002323272 | --- | --- | 1,411,528.45 |
| Bank of Ceylon – Current A/C No. 0002323354 | --- | --- | 680,010.53 |
| People's Bank – Current A/C No.004-1-001-1-0208647 | --- | --- | 448,000.62 |
| People's Bank – Current A/C No.004-1-001- 6-- 0208664 | --- | --- | --- |
| | --- | --- | 2,539,539.60 |
| | --- | --- | --- |

NOTE : 19

| | <u>31.12.2012</u> | | <u>31.12.2011</u> | | <u>01.01.2011</u> | |
|------------------------|---------------------|------|---------------------|------|---------------------|------|
| | Rs. | Cts. | Rs. | Cts. | Rs. | Cts. |
| <u>Deposits</u> | | | | | | |
| Tender Deposits | --- | | --- | | 138,393.00 | |
| Canteen Deposits | 10,000.00 | | 10,000.00 | | 10,000.00 | |
| Security Deposits | 2,326,727.11 | | 2,326,727.11 | | 2,326,727.11 | |
| - Cinema Halls | | | | | | |
| - Employees | 5,000.00 | | 5,000.00 | | 9,000.00 | |
| - Importing films | --- | | --- | | 1,023,974.00 | |
| - Cinema Project | 45,000.00 | | 45,000.00 | | 90,000.00 | |
| | <u>2,386,727.11</u> | | <u>2,386,727.11</u> | | <u>3,598,094.11</u> | |

NOTE : 20

| <u>Provision for Gratuity</u> | | | |
|--------------------------------------|----------------------|----------------------|----------------------|
| Gratuity | 33,885,923.25 | 38,017,195.75 | 37,996,507.50 |
| (Invested in Treasury Bills) | | | |
| | <u>33,885,923.25</u> | <u>38,017,195.75</u> | <u>37,996,507.50</u> |

NOTE : 21

| <u>Other Creditors</u> | | | |
|---|---------------|---------------|---------------|
| Accrual Expenses | 13,203,405.16 | 15,713,573.31 | 11,880,582.95 |
| Business Turnover Tax Payable | 178,119.26 | --- | 178,119.26 |
| Value Added Tax Payable | 194,264.64 | 351,246.88 | 460,201.50 |
| Provision for Audit Fees | 800,000.00 | 2,288,483.00 | 2,805,964.50 |
| Commissioner of Inland Revenue (Stamps) | 19,655.00 | 19,655.00 | 18,955.00 |
| Incentive Allowance – Sinhala Films | 2,488.59 | 2,488.59 | 2,488.59 |
| Film Artistes' and Technicians' Fund | 257,298.20 | --- | 181,713.88 |
| National Defence Fund | 187,866.60 | 187,866.60 | 187,866.60 |
| Save the Nation Fund | 989.60 | 989.60 | 989.60 |
| Publicity | 721.50 | 721.50 | 721.50 |
| Unclaimed Wages | 1,297,508.65 | 1,453,654.64 | 1,462,154.64 |
| Employees' Provident Fund | 660,504.26 | 596,572.60 | 774,500.23 |
| Employees' Trust Fund | 73,469.60 | 64,751.68 | 65,848.12 |
| Insurance | 53,006.16 | 53,006.16 | 53,006.16 |
| Advances – Welfare Services | 19,097.60 | 19,097.60 | 19,097.60 |

| | | | |
|---|----------------------|----------------------|----------------------|
| Sundry Creditors | 1,455,396.76 | 1,828,746.09 | 1,795,434.73 |
| Sundry Debtors (Credit balance) | 1,603,436.53 | 3,022,409.21 | 1,300,216.94 |
| Film Hire Debtors | 2,704,708.47 | 2,765,402.01 | 2,998,852.27 |
| Exhibiting Films in the Middle East | 6,345.13 | 6,345.13 | 6,345.13 |
| General Treasury | 5,000,000.00 | 5,000,000.00 | 5,000,000.00 |
| President's Fund | 500,000.00 | 2,100,000.00 | 2,900,000.00 |
| Film Artistes' Training – Building Fund | 190,000.00 | 190,000.00 | 190,000.00 |
| For Compensation to Employees | ---- | ---- | 139,968.23 |
| For unreconciled matters | 54,974.40 | 5,670,876.03 | 7,210,705.20 |
| Nation Building Tax | ---- | 43,328.22 | 53,878.21 |
| Distribution Centre Creditors | 8,302.35 | 8,302.35 | 8,302.35 |
| Raw Film Tapes obtained on the basis of returning | 64,596.40 | 64,596.40 | 64,596.40 |
| National Film Development Fund | 3,879,308.89 | 3,879,308.89 | 3,705,191.89 |
| Sathsara Cinema Hall Management Account | 407,888.02 | 407,888.02 | 407,888.02 |
| Rithma Board Management Account | 1,333,370.46 | 2,832,554.81 | 3,924,241.73 |
| Cine-Stars-Punchi Tharaka | 31,750.00 | 31,750.00 | 31,750.00 |
| Allocation for Balance Employees' Provident Fund | 10,000,000.00 | 10,000,000.00 | ---- |
| Account | | | |
| Allocation for Film Festivals Account | 5,000,000.00 | 5,000,000.00 | ---- |
| 2012 Pay-as-you earn Tax | 9,135.97 | ---- | ---- |
| Allocation for Salaries and Wages Account | 714,181.50 | ---- | ---- |
| Payment of Lease Rent – Contras Cinema Hall | 84,234.00 | ---- | ---- |
| | 49,996,023.70 | 63,603,614.32 | 47,829,581.23 |

Accounts and Words Count – 5,000



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AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
එනතු මිල
My No } TM/E/NFC /FA/2012

දිනය
තික්ති
Date } 15 October 2013

The Chairman,
National Film Corporation of Sri Lanka

Report of the Auditor General on the Financial Statements of the National Film Corporation of Sri Lanka for the year ended 31 December 2012 in terms of Section 14 (2) (c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the National Film Corporation of Sri Lanka for the year ended 31 December 2012 comprising the statement of financial position as at 31 December 2012 and the comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and Section 31(1) of the National Film Corporation of Sri Lanka Act, No. 47 of 1971. My comments and observations which I consider should be published with the annual report of the Corporation in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act was issued to the Chairman of the Corporation on 21 June 2013.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

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

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the National Film Corporation of Sri Lanka as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following non-compliances with Sri Lanka Accounting Standards were observed.

| Reference to Sri Lanka Accounting Standards | Non-compliances |
|--|--|
| (a) Standard No. 1 | <ul style="list-style-type: none">i The provision for gratuity allowances which should be shown as non-current liability in the statement of financial position had been shown as current liability.ii Though the value shown in nearest rupee would be more suitable in understanding financial statements when presenting financial statements, the Corporation had not been done so.iii Though the financial statements from 01 January 2012 should be presented in accordance with the new accounting standards, accounts had not been prepared accordingly. |
| (b) Standard No. 8 | Though when write off a sum of Rs. 2,000,000 provision for film suppliers' account and a sum of Rs. 5,600,000 provision for disagreed matters account should be adjusted to the profit of the year under review that had been adjusted to non appropriation Profit and Loss Account. |
| (c) Standard No. 17 | The information in accounting of operational lease which should be disclosed by the lessee had not been disclosed in the accounts. |
| (d) Standard No. 18 | Though it has been shown that the adjustments had been made to interest on employee loans by the Corporation facts to be considered in adjusting loan interest such as |

loan amount given to each employee, number of installments, balance at the specific date, fair value of the loan, domestic loan interest rate etc. had not been considered.

(e) Standard No. 24 Even though the connections of all related parties who could influence the financial and operating decisions of the institution should be disclosed irrespective of whether they were connected with such financial transaction or not, these disclosures had not been made.

2.2.2 Accounting Deficiencies

Purchase price and lease facility of the vehicle purchased under lease facility in the year 2010 had not been accounted properly. The vehicle account by a sum of Rs. 1,179,864 and provision for depreciation account by a sum of Rs. 182,640 had been excessively shown due to non-stating the purchase price of the vehicle correctly.

2.2.3 Un-reconciled Control Accounts

The following differences were observed.

| (a) | Description | Control Account/ Supplementary Account | Annexure | Un-reconciled Amount |
|-------|-------------------------------------|--|-------------|-------------------------|
| | | ----- | ----- | ----- |
| | | Rs. | Rs. | Rs. |
| (i) | Interest on Treasury Bills | 5,670,573 | 4,991,555 | 679,018 |
| (ii) | Film hire creditors control account | 94,118,580 | 142,118,064 | 47,999,484 |
| (iii) | Corporation staff loans | 19,789,722 | 22,181,377 | 2,391,655 |

(b) The Sri Lanka National Film Corporation Account was a Current Account to record transactions of inter-departments and its opening balance had been shown as Rs. 120,087,374 and closing balance had been shown as Rs. 110,785,369. But a further balance of Rs. 1,333,370 was remained after adjusting the balance of the film distribution account of the Corporation maintained similarly in Sri Lanka Film Corporation. Thus the steps had not been taken to reconcile the relevant current accounts. Also, as per the Rithma Circuit Trail Balance as at 31 December 2011 instead of the closing balance of Rs. 84,017,406 of Sri Lanka National Film Corporation Account, it was a sum of Rs. 120,087,375 as opening balance as at 01 January 2012 hence there had been a difference of Rs. 36,069,968.

2.2.4 Unexplained Differences

The cinema hall debtors control account according to the ledger, amounted to Rs. 221,634,318 whereas according to the schedule this balance amounted to Rs. 227,154,750. Hence, an unexplained difference of Rs. 5,520,432 was observed.

2.2.5 Accounts Receivable and payable

2.2.5.1 Accounts Receivable

(a) Production Debtors

The following observations are made.

- (i) Debtors existing for more than 5 years included in the production debtors of Rs.109 million had been Rs. 50 million or 46 per cent. Debtors existing for more than three years had been Rs. 63 million or 58 per cent. Adequate steps had not been taken to recover these amounts.
- (ii) According to the Production Debtors Control Account the debit balance of production debtors was Rs. 107,466,956 and, that amount had been added by debit balance of Rs. 9,063,983 in the schedule of the film hire creditors and the credit

balance of Rs. 1,603,437 in the schedule of the miscellaneous debtors. The interest receivable for the amount of loan granted to the producers had been shown by incorporating with the debtors balance. Only 25 per cent of the above interest had been taken into revenue and the balance 75 per cent had been included in the provision for interest account on the basis that 100 per cent of the above interest would not be recoverable. The credit balance of that provision account was Rs. 4,618,806.

(b) Theater Hall Debtors

The arrears recoverable as at 31 December 2012 from 138 cinema halls closed down prior to the handing over of the distribution of films to the private sector in the year 2001 amounted to Rs. 7,785,561. Also the arrears recoverable from 150 cinema halls belonging to the Boards which are in operation at present, amounted to Rs. 142,308,228. Similarly, the amount payable to the 21 cinema halls by the Corporation was Rs. 785,354.

(c) Staff Debtors

As per the loan schedule, old loan balances of Rs. 199,062 were remained for an officer that loan installments had not been recovered in the year 2012.

(d) Provision for Bad Debts

Steps had not been taken to recover the total debts of film halls, production, other loans, and staff advances at the end of the year under review aggregating Rs. 302,449,856. Out of those debtors 100 per cent bad debts provision for a sum of Rs. 83,709,000 in disagreed and irrecoverable loan balances, and bad debts of 5 per cent of the other debtors amounting to Rs. 9,875,300 been the total bad debts provision was Rs. 93,584,300. Therefore actions had been taken on the basis of 31 per cent of the Corporation debtors considered as irrecoverable loans.

2.2.5.2 Accounts Payable

The following observations are made.

- (i) The creditor balance of Rs.5,468,818 included in Sundry Creditors of Rs.49,996,024 had elapsed for more than 5 years and actions had not been taken to write off or settle them.
- (ii) Out of the Film Hire Creditors of Rs. 151,182,047, a sum of Rs.33,443,717 or 22 per cent were the balances older for than 5 years.

2.2.6 Lack of Evidence for Audit

The following items shown in the account could not be satisfactorily vouched due to unavailability of evidence referred there to.

| Description of Account | Amount | Lack of written Evidence |
|--|----------------------|--|
| | ----- RS. | ----- |
| (i) Unclaimed Salaries | 1,297,508 | Schedules and Age Analysis. |
| (ii) Receivable Deposits | 906,228 | Deposit receipts and Balance Confirmations. |
| (iii) Advances to Welfare Society | 161,440 | Schedules and Age Analysis |
| (iv) Progress of activities made by the Corporation as per the Corporate Plan and Action Plan of 2012. | Cannot be calculated | Information of Progress |
| (v) Construction Contracts | 43,832,996 | Information needed for audit (Contract value) |

2.2.7 Non – compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances with laws, rules, regulations and management decisions were observed.

| Reference to Laws, Rules, Regulations and Management Decisions. | Non-compliance |
|--|--|
| (a) Section 5 of Film Corporation Act No. 47 of 1971 | Though the loans should not been given for importation of films, a loan of Rs. 5,000,000 had been given to import a Tamil film. Also the loan had not been recovered as per the agreement and relevant interest had not been calculated. |
| (b) Section 11 (b) of Finance Act No. 38 of 1971 and Public Finance Circular No. PF/PE/09 of 12 June 2000. | The approval of the General Treasury had not been obtained for investments amounting to Rs. 35,395,774. |
| (c) Section 13 of the Chapter II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka. | MA1 officer had been paid Rs. 9,000 annually for covering up duties in JM category though the payments should not been made for covering up duties. |
| (i) Subsection No. 13.2 | Though the acting appointment should be made as temporary solution until making permanent appointment, payments had been made for acting appointments in longer duration. |
| (ii) Subsection No. 13:3 | Though the completely unqualified officer in every aspect of holding that post should not been |
| (iii) Subsection No. 13:4 | |

appointed for acting in a vacant post, Deputy General Manager (Operations) and Deputy General Manager (Finance) had been appointed and had been paid a sum of Rs. 111,089 as acting allowances contrary to it.

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

F.R.371

An advance should be settled immediately after the completion of the purpose for which it was granted. Nevertheless, advances remaining for the period unsettled ranging from 1 to 12 years amounting to Rs. 3,404,707 had not been settled.

(e) Corporation Circular No. OD/PEN/01 and OD/PEN/96

The film hire receivable to the Corporation should be paid daily and 5 per cent of a surcharge should be charged on non-remitting of film hire amount to be credited daily to the Corporation. Issuing of debit notes had not been made on instances contrary to this circular.

3. Financial Review

3.1 Financial Results

The financial result of Sri Lanka National Film Corporation for the year under review was a pre-tax net loss of Rs.64,795,810 as compared with the corresponding pre-tax net loss of Rs.72,582,062 for the preceding year. After taking into account the recurrent grant of Rs. 68,308,000 and Rs. 75,000,000 received from General Treasury for the year under review and the preceding year respectively, the profits for the year under review and the preceding year were Rs. 3,512,190 and Rs. 2,417,938 respectively.

3.2 Legal Cases Against/Vs. Corporation

According to the letter of the Secretary to the Ministry of Planning and Plan Implementation on 19 February 1980, although the service of the Attorney General should be taken for the legal matters of the state institutions, Corporation had not comply with it and the expenditure incurred to outside lawyers for 06 cases was Rs. 507,010. Also 02 cases had been filed against outsiders by the Corporation.

4. Operating Review

4.1 Performance

(a) Film Loans

The following observations are made.

- (i) Nevertheless the loans given for film productions were exceeded 5 years, the loan amount given for 26 films but not yet been screened was Rs. 5,418,426 and a sum of Rs. 4,229,646 or 78 per cent had been outstanding as at 31 December 2012.
- (ii) The loans given for film productions were exceeded 5 years and out of the loan amount of Rs. 63,598,321 given for 49 films and been released for screening, a sum of Rs. 28,472,305 or 45 per cent had been outstanding as at 31 December 2012.
- (iii) The loans given for film productions were less than 5 years and out of the loan amount of Rs. 15,611,384 given for 07 films and been released for screening, a sum of Rs. 5,207,998 or 33 per cent had been outstanding as at 31 December 2012.
- (iv) The loans given for film productions were less than 5 years and the loan given for 29 films were Rs. 28,032,604 but not yet been released for screening and the total loan amount had been outstanding as at 31 December 2012.

(b) Granting Loans for Cinema Halls

The following observations are made.

- (i) A sum of Rs. 1,100,000 had been granted to a theatre during the year 2003 without signing agreements and signing of agreements had not been performed even at the end of the year under review. The amount receivable as at 31 December 2012 was Rs. 709,771.
- (ii) Out of the loans granted to ten theatres for renovations amounting to Rs. 14,612,682, loans given for renovations of 07 theatres before the year 2012 was Rs. 9,103,302 and out of them a sum of Rs. 6,778,864 was receivable at the end the year under review. A sum of Rs. 2,349,090 had been recovered from 07 theatres during the year under review and no single amount had been recovered from 03 theatres.

4.2 Management Inefficiencies

The following observations are made.

- (a) Though the 50 per cent of the water and electricity bills should be borne by the lessee as per the rent agreement signed with SAARC Cultural Center, the expenditure of Rs. 891,615 had been borne by the Corporation which should be borne by the lessee.
- (b) Even though a sum of Rs. 3,412,270 was shown in profit and loss account as income from surcharges which the surcharge of 2.5 per cent had been charged with relating to non payment of film hire and levy in due date, no income from surcharges had been recovered during the year 2012. A relevant procedure had not been prepared to recover that income.

4.3 Operating Inefficiencies

The following observations are made.

- a) The surcharges recoverable with related to previous years due to discrepancies of theatres had not been accounted which enabling them to be identified separately. Even though 100 debit notes amounting to Rs. 347,610 had been issued with regard to the discrepancies revealed in 2012 by the investigation unit of the Corporation, only a sum of Rs. 297,040 had been received from 64 debit notes.
- b) A sum of Rs. 1,231,452 had been spent from Corporation funds for renovation of Contrast Cinema at Dalugama and a sum of Rs. 130,501 from that amount had been debited to profit and loss account for the year under review. Therefore that amount had not been accounted as loans given for development of theatres and it was not observed that there was any recovery of that loan.

4.4 Slow Moving, Idle and Under Utilized Assets

Five DTS sound equipment had been purchased on 20 January 2012 to be given to theatres under the loan scheme of renovation of theatres. Only 02 out of this sound equipment had been given to two theatres under the loan system of renovation of theatres. Though one year passed the balance 03 equipment are idling without taking actions to give them to theatres and value of that stock was Rs. 10,592,257. It was informed to audit by the Chairman that an investigation is being conducted in this regard.

4.5 Staff Administration

The following matters were observed.

- (a) Twenty two posts of executive grade and 22 posts of supporting services in the cadre had been vacant whereas the excess in minor grades and other services were 06 and 09 respectively.

(b) Though a payment of an acting allowance had been approved for an officer appointed to the post of General Manager (Professional) for which was not included in the approved cadre, the relevant qualifications to do such appointment and to make such payment had not been directed by the Board memorandum. This approval had been taken from the Board of Directors without doing such evaluation.

4.6 Vehicle Utilization

The following matters are observed.

(a) The vehicle fleet of the Corporation had been 09 and 02 of them were assigned vehicles. The total travelling distance of those vehicles was 142,358 kilometers and maintenance cost was Rs. 1,889,328 whereas the fuel cost was Rs. 2,031,455. Therefore maintenance and fuel cost per kilometer were Rs. 13.27 and Rs. 14.27 respectively.

(b) Payments Rs. 117,342 of had been made from fuel orders by exceeding the maximum limit mentioned as per the Public Enterprises Circular No. 50 of 28 July 2008 and a sum of Rs. 73,051 for allocated diesel vehicles and a sum of Rs. 44,291 for allocated petrol vehicles had been paid excessively. i.e. 664 diesel liters and 301 petrol liters were excess respectively.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

Though, according to the Public Enterprises Circular No. PED/ 12 of 02 June 2003, the financial statements should be prepared and presented to the Auditor General within 60 days after ending of the financial year, financial statements for the year ended 31 December 2012 had been presented on 10 April 2013 by the Sri Lanka National Film Corporation.

5.2 Internal Audit

Except the post of Internal Auditor other posts had been vacant since 2001 hence it was observed that the internal audit division was not made an adequate contribution to utilize as an effective instrument of management control.

5.3 Budgetary Control

Variances exceeding 50 per cent between the budgeted income/expenditure and actual income/expenditure of the year under review in respect of 16 items were observed thus indicating that the budget had not been made use of as an effective instrument of management control. Budget variance was 5703 per cent in one instance.

6. Systems and Controls

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

- (a) Recovery of Loan Balances
- (b) Refundable Deposits
- (c) Investments
- (d) Petty Cash Advances
- (e) Film hall Loans
- (f) Film hall Inspections
- (g) Staff Loans
- (h) Accounting



H.A.S. Samaraweera

Auditor General

THE NATIONAL FILM CORPORATION OF SRI LANKA

(Incorporated under Act, No.47 of 1971)

2580247

My No :- 104-24-005(2012)

05.08.2013

Your No:TM/E/NFC/FA/2012

**Assistant Auditor-General,
Auditor-General's Department,
306/72, Polduwa Road,
Battaramulla.**

Sir,

**Auditor-General's Report in terms of Section 14(2)(c) of the
Finance Act, No.38 of 1971 on the Accounts of the National
Film Corporation of Sri Lanka for the year ended**

31st December 2012

With reference to the draft of the Auditor-General's Report sent to me dated 03rd July 2013.

2. Financial Statement

2.2.1 Sri Lanka Accounting Standards

(a) i. Financial statements have been shown in this manner from the commencement of the Corporation that is, as the gratuity allowances allocated have to be paid considering that there is a person who is retiring from service or a person who is leaving the service in every year.

ii. This too is a principle which has been followed from the commencement of the Corporation. From next year action will be taken to show up to the closest rupee with the consent of the Board of Directors.

iii. Although financial statements have to be prepared and forwarded according to the new accounting standards, it was not possible to prepare the accounts due to the following facts.

- a. The inability to give a training of a higher level to the employees.
- b. The necessity to obtain Specialist's instructions and the assistance of Chartered Accountants in order to introduce the new accounting standards, and the fact that the financial situation of the Corporation is unable to bear the expense of doing so.

I am informing that in the year 2013 it will be prepared according to the new accounting standards.

(b) Action will be taken to forward same with this.

(c) As this is a separation from the profit of the earlier years it has been adjusted according to the non-appropriated profit and loss account.

(d) With the time given to prepare the Final Accounts the employees' interest on debts has been calculated based on the interest rate recovered from the Commercial Bank (Bank of Ceylon).

(e) From the year 2013 accounts will be forwarded according to Standard No.19.

(f) It is the Board of Directors who can influence the financial and operation decisions of the institution. Action will be taken to disclose information about them. Information regarding debts has been supplied to you.

2.2.2 Accounting Deficiencies

- (a) As the sum of Rs.531,896.00 has been made ready for payment and as it has been erroneously entered in the accrued expenses ledger this error has occurred. Action will be taken to see that it will not occur in the future.
- (b) This too has happened as it has been erroneously included in the accrued expenses ledger. Action will be taken to see that no such error occurs in the future.
- (c) Action will be taken in the year 2013 to correct this error.
- (d) It has been entered in the Debtor's Schedule as it has not been removed from the computer. It is correctly noted in the ledger. Even the computer information has been corrected by now.

2.2.3. Unreconciled Control Accounts

- (a) According to the Schedule, the interest on the Treasury Bills in the year 2012 is Rs.4,991,555.12. Similarly, the interest received in the year 2011 in respect of the year 2012 has been included in the income of the relevant year. What you have mentioned is that amount of interest of Rs.679,018.24.
- (b) These accounts are being compared.
- (c) This difference is being corrected.
- (d) Accounts from 2001 are being compared to find out this difference.

2.2.4 Unexplained differences

- (b) The difference between the Schedule and the Control Accounts is being compared.
- (c) According to the Schedule the depreciation has been correctly calculated. As mentioned by you, as only the total is different, when entering in the accounts an excess of Rs.94,644.00 has been entered in the accounts. Action will be taken to correct it in 2013.

2.2.5 Accounts which are receivable and payable

2.2.5.1 Accounts Receivable

(a) Production Debtors

(i) Within the debtors mentioned by you, films which have been released for exhibition, films where the production has not been completed, films which have obtained only the studio services and which are being produced and the money given for the modernization of Cinema Halls has been included. Out of this, in the year 2012, a sum of Rs.02 million has been recovered from the money given for the modernization of Cinema Halls.

(ii) As the assets and liabilities have to be noted and shown separately in the Balance Sheet the production debtors debit balance, the debit balance of the Film Hire Creditor's Schedule, and the credit balance of the Miscellaneous Debtor's Schedule have been reconciled with the balance of the Control Account. Similarly, on the basis that 100% will not be received if the interest that should be recovered from the Debtors is credited to that account, 75% of that has been transferred to the Separation Account. Although it is deducted from the income and shown, that amount is included in the Debtors.

(b) Cinema Hall Debtors

The value you have mentioned is the arrears due from 139 Cinema Halls, but which have been closed down at present, before the distribution of films by the Cinema Halls was given to private Boards in 2001. The amount of arrears due from 147 Cinema Halls which are in operation at present is Rs.141,808,458.00. The amount of money which is shown as due from the Corporation to 21 Cinema Halls is Rs.289,101.00. Further, a sum of Rs.123,075,566.00 which was due to have been recovered in the year 2012 has been recovered.

(c) Two Officers have settled their debts at the time of their retirement itself. The debts have not been recovered only from Mr.D.H.Karunatilaka. The sureties too are not in the Corporation service at present and the Provident Fund money too has not been obtained.

(d) Provision for bad debts

Although the arrears of money which are due to the Corporation from the Cinema Halls and that amount only have been separated as bad debts on the basis that it will not be recovered, and based on how it is being operated with time, action is being further taken to recover same.

Loans are given for the production of films, for the improvement of the Cinema field and as an assistance done to the film industry and in accordance with the Corporation Act. These loan moneys are being recovered from the income received after releasing the films for exhibition. If the filmgoers' response is less for a particular film the income received too is greatly lessened. Accordingly, a situation will arise where it will be difficult to recover the loan money given. Similarly, there are occasions where it has been given for the production of the film, but where that film has not been completed. Where it was considered that it will not be possible to recover the loan money given from these films which are older than 10 years that amount of money has been separated as bad debts.

In addition to the above facts a 5% bad debt provision has been made from the balance of other debtors on the indefinite basis that it is not possible to recover it. Accordingly, the total of bad debts has taken the value you have mentioned. Even then, action will be taken to recover the said sum of money on every possible occasion.

2.2.5.2 Payable Accounts

(a) Film hire creditors

Observations are accurate.

(b) Other Creditors

Necessary action is being taken to settle.

2.2.6 Lack of Evidence for Audit

- (a)** Schedules and time analyses have been submitted by now regarding employees' debts, unclaimed wages, and payment of advances. Time analysis has not been prepared regarding taxes receivable, deposits receivable and welfare advances.
- (b)** The information requested by TM/E/NFC/2012/எ. கோ./ 04 is being prepared.
- (c)** There is no similar audit query received and it has been informed that the information requested by TM/E/NFC/2012/எ. கோ./31 has been forwarded by the relevant units.
- (d)** Letters have been sent to Cinema Hall Debtors and Production Debtors to certify the balances and send it to you. No letters supporting the balances of loan advances given to the employees males/females have been sent, and the balance loan arrears is shown in the monthly salary report supplied to them.

No letters certifying the payment of deposits and advances, and letters certifying the advances paid to the Welfare association have been sent.

No letters have been sent certifying the balance regarding canteen deposits, safety deposits and letters certifying the balance regarding other debtors. Letters certifying the balances regarding other payable accounts have been sent.

2.2.7. Non-compliance with Laws, Rules, Regulations and Management Decisions

- (a)** This loan of money has been given under Board of Directors decision No.1107.3.1.12(5635).
- (b)** A letter dated 16. 05. 2013 has been forwarded for the approval of the Treasury.

(c) The decisions of the Board of Directors relevant to this have been referred to the government auditing section. Action will be taken to forward other relevant documents.

(d) (i) A vacancy has occurred in the Post of Confidential Secretary as the Lady Officer who was performing the official duties of that post had left the service, and this vacancy has been filled in accordance with section 13.5, Chapter II of the Establishment Code by appointing the most suitable Lady Officer for that post to satisfy the conditions of service according to the nature of service of that post. Regarding payments to this Officer, action has been taken according to the Board of Directors decision 1090.3.1.5(5461) and section 13.7 of the Establishment Code.

(ii) The acting appointment has been made under the approval of the Board of Directors. The procedure of recruitment has been approved in the year 2012. But it has not been possible to make a permanent recruitment. Although steps have been taken regarding making appointments for posts, no suitable applicants have applied. Steps will be taken to call for applications again.

(iii) In accordance with the provision in MM-1 in section 13.5 of Chapter II of the Establishment Code, “If there is no officer who is possessing the specified qualifications in the procedure of recruitment the Officer who is most qualified can be appointed to perform the duties of that post.” The most qualified Lady Officer who has performed the duties of that post has been appointed with the approval of the Board of Directors (Board of Directors decision No.1104.3.1.3(5594)).

Similarly, as the Officer who performed the duties of the post of Deputy General Manager-Finance has been suspended on 18.07.2012 and that post has fallen vacant, due to the necessity of getting the duties performed according to section 13.5 of Chapter II of the Establishment Code, the Officer who performed the official duties of that post has been appointed as the most suitable Officer for it, with the consent of the Board of Directors (Board of Directors Decision No.1105.3.1.5 (5607)).

(e) (i) Decisions of the Board of Directors are carried out to perform the duties regarding financial control. Accordingly, the decision of the Price Committee can approve up to Rs.350,000/- and the Corporation Tender Board can approve up to Rs.500/- lakhs. The Tender Board of the Ministry is held responsible for Tenders exceeding Rupees 500 Lakhs. In addition to this the Chairman can approve on the decision of the Board of Directors applications regarding urgent purchases up to Rs.200,000/-, the General Manager up to Rs.100,000/-, and the General Manager – Finance up to Rs.50,000/-, and on the application of all the Heads of sections applications for petty cash up to Rs.1000/- can be given. Accordingly, when payments are made on the approval of the Heads of sections, payments can be made on applications and on purchasing orders, and an Officer is being made to prepare the relevant voucher forms. These payment vouchers are being examined by another Officer of the payment section and certified by two Managers and then approved. An Officer has been appointed to write cheques for that purpose. The voucher for these cheques has to be certified, and the first signature to the cheque is being placed on it by another Finance Manager in addition to the Officers who approved it. Steps will be taken to forward letters regarding transferring of financial powers.

(ii) These are being posted to the Bank Accounts of 41 Film Artistes and Technicians. Receipts will be received for it. About eleven people will come to the Cashier's Unit of the Corporation and receive the money. Their identity will be checked and the cash will be paid.

(iii) At present a Rs.5,000/- cash security is being kept from the Cashiers in the Cashier's Unit. Accordingly, a deposit is being taken from the Officer who has been appointed as a Cashier. The other Officer is not a Cashier; he has been appointed temporarily till another person is appointed. Security cannot be obtained from such a person.

(iv) Separate keys have been put to the two safes in the Cashier's section. The Cashiers are in charge of these two keys. If a Cashier is absent without informing the other Cashier the other Cashier who is present can use the safe of the Cashier who has not come.

(v) Action is being taken in respect of this.

(vi) The matters shown here have been duly performed. There may have been a delay due to the increase in the duties as it has not been possible to make new appointments in place of the Officers who have left the service. Action will be taken in the future to minimize even this delay.

(f) (i) There is no necessity to send the new Organizing Scheme to the Public Enterprises Department. The relevant Department has given its consent.

(ii) The Handbook on “disciplinary rules” which includes laws and regulations regarding human resources has been prepared and sent for printing.

(g) Action is being taken to commence a document and maintain it.

(h) A surcharge of 2.5% is being charged on the non-payment of the money which should be daily credited to the Corporation. It is mentioned in the report which is sent monthly to the Cinema Halls.

(i) Due to the necessity of performing the services of the Confidential Secretary which post fell vacant due to the Lady Officer who was performing the services of Confidential Secretary leaving the service, this Lady Officer who was performing the services of permanent English Stenographer from the year 2001 has been appointed to cover the official duties of the relevant post.

In the newly approved Staff the Post of Stenographer has been taken under the MA-1 service group. According to the approved recruitment procedure dated 14th September 2012 bearing No.DMS/E3/53/4/308/2, the relevant Lady officer has fulfilled the qualification to hold the MA-I Post.

03. Financial Review

3.1 Financial Results

Observations are accurate.

3.2 Action filed against/opposed to the Corporation

The Corporation has for a long time obtained the assistance of private lawyers with the consent of the Board of Directors, except only on certain occasions. On occasions when cases are directed to the Attorney-General's Department, especially on urgent occasions, it has not been possible to obtain the services of that Department. However, due to the Attorney-General's Department charging excessive fees, it is the usual procedure for not only the Corporations but even other State business institutions too, to have retained private Lawyers for their Cases.

When action is being filed in a Court house even the payment of compensation prayed for in the judgment cannot be stated to be a contingent liability as it is a value given for the functioning of the Case and not a true value given to the Case.

04. Review of Operations

4.1 Performance

(a) Film Debts

- (i)** Observations are accurate. Out of the loan given what has been spent is the loan money given for the Studio Services. Similarly, the production of this film has not been completed and it has been directed to the Loan Committee of 2013 to find out about it.
- (ii)** Observations are accurate. The Loan Committee has been directed to take action to recover the loan.
- (iii)** Observations are accurate. The Loan Committee has been directed to take action to recover the loan.
- (iv)** Observations are accurate. The Loan Committee has been directed to recover the loans and to find out regarding the production of films.

(b) Granting Loans to Cinema Halls.

- (i)** Loan money is being paid as instalments and Agreements have not been signed.
- (ii)** Out of the 03 Cinema Halls from which any money could not be recovered during the year 2012, only the Dharshana Cinema Hall – Akuressa has paid all the dues on the loan in the year 2013 and discharged the entire dues on the loan.

4.2 Management Inefficiencies

- (a)** Although the Corporation has borne the expenses, the relevant sections have been informed to recover it from the SAARC Cultural Centre. That money is being reimbursed.
- (b)** The Loan Committee has been informed to take action regarding these loans which are uncertain.
- (c)** Although a 2.5% surcharge has been fixed on the film hire which has not been paid on the due date according to the Gazette notification and on the increase of the Corporation money the Cinema Halls have defaulted in the payment of money which was receivable due to the decrease of the income of the Cinema Halls, the increase in the maintenance expenses, and the lessening of the attendance of the film-goers.

Further, when the Cinema Halls are paying money, it is not paid separately as film-hire, trust and surcharge. Further to recover this money, the financial section, Rithma and the Investigation section are taking action.

4.3 Inefficiencies in Operations

- (a)** The Investigation section has been informed about this. Action is being taken to recover the money.
- (b)** Although the sums you have mentioned are correct arithmetically, what has been done mostly as purchasing in the year 2012 is the obtaining of services. It includes the purchasing for the coming year too.

(c) This Cinema Hall has been repaired at the time when the administration work was being done by the Corporation. Accordingly the Corporation has to bear the profit and loss of the Cinema Hall. Therefore this expense has been cut off from the profit.

4.4 Under-utilized and slow-moving assets

(a) (i) Observations are incorrect. No approval whatsoever has been given for the purchasing of the D.T.S. Systems. The Officers have capriciously purchased the D.T.S. Systems. At present an internal investigation is being conducted, and an investigation is being conducted by the Bribery and Corruption Commission regarding the purchasing of these D.T.S. Sound Systems.

And further, action is being taken to find out whether the remaining sound systems could be given to the Cinema Halls which have made applications for Sound Systems on loan applications. But the cost of these Sound Systems is more excessive than the market price.

(b) Action is being taken to conserve these assets as archaeological resources.

4.5 Administration of Staff

(a) Observations are accurate.

(b) Deputy-General Manager – Professional is the designation by which the post of Deputy General Manager – Operations of the present approved Staff was known earlier. Similarly at a time when the Management had become weak due to the lack of officials to perform the official duties of the posts in the H.M. Group and due to the essential nature of performing the official duties, the said Lady Officer who performed the official duties in the MM-1 post was appointed to act in that post as the most suitable person for it with the consent of the Board of Directors. Further, that Lady Officer had at that time completed the official duties as supervising officer for more than one year in the relevant field.

On the application of the Corporation employees, Certificates of Service have been issued on the occasion of examinations, interviews, on the occasion of going abroad, and to be forwarded to Schools, Banks and other financial institutions. This Certificate of Service has been issued as the Corporation had done on earlier occasions, on the application of the said Lady Officer and this Certificate of Service has been issued in relation to the acting appointment she has actually performed.

(c) It has not been possible to fill up these 08 vacancies in the MM-I-I salary group in the approved staff, due to the fact that the scheme of recruitment had not been approved. Therefore due to the necessity of the duties of these sections being efficiently and continuously maintained, the officers in the MA salary group have been appointed without any payment of any allowance to cover the duties of Heads of sections.

After the approval of the new scheme of recruitment, applications have been called for to fill up the vacancies of these 08 posts on the instructions of the Ministry. Three applicants who have fulfilled the qualifications mentioned in the scheme of recruitment have been appointed from 17. 04. 2013. Although applications have been called for, for the Post of Assistant General Manager – Engineering and Technical Services it has not been possible to fill up that vacancy due to the fact that qualified applicants did not apply.

(d) Although applications have been called for to fill up the vacancy of the post of General Manager in HM-2-1 group on the instructions of the Ministry, it has not been possible to fill up that vacancy due to the fact that applicants who have sufficient qualifications had not applied. An officer from the Ministry has been appointed from 31.01.2013 to act in that post.

On an occasion when there is a vacancy in a H.M. Post in the approved staff, there is no possibility to appoint other officers to act, without appointing the officers in the MM post in the next step of the service in the Staff Register.

According to the provision mentioned in section 13.5 of Chapter II of the Establishment Code, the most suitable officers for the post who are performing the

official duties in the MM-I post have been appointed, on the official necessity to act for the two posts on the HM-I-I salary scale.

Although the administrative authority took action to appoint a permanent officer for the post of Deputy General Manager-Operations, due to the fact that no applications which fulfilled the qualifications were forwarded, it has not been possible to recruit a permanent officer for the said post.

A Ministry official has been appointed to fill up the post of Deputy-General-Manager-Finance to be in operation from 03. 12. 2012.

4.6 Usage of Vehicles

- (i) Observations are accurate.
- (ii) Observations should be accurate. The Circular which applies to the usage of vehicles is Circular No.13/2008/IV dated 09.02.2011. For a diesel vehicle 170 liters are relevant. The amount of diesel which is used is 2464 liters. As the prescribed amount is 2040 liters, only an additional 424 liters have been spent. That amount has been used for travelling on special and additional duties as the Chairman. The amount of liters given to the Working Director on petrol vehicles is 1680 (140 x 12). That vehicle too has been used on additional official duties.

5. Accounts and good governance

5.1 Submitting Financial Statements

There has been a delay, as action was taken to forward the financial statements to the Board of Directors and then forwarded for auditing.

5.2 Internal Audit

Due to the fact that the internal Auditor's Post was filled in the year 2001 there was no necessity for a post of an internal auditor. From the year 2006, according to the new approved cadre, the post of an internal audit officer has not been approved. After carrying out the absorbent activities and after filling up the vacancies in the

approved staff, action will be taken to fill up the vacancies in the Internal Audit section.

5.3 Budgetary Control

When comparing the income/expenses shown in the budget with the real income/expenses, the reason for the fluctuation to be more than 50% is the failure to perform the estimated work properly due to the changes which have occurred in the administrative authority and the disturbed condition which existed. The fluctuation of 57.03% which you have shown is the amount kept aside as bad debts, ie. as provision has been made for bad debts in respect of the balances due to be paid from the Cinema Halls which have been closed down and the balance arrears due from the Cinema Halls which were existing before 2001.

6. Systems and Controls

More attention will be paid to the facts shown by you in the year 2013.

Yours faithfully,



Sgd.

Ashoka Serasinghe, Attorney-at-Law

Chairman

National Film Corporation of Sri Lanka

Copies :- Secretary – Ministry of Mass Media and Information

:- Secretary – Ministry of Finance and Planning

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