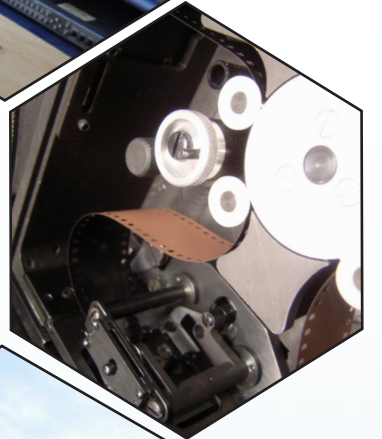
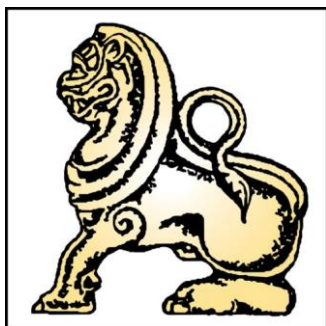


2013 වාර්ෂික වාර්තාව அண்டறிக்கை ANNUAL REPORT



National Film Corporation of Sri Lanka



Annual Report 2013

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Date :- . 03.11.2014

My No : NFC/103/05/02/95

Hon. Dr. Keheliya Rambukwella,
Minister of Mass Media and Information,
Ministry of Mass Media and Infomation,
No. 163, Kirulapone Avenue,
Polhengoda,
Colombo 05.

Hon. Minister,

National Film Corporation of Sri Lanka – Annual Report - 2013

As per Section 32 (1) of the National Film Corporation Act No 47 of 1971 amanded by the Act No 45 of 1980 and Section 14 (1) of the Finance Act, the Annual Report for the year ended 31st December, 2013 of the National Film Corporation of Sri Lanka is submitted herewith along with the following documents.

1. Functions performed by the Corporation in year 2013 and relevant statements.
2. Profit and Loss Account, Notes on financial statements and the Balance Sheet as at 31st December, 2013.
3. Auditor General's Report for the year ended 31st December, 2013.

Yours faithfully,

Ashoka Serasinghe, Attorney-at -Law
Chairman,
National Film Corporation of Sri Lanka

CONTROL REPORT

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01. Introduction

Annual Report – 2013 of the National Film Corporation of Sri Lanka presented to Hon. Dr. Keheliya Rambukwella, Minister of Mass Media and Information and the Auditor General as per Section 32 (1) of the National Film Corporation Act No 47 of 1971 amended by the Act No 45 of 1980 and Section 14 (1) of the Finance Act.

This report on year 2013 is applicable to the 42nd operational year of the National Film Corporation of Sri Lanka.

02. Board of Directors

2.1 Board of Directors of the National Film Corporation in year 2013 consists of following members.

1. Mr. Ashoka Serasinghe, Attorney-at-Law - Chairman
2. Mr. D. Karunarathne, Attorney-at-Law - Working Director
3. Prof. Ariyaratne Athugala – Member (Ex-officio) – Director General of the Department of Government Information
4. Mr. Samantha Weliweriya, Attorney-at-Law - Member (Ex-officio) – Director General of the Sri Lanka Broadcasting Corporation
5. Mr. Vijith Kanugala – Member (Ex-officio) - Director, Department of Cultural Affairs
6. Prof. Roland Abeypala - Member
7. Dr. Praneeth Abeysundara – Member
8. Dr. D. Venkateshwaran - Member
9. Mrs. Renuka Balasuriya - Member
10. Mrs. Malani Gamage – Treasury Representative
11. Mrs. Wathsala Wickramarachchi – Secretary to the Board / Assistant General Manager (Legal)

Since Mrs. Malani Gamage, Director General of the Ministry of Finance and Planning, who had been the former Treasury Representative, has been retired, Mrs. J.C. Weligamage, Additional Director General of the Ministry of Finance and Planning has been appointed as the Treasury Representative with effect from 25.11.2013.

03. Local Film Production

3.1 Registration of local film production

51 films have been registered for year 2013.

(A registration fee of Rs. 2000/- is levied by the National Film Corporation from the producer)

3.2 Loan facilities granted for local film production

3.2.1 Loan facilities for studio services

Approved limit of the loan facility for studio services is Rs. 400,000/-. No film producer has applied for the loan facility for studio services during the year.

However, when certain producers have exceeded the approved loan limits, an additional loan facility of Rs. 100,000/- has been granted on approval of the Board of Directors.

- *‘Double Trouble’*
- *‘Oluwa Japan Kanda German’*
- *‘Adara Poojasanaya’*
- *‘Edda Lanuwa Demma Kodiya’*

3.2.2 Loan Facilities for film production

No loan facility has been granted for film production during the year.

* N.B.

The following loan facilities will be granted on the decision of the Board of Directors in consideration of the recommendation of the Committee to Categorize Local films on the film, for which the loan facility has been requested, upon its submission to the Committee. Films have not been submitted to the Committee during the year.

3.2.3 Special loan facilities

Special loan facilities have not been granted during the year.

3.2.4 Loan facilities for printing of copies

Loan facilities have not been granted for printing of film copies during the year.

3.2.5 Loan facilities for publicity

Loan facilities have not been granted for publicity during this year

3.2.6 Loan facilities for subtitling

Loan facilities have not been granted for subtitling during the year.

3.3 Registration of technicians and the issuance of new identity cards

Technicians have not been registered during this year and fresh issuance of identity cards or a re-issuance of identity cards has not been taken place.

3.4 Levying of approved charges for the utilization of foreign artistes or technicians in local cinema productions

No charges have been levied for the utilization of foreign artistes and technicians in local cinema productions.

3.5 Charges for approval of camera equipment for local serial / commercial/documentary programmes

Relevant charges have been levied from 02 serial films and 01 foreign commercial programme.

3.6 Conducting local / foreign film festivals

- SAARC Film Festival has been conducted from 25.05.2013 to 31.05.2013 by the SAARC Cultural Centre.
- Sri Lanka - Vietnam Film Festival has been conducted from 19.10. 2013 to 21.10.2013 by the Embassy of Vietnam.
- European Film Festival organized by the European Union has been held at the Corporation Theatre from 28.11.2013 to 06.12.2013
- Commonwealth Film Festival organized by the Ministry of External Affairs has been held from 05.11.2013 to 12.11.2013.
- Polish Film Festival has been held from 25.10.2014 to 27.10.2014.

3.7 National Film Development Fund

Members of the Board of Governors of the National Film Development Fund are as follows.

Mr. Ashoka Serasinghe, Attorney-at-Law	- Chairman
Mr. D. Karunarathna, Attorney-at-Law	- Working Director
Prof. Ariyaratna Athugala	- Member of the Board of Governors
Prof. Roland Abeypala	- do
Dr. Praneeth Abeysundara	- do
Mr. Samantha Weliweriya, Attorney-at-Law	- do
Mr. Vijith Kanugala	- do
Mrs. Renuka Balasuriya	- do
Dr. D. Venketeshwaran	- do
Mr. K.M. Rizwi	- Treasury Representative / Member of the Board of Governors
Miss. P.G.P. Rasanjalee	- Member of the Board of Governors

3.8 Permission to shoot foreign serial/ documentary/ commercial programmes

- The approved charges have been levied from 03 serial films, 42 documentary films and from 05 commercial programmes.

3.9 National Film Corporation Trust for Cinema Artistes and Technicians

Members of the Board of Trustees will be as follows

Mr. Ashoka Serasinghe, Attorney-at-Law	- Chairman
Mr. D. Karunarathna, Attorney-at-Law	- Working Director
Mr. V. Vamadevan	- Member of the Board of Trustees
Mrs. Renuka Balasuriya	- do
Mr. Sudantha Thilakasiri	- do
Mr. Arjuna Kamalanath	- do
Mr. Roger Senevirathne	- do
Mr. Sanath Goonathilake	- do
Mr. Lal Weerasinghe	- do
Dr. Praneeth Abeysundara	- Alternate Member

3.9.1 Payment of pensions

Payment of pensions : Rs. 2000/- per a person

• January - July (for 52 pensioners)	Rs. 728,000.00
• August - November (for 51 pensioners)	Rs. 408,000.00
• December (for 48 pensioners)	Rs. 96,000.00

3.9.2 Pensioners demised during year 2013

- Mr. D. Simon Fernando
- Mrs. Laticia Peris
- Mr. Thilak Karunarathna

3.9.3 Pension payments have been granted for 10 new pensioners from the National Film Corporation Trust for Artistes and Technicians during this year.

3.9.4 **Payment of Death Donations**

Death donation payments have been made to the legal custodians of the following pensioners after their demise.

- Mr. K. Jayasoma Dias Abeysinghe
- Mr. D. Simon Fernando

04. **Importation of films**

32 importers have registered themselves as suppliers to import of films during the year 2013.

Accordingly, the following films have been granted approval via 05 film Circuits to import films during year 2013.

• Tamil films	-	53
• Hindi films	-	21
• English films	-	41

05. **Personnel and Establishment Control**

5.1 **Staff**

Cadre as at 01.01.2013	- 148
New recruitments in year 2013	- <u>03</u>
	151

No of deserters in year 2013

No of employees retired	- 07
No of employees resigned	- 01
No of employees released from the post	- 02
No of employees dismissed from service	- 02
Demises	- <u>01</u>
Total number of deserters	- <u>13</u>
Permanent cadre	138
Other	
Contracted	- 04
Daily allowance	- 01
Acting in posts	- <u>02</u>
Entire cadre as at 31.12.2013	- 145

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5.2 Establishment Control and Fulfilling Staff Requirements

Staff requirements have been fulfilled continuing to follow the accepted norms of staff control.

06. Publicity of Films / Cine Ads

6.1 Role performed during the year

Publicity activities of films

- *Wassanaye Sihiniya*
- *Abhinikmana*
- *Igillenna Ey Dangalanne*
- *Raja Horu*

Issuing passes for journalists and the members of the Public Performances Board to view films in year 2013.

Organization of Media Briefings

- Media briefing and publicity activities of the function to mark the 66th Anniversary of local cinema and the 41st Anniversary of the National Film Corporation.
- Publicity activities of the exhibition stall of the Flm Corporation in ‘Deyata Kirula’ Development Exhibition.
- Media co-ordination of the fuction organized at the Bandaranaike International Airport to welcome Mr. Prasanna Vithanage, the Director of ‘*Oba Nethuwa Oba Ekka*’, awarded at the Vezul International Film Festival in France
- Media co-ordination of the fuction organized at the Bandaranaike International Airport to welcome Mr. Jagath Chamila, who have clinched the award for the ‘Best Actor’ at the New York City International Film Festival
- Organization of the media briefing of the film ‘*Igillenna Ey dangalanne*’
- Publicity activities of the Diploma in Cinematography conducted by the Cinema Cultural Division of the Corporation

- Publicity activities of the Vietnam Film Festival conducted at the theatre of the Corporation
- Organization of the media briefing of the film '*Sri Siddhartha Gauthama*', which was recommended for the inaugural exhibition at th Delhi International Film Festival
- Organization of the media briefing and publicity activities of the '*Wasth Siritha*' – Wasantha Obeysekara felicitation ceremony held in felicitation of the veteran film director Mr. Wasantha Obeysekara.

07. Exhibition of Films

7.1 Exhibition of Films

- 60 cinema halls have been operated under Rithma Circuit in year 2013
- The newly built New Indra cinema hall in Welimada has initiated its operations under Rithma Circuit in year 2013

7.2 Releasing of Films

- Rithma Circuit has released films for 60 cinema halls
- Measures have been taken to release films by Rithma Circuit in collaboration with the other Circuits during year 2013
- Steps have been taken to release 03 Sinhala films by the Rithma Circuit
- 11 Tamil films imported by the suppliers since January, 2013 have been released by the Rithma Circuit in collaboration with the other Circuits.

(Rithma Circuit has taken measures to release films from the quota allocated to the Corporation Circuit as well as the quota allocated to the other Circuits)

7.3 Film Rent

- Rent fees have been levied as follows for the films rented out to other Circuits by the Rithma Circuit. (Up till September, 2013)

LFD	Rs. 4,440,326.73
MPI	Rs. 1,097,541.82
CEL	Rs. 7,820,682.06
EAP	Rs. 373,859.31

- Rent fees have been paid as follows by the Rithma Circuit for the films rented out from other Circuits. (Up till September, 2013)

LFD	Rs. 2,593,695.79
MPI	Rs. 8,349,229.01
CEL	Rs. 17,734,549.35
EAP	Rs. 31,999,838.51

Commission earned from January to September, 2013 is Rs. 17,345,268.84.

- Films have been provided for various associations, universities and students at concessionary rates to be exhibited in-aid during year 2013
- Providing films to Police Training Colleges and Army Camps at concessionary rates

08. Internal Auditing

Internal auditing has been conducted in terms of the provisions of the Finance Act No 38 of 1971 and under the guidance of the Auditor General.

09. Cinema Cultural and Education Division

9.1 Diploma in Cinematography

- Diploma in cinematography - Issuance of the results on completion of the final examination and evaluation in year 2012
- Preliminary arrangements for the commencement of the Diploma in Cinematography in year 2014

9.2 Appreciation programmes on cinema (05 cinema appreciation programmes have been conducted in year 2013 under the theme of “Cinema for Life”)

- Warakapola Technical College
- Bandaranaike Vidyalaya, Mirigama
- Wayamba University
- Dudley Senanayake Madya Maha Vidyalaya
- Criminal records Division - Torrington

9.3 Exhibition of Films

No of exhibitions

• Exhibition of films to prison inmates on a programme to rehabilitate inmates	01
• ‘ <i>Erabadu Wasantha Udanaya</i> ’ - 2013	01
• Lumbini College - Colombo	01
• Jayanthi Children’s Home – Colombo	07
• Siri Perakumba Raja Maha Viharaya - Lunugama	02
• Criminal Records Division - Colombo	07
• Siridhamma Vidyalaya, Labuduwa - Galle	02
• Sri Dharmaloka Vidyalaya – Kelaniya	02
• Somaweera Chandrasiri Vidyalaya - Piliyandala	<u>01</u>
Total number of film exhibitions	12

==

9.4 Film Magazine

- September – December, four-monthly volume of the film Magazine has been launched as an academic journal containing 10 articles. 1000 copies of the magazine have been printed.

9.5 Short Film Festival

- 02 workshops and two competition rounds have been conducted and three winners and one merit awardee have been selected in the short film category while one winner has been selected in the documentary film category. Awarding of certificates and awards for winners is to be held in due course.

9.6 Publications

- The compilation “Lester, the Cinema Legend” edited by Dr. Uditha Gayashan Gunasekara has been launched as a Corporation publication to coincide with the 66th Anniversary of Sinhala cinema and the 41st Anniversary of the National Film Corporation of Sri Lanka.

9.7 Other

- Deyata Kirula Development Exhibition 2013 has been successfully conducted at the Hardy Advanced Technological Institute in Ampara.

10. Local Supplies, Import and Export

1. Supply of technical equipment, stationery and office equipment to satisfy the requirements of the staff of the theatre and the Corporation.
2. Necessary arrangements in relation to purchase of assets and equipment, provision of services and maintenance.
3. Purchase of supplies, tickets and 05 computers for the Publicity and Cinema Cultural Division at a value of Rs. 368,900/-
4. Selection of suppliers for sanitary and security services for year 2013/2014 following the prescribed procedures.

11. Film Archive

11.1 Role

- Acceptance and registration of locally produced films and foreign films imported on permission of the Film Corporation.
- Submitting the films to the Public Performance Board after a quality check, opening a source of income to the Corporation through the issuance of quality reports and to handover the films again to the importer/producer/distribution circuit or to distribute them among theatres on approval of the Public Performance Board.

Nearly Rs.21 Lakhs have been earned thorough quality controlling of films.

- Distribution and recovering of the films and trailers scheduled by the Corporation Circuit to the respective theatres.
- Re-checking of all the films received by the Film Archive and safely storing them in shelves.
- Inspect from time to time the films stored in shelves.
- Re-creation of the old films in film archive to suit re-screening and thereby to earn an income for the Corporation.
- Systemizing the maintenance of the film archive by handing over all the old films in the archive to their proprietors retaining only 03 films, which are suitable for re-screening.
- Taking measures to burn and dispose the damaged films and the films, which have exceeded the agreement period after informing the proprietors as well as to earn an additional income through the sale of the silver remained in burning.
- 132 Sinhala, Tamil, English and Hindi films have been registered during the year.

12. Legal Actions

12.1 Role

- Submission of Proxy and appearing before court on behalf of the Corporation in cases which the Corporation has become a party.
- Appearing on behalf of the Corporation for labour disputes at the Department of Labour.
- Appearing before the Human Rights Commission on behalf of the Corporation.
- Formulation and signing of all legal agreements in relation to films produced, imported and distributed by the Corporation, providing loans and services for production of films, studio services, printing of copies, subtitling and publicity
- Formulation of legal agreements in obtaining ancilliary services, purchasing of goods, construction of buildings and other.
- Amendment of the National Film Corporation Act
- Handling internal disciplinary inquiries of the Corporation.
- Providing legal advice for day to day legal issues forwarded by any Division of the Corporation as and when necessary.

12.2 Details of the Cases Handled during the Year

- Appeal Court Case No : 590/2007
- District Court - Colombo Case No : DMR 1897/11
- Appeal Court Case No – 870/99
- District Court- Colombo Case No : DSP 18/2012
- District Court - Colombo Case No : 97659/5/11
- Supreme Court Court Case No : SC(FR) 475/2012
- District Court Case No: DMR 1126/2012 – This case has been filed in relation to the non-payment of the Corporation Trust due from the 04 Cinecity theatres

- District Court Case No : DMR 2576/2012 – This case has been filed against the Director Of the film “Uduganyamaya” for not settling the loan obtained from the Corporation for its production.
- Commercial High Court, Colombo Case No: HC Civil 42/2012/IP - A case filed by three Esrael nationals, in which the Corporation is being made a party to recover an amount of US\$ 135,000/- invested in the Sinhala film “Mouse”
- District Court - Colombo Case No : DSP/00026/2013, DSP/00027/2013, DSP/00028 /2013, DSP/00029/2013”, DSP/00030/2013 – Enjoining Order obtained by five complainants including Dr. Somarathna Dissanayake preventing the implementation of the order made by the Chairman of the Corporation by his letter No NFC/100/01/04 dated 31.12.2012 in relation to distribution of films (limiting the no of film copies to 35)
- Court of Appeal (Writ) Application No-144/2013 – This petition has been filed by the Sri Lankan Cinema Artists’ Association Limited and the Film Directors’ Guild against the approval granted to release film copies exceeding the approved limit of 35 copies.
- Labour Tribunal Case No : 13-14-2013
This case has ben filed by Mr. Pradeep Lanka Dharmawickrama requesting his reinstatement since his service has been terminated through unlawful and unjust means.
- District Court Case No : 2146/13 DMR
Case filed by the National Film Corporation against the director of the film “Arumosam Vehi” in recovering the loan and its interest granted by the Corporation.

Inquiries at the Labour Department :

- Corporation employee – Mr. W.S. Fonseka
- Labour Office Complaint No – IR/15/19/2012 – Employees’ Association of the National Film Corporation – Mr. Samitha Disanayake
- Labour Office Complaint No – IR/15/20/2012 – Mr. K.G.D. Bandusena
- Labour Office Complaint No – CCC/LD/719/2012 - Mr. T.S. Prasantha Peris

- Labour Office Complaint No – 490/2013 Miss. H.P. Sunethra (A contract basis employee of the Corporation) This case has been dismissed on the first day of hearing.

13. Financial Activities

13.1 Financial Status of the Corporation in comparison to year 2012 is as follows.

	<u>2013</u>	<u>2012</u>
	Rs.	Rs.
Revenue earned from the exhibition	35,278,807.00	37,648,738.00
Sale of cinema carbon	1,764,268.00	2,434,082.00
Stationery	1,606,207.00	1,555,394.00
Sale of spare parts	356,118.00	132,717.00
Cine Ads	300,308.00	809,832.00
Studio	2,269,993.00	3,851,249.00
Nett Profit	11,622,173.00	17,820,214.00

13.2 Sales Revenue in year 2013 has been Rs. 41.5Mn, while it had been Rs. 46.4Mn in year 2012. The Revenue in year 2013 had been decreased by Rs. 4.9Mn. The main reason for this decrease has been the reduction in the revenue earned from exhibition of films and from the studio.

In addition, the total expenditure of this year has been increased by Rs. 5.1Mn due to the increase in expenditure for supplies and equipment, repairs and maintenance, depreciation, transport, communication and requisites.

During the year, Rs. 69.9Mn has been received from the Treasury for recurrent expenditure. Nett profit of the year has been Rs. 11.6Mn while the nett profit has been Rs. 17.8 Mn in the previous year.

13.2.2 Rs 07Mn only have been received as expenditure out of the capital approved from the General Treasury.

13.3 **Production Loan and the Theatre Loan**

Loan facilities have been granted during this year for printing film copies for exhibition and publicity as well as for modernization of cinema halls. Loans of Rs. 94.4Mn granted for production of films in year 2012 has been reduced in to Rs. 91.1Mn in year 2013 while the loans of Rs. 13.1Mn granted for film production has been increased by Rs. 15.5Mn. Loan facilities for printing copies and for publicity have been granted this year for the films produced. Balance of loans receivable as of Rs. 107.4Mn in year 2012 has been reduced in to Rs. 106.6 since the cinema halls have been paying back the loans in installments.

- 13.3.1 Balance of film rent debtors has been reduced by Rs. 07Mn due to the amounts receivable from cinema halls being recovered.

13.4 **Investments**

At the end of the year, investments have been made as Rs. 114.6Mn in Fixed Deposits, Rs. 76.4Mn in Treasury Bills and Rs. 33.7Mn in REPO Deposits. Out of the above, Rs. 33.2Mn have been EPF funds of the employees of the Corporation while Rs. 2.4Mn have been the security deposits received from cinema halls.

13.5 **Allocations to the Employees' Provident Fund**

Total allocation of the Corporation for EPF this year is Rs. 33.2Mn.

- 13.6 Remuneration for employees will be paid from treasury grants and therefore, no allocation has been made for income tax.

14. **Studio**

Main function of the Sarasavi Studio, Dalugama is to facilitate films with technical services at the post production stage

During this year as well, local film producers have been provided with technical services and facilities in following areas.

1. Sound Division - (Digital)
2. Non-linear Editing Division - (Digital)
3. Black and White Laboratory
4. Film Archive
5. Film and Television Recording Studio

14.1 Functions Performed

1. Sarasavi Studio has provided technical services for nearly 23 local films and 03 publicity trailers during the year.
2. Facilities for shooting films and television programmes have been provided at the internal studio, studio verandah as well as in the garden. During the period concerned, facilities have been 17 television programmes and commercials including films.
3. Modernization and installation of equipment in one studio of the Sound Division to facilitate Surround Sound Mixing according to international standards.

Preliminary drawings have been prepared for this project. Mr. V. Kishor Kumar, Indian Dolby Sound Consultant acts as the Technical Consultant of the project. The present Chairman has appointed a Technical Committee and the Committee has finalized the final drawings in consultation with Mr. Kishor Kumar. Small studio (Vijaya Kumarathinga Studio) of the Sound Studio has been selected for modernizations on approval of the Board of Directors. BOQ and Tender documents have to be prepared and tenders should be called for the refurbishments and for necessary procurements.

4. Procurement of equipment for the Digital Editing Unit and technically update the studio.

Equipment required to procure in updating the Editing Division (NLE) focusing on colour correction before printing a film and creating computer generated images have been identified and it is expected to call for tenders during this year to purchase the equipment after formulation of the required specifications in consultation of a professional technical committee.

5. The studio has facilitated the practical sessions of Sound Designing conducted by the National Film Corporation and the Sri Lanka Foundation.
6. Renovating two rooms in the black & white laboratory in order to standardize the storing of negative and positive copies of films, which were earlier stored in the old archive.

This project has been completed and all the films in the studio archive have been systematically stored in these two rooms. Air-conditioners and De-humidifiers have been installed and are in operation around the clock. Accordingly, the heat of the rooms and the relative humidity are being controlled.

7. Design and construct the entrance gate of the studio and construct the accessway and a slaes outlet adjacent to the gate.

This project too has not been completed.

8. Construction of a canteen for the studio has been commenced but not completed yet.
9. Colour washing of inside and outside of buildings and cutting and polishing of the terraso floor of the main verandah.

14.2 Films obtained Studio Technical Services - 2013

01. Documentary Programme (National Film Corporation of Sri Lanka)	09. Documentary Programme (University of Kelaniya)
02. <i>Ranja</i>	10. <i>Sathiyakata Mata Rata Baradenna</i>
03. <i>Was Dandu Rawaya</i>	11. <i>Kandulaka Apeksha</i>
04. <i>Parawarthana</i>	12. <i>Preethi and Joy</i>
05. <i>Wes Walagath Tharuniya</i>	13. <i>Edda Lanuwa Demma Kodiya</i>
06. <i>Pilikadathurawa</i>	14. <i>Aadara Poojasane</i>
07. <i>Ho Gaana Pokuna</i>	15. Commercial – Recording of the background voice
08. <i>Parapura</i>	16. <i>Kumari Kanyawi</i>

17. *Que Sara Sara*

18. *Patibhana*

19. *Oluwa Japan Kanda German*

20. *Supiri Andare*

21. *Spandana*

22. *Doctor Nawariyan*

23. *Double Trouble*

14.3 Films/ Trailers obtained Video Tape Services - 2013

- Short films - 1. Commercial
 2. Image 48

14.4 Films / television programmes shot in the studio - 2013

Television Programmes —

01. Sri Lanka Rupavahini Corporation — “*Suwa Nena*” Quize programme

02. Inflamm (Pvt) Limited — Dandex television commercial

03. Sandaru Films — Film “*Ashawe Maya*”

04. Sudamsa Films — Film ‘*Patibhana*’

05. Derana — ‘*Shoora Goviya*’ Programme

06. Derana — Little Star

07. Inflamm (Pvt) Ltd — Vim television commercial

08. Universal Lanka Creation — Film ‘*Soorayo*’

09. Three In One — Launching of CD

10. Foreign Employment Bureau of Sri Lanka — Rata Viruvo Talent Star

11. The Video Team — Damro television commercial

12. E.A.P Network (Pvt) Ltd - Swarnavahini Tokyo Cement All Island School Quiz-2013

13. Bioscope Team — Film Supiri Andare

14. Derana — Dell Studio

15. National Youth Council — ‘*Sihinaya*’ Programme

16. Higher National Diploma Course — Practical Sessions

17. Grass Root World Wide Company — IFAD- Documentary

14.5 Receipts of the Studio during the year

	Rs.
Sound Division	1,585,052.94
Non-Linear Editing Division	471,149.09
Black & White Laboratory	4,582.40
Shootings	<u>2,504,728.21</u>
Total Receipts	4,565,512.64
	=====

15. Investigations

15.1 Functions performed throughout the year

No of screenings monitored	- 1153
Due amounts recovered	- Rs. 2,896,078.48
Value of Debit Notes issued	- Rs. 1,535,050.00

* Implementation of a new project called ‘Cinema Wasanthaya’ by the Investigation Division on a concept of the present Chairman Mr. Ashoka Serasinghe, Attorney-at-Law.

Under this project,

- Construction of new cinema halls
- Re-opening of closed down cinema halls
- Gathering information on land and buildings to construct cinema halls have been conducted

15.2 Construction of new cinema halls

04 new cinema halls have been constructed during year 2013.

- Cinelma Cinema - Alawwa
- Amity Lite Cinema - Maharagama
- EXCEL Cinema - Colombo 02
- Selvam Primere Cinema - Chenkalady

15.3 Re-opening of closed down cinema halls

Measures have been taken to re-open 14 old cinema halls, which were closed down.

Kalyani Cinema	-	Hettipola
Samara Cinema	-	Naththandiya
Pragas Cinema	-	Pundaluoya
Lakmali Cinema	-	Ragala
Regent Cinema	-	Rambukkana
Samanala Cinema	-	Melsiripura
Vijaya Cinema	-	Badalkumbura
Shamrock Cinema	-	Wennappuwa
Mike Cinema	-	Madampe
Tharangani Cinema	-	Deraniyagala
Wesley Cinema	-	Manipai
Sooriya Cinema	-	Sooriya Wewa
Royal Cinema	-	Kahawatta
Indrani Cinema	-	Welimada

15.4 Gathering information on land and buildings to construct cinema halls

Information has been gathered on land and buildings to construct cinemas during year 2013 and 24 places have been identified accordingly.

15.5 Installation of high quality equipment in cinema halls for spectator satisfaction

Projectors received as an aid from the Government of Netherland have beendistributed among 11 cinema halls. 11 projectors have been distributed as follows subject to the approval of the Board of Directors upon a non-refundable deposit of Rs. 200,000/-. Accordingly, Rs. 2,200,000/- has been deposited in an account of the Corporation.

Cinemat Cinema	-	Alawwa
New Nanda Cinema	-	Nikaweratiya
Cinemat Cinema	-	Badulla
Indrani cinema	-	Welimada
Vijaya Cinema	-	Kilinochchiya
Selvam Primere Cinema	-	Chenkalady
Lakmali Cinema	-	Arachchikattuwa
Dinusha Cinema	-	Nawalapitiya
Sky Light Cinema	-	Matara
Sudarshi Cinema	-	Anamaduwa
New Line Cinema	-	Dambulla

15.6 **Presenting 3D and Digital cinema experience to the spectators**

Owners of cinema halls, leases and distribution circuits have been made aware of these technologies. As a result, several cinema halls have been converted to 3D and Digital film projection.

Following cinema halls have converted in to 3D and Digital film projection during the year

Cinema Hall	City/ Town	Digital (2k) Cinema	3D Cinema
MC — Platinum	Bambalapitiya	✓	✓
MC - Gold	Bambalapitiya	✓	-
MC - Ultra	Bambalapitiya	✓	-
MC - Superior	Bambalapitiya	✓	✓
EXCEL	Colombo -02	✓	✓
Selvam Primere	Chenkalady	✓	-
Savoy 1	Wellawatta	✓	✓
Savoy 2	Wellawatta	✓	-

15.7 Amendment of charges for cinema seats

Recommendations have been given to 68 cinema halls during the year to revise the charges of cinema seats

15.8 Monitoring of foreign shootings

Shooting of foreign commercials, films and documentary programmes have been monitored during the year. Accordingly, 50 shootings have been monitored.

16. Welfare

Activities of the Welfare, Thrift and Credit Society of the Corporation have been implemented during the year for the welfare of the members of the society.

17. Sports Club

Achievements during the year are as follows

- ‘Janasathu Seva’ Carrom Championship held on 31.07.2013 – Runners-up of the Men’s Double of the Junior Championship and the Women’ s Single
- Runners-up of Group B of the Elle League Championship held from 23.08.2013 – 25.08.2013 in Mahaweli Grounds, Dehiattakandiya

In addition, a T-shirt and a key tag have been given to the members as annual gifts

18. Religious Activities

18.1 Buddhist Association

- Providing exercise books for the children of the employees, who are currently following education
- Conducting ‘*Dhamma Deshana*’ in the Corporation premises for Vesak and Poson fullmoon days
- Conducting a ‘*Biscuit and Coffee Dansela*’ in the Corporation premises for Vesak festival

18.2 Christian Association

- Conducting the Christmas festival with the participation of the children of the Corporation staff.

19. Medical Assistance Scheme

- Medical Assistance Scheme funded by subscriptions of members and reimbursements from the Corporation has been operated during this year and the Board of Control of the fund is as follows
 1. Mr. A.L.T.D. Perera - Chairman (Assistant General Manager – Finance)
 2. Mrs. Ranjani Perera - Member (Personnel Manager Actg.)
 3. Mr. R.P. Tissa - Member (Secretary, Sri Lanka Freedom Trade Union)
 4. Mr. Sukhitha Ilangakoon - Member (Chairman, Film Corporation Employees' Association)
 5. Mr. K.R. Vincent - Member (Representative of the National Trade Union)
 6. Mr. Asanka Goonathilake – Officer-in-charge

20. Trade Unions

Sri Lanka Freedom Trade Union, National Trade Union, Executive Officers' Association and the Film Corporation Employees' Association have acted in co-operation with the management.

21. Acknowledgement

The Corporation staff has served responsibly and with dauntless dedication in achieving successful performance of the Corporation in year 2013 and the management wishes to offer its commendations to the entire staff of the Corporation.

Sgd./

On behalf of the Board of Directors

Ashoka Serasinghe, Attorney-at-Law
Chairman
National Film Corporation of Sri Lanka

National Film Corporation of Sri Lanka
Extensive Income Statement
for Year ended 31.12.2013

Description	Referen	2013				2013			
		<u>2013</u>		<u>2012</u>		<u>Exhibition</u>		<u>Studio</u>	
		<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Sales	03	41,575,700	46,432,012	35,579,114	2,269,993	-	-	-	3,726,593
<u>Less : Sales Cost</u>	04	5,572,100	3,261,147	-	895,012	-	-	-	4,677,088
Gross Profit		36,003,600	43,170,865	35,579,114	1,374,981	-	-	-	(950,495)
<u>Less : Expenditure</u>									
Employee Remuneration	05	59,714,904	64,031,817	12,102,386	9,111,517	2,963,881	35,537,120		
Travelling & Subsistence	06	563,652	710,466	3,384	18,241	-	542,027		
Supply & Equipment	07	7,800,622	6,991,428	2,005	1,841,037	13,600	5,943,980		
Repairs, Maintenance & Depreciation	08	26,935,121	25,040,572	112,503	6,029,143	33,000	20,760,475		
Transport, Communication, Requisites & Other Service	09	17,283,927	15,226,827	934,881	1,714,972	1,668,009	12,966,065		
Adjustments for Bad Debt		24,779,026	20,310,000	22,782,150	-	1,879,187	117,689		
Gratuity Allocation		2,725,863	2,326,443	576,075	460,823	158,383	1,530,582		
Allocation for Film Artistes' & Technicians' Fund		200,000	200,000	-	-	200,000	-		
Loss of Stock		862	85,120	-	862	-	-		
Absorption of General Administrative Expenditure		140,003,977	134,922,673	36,513,384	19,176,595	6,916,060	77,397,938		
Operational Profit / Loss	10	-	-	26,315,297	20,123,463	6,191,834	(52,630,594)		
<u>Add : Other Income</u>		140,003,977	134,922,673	62,828,681	39,300,058	13,107,894	24,767,344		
Profit / Loss of the Year		(104,000,378)	(91,751,808)	(27,249,567)	(37,925,077)	(13,107,894)	(25,717,839)		
<u>Add : Treasury Grants</u>		45,662,551	41,264,022						
Profit (Pre-tax)		(58,337,827)	(50,487,786)						
		69,960,000	68,308,000						
Profit (After Tax)		11,622,173	17,820,214						
<u>Less : Allocation for Tax</u>		-	-						
Profit (After Tax)		11,622,173	17,820,214						

National Film Corporation of Sri Lanka
Statement on Financial Status
as at 31st December, 2013

	Reference	2013 Rs.	2012 Rs.
<u>Represented by</u>			
<u>Fixed Assets</u>			
Property, Machinery & Equipment	11	376,958,916	340,619,051
Long-term Investments	12	127,000	127,000
		<u>377,085,916</u>	<u>340,746,051</u>
<u>Current Assets</u>			
Short-term Assets	13	124,798,484	105,506,897
Stock	14	13,180,122	16,980,509
Debtors	15	140,639,948	172,539,656
Miscellaneous Debtors	16	26,958,338	24,621,778
Deposits and Advanced Payments	17	10,668,621	10,524,054
Cash & Bank Balance	18	30,075,160	25,587,063
		<u>346,320,674</u>	<u>355,759,958</u>
Total Assets		<u>723,406,590</u>	<u>696,506,008</u>
<u>Input Capital</u>			
Authorized Capital		10,000,000	10,000,000
Accumulated Profit		273,324,184	249,577,323
Other Reserves		123,482,759	123,482,759
Grants	19	138,062,990	144,961,548
		<u>544,869,933</u>	<u>528,021,630</u>
<u>Non-current Liabilities</u>			
Gratuity Allocations	20	32,225,489	33,885,923
		<u>32,225,489</u>	<u>33,885,923</u>
<u>Less : Current Liabilities</u>			
Deposits	21	2,446,727	2,386,727
Film Rent Creditors	22	105,930,840	85,139,962
Other Creditors	23	37,933,601	47,071,767
		<u>146,311,168</u>	<u>134,598,456</u>
Total Liabilities		<u>723,406,590</u>	<u>696,506,009</u>

.....
Assistant General Manager - Finance (Actg.)
National Film Corporation of Sri Lanka
303, Bauddhaloka Mawatha,
Colombo 07.
18.07.2014

.....
Chairman

.....
Director

National Film Corporation of Sri Lanka
Equity Statement
for year ended 31.12.2013

	<u>Capital Equity</u> Rs.	<u>Accumulated Profit</u> Rs.	<u>Capital Reserves</u> Rs.	<u>Revaluation Reserves</u> Rs.	<u>Other Reserves</u> Rs.	<u>Total</u> Rs.
Balance as at 01.01.2012	10,000,000	226,348,818	499,898	115,153,399	7,829,462	359,831,577
Adjustments for previous year	-	5,408,290	-	-	-	5,408,290
Profit for the year	-	17,820,214	-	-	-	17,820,214
Balance as at 31.12.2012	<u>10,000,000</u>	<u>249,577,323</u>	<u>499,898</u>	<u>115,153,399</u>	<u>7,829,462</u>	<u>383,060,082</u>
Profit for the year	-	11,622,173	-	-	-	11,622,173
Adjustments for previous year	-	12,124,686	-	-	-	12,124,686
Balance as at 31.12.2013	<u>10,000,000</u>	<u>273,324,182</u>	<u>499,898</u>	<u>115,153,399</u>	<u>7,829,462</u>	<u>406,806,941</u>

Note A

Adjustments for previous year includes :

- Recognition of the issuance of cheques for suppliers, who need not to be paid. Rs. 238,357.01
- Adjustment of surplus allocations for Employees' Provident Fund and Accrued Expenditure. Rs. 10,931,855.34
- Adjustment for initial stock. Rs. 954,473.75

National Film Corporation of Sri Lanka
Cash Flow Statement
for the year ended 31.12.2013

	<u>2013</u>	<u>2012</u>
	<u>Rs.</u>	<u>Rs.</u>
<u>Cash Received from Operational Activities</u>		
Net Profit before Tax	(58,337,827)	(50,487,786)
(Less)		
Interest on Production Loans	(4,007,480)	(1,653,326)
Interest on Fixed and Treasury Bills	(11,787,366)	(9,923,925)
	<u>(74,132,673)</u>	<u>(62,065,037)</u>
<u>Adjustments for subjects not affecting cash flow</u>		
Depreciation	17,780,018	17,648,516
Allocation for Gratiuty	2,725,863	2,326,443
Allocation for Doubtful Debt	24,779,026	20,310,000
DTS Sound Euipment	-	(16,099,088)
Allocation for maintenance	-	616,923
Adjustment for initial stock	-	(4,567,555)
Allocation for unclaimed wages	-	(387,231)
Recognition of non-payable sales tax / unclaimed wages in to revenue	(306,426)	(178,119)
Writing off of unused assests	202,448	178,500
Recognition of state grants in to revenue	(13,898,558)	(13,805,436)
Allocation for Creditors	(4,193)	(60,764)
Adjustment for non-negotiated matters	-	(54,974)
	<u>(42,854,494)</u>	<u>(56,137,822)</u>
<u>Subjects in previous periods</u>		
Adjustments for subjects in previous periods	12,124,686	5,408,290
Adjustments for fixed assets	830,021	885,872
Ajustment for initial stock balance	-	(4,567,555)
Operational profit before differences in working capital	<u>(29,899,787)</u>	<u>(54,411,215)</u>
<u>Differences in Working Capital Subjects</u>		
Stock (Less)	3,800,387	(10,735,600)
Debtors (Less)	4,784,122	(19,137,630)
Deposits and Advanced Payments (Add)	(347,016)	18,995,027
Deposits (Add)	60,000	-
Creditors (Add)	20,795,071	27,805,648
Other Creditors (Less)	(8,831,739)	(7,991,689)
	<u>(9,638,962)</u>	<u>(45,475,459)</u>
<u>Less :</u>		
Gratiuty Payments	(4,386,297)	(6,457,715)
Non-negotiated Payments	-	(845,416)
	<u>(14,025,259)</u>	<u>(52,778,590)</u>
<u>Cash Flow from Investment Activities</u>		
Production Debt Interest		
Fixed & Treasury Bill Interest	15,794,846	11,577,251
Acquisition of Fixed Assets	(19,291,587)	(16,385,814)
Investment in Fixed & Treasury Bills	(54,949,905)	(7,769,115)
Cash received from sale of fixed assets	-	80,000
Treasury Grants	76,960,000	75,308,000
Net increase in cash and cash equivalents	<u>4,488,095</u>	<u>10,031,732</u>
Balance of cash and cash equivalents at the beginning of year	<u>25,587,063</u>	<u>15,555,331</u>
Balance of cash and cash equivalents at the end of year	<u><u>30,075,158</u></u>	<u><u>25,587,063</u></u>

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2013

Declaration of Management Responsibility in Financial Reporting

Management of the Corporation is responsible for,

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2013

1. General Information

1.1.1 Establishment and Legal Status

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

1.1.2 Nature of Basic Functions and Operations

National Film Corporation is basically engaged in developing Sri Lankan film industry to reach world standards of film making.

1.1.3 Date Approved for Issuance

Approval has been granted by the Board of Directors on 04.08.2014 for these financial statements to be distributed.

1.2 Basis of Preparing Accounts

1.2.1 Declaration of Compliancy

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

1.2.2 Responsibility of Financial Statements

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2013

1.2.3 Accounting Basis

Unless certain revelation has been made in relation to fair value under notes, financial statements have been prepared based on historical cost.

1.2.4 Continuity

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

1.2.5 First Time Use of SLFRS / LKAS

As per LKAS 1, these financial statements have been prepared in accordance with Sri Lanka Financial Reporting Standards (SLFRS). These financial statements have been prepared based on the concept of historical cost of financial assets held for trading purposes and financial liabilities with adjustments to fair value through profit or loss.

The Corporation has prepared financial statements for the period ended 31st December, 2011 according to Local Generally Accepted Accounting Principles (Local GAAP). This financial statement for the year ended 31st December, 2013 is the first financial statement prepared by the Corporation according to SLFRS. How SLFRS have been applied could be found in Note 24. Accordingly, in keeping with the Accounting Principles, the Corporation has prepared the financial statements for the year ended 31st December, 2013 and the comparative information for the year ended 31st December, 2012. The initial financial statement of the Corporation has prepared as at 01st January, 2012, the date of transition to the new system.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2013

The adjustments made to the financial statement prepared according to Local GAAP as at 01st January, 2012, are indicated in Note 24

As per SLFRS 1 – First time use of International Financial Reporting Standards, the presentation and classification of previous financial statements have been amended.

1.2.6 Comparison of Generally Accepted Accounting Principles (GAAP) with Sri Lanka Financial Reporting Standards (SLFRS)

As per SLFRS 1, a comparison should be conducted in reporting equity according to previously existed GAAP and reporting equity according to SLFRS (including extensive revenue) between the date of transition i.e. 01st January, 2012 and the most recent date of annual financial statement. Furthermore, as per SLFRS 1, if considerable adjustments exist in cash flow statements, an additional comparison too is required.

Even though the actual cash flow has not been changed due to applying of SLFRS 1, certain changes have been occurred in financial status and operational results reported. Furthermore, a number of changes have been occurred in presentation of financial statements of the Corporation due to SLFRS. Clarifications for transition adjustments and re-classification of presentation have been included in Note 24 of financial statements.

1.2.7 New Accounting Standards introduced as at Balance Sheet Date yet not in force

Even though, following new standards, amendments and interpretations of existing standards have been introduced by the Institute of Chartered Accountants of Sri Lanka, they have not been enforced until the date these accounts are approved. The impact of being adhere to these new standards has not yet been assessed and since the Corporation expects that the new standards, amendments and interpretations of existing standards will

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2013

be applicable to its financial statements, the management of the Corporation expects to apply them when enforced.

SLFRS 9 Financial Instruments

SLFRS 12 Disclosure of interests in other entities

SLFRS 13 Fair Value Measurements

1.2.8 Implementation and Presentation Currency

This financial statement has been presented in Sri Lankan Rupees, the currency in used in the Corporation

1.2.9 Important Accounting Judgements, Estimates and Schedules

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

Estimates and Assumptions

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2013

(a) Fair Value of Financial Instruments

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

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

(b) Fair Value

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

2. Specialized Accounting Principles

2.1 Assets and the Basis of Evaluation

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2013

2.2 Financial Instruments

2.2.1 Financial Assets (Non-derivative)

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

2.2.2 Classification, Identification and Measurement

The management classifies its financial assets as follows,

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

a. Debts and Receivables

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

b. Financial Assets for Trading Purposes

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2013

2.2.3 Determination of Fair Value

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

2.2.4 Re-classification

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

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

2.2.5 Impairment

(a) Financial Assets Maintained at Amortised Cost

As at each reporting date, the evidence for reduction of value of a financial asset or a group of financial assets will be evaluated by the Corporation. The value of a financial asset or a group of financial assets is considered to be reduced only if evidence of a reduction of value is available as a result of one or several occasions of losses after the initial identification of an asset and such loss creates an impact on the estimated future cash flow or credibly estimated group of financial assets. Evidence of the reduction of value may include that a debtor or a group of debtors facing considerable financial difficulties, negligence of the payment of interest or capital payments, possibility of bankruptcy or any other financial reorganization, economic situations correlated with

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2013

negligence of payments or data, which could be observed as an evaluated reduction of estimated future financial flows such as differences in arrears.

For financial assets at amortised cost, the Corporation evaluates significant financial assets separately for evidence of reduction and the financial assets separately insignificant are evaluated as a whole. Irrespective of significance, if separately evaluated financial assets are collaboratively defined to be devoid of ultimate evidence of reduction of value, such assets will be included in a group of assets with similar liability risks and they will be collaboratively evaluated for reduction of value.

Assets, which were separately evaluated for reduction of value, and assets with a reduction in value or assets to be continuously recognized will not be included in collaborative evaluation.

If ultimate evidence of a loss upon the reduction of assets measured at amortised cost prevails, the amount of loss would be evaluated from the difference between the present value of the asset and the present value of future financial flows discounted at the first effective interest rate of the financial asset (Except for unexpected future losses not occurred). If a certain debt has a variable interest rate, the discounted rate to evaluate a loss in reduction of value will be the present effective interest rate. Present value of the asset is reduced through the use of an Allowance Account and the impairment will be recognized in the income statement. Assets will be maintained upon the reduced present value and will be gathered using the discounted interest rate of future financial flows for the purpose of evaluation of the loss of value reduction. Interest income will be entered under investment income in the financial statements. When actual expectations of future recovery do not exist, debts will be written off along with associated allowances and all securities will be realized or transferred. If the loss of reduction in the estimated value increases or decreases on any reason after the recognition of value in a recent year, the identified loss of reduction of value will be increased or decreased as applicable by

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2013

adjusting the amount of allowances. If a future writing off is later recovered, such recovery will be adjusted in the Allowance Account in the income statement.

(b) Impairment of Other Non-financial Assets

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

2.2.6 Giving-up of Identification

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

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

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

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

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2013

2.3 Property, Plant and Machinery

2.3.1 Identification and Measurement

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

2.3.2 Post-construction Cost

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

2.3.3 Depreciation

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

Buildings	-	Head Office	2'5%
	-	Auditorium	5%
Film Complex	-	Buildings	5%
	-	Other Machinery	10%
Furniture fixations			25%
Motor vehicles			25%
Film Archive			10%

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2013

Cultural / Educational / Film Equipment	10%
Film Equipment	10%
Welfare Equipment	10%

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

Incomplete capital activities - Studio building and the main office complex under construction are indicated as incomplete capital activities.

2.3.4 Removal of Identification

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

2.3.5 Impairment of Tangible Assets

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2013

present value of future financial flows estimated using risks unique to the asset or the financial sourcing unit.

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

2.4 Stock

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

2.5 Income Tax

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

We are of the view that 25% should be allocated for tax out of the profit after payment of income tax upon the annual profit of the Corporation and we believe that it should be out of the nett profit after adjustments for income tax.

2.6 Other Assets

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2013

(a) Advances, Deposits, Expenditure-in advance

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

(b) Other Debtors

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

2.7 Cash and Cash Equivalents

Cash and cash equivalents contain cash balances and demand deposits used for short term liability management with 03 months or less maturity from the date of acquisition and subject to inconsiderable risk at the change of their fair value.

2.8 Financial Liabilities

2.8.1 Initial Recognition and Measurement

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

Financial liabilities of the Corporation include sales and other payables.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2013

2.8.2 Post Measurement

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

2.8.3 Financial Liabilities at Fair Value through Profit or Loss

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

2.9 Other Financial Liabilities

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

2.10 Other Liabilities

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

2.11 Government Grants

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2013

2.12 Employee Benefits

Determined Contributory Plan

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

Determined Beneficiary Plan

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

2.13 Income

2.13.1 Production Loan Interest

Interest for the loans granted for film producers have been accounted only upto a year after the screening of the films concerned. If the loan is recovered completely, the interest too will be calculated and recovered.

In connection to monies to be recovered from theatres, surcharge will be calculated and accounted as per Gazette Notification.

2.13.2 Films released for Screening

Interests for loans will not be accounted after six months of the release of film due to non-recovery of loan as a result of the decrease in income during the screening of the film.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2013

2.13.3 Unscreened Films

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

(b) Inrelation to studio services, intersts of films, which have suspended production activities and have not obtained services for a longer period.

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

2.13.4 Theatre Surcharge

Only 25% of the surcharge for film rent to be recovered from theatres has been debited to the income on assumption that 100% of the surcharge could not be recovered.

National Film Corporation of Sri Lanka
Notes on Income Statements
for the year ended 31.12.2013

		<u>2013</u>		<u>2012</u>
(03) <u>Sales</u>		<u>Rs.</u>		<u>Rs.</u>
Light-fed Films	3.1	35,278,807		37,648,738
Exhibitions	3.2	300,308		809,832
Studio	3.3	2,269,993		3,851,249
Sales	3.4	3,726,593		4,122,193
		<u>41,575,701</u>		<u>46,432,012</u>
3.1 <u>Light-fed Films</u>				
Local film rent		10,309		-
Eastern film rent		19,766		-
<i><u>Distribution Commission</u></i>				
Local		13,496,493		16,766,466
Foreign		9,643,952		9,496,127
Increase		6,620,181		7,267,076
Commission on Services		105,178		223,755
Surcharge		3,625,698		3,412,270
Investigation fines		1,757,230		483,044
		<u>35,278,807</u>		<u>37,648,738</u>
3.2 <u>Exhibitions</u>				
Cine Ads		300,308		809,832
		<u>300,308</u>		<u>809,832</u>
3.3 <u>Studio</u>				
	<u>No of</u>		<u>No of</u>	
	<u>Films</u>		<u>Films</u>	
Sound	26	1,703,062	45	2,214,093
Editing	12	562,349	36	1,593,454
Laboratory (B/W)	2	4,582	14	43,702
		<u>2,269,993</u>		<u>3,851,249</u>
3.4 <u>Sales Activities</u>				
	<u>Quantity</u>		<u>Quantity</u>	
Cinema Carbon	39,250	1,764,268	82,600	2,434,082
Spare parts	-	40,073		127,973
Stationery	-	1,592,257		1,497,874
Sales for internal use				
Spare parts		316,045		4,744
Stationery cost		13,950		57,520
		<u>3,726,593</u>		<u>4,122,193</u>

National Film Corporation of Sri Lanka
Notes on Income Statements
for the year ended 31.12.2013

(04) <u>Sales Cost</u>	<u>Exhibition</u>		<u>Studio</u>		<u>General Administration</u>		<u>2013</u>		<u>2012</u>	
	Rs.	Rs.	Rs.	Rs.	Expenditure	Rs.	Total	Rs.	Total	Rs.
Stock as at 01.01.2013	5,253,887		2,719,393		20,315,073		28,288,353		12,127,844	
<u>Add :</u>										
Purchases and Transfers	-	11,700			1,131,857		1,143,557		7,960,043	
	5,253,887	2,731,093			21,446,930		29,431,910		20,087,887	
<u>Less :</u>										
Loss of stock	-	863			-		863		85,120	
Transfers	-	-			-		-		-	
Final stock as at 31.12.2013	-	1,835,218			16,769,842		23,858,947		16,741,621	
	-	895,012			4,677,088		5,572,100		3,261,145	

Refer to (4-A) , (4- B) , and (4- C) for descriptive notes.

National Film Corporation of Sri Lanka
Notes on Income Statements
for the year ended 31.12.2013

(04 - A) Sales Cost

Stock as at 01.01.2013	Purchasing	Total	Stock as at 31.12.2013	Depreciation	Publicity	Total Cost	Increase	Distribution Returns	Total Returns	Profit / Loss
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
3	-	3	3	-	-	-	1,085	9,224	10,309	10,309
244	-	244	244	-	-	-	-	-	-	-
471	-	471	471	-	-	-	1,587	18,179	19,766	19,766
718	-	718	718	-	-	-	2,672	27,403	30,075	30,075
3,043,931	-	3,043,931	3,043,931	-	-	-	-	-	-	-
982,492	-	982,492	982,492	-	-	-	-	-	-	-
8	-	8	8	-	-	-	-	-	-	-
4,026,431	-	4,026,431	4,026,431	-	-	-	-	-	-	-
4,027,149	-	4,027,149	4,027,149	-	-	-	2,672	27,403	30,075	30,075
<u>2013</u>			<u>2012</u>							

Light-fed Films

Local	3	-	3	-	-	-	1,085	9,224	10,309	10,309
Western	244	-	244	-	-	-	-	-	-	-
Eastern	471	-	471	-	-	-	1,587	18,179	19,766	19,766
	718	-	718	-	-	-	2,672	27,403	30,075	30,075

Unreleased Films

Local	3,043,931	-	3,043,931	-	-	-	-	-	-	-
Western	982,492	-	982,492	-	-	-	-	-	-	-
Eastern	8	-	8	-	-	-	-	-	-	-
Total	4,026,431	-	4,026,431	-	-	-	-	-	-	-
	4,027,149	-	4,027,149	-	-	-	2,672	27,403	30,075	30,075

Stock as at 01.01.2013

Add :										
Purchasing	-	-	-	-	-	-	-	-	-	-
Publicity	-	-	-	-	-	-	-	-	-	-
	4,027,149	-	4,027,149	-	-	-	-	-	-	-

Less :

Stock as at										
31.12.2013	4,027,149	-	4,027,149	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-	-	-

Add :

Stock as at 01.01.2013

I. On percentage basis	259,890		259,890							
II. Cine Arts	966,848	1,226,738	966,848	1,226,738						
Add :	-	-	-	-	-	-	-	-	-	-
	1,226,738	-	1,226,738	-	-	-	-	-	-	-

Less :

Transfers										
	-	-	-	-	-	-	-	-	-	-

Stock as at 31.12.2013

I. On percentage basis	259,890	-	259,890	-						
II. Cine Arts	966,848	1,226,738	966,848	1,226,738						
Total Coat	-	-	-	-	-	-	-	-	-	-

National Film Corporation of Sri Lanka
Notes on Income Statements
for the year ended 31.12.2013

(04 - B) Sales Cost

	<u>Negatives</u>	<u>Cinema Carbon</u>	<u>Spare Parts</u>	<u>Chemicals</u>	<u>Stationery</u>	<u>Total</u>	<u>Total</u>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Initial Stock as at 01.01.2013	287,951	5,790,357	11,518,686	-	2,718,080	20,315,073	5,092,660
<u>Add :</u>							
Purchasing	-	-	-	-	1,131,857	1,131,857	7,916,119
	287,951	5,790,357	11,518,686	-	3,849,937	21,446,930	13,008,779
<u>Less :</u>							
Loss of stock	-	-	-	-	-	-	79,556
Final Stock as at 31.12.201	287,951	2,811,898	11,460,514	-	2,209,479	16,769,842	9,708,416
	-	2,978,458	58,172	-	1,640,458	4,677,088	3,220,807

National Film Corporation of Sri Lanka
Notes on Income Statements
for the year ended 31.12.2013

(04 - C) Sales Cost

	<u>Negatives</u>	<u>Cinema Carbon</u>	<u>Spare Parts</u>	<u>Chemicals</u>	<u>Total</u>	<u>Total</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>2013</u>	<u>2012</u>
					<u>Rs.</u>	<u>Rs.</u>
Initial stock as at 01.01.2013	816,569	-	1,849,014	53,810	2,719,393	1,781,297
Purchasing	-	-	-	11,700	11,700	43,925
	<u>816,569</u>	<u>-</u>	<u>1,849,014</u>	<u>65,510</u>	<u>2,731,093</u>	<u>1,825,222</u>
<u>Less : -</u>						
Loss of stock	-	-	-	863	863	5,564
Transfers	-	-	-	-	-	-
Final stock as at 31.12.2013	<u>816,569</u>	<u>-</u>	<u>964,559</u>	<u>54,090</u>	<u>1,835,218</u>	<u>1,779,319</u>
Internal use during the year	<u>-</u>	<u>-</u>	<u>884,455</u>	<u>10,557</u>	<u>895,012</u>	<u>40,339</u>

National Film Corporation of Sri Lanka

Notes on Income Statement
for the year ended 31.12.2013

Note : 05

	<u>Exhibitions</u>	<u>Studio</u>	<u>Production</u>	<u>Gen . Admin.</u>	<u>Total</u>	<u>Total</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Expenditure</u>	<u>2013</u>	<u>2012</u>
				<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
<u>Employee Remuneration</u>						
Salaries & Wages	6,158,030	4,277,410	1,681,897	19,573,249	31,690,586	35,607,634
Overtime , Holiday Pay & Compens	996,734	1,237,891	58,789	1,807,586	4,101,000	4,486,100
Contribution for E.P.F. & E.T.F	921,644	644,026	252,478	2,731,166	4,549,314	5,098,062
Other Allowances	4,025,978	2,952,190	970,717	11,425,119	19,374,004	18,840,021
	<u>12,102,386</u>	<u>9,111,517</u>	<u>2,963,881</u>	<u>35,537,120</u>	<u>59,714,904</u>	<u>64,031,817</u>

Note 06 :

<u>Travelling & Subsistence</u>						
Travelling & (Local)	759	2,466	-	79,002	82,227	80,527
(Foreign)	-	-	-	161,001	161,001	224,726
Subsistence	2,625	15,775	-	302,024	320,424	405,213
	<u>3,384</u>	<u>18,241</u>	<u>-</u>	<u>542,027</u>	<u>563,652</u>	<u>710,466</u>

National Film Corporation of Sri Lanka
Notes on Income Statement
for the year ended 31.12. 2013

Note : 07

	<u>Exhibition</u>	<u>Studio</u>	<u>Production</u>	<u>Gen. Admin.</u>	<u>Total</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Expenditure</u>	<u>2012</u>
				<u>Rs.</u>	<u>Rs.</u>
<u>Supplies & Equipment</u>					
Stationery & Office Equipment	2,005	22,490	10,115	1,692,597	649,240
Electricity	-	1,815,297	-	3,642,760	5,967,025
Entertainment	-	3,250	3,485	197,811	298,521
Machinery & Electric Equipment	-	-	-	410,812	76,642
	<u>2,005</u>	<u>1,841,037</u>	<u>13,600</u>	<u>5,943,980</u>	<u>6,991,428</u>

Note : 08

Repairs, Maintenance & Depreciation

<u>Fuel & Lubricants</u>	-	237,694	-	4,425,816	4,000,808
<u>Maintenance</u>	112,502	129,209	33,000	4,216,882	3,391,248
<u>Depreciation</u>	-	5,662,240	-	12,117,778	17,648,516
	<u>112,502</u>	<u>6,029,143</u>	<u>33,000</u>	<u>20,760,476</u>	<u>25,040,572</u>

National Film Corporation of Sri Lanka

Notes on Income Statement
for the year ended 31.12.2013

Note : 09

	<u>Exhibition</u>	<u>Studio</u>	<u>Production</u>	<u>Gen. Admin.</u>	<u>Total</u>	<u>Total</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Expenditure</u>	<u>2013</u>	<u>2012</u>
				<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
<u>Transport, Communication, Utilities & Other Requisites</u>						
Transport	110,404	-	-	160,150	270,554	143,721
Communication	221,899	171,648	115,288	1,087,213	1,596,048	1,741,610
Requisites	36,969	529,881	35,108	3,710,117	4,312,076	4,410,658
Rent	-	-	-	-	-	-
Rates	-	162,469	-	641,770	804,239	731,678
Other Services	565,609	850,974	1,517,613	7,164,366	10,098,562	8,020,660
Removal of Fixed Assets	-	-	-	-	-	178,500
Writing -off - Deposits and Other Receipts	-	-	-	133,840	133,840	-
Cost of employee loan interest	-	-	-	1,294,968	1,294,968	1,548,664
(-) Employee loan interest income	-	-	-	(1,294,968)	(1,294,968)	(1,548,664)
Writing-off of production loan interest	-	-	-	68,608	68,608	-
	<u>934,881</u>	<u>1,714,972</u>	<u>1,668,009</u>	<u>12,966,065</u>	<u>17,283,927</u>	<u>15,226,827</u>

National Film Corporation of Sri Lanka

Notes on Income Statements

for the year ended 31.12.2013

Note : 10

Other Income

	<u>2013</u>	<u>2012</u>
	Rs.	Rs.
Production Loan Interest	4,007,480	1,653,327
Employee Loan Interest	466,189	516,221
Miscellaneous Revenue	1,934,157	3,288,601
Outdoor shooting	2,504,728	2,249,075
Repairing of films not belonging to the Corporation	2,428,726	2,031,199
Fixed and Treasury Bill Interest	11,787,366	9,923,925
Application Fee	263,328	436,000
Revenue of NFC Theatre	2,178,450	2,333,050
Compensation form Insurance Corporation	34,050	15,100
Receipts from exhibition of films	7,000	32,000
Approval for film scripts	5,000	28,000
Rent income from the building 224	3,120,000	3,120,000
Receipts from courses	716,900	1,151,000
Providing of film projectors	2,000,000	-
Identifying treasury receipts in revenue	13,898,558	13,805,436
Identifying non-payable sales tax in revenue	-	178,119
Identifying non-payable salary advance in revenue	33,747	-
Allocation for creditors	4,193	60,764
Identifying unclaimed wages in revenue	272,679	387,231
Adjustments for non-negotiated matters	-	54,974
	<u>45,662,551</u>	<u>41,264,022</u>

National Film Corporation of Sri Lanka
Notes on Income Statements
for the year ended 31.12.2013

Note : 11 - Fixed Assets

Property, Machinery & Equipment

	<u>Cost</u>	<u>Additions during the year</u>	<u>Deductions during the year</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Depreciation for the Year</u>	<u>Accumulated Depreciation</u>	<u>Nett Value</u>
	<u>01.01.2013</u>			<u>31.12.2013</u>	<u>01.01.2013</u>		<u>31.12.2013</u>	
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
A.								
01. Free-hold Lands	174,343,458	-	-	174,343,458	-	-	-	174,343,458
02. Free-hold Buildings	46,888,914	-	-	46,888,914	31,632,571	2,061,471	33,694,042	13,194,872
03. Temporary Buildings	6,080,387	-	-	6,080,387	6,080,386	-	6,080,386	1
04. Cinema Complex	104,927,936	572	-	104,928,508	27,976,932	7,124,427	35,101,359	69,827,149
05. Mini-cinema Equipment	331,451	-	-	331,451	331,449	-	331,449	2
06. Furniture, Installation & Fixation	16,153,838	38,509	-	16,192,347	14,599,358	239,572	14,838,930	1,353,417
07. Office Equipment	15,886,541	533,108	14,900	16,404,749	12,135,830	647,894	12,783,724	3,621,025
08. Motor Vehicle	15,612,932	-	-	15,612,932	11,764,653	1,924,135	13,688,788	1,924,144
09. Film Archiving	1,610,655	-	-	1,610,655	673,250	97,279	770,529	840,126
10. Bicycles	18,281	-	-	18,281	18,277	-	18,277	4
11. Film Equipment	910,689	-	-	910,689	467,150	49,280	516,430	394,259
12. Projection Equipment	480,202	-	-	480,202	377,985	34,809	412,794	67,408
13. Studio Machinery	88,510,056	84,763	-	88,594,819	51,005,035	5,480,872	56,485,907	32,108,912
14. Cinema Education Equipment	1,241,350	-	-	1,241,350	420,370	120,279	540,649	700,701
15. Welfare Equipment	194,961	-	-	194,961	194,960	-	194,960	1
16. Building Renovation	1,233,846	-	-	1,233,846	-	-	616,923	616,923
	474,425,497	656,952	14,900	475,067,549	157,678,206	17,780,018	176,075,147	298,992,402
B.								
Add :-								
Unfinished Capital Activities								
01. Main Office Building	13,398,066	54,286,256	25,500	67,658,822	-	-	-	67,658,822
02. Studio - Building	10,568,338	6,697	267,343	10,307,692	-	-	-	10,307,692
	23,966,404	54,292,953	292,843	77,966,514	-	-	-	77,966,514
Total	498,391,901	54,949,905	307,743	553,034,063	157,678,206	17,780,018	176,075,147	376,958,916

National Film Corporation of Sri Lanka

Notes on Financial Status

as at 31st December, 2013

	<u>2013</u> Rs.	<u>2012</u> Rs.
<u>Note : 12</u>		
<u>Long Term Investments</u>		
Associated Newspapers of Ceylon Ltd.	127,000	127,000
	<u>127,000</u>	<u>127,000</u>
<u>Note : 13</u>		
<u>Short Term Investments</u>		
Employee deposits in National Savings Bank	5,000	5,000
Fixed Deposits	14,616,424	18,538,591
REPO Deposits	33,700,000	16,857,184
Treasury Bills	76,477,060	70,106,122
	<u>124,798,484</u>	<u>105,506,897</u>
<u>Note : 14</u>		
<u>Stock</u>		
Films	5,253,886	5,253,886
Sales Activities	17,596,852	10,463,631
Studio	1,008,209	1,024,104
Spare parts for Studio Maintenance	1,472,576	1,472,576
Stationery and Other	1,041,843	11,959,556
	<u>26,373,366</u>	<u>30,173,753</u>
Allocation for slow-marketed and non-marketed stocks	(13,193,244)	(13,193,244)
	<u>13,180,122</u>	<u>16,980,509</u>
<u>Note : 15</u>		
<u>Debtors</u>		
Film Halls	156,164,056	163,211,564
Producers	113,311,542	113,502,404
	<u>269,475,598</u>	<u>276,713,968</u>
<u>Less :-</u>		
Allocation for Debtors (Note 15 A)	(128,835,649)	(104,174,312)
	<u>140,639,948</u>	<u>172,539,656</u>
<u>Note :- 16</u>		
<u>Miscellaneous Debtors</u>		
Other	6,849,777	4,339,196
Allocation for Miscellaneous Debtors (Note 15 A)	(342,489)	(224,800)
Employee Advance	20,451,050	20,507,382
Cost of Employee Loan Interest	5,429,648	6,127,364
(-) Revenue of Employee Loan Interest	(5,429,648)	(6,127,364)
	<u>26,958,338</u>	<u>24,621,778</u>

National Film Corporation of Sri Lanka
Notes on Financial Status
as at 31st December, 2015

Schedule on Allocation for Bad Debt

Note : 15 A

<u>Debtors</u>	<u>Total</u> <u>2013</u>	<u>Non-negotiated &</u> <u>Unrecoverable</u>	<u>Recoverable</u>	<u>5% Allocation</u>	<u>Total Allocation</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Film Halls	156,164,056	65,751,734	90,412,322	4,520,616	70,272,350
Producers	113,311,542	55,681,812	57,629,730	2,881,487	58,563,299
Other	6,849,777	-	6,849,777	342,489	342,489
Employee Advances	20,451,050	-	20,451,050	-	-
	<u>296,776,425</u>	<u>121,433,546</u>	<u>175,342,879</u>	<u>7,744,592</u>	<u>129,178,138</u>

	<u>Total</u>	<u>Film Halls</u>	<u>Productions</u>	<u>Other</u>	<u>Employee Advances</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Balance B/F	104,399,112	47,490,200	56,684,112	224,800	-
Writing off Bad Debt	-	-	-	-	-
Transfer to Profit & Loss Account	24,779,026	22,782,151	1,879,186	117,689	-
	<u>129,178,138</u>	<u>70,272,351</u>	<u>58,563,298</u>	<u>342,489</u>	<u>-</u>

Allocation for Debtors

as at 01.01.2013

Transfer to Profit & Loss Account	24,779,026
Balance B/D 31.12.2103	<u>129,178,138</u>

National Film Corporation of Sri Lanka

Notes on Financial Status

as at 31st December, 2013

	<u>2013</u>	<u>2012</u>
	Rs.	Rs.
<u>Note : 17</u>		
<u>Deposits and Advance Payments</u>		
Deposits	3,802,115	3,902,089
Advance Payments	7,828,776	7,444,395
Advance Payments for the Welfare Society	19,600	159,440
	<u>11,650,491</u>	<u>11,505,924</u>
Allocation for non-recoverable debt	(981,870)	(981,870)
	<u><u>10,668,621</u></u>	<u><u>10,524,054</u></u>

Note : 18

Cash and Bank Balances

People's Bank - C. A. No 004-1-001-1-0208647	6,674,448	604,614
People's Bank - C.A. No 055-1-001-5-0667533	988,346	354,422
People's Bank - C. A. No 004-1-001-6-0208664	3,495,581	3,296,431
Bank of Ceylon - C.A. No 0002323272	3,051,588	1,798,530
Bank of Ceylon - C.A. No 0002323131	1,625,803	2,203,737
Bank of Ceylon - C.A. No 0002323354	8,624,429	4,503,949
Bank of Ceylon - C. A. No 0002323363	4,646,051	10,749,224
Bank of Ceylon - C. A. No 0005002189	908,866	2,056,866
	<u>30,015,112</u>	<u>25,567,773</u>

Cash at Hand

Petty Cash - Head Office	50,000	15,691
Petty Cash - Studio	10,014	3,565
Petty Cash - Film Store	34	34
	<u>60,048</u>	<u>19,290</u>
Total	<u><u>30,075,160</u></u>	<u><u>25,587,063</u></u>

Note : 19

Grants

Treasury Grants	418,400,000	411,400,000
(-) Amortisation	(280,337,010)	(266,438,452)
	<u><u>138,062,990</u></u>	<u><u>144,961,548</u></u>

National Film Corporation of Sri Lanka

Notes on Financial Status

as at 31st December, 2013

	<u>2013</u>	<u>2012</u>
	Rs.	Rs.
<u>Note : 20</u>		
Balance B/F as at 31.01.2013	33,885,924	38,017,196
Allocations for the year	2,725,863	2,326,442
Cash Payments	(4,386,297)	(6,457,715)
	<u>32,225,489</u>	<u>33,885,924</u>
(Invested in Treasury Bills)		

Note : 21

Deposits

NFC Theatre Security Deposits	60,000	-
Canteen Deposit	10,000	10,000
Security Deposit - Theatres	2,326,727	2,326,727
Employees	5,000	5,000
Film Importation	-	-
Cinema Project	45,000	45,000
	<u>2,446,727</u>	<u>2,386,727</u>

Note : 22

Film Rent Creditors

Film Rent Creditors	123,977,635	103,182,563
(-) Allocation for Creditors	(18,046,795)	(18,042,601)
	<u>105,930,840</u>	<u>85,139,962</u>

National Film Corporation of Sri Lanka

Notes on Financial Status

as at 31st December, 2013

	<u>2013</u>	<u>2012</u>
	Rs.	Rs.
<u>Note : 23</u>		
<u>Other Creditors</u>		
Accrued Expenditure	8,493,415	13,203,405
VAT Payable	164,359	194,265
Allocations for Audit Fees	900,000	800,000
Commissioner of Inland Revenue (Stamps)	26,630	19,655
Film Artistes' and Technicians Fund	92,228	257,298
Unclaimed Wages	887,586	910,277
E. P. F.	613,617	28,849
E. T. F.	67,076	(12,665)
Miscellaneous Creditors	2,453,541	1,455,397
(- Allocations for Non-payable Liabilities)	(644,840)	(644,840)
Miscellaneous Debtors (Credit Balance)	1,927,407	1,603,437
Film Rent Debtors	3,249,734	2,704,708
General Treasury	5,000,000	5,000,000
President's Fund	-	500,000
Employee Compensation	-	-
National Film Development Fund	3,547,454	3,879,309
Control Account of Rithma Circuit	2,265,568	1,333,370
Cine Tharu Punchi Tharaka	31,750	31,750
Allocation for E.P.F Arrears	-	10,000,000
Allocation for Film Festivities	5,000,000	5,000,000
Tax Paye 2012	11,677	9,136
Allocation for Salaries and Wages	714,182	714,182
Rent Payment of Contras Theatre	-	84,234
Allocation for Receivable Production Loan Interest	3,132,217	-
	<u>37,933,601</u>	<u>47,071,767</u>

National Film Corporation of Sri Lanka

Notes on Financial Status

as at 31st December, 2013

	Other Services		Exhibition		Studio		Production		Gen. Admin. Expenditure	
	Total	2013	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Director Fee		336,000	-	-	-	-	-	-	336,000	
Publicity		1,066,959	390,960	-	-	623,240	-	-	52,759	
Special Commission Fee		604,080	-	-	-	-	-	-	604,080	
Legal Fee		2,054,513	-	-	-	-	-	-	2,054,513	
Corporation Festivities		833,592	-	-	-	-	-	-	833,592	
Audit Fees		500,000	-	-	-	-	-	-	500,000	
Security Services		1,982,335	-	-	850,974	-	-	-	1,131,362	
Bank Fees		33,473	-	-	-	-	-	-	33,473	
Miscellaneous Expenditure		130,509	-	-	-	-	-	-	130,509	
Cinema Education		325,518	-	-	-	-	325,518	-	-	
Death Donations and Film Artists' Expenditure		568,855	-	-	-	-	568,855	-	-	
Expenditure of the New Theatre		467,882	-	-	-	-	-	-	467,882	
Deyata Kirula Programme		935,972	-	-	-	-	-	-	935,972	
Adjustments for Foreign Exchange		84,224	-	-	-	-	-	-	84,224	
Expenditure of Film Projectors		174,649	174,649	-	-	-	-	-	-	
		10,098,561	565,609	850,974	1,517,613	7,164,366				

National Film Corporation of Sri Lanka

Notes on Financial Status

as at 31st December, 2013

	Total 2013	Exhibition	Studio	Production	Gen . Admin. Expenditure Rs.
	Rs.	Rs.	Rs.	Rs.	
Transport	270,554	110,404	-	-	160,150
Communication	1,596,048	221,898	171,649	115,288	1,087,213
<u>Requisites</u>					
Internal Use	329,995	18,694	311,301	-	-
Foreign Film Festival	26,275	-	-	26,275	-
Welfare Expenditure	3,230,615	18,275	218,580	8,833	2,984,927
Employee Recruitment and Training	398,428	-	-	-	398,428
Water Bills	326,763	-	-	-	326,763
	4,312,076	36,969	529,881	35,108	3,710,118
Rates	804,239	-	162,469	-	641,770

National Film Corporation of Sri Lanka

Notes on Financial Status

as at 31st December, 2013

(24.1) Initial Financial Status Balance Reconciliation as at 01.01.2012

	<u>Note</u>	<u>SLAS</u> as at 01.01.2012 Rs.	<u>Classification</u> <u>Differences</u> Rs.	<u>Measurable</u> <u>Differences</u> Rs.	<u>SLFRS</u> as at 01.01.2012 Rs.
<u>Represented by</u>					
<u>Fixed Assets</u>					
Property, Machinery & Equipment		343,489,275	-	-	343,489,275
Long-term Investments		127,000	-	-	127,000
		343,616,275	-	-	343,616,275
<u>Current Assets</u>					
Short-term Investments		97,737,782	-	-	97,737,782
Stock	01	19,438,153	-	(13,193,244)	6,244,909
Debtors	02	189,727,926	(25,345,773)	(10,822,312)	153,559,841
Miscellaneous Debtors	03	-	25,345,773	(164,019)	25,181,754
Deposits and Advance Payments	04	30,516,261	-	(997,120)	29,519,141
Cash and Bank Balances		15,555,332	-	-	15,555,332
		352,975,454	-	(25,176,695)	327,798,759
Total Assets		696,591,729	-	(25,176,695)	671,415,034
<u>Input Capital</u>					
Authorized Capital		10,000,000	-	-	10,000,000
Accumulated Profit	05	(55,272,779)	-	281,621,597	226,348,818
Other Reserves		123,482,759	-	-	123,482,759
Grants	06	438,997,297	-	(287,230,313)	151,766,984
Government Fund		517,207,277	-	(5,608,716)	511,598,561
<u>Non-current Liabilities</u>					
Gratiuty Allocation		38,017,196	-	-	38,017,196
		38,017,196	-	-	38,017,196
<u>Less : Current Liabilities</u>					
Deposits		2,386,727	-	-	2,386,727
Film Rent Creditors	07	75,376,915	-	(17,981,837)	57,395,078
Other Creditors	08	63,603,614	-	(1,586,142)	62,017,472
		141,367,256	-	(19,567,979)	121,799,277
Total		696,591,729	-	(25,176,695)	671,415,034

National Film Corporation of Sri Lanka

Notes on Financial Status

as at 31st December, 2013

(24.1) Initial Financial Status Balance Reconciliation as at 01.01.2012

	<u>Note</u>	<u>SLAS</u> <u>as at</u> <u>01.01.2012</u> <u>Rs.</u>	<u>Classification</u> <u>Differences</u> <u>Rs.</u>	<u>Measurable</u> <u>Differences</u> <u>Rs.</u>	<u>SLFRS</u> <u>as at</u> <u>01.01.2012</u> <u>Rs.</u>
<u>Represented by</u>					
<u>Fixed Assets</u>					
Property, Machinery & Equipment	09	340,797,551	-	(178,500)	340,619,051
Long-term Investments		127,000	-	-	127,000
		<u>340,924,551</u>	<u>-</u>	<u>(178,500)</u>	<u>340,746,051</u>
<u>Current Assets</u>					
Short-term Investments		105,506,897	-	-	105,506,897
Stock	01	30,173,753	-	(13,193,244)	16,980,509
Debtors	02	208,865,556	(25,728,387)	(10,822,312)	172,314,857
Miscellaneous Debtors	03	-	25,010,597	(164,019)	24,846,578
Deposits and Advance Payments	04	11,521,174	-	(997,120)	10,524,054
Cash and Bank Balances		25,587,063	-	-	25,587,063
		<u>381,654,443</u>	<u>(717,790)</u>	<u>(25,176,695)</u>	<u>355,759,958</u>
Total Assets		<u>722,578,994</u>	<u>(717,790)</u>	<u>(25,355,195)</u>	<u>696,506,009</u>
<u>Input Capital</u>					
Authorized Capital		10,000,000	-	-	10,000,000
Accumulated Profit	05	(46,352,299)	-	295,929,622	249,577,323
Other Reserves		123,482,759	-	-	123,482,759
Grants	06	445,997,297	-	(301,035,749)	144,961,548
		<u>533,127,757</u>	<u>-</u>	<u>(5,106,127)</u>	<u>528,021,630</u>
<u>Non-current Liabilities</u>					
Grauity Allocations		33,885,923	-	-	33,885,923
		<u>33,885,923</u>	<u>-</u>	<u>-</u>	<u>33,885,923</u>
<u>Less : Current Liabilities</u>					
Deposits		2,386,727	-	-	2,386,727
Film Rent Creditors	07	103,182,563	-	(18,042,601)	85,139,962
Other Creditors	08	49,996,024	(717,790)	(2,206,467)	47,071,767
		<u>155,565,314</u>	<u>(717,790)</u>	<u>(20,249,068)</u>	<u>134,598,456</u>
Total		<u>722,578,994</u>	<u>(717,790)</u>	<u>(25,355,195)</u>	<u>696,506,009</u>

National Film Corporation of Sri Lanka
Comprehensive Income Statement
for the year ended 31.12.2013

(24.3) Income Statement for the year ended 31.12.2012

	<u>Note</u>	<u>SLAS</u> <u>2012</u> <u>Rs.</u>	<u>Measurable</u> <u>Differences</u> <u>Rs.</u>	<u>SLFRS</u> <u>2012</u> <u>Rs.</u>
Sales		46,432,012	-	46,432,012
<u>Less : Sales Cost</u>		3,261,147	-	3,261,147
Gross Profit		43,170,865	-	43,170,865
<u>Less : Expenditure</u>				
Employee Remuneration		64,031,817	-	64,031,817
Travelling and Subsistence		710,466	-	710,466
Supplies and Equipment		6,991,428	-	6,991,428
<u>Repairs, Maintenance and Depreciation</u>				
(A) Repairs and Maintenance Depreciation		25,040,572	-	25,040,572
Transport, Communication, Requisites and other serv	09	15,048,327	178,500	15,226,827
Allocations for Bad Debt		20,310,000	-	20,310,000
Grautity Allocations		2,326,443	-	2,326,443
Allocations for Film Artistes' and Technicians' Fund		200,000	-	200,000
				-
Loss of Stock		85,120	-	85,120
		134,744,173	178,500	134,922,673
Absorption of General Administrative Expenditure		-		-
		134,744,173	178,500	134,922,673
Operational Profit/ Loss		(91,573,308)	(178,500)	(91,751,808)
<u>Add : Other Income</u>	Note (10)	26,777,498	14,486,525	41,264,023
Profit / Loss of the year		(64,795,810)	14,308,025	(50,487,785)
<u>Less : Funds received from Treasury</u>		68,308,000	-	68,308,000
		3,512,190	14,308,025	17,820,215
<u>Less : Allocations for Tax</u>		-	-	-
		3,512,190	14,308,025	17,820,215

National Film Corporation of Sri Lanka

Notes

as at 31st December, 2103

Note No 01

Allocation for slow-used and unused stock
as at 01.01.2012

Rs.

13,193,244

Note No 02

2.1 Classification Differences

Recognizing Miscellaneous Debtors from Sales Debtors

as at 01.01.2012

25,345,773

as at 31.12.2012

25,728,387

2.1 Measurable Differences

Allocation for non-recoverable debt as at 01.01.2012

10,817,252

10,817,252

Writing off of Debtors approved to be written off as at 01.01.2012

Production Debtors

10,724

Receivable for English Films

(5,664)

10,822,312

Note No 03

as at 01.01.2012

Writing off of unrecoverable Miscellaneous Debtors

National Apprentice Board

6,038

Tax Paye

1,654

Control Account of Contras Employee Loan

148,927

Contras Employee Loan Account

7,400

164,019

Classification Differences

as at 31.12.2012

Employees' Provident Fund

631,655

Employees' Trust Fund

86,135

717,790

National Film Corporation of Sri Lanka

Notes

as at 31st December, 2013

Note No. 04

Writing off of non-recoverable deposits and advance payments
as at 01.01.2012

Advance Payments	13,250
Funeral Transport Expenditure	2,000
<u>Allocation for non-recoverable deposits and advance payments</u>	
Allocation of Advances	328,142
Refundable Deposits	653,728
	<u>997,120</u>

Note No. 05

Accumulated Income Reconciliation Statement

Allocation for slow-used and unused stock	(13,193,244)
Allocation for non-recoverable debt	(10,817,252)
Writing off of non-recoverable other debtors	(164,019)
Allocation for/ Writing off of non-recoverable deposits and advance payments	(997,120)
Allocation for creditors	17,981,837
Allocation for/ Writing off of other creditors	1,586,142
Identification of treasury grants in Revenue	287,230,313
Writing off of approved debtors	
Production Debtors	(10,724)
Receivables from English Films	5,664
Total differences as at 01.01.2012	<u>281,621,597</u>
Writing off of other creditors	387,233
Writing off of authorized turnover tax	178,117
Identification of treasury grants in Revenue	13,805,436
Writing off of the net value of demolished buildings	(178,500)
Allocation for creditors	60,765
Adjustment for non-negotiated matters	54,974
Total differences as at 31.12..2012	<u>295,929,622</u>

Note No. 06

Identification of treasury grants in Revenue

As at 01.01.2012	287,230,313
As at 31.12.2012	13,805,436
	<u>301,035,749</u>

Note No. 07

Allocation for Creditors

As at 01.01.2012	17,981,837
As at 31.12.2012	60,765
	<u>18,042,602</u>

National Film Corporation of Sri Lanka

Notes on Financial Status

as at 31st December, 2013

Note No. 08

Allocation for other creditors

As at 01.01.2012 644,839

Writing off of other creditors

As at 01.01.2012 941,303

1,586,142

Writing off of other creditors

As at 31.12.2012

Unclaimed Wages 387,233

Turnover Tax 178,118

Non-negotiated matters 54,974

2,206,467

As at 31.12.2012

Classification Differences

Employee Provident Fund 631,655

Employee Trust Fund 86,135

717,790

As at 31.12.2012

Note No. 09

Writing off of the net value of demolished buildings

Cost 435,611

Accumulated Depreciation (257,111)

178,500

National Film Corporation of Sri Lanka
Notes on Financial Status
as at 31st December, 2013

Note : 26

Director Board Relations

The Board of Directors has not performed any transaction which may influence the financial and operational decisions of the institution.
A detailed description of the Board of Directors will be as follows

No	Name of the Board Member	Date Appointed	Name & Place of Work / Address	Address	Nature of Transaction of Parties Concerned
1	Mr. Ashoka Serasinghe, Attorney-at-Law	20.12.2011	Chairman, Board of Directors Chairman, National Film Corporation of Sri Lanka	Chairman, National Film Corporation of Sri Lanka Colombo 07	-
2	Mr. D. Karunaratna, Attorney-at-Law	29.07.2010 Re-appointment 18.07.2013	Member, Board of Directors Working Director, National Film Corporation of Sri Lanka	Working Director, National Film Corporation of Sri Lanka Colombo 07	-
3	Prof. Ariyaratna Athugala	2010 August	Member, Board of Directors (Ex-officio) Director, Department of Gov. Info.	Director, Department of Government Information Colombo 05	-
4	Mr. Samantha weliwariya, Attorney-at-Law	2010 August	Member, Board of Directors (Ex-officio) Director, Sri Lanka Broadcasting Corporation	Director General, Sri Lanka Broadcasting Corporation Colombo 07	-
5	Mr. W.M.Vijith Kanugala	2011 February	Member, Board of Directors (Ex-officio) Director, Department of Cultural Affairs	Director, Department of Cultural Affairs 08th Floor, Sethsiripaya, Colombo 03	-
6	Prof. Roland Abeypala	29.07.2010 Re-appointment 18.07.2013	Member, Board of Directors (University Representative) Head, Department of Education Psychology, Uni. Of Colombo	Department of Psychology University of Colombo Colombo 03	-

National Film Corporation of Sri Lanka
as at 31st December, 2013
Notes on Financial Status

No	Name of the Board Member	Date Appointed	Name & Place of Work / Address	Address	Nature of Transaction of Parties Concerned
7	Dr. Praneeth Abeysundara	29.07.2010 Re-appointment 18.07.2013	Member, Board of Directors (University Representative) Head, Department of Social Sciences and Anthropology University of Sri Jayawardenapura	Department of Social Sciences and Anthropology University of Sri Jayawardenapura Gangodawila , Nugegoda	-
8	Dr. D. Venkateshwaran	06.04.2011	Member, Board of Directors (Tamil Representative)	No. 307, George R. De Silva Mw, Colombo 13	-
9	Mrs. Renuka Balasuriya	21.09.2011	Member, Board of Directors (Cinema Industry Representative)	No. 1330/2, 10th Lane, Bogahawatta Road, Pannipitiya	-
10	Mrs. Malani Gamage	24.02.2011	Treasury Representative Director General, Department of National Planning (Retired)	Director General, Department of National Planning Ministry of Finance, Colombo 01	-
11	Mrs. J.C. Weligamage	25.11.2013	Treasury Representative Additional Director General, Department of Public Finance	Additional Director General, Department of Public Finance General Treasury, Colombo 01.	-

Note : 27
Contingent Liabilities

No contingency situation, which could affect the financial and operational status of the Corporation has been reported as at 31.12.2013

Note : 28
Adjustments after the date of Balance Sheet

No adjustment to be made to the financial and operational status after the date of financial statement has been reported



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கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்

AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

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Your No.

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திகதி
Date

22 June 2015

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 2013 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 2013 comprising the statement of financial position as at 31 December 2013 and the statement of comprehensive income, 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 furnished to the Chairman of the Corporation on 24 March 2015.

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 Auditors Responsibility

My responsibility is to express an opinion on these financial statements based on my audit conducted in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810)

1.4 Basis for Disclaimer of Opinion

As a result of the matters described in paragraph 2.2 of this report, I am unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded items and the elements making up the statement of financial position, statement of comprehensive income statement of changes in equity and cash flow statement.

2. Financial Statements

2.1 Disclaimer of Opinion

Because of the significance of the matters described in paragraph 2.2 of this report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly I do not express an opinion on these financial statements.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following observations are made.

- (a) A sum of Rs.138,062,990 received as Government grants had been shown under capital employed instead of being shown under the non-current assets in accordance with Sri Lanka Accounting Standard No.01.

- (b) Even though the particulars of the assets fully depreciated being used at present for operations should be disclosed in the financial statements by way of notes in terms of Sri Lanka Accounting Standard No.16, it had not been so done.
- (c) The minimum information of the lease payments to be disclosed in the financial statements in accounting for operating leases in terms of Sri Lanka Accounting Standard No.17, had not been so disclosed in the financial statements.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) In view of the following weaknesses prevailing in the accounting systems, establishing the correctness and balancing of the financial statements had become a debatable issue in audit.
- (i) Differences between the balances in the ledger accounts and the balances in the financial statements.

Particulars	According to Ledger	According to Financial Statements	Difference
-----	-----	-----	-----
	Rs.	Rs.	Rs.
Sundry Creditors	875,285	2,453,542	1,578,257
Film Hire Creditors	114,615,930	123,977,635	9,361,705
Film Hire Debtors	224,918,877	156,164,056	68,754,821
Production Creditors	106,643,677	113,311,542	6,667,865
			<u>86,362,648</u>
			=====

- (ii) The total of the debit balances in the Schedule of Other Creditors as well had been included in addition to the debtor balance in showing the other debtors in the financial statements of the Corporation. Even though those debit balances amounted to Rs.702,971, a sum of Rs.1,578,256 had been included.
 - (iii) The credit balance of the Sundry Creditors Control Account according to the Ledger Account amounted to Rs.875,286 and the net balance of the schedules agreed with that balance. Nevertheless, the credit balance of those schedules amounting to Rs.1,578,256 had been added again to the ledger balance shown in the financial statements.
 - (iv) The Balance of Rs.100,949 in a Current Account maintained in a Private Bank in the name of the Corporation had not been disclosed in the financial statements.
 - (v) The final balance of the account of the National Film Corporation of Sri Lanka as at 31 December 2012 according to the Trial Balance of the Rithma Board amounted to Rs.110,785,369 and a sum of Rs.145,723,112 had been brought forward as the opening balance of the year 2013.
- (b) Adjustments had not been made in the Ledger Accounts in respect of a motor vehicle costing Rs.7,696,541 which had been rendered unserviceable due to an accident. Lease purchase facilities amounting to Rs.1,638,000 had been made use of in the purchases of the motor vehicle and lease payments payable by the end of the year under review amounted to Rs.890,862. That amount had been shown as accrued expenses instead of being shown separately as lease creditors.
- (c) Action had not been taken to eliminate from the accounts and the registers the value of a temporary building costing Rs.6,080,387 demolished in the year 2011 and the depreciation thereon.

- (d) Even though interest amounting to Rs.2,879,113 received on call deposits had been recognized as income and re-invested, that had been shown as an amount receivable instead of being debited to the Investment Account.
- (e) An unrealized interest on production loans amounting to Rs.4,007,480 had been included in the investment activities in the cash flow statement.
- (f) Adjustments relating to the preceding year amounting to Rs.12,124,686 had been adjusted to the accumulated profit carried forward at the end of the year under review instead of being adjusted retrospectively in the financial statements.

2.2.3 Unreconciled Control Accounts

A difference of Rs.6,967,159 was observed between the balances of the accounts relating to the staff loans, expenditure on gratuity, Cinema debtors, Production debtors, bad debts not agreed and irrecoverable according to the ledger and the schedules furnished to audit.

2.2.4 Unexplained Differences

The following observations are made.

- (a) The account of the National Film Corporation is a current account recording the inter-departmental transactions and its final balance had been shown as Rs.4,074,740(debit) and the balance further available after the adjustment of the Film Distribution Board Account maintained parallel to that, amounted to Rs.2,265,568. Action had not been taken to identify correctly and reconcile these Current Account balances.
- (b) According to the reports of the Board of Survey as at 31 December 2013, the closing stocks of the Head Office and the Sarasavi Studio amounted to Rs.9,033,299 whereas the value of stocks shown in the financial statements amounted to Rs.10,527,223. Thus a difference of Rs.1,493,924 was observed.

2.3 Accounts Receivable and Payable

The following observations are made.

(a) Production Debtors

- (i) The total value of the production debtors amounted to Rs.108,581,808 and the debtors older than 03 years amounted to Rs.69,432,725 or 64 per cent. The debtors older than 05 years included in the debtors older than 03 years amounted to Rs.52,361,734 or 48 per cent. Information relating to adequate action taken for the recovery of such money had not been furnished to audit.
- (ii) According to the Production Debtors Control Account, the balance of the Production Debtors Account amounted to Rs.106,643,677 and the debit balance of the Film Hire Creditors Schedule amounting to Rs.9,361,705 and the credit balance of the Sundry Debtors schedule amounting to Rs.1,927,407 had been added to that. Out of that, the balance of the Production Loans Interest Provision Account amounting to Rs.4,618,806 had been deducted without any basis from the Production Debtors and the net value of debtors had been shown as Rs.113,311,542 in the financial statements. As such it was not possible to be satisfied in audit with regard to this debtors balance.

(b) Theater Hall Debtors

- (i) The arrears recoverable as at end of the year under review from 254 Cinema halls that existed prior to and after the transfer of the distribution of films to cinemas was transferred to the Private Cinema Circuits in the year 2001, but closed down at present, amounted to Rs.66,215,410. Similarly the amount receivable by the Rythma Board from 36 cinema halls belonging to other Circuits but closed down, amounted to Rs.172,150.

- (ii) The arrears receivable from 151 cinema halls belonging to the Circuits in operation at present amounted to Rs.149,548,660. Similarly, the amount receivable by the Rythma Board as at the end of the year under review from 69 cinema halls amounted to Rs.11,030,269. Effective action had not been taken during the year under review for the recovery of the receivables.
- (c) According to the financial statements presented the total of the loans recoverable as at the end of the year under review as Cinema halls production and other loans and the employees advances amounted to Rs.296,776,425. Out of these debtors, provision for bad debts had been made at 100 per cent for the loan balances not agreed and remaining as irrecoverable amounting to Rs.121,433,546 and provision of bad debts at 5 per cent had been made for the balance debtors. Nevertheless, the uncertainty of the recovery Rs.129,178,138 or 44 per cent of the above debtors was observed.
- (d) A sum of Rs.945,300 receivable as at beginning of the year under review on account of rent of buildings, and water and electricity bills shown in the accounts had not been received even during the year 2013.
- (e) The deposits receivable as at 31 December of the year under review amounted to Rs.926,228. Out of that a sum of Rs.653,728 or 71 per cent had been shown as a deduction from the retained profit on irrecoverable basis without taking action for the recovery from the institutions concerned.
- (f) Distress loans amounting to Rs.730,352 granted to 06 officers who had retired, dismissed from service or vacated posts subsequently and interest amounting to Rs.62,370 had not been recovered over periods ranging from 01 year to 10 years. No recoveries whatsoever had been made from these officers during the year 2013.

- (g) The balance sum of Rs.5,000,000 remaining out of the money received from the Treasury for the payment of compensation to the officers who retired voluntarily in the year 1997 had not been refunded to the Treasury even by the end of the year under review.

2.2.5 Lack of Evidence for Audit

The following items could not be satisfactorily vouched or accepted in audit due to the non-submission of the evidence indicated against each item.

Particulars of Account	Value	Evidence not made available
	Rs.	
(a) Provision for Interest on Production Loans	4,618,805	Particulars of Computation
(b) Deposits and Prepayments	3,802,115	Receipts
(c) Debtors – Cinema hall	156,164,056	Confirmation of Balances
(d) Debtors - Producers	113,311,542	Confirmation of Balances
(e) Other Debtors	37,933,601	Age Analysis
(f) Deposits	2,446,727	Age Analysis
(g) Stocks not in Use	2,252,818	Detailed Schedules
(h) Provision for Surcharges (Levy from Cinema Hall)	72,044,555	Detailed Schedules and Age Analysis
(i) Cinema hall sound Equipment Stocks	10,592,257	Stock Verification Reports
(j) Stock of Films	5,253,886	Stock Verification Reports
	408,380,362	

2.3 Non- compliance with Laws, Rules, Regulations and Management Decisions

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliances
(a) Approved Staff according to the National Film Corporation of Sri Lanka Act, No.47 of 1971 as amended by the Act, No.45 of 1985 and Circular No.30 dated 28 September 2011 of the Department of Management Services.	Even though provision or a post for the appointment of a Working Director not existed, a Working Director had been appointed for a monthly allowance of Rs.45,000 and provided an official motor vehicle with Driver and an allowance for 140 liters of fuel per month. But the officer did not function on full-time basis while a list of duties had not been issued to him.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	
(i) Financial Regulation 110	A Register of Losses and Damage had not been maintained in the updated and proper manner.
(ii) Financial Regulation 177 (1)	Even though the daily receipts of money should be banked daily or as early as possible, 9 such instances of failure to do so were revealed during the course of audit test checks.

(iii) Financial Regulation 177 (3)

Even though the total amount of money received should be banked, a sum of Rs.122,622 not so banked and the use of money received for incurring daily expenses of the Corporation were observed at the test check.

(c) Public Administration Circular
No.22/99 of 08 October 1999
Paragraph 1.3

An officer in the salary group not entitled to transport facilities had been provided with transport facilities, without approval, for travel between the office and residence only by herself.

(d) Public Administration Circular
No.09/2007 of 11 May 2007

Even though re-employment of pensioners should be resorted to only when a suitable successor cannot be found, a retired officer had been deployed in a post of driver which does not come under that category. The concurrence of the Secretary to the relevant Ministry had not been obtained in that connection.

3. Financial Review
-----**3.1 Financial Results**

The financial results of the National Film Corporation of Sri Lanka for the year under review had been a pre-tax net loss of Rs. 58,337,827 as compared with the pre-tax net loss of Rs. 50,487,786 for the preceding year. The net loss as compared with the preceding year, had further deteriorated by a sum of Rs.7,850,041. As a result of the receipts of Rs.69,960,000 and Rs.68,308,000 as recurrent grants in the year under review and the preceding year respectively, the profit for the year under review and the preceding year amounted to Rs.11,622,173 and Rs.17,820,214 respectively.

3.2 Legal Actions Instituted against or by the Corporation

The following observations are made.

- (a) According to the letter dated 19 February 1980 of the Secretary to the Ministry of Policy Development and Implementation, the services of the Attorney General should be obtained for the legal work of public institutions. Nevertheless the Corporations had not taken actions accordingly. A sum of Rs.1,656,000 had been spent as legal fees to external lawyers retained for 15 cases and that as compared with the preceding year indicated an increase of 843 per cent.
- (b) The Corporation had filed 03 cases against external parties for the recovery of compensation amounting to Rs.23,534,184 and that had not been disclosed in the notes to the financial statements.

4. Operating Review

4.1 Performance

- (a) Film Loans

The following observations are made.

- (i) Loans amounting to Rs.5,473,150 had been granted for 26 films which had not been released for screening and out of those loans older than 05 years, a sum of Rs.4,019,261 or 73 per cent remained receivable as at the end of the year under review.
- (ii) Even though loans amounting to Rs.63,460,241 had been granted for the production of 48 films released for screening a sum of Rs.28,333,559 or 45 per cent of those loans older than 05 years remained receivable as at the end of the year under review.

- (iii) Even though loans amounting to Rs.26,182,836 had been granted for 16 films released for screening, a sum of Rs.11,322,942 or 43 percent out of those loans less than 05 years old, remained receivable as at the end of the year under review.
- (iv) The total amount of loans amounting to Rs.17,940,763 granted for the production of 13 films not-released for screening but un-shuffled, less than 05 years old remained receivable as at the end of the year under review.
- (v) The total amount of loans amounting Rs.5,978,641 granted for the production of 12 films not-completed and less than 05 years old remained receivable as at the end of the year under review.

(b) Grant of Loans to Cinema Halls

The following observations are made.

- (i) A loans of Rs.1,100,000 had been granted to a theatre in the year 2003 without entering into an agreement but the agreement had not been signed even by the end of the year under review. The sum recoverable as at the end of the year under review amounted to Rs.571,738.
- (ii) The loans amounting to Rs.12,822,682 granted prior to the year 2013 for the modernisation of 09 theatres, together with the interest as at the end of the year under review had been to Rs.15,875,103. Even though a sum of Rs.1,992,560 had been recovered from 04 cinemas during the year under review, no recoveries whatsoever had been made from 04 theatres.

4.2. Management Inefficiencies

The following observations are made.

- (a) Action had not been taken for the recovery of the film hire and levy not paid to the Corporation on the due dates and 2.5 per cent recoverable for the Corporation Trust as surcharge amounted to Rs.3,625,698.
- (b) The internal parts of an air-conditioner valued at Rs.81,250 purchased in the year 2008, had been misplaced during the year under review and the responsibility for that had been placed on the Security Division. Appropriate action in this connection had not been taken on due time and had agreed to pay a sum of Rs.15,000 for the loss. The valuation of the loss had not been done by a party competent in the field and as such it was further observed that the management had not taken action to identify the loss caused to the Corporation.

4.3. Operating Inefficiencies

The surcharges imposed on debit notes of the preceding year recoverable from theatres for irregularities had not been brought to account in a manner to enable separate identification. Even though 101 debit notes valued at Rs. 394,170 had been issued in the year under review in connection with the irregularities detected by the Inspection Division of the Corporation, action had not been taken for recovery of the surcharge amounting to Rs. 242,510 recoverable on 73 debit notes. A sum of Rs. 399,072 remained recoverable on 43 debit notes issued prior to the year under review.

4.4. Slow Moving, Idle and Underutilized Assets

Even though 05 DTS sound equipment had been purchased in the year under review under the loan facilities for renovation of theatres, three of such sound equipment valued at Rs.10,592,257 had not been supplied to the theatres and remained idle over a period 02 years.

4.5. Uneconomic Transactions

The following observations are made.

- (a) The Investment valued at Rs.127,000 in a State Company shown in the financial statements as long term investments had not yielded any return.
- (b) Even though the lease period of the building leased out to the SAARC Cultural Centre had expired on 01 March 2013, entering into a new lease agreement had been delayed till 12 September 2013. Even though the monthly assessment rates for the building according to the new assessment report obtained in respect of year under review amounted to Rs.230,000 an agreement for a monthly rental of Rs.200,000 had been entered into.
- (c) The building of monthly rates value amounting to Rs.100,000 had been rented out to the Public Performance Board at Rs.60,000 per month without entering into an agreement.
- (d) A surcharge of Rs.16,246 had been paid in the year under review due to the delay in the payment of the rates for the Studio building.

4.6. Identified Losses

Unrealized deposits amounting to Rs.105,446 and the unidentified debits amounting to Rs.25,063 older than 05 years appearing in the Bank Reconciliation Statement had been written off to the Profit and Loss Account in the year under review.

4.7 Delayed Projects

Three projects of agreements value amounting to Rs.13,185,362 which should have been completed in the year 2011 had not been completed even by the end of the year under review and the delays had been 03 years 05 months.

4.8 Staff Administration

The following observations are made.

- (a) Even though the approved staff of the Corporation and the Scheme of Recruitment had been approved on 28 September 2011 and 14 September 2012 respectively, there were 55 vacancies of officers in 08 groups of posts as at 31 December 2013. That represented 30 percent of the approved staff. Excesses of 06 employees in the approved primary grade (Non-technical) and 06 employees in other posts not approved existed. Vacancies to 11 Executive Grade posts, 35 posts in the Support Services and 09 posts in Primary Grade existed.
- (b) All three posts in the Senior Management Level of the Corporation had been vacant over periods ranging from 01 year to 05 years. Acting appointments had been made over and over again without taking action to recruit officers for those posts.
- (c) In addition to the posts in the Senior Management Level, out of 23 posts in the Management and the Junior Management Levels, 08 posts had been vacant over periods ranging from 02 years to 29 years.
- (d) Even though the Studio performance an important function in the operations of the Corporation, shortages of 12 officers including Assistant General Manager (Studio Services), Laboratory and Preservation Officer, Sound and Editing Officer and 08 Management Assistants – Technical Officers existed. That represented 34 per cent of the total number of officers of that Division.
- (e) Even though the approved posts for the Engineering Technical Services Division had been 9, four posts comprising the post of Assistant General Manager Engineering Technical Services, 02 posts of Management Assistant-Technical and one post of Management Assistant had been vacant.
- (f) Out of the 04 posts approved for the Office of the General Manager, the only permanent appointment made had been an Office Aide.

4.9 Motor Vehicles Control

The motor vehicle fleet of the Corporation had 09 motor vehicles of which 02 had been allocated motor vehicles. The total number of Kilometers run by those motor vehicles during the year under review had been 112,672. The expenditure on maintenance and fuel amounted to Rs.2,487,920 and Rs.1,716,765 respectively. As such the cost of maintenance and fuel per kilometer amounted to Rs.22.08 and Rs.15.24 respectively.

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

According to the Public Enterprises Circular No. PED/12 of 02 June 2003 the financial statements should be presented to the Auditor General within 60 days after the close of the year of accounts. Nevertheless, the National Film Corporation of Sri Lanka had presented the financial statements for the year under review only on 12 September 2014, after a delay of 193 days.

5.2 Action Plan

Even though plans had been made for carrying out and completion of 04 activities costing Rs.41.5 million under the Studio Facilities Improvement and Modernization during the year under review, those activities had not been executed in the year under review.

5.3 Internal Audit

Even though an Internal Auditor, 02 Management Assistants and an Office Aide had been allocated for the Internal Audit Unit of the Corporation, other than the Internal Auditor, the other support staff for the Internal Audit Unit had not been provided regularly during the year. As such the opportunities for the effective achievement of the objectives of the Internal Audit had been limited.

5.4. Budgetary Control

Reconciliation of the budgeted income and expenditure and the actual income and expenditure of the year under review revealed that the variance of 06 items of income and expenditure had exceeded 50 per cent. As such it was observed that the budget had not been made use of as an effective instrument of management control.

6. Systems and Controls

Weaknesses in the 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.

- Credit Control
- Refundable Deposits
- Investments
- Petty Cash Advances
- Inspection of Cinema Halls
- Accounting

W.P.C.Wickramaratne
Acting Auditor General



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National Film Corporation of Sri Lanka
Ministry of Parliamentary Reforms & Mass Media

අංක 303, බෞද්ධාලෝක මාවත, කොළඹ 07. | දුරකතන - 0112-584623 / 0112-588773 | විද්‍යුත් තැපෑල-filmcorp@slt.net.lk | වෙබ් අඩවිය -www.nfc.gov.lk
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