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இலங்கை தேசிய திரைப்படக் கூட்டுத்தாபனம்  
NATIONAL FILM CORPORATION OF SRI LANKA



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அரசாங்க நிர்வாக மற்றும் முகாமைத்துவ அமைச்சு  
Ministry of Public Administration & Management

# **National Film Corporation of Sri Lanka**



## **Annual Report**

### **2015**

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## **Forward**

Date : 24.08.2016

My No : NFC/103/05/02/96

Hon. Gayantha Karunathilake  
Minster of Parliamentary Reforms and Mass Media  
Minstry of Parliamentary Reforms and Mass Media  
No 163, Kirulapone Avenue, Polhengoda  
Colombo 05

Hon. Minister,

### **National Film Corporation of Sri Lanka – Annual Report - 2015**

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, 2014 of the National Film Corporation of Sri Lanka is submitted herewith along with the following documents.

1. Functions performed by the Corporation in year 2015 and relevant statements.
2. Profit and Loss Account, Notes on financial statements and the Balance Sheet as at 31<sup>st</sup> December, 2015.
3. Auditor General's Report for the year ended 31<sup>st</sup> December, 2015.

Yours faithfully,

SGD./ ILLEGIBLE

Deepal Chandrarathna, Attorney-at-Law  
Chairman  
National Film Corporation of Sri Lanka



## **Administration Report**

01. Introduction
02. Board of Directors
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## **01. Introduction**

Annual Report – 2014 of the National Film Corporation of Sri Lanka presented to Hon. Gayantha Karunathilake, Minister of Parliamentary Reforms and Mass Media 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 2014 is applicable to the 45<sup>th</sup> operational year of the National Film Corporation of Sri Lanka.

## **02. Board of Directors**

Board of Directors of the National Film Corporation in year 2015 consists of following members.

1. Mr. Deepal Chandrarathna, Attorney-at-Law - Chairman
2. Mr. Sampth Subhasinghearachchi -Working Director
3. Dr. S. K. M. D. Darshani Goonathilake - Member (Ex-officio)
4. Dr. Anil Samaranayake, Consultant Physician - Member
5. Mrs. P.V. P. Dayarathna - Member
6. Mr. Nayana Hettiarachchi - Member
7. Mr. Amal Alwis - Member
8. Mrs. N. Godakanda - Treasury Representative
9. Mrs. W.K. Wickramarachchi, Attorney-at-Law- Secretary to the Board

### **03. Local Film Production**

#### **3.1 Registration of local film productions**

40 films have been registered in the National Film Corporation of Sri Lanka during year 2015.

A registration fee of Rs. 2000/- per each film is levied by the 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.

##### **3.2.2 Loan Facilities for film production**

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

##### **3.2.5 Loan facilities for publicity**

During this year, a financial grant of Rs. 5Mn (Interest-free) has been granted for publicity activities of the film “suhada Koka” released for public screening on 23.10.2015 under Rithma Circuit subject to repayment out of producer’s earning of film revenue.

### **3.2.6 Loan facilities for subtitling**

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

### **3.3 Registration of cinema artistes and technicians and issuance of technical identities**

This has not been systematically performed for several years and in this year the Production / Marketing / Research Division has issued 107 new identities under a new programme.

### **3.4 Levying of approved charges for hiring foreign artistes and technicians in local film productions.**

Charges have not been levied for foreign artistes and technicians hired for local film productions during the year

### **3.5 Levying of approved charges for obtaining camera equipment for shooting of local serial / commercial / documentary programmes**

Charges have been levied from 01 serial film and 01 commercial programmes.

### **3.6 Felicitation of Unique Aritistes**

- Financial donation of Rs. 50,000/- as medical assistance to the film director Mr. Nihal Fernando
- Financial donation of Rs. 50,000/- as medical assistance to the film artiste Mr. Sunil Hettiarachchi

### **3.7 Importation of Films**

25 film importers have registered during the year.

Accordingly, the films approved for importation under 05 film circuits during year 2015 are as follows.

- Tamil Films - 58
- Hindi Films - 20
- English Films - 49

### **3.8 Corporation Trust for Film Artistes and Technicians**

#### **3.8.1 Payment of pensions (Payment of pensions Rs. 2,000/- per each)**

- |  |                |
|--|----------------|
| • January – February (For 62 pensioners) | Rs. 248,000.00 |
| • March – June (For 61 pensioners)       | Rs. 488,000.00 |
| • July (For 60 pensioners)               | Rs. 120,000.00 |
| • August – September (For 59 pensioners) | Rs. 236,000.00 |
| • October – December (For 58 pensioners) | Rs. 348,000.00 |

#### **3.8.2 Pensioners demised during year 2015**

- Mr. U.S.S. Hameed (04.05.2015)
- Mr. Mohomed Ismail Lal (06.06.2015)
- Mr. Merceline S. Perera (06.10.2015)
- Pensioner Mr. Noel Vithanage has demised (Artiste)

### **3.9 National Film Development Fund**

#### **3.9.1 Facilitation of Unique Artistes**

- Financial donation of Rs. 100,000/- for the 96<sup>th</sup> birthday of Dr. Lester James Peris
- Financial donation of Rs. 100,000/- for the 91<sup>st</sup> birthday of veteran artiste Mr. Birty Goonathilake

### **3.9.2 Obtaining permission for shooting of foreign / serial / commercial programmes**

Charges have been levied from 01 serial film, 34 documentary films and 15 commercial films.

## **04. Personnel and Institutional Administration**

### **4.1 Cadre**

Cadre as at 01.01.2015	-	140
Persons recruited during year 2015	-	-

#### **No of deserters during year 2015**

No of persons retired	-	05
No of persons resigned	-	02

07  
133

Permanent Cadre	-	133
Chairman	-	01
Working Director	-	01
Daily Allowance	-	01
Total no of employees as at 31.12.2015	-	<u>143</u>

### **4.2 Administration and Fulfilment of Employee Requirements**

Actions have been taken to continue services in relation to personnel administration.

## **05. Film Advertising / Cine Ad**

### **5.1 Functions performed during the year**

#### **5.1.1 Newspaper publicity of local films released for screening**

- |     |  |    |                       |
|-----|--|----|-----------------------|
| i   | <i>Sathiyakata Mata Rata Baradenna</i> | ii | <i>Anatha Dupatha</i> |
| iii | <i>Bonikka</i>                         | iv | <i>Lantin Sinno</i>   |
| v   | <i>Sanjana</i>                         | vi | <i>Suhada Koka</i>    |
| vii | <i>None Mage Sudu None</i>             |    |                       |

#### **5.1.2 Newspaper publicity of imported foreign films**

- |     |                              |    |                                    |
|-----|------------------------------|----|------------------------------------|
| i   | <i>NH 10 – Hindi</i>         | ii | <i>Hamari Aduri Kahani - Hindi</i> |
| iii | <i>Alone – Hindi</i>         | iv | <i>ABCD – Hindi</i>                |
| v   | <i>36 Yayathalai – Tamil</i> |    |                                    |

#### **5.1.3 Publicity activities related to films screening in cinema halls**

- Liberty Lite - Kollupitiya
- Amity Lite - Maharagama
- City Cinema – Mount Lavinia

#### **5.1.4 Media Publicity Activities**

- 68<sup>th</sup> Anniversary of local cinema and the 43<sup>rd</sup> Anniversary of the National Film Corporation of Sri Lanka
- Thai Film Festival held from 20.03.2015 to 22.03.2015
- 96<sup>th</sup> birthday celebration of Dr. Lester James Peris held on 04.04.2015
- ‘Hansa Vilak’ film festival held on 4<sup>th</sup> and 5<sup>th</sup> April and the cinema symposium held on 6<sup>th</sup> April, 2015
- Cinema symposium held on 03.07.2015 on “Cinema to Uplift the Sri Lankan Spirit”
- Screening of the film “Life of Pie” for the World Children’s Day fallen on 01<sup>st</sup> October, 2015
- Japanese Film Festival held from 23.10.2015 to 2.10.2015
- Korean Film Festival held from 0.11.2015 to 07.11.2015

## **06. Exhibition of Films**

### **6.1 Corporation Circuit (Rithma Enterprises)**

- 58 cinema halls have been operated under Rithma Circuit during year 2015
- Film screening has been commenced in theatres Dhammika – Wellawaya and Regina Malini – Thambuttegama for the year 2015

### **6.2 Releasing of Films**

- Films have been released for 58 cinema halls by Rithma Circuit
- Actions have been taken to release films in collaboration with Rithma Circuit as well as other circuits during year 2015
- Rithma Circuit has taken steps to release 06 Sinhala films
- Steps have been taken to release 22 Tamil Films and 10 Hindi films imported by suppliers since January this year in collaboration with the Rithma and other circuits

(Measures have been taken by Rithma Circuit to release films under the quota allocated for Rithma Circuit as well as films obtained from quotas allocated to other circuits)

### **6.3 Film Rent**

Film rent has been received as follows from the films supplied to other circuits by Rithma Circuit (upto September, 2015)

- |  |                    |
|--|--------------------|
| • Lanka Film Distributors (Pvt.) Ltd             | - Rs. 6,386,339.37 |
| • Movie Producers & Importers Company (Pvt.) Ltd | -Rs. 1,691,228.75  |
| • Cinema Entertainment (Pvt.) Ltd                | -Rs. 12,614,922.10 |
| • E.A.P. Films & Theatres (Pvt.) Ltd             | -Rs. 1,030,732.14  |

Rent has been paid as follows for the films obtained by Rithma Circuit from other circuits



- Lanka Film Distributors (Pvt.) Ltd -Rs. 1,454,463.99
- Movie Producers & Importers Company (Pvt.) Ltd -Rs. 3,705,944.21
- Cinema Entertainment (Pvt.) Ltd -Rs. 12,748,925.43
- E.A.P. Films & Theatres (Pvt.) Ltd -Rs. 26,591,327.90
- REPO Deposits

Deposits of Rs. 24,169,989.75 exist from January to December, 2015.

Commission from January to December, 2015 can be calculated as

Rs. 21,424,689.45

- During year 2015, films have been provided for various societies, university and school students at a concessionary rate for charity shows.
- Films have been provided for the Police Training School and Army camps at a concessionary rate.

## **07. Internal Auditing**

Internal auditing has been conducted as per provisions of the Finance Act No 38 of 1971 and under observation of the Auditor General.

The Audit and Management Committee consists of following members.

Mrs. N. Godakanda	- Treasury Representative - Chairman
Mrs. W. Sriyani Hanwella	- Internal Auditing – Secretary to the Committee
Dr. Anil Samaranayake	- Director, Medical research Institute - Member
Dr. S.K.M. Darshani Goonathilake	- Director General, Department of Government Information - Member
Mr. Amal Alwis	- Member
Mrs. K.C.P. Senarathna	- Auditor General's Department - Observer

Three (03) Audit and Management Committee Meetings have been conducted during the year.

## 08. Cinema Cultural and Education Activities

### 8.1 Educational Activities

Objective	Main Activities	Output Indicator	Physical Progress		%	Financial Progress (Rs. Mn)		%	Source of Funds	Responsibility	
			Annual Target	Cumulative Progress as at 31.12.2015		Annual Allocation	Cumulative Expenditure as at 31.12.2015				
Educational, Promotion and Cultural											
1. Preparing an academic and conceptual foundation for the creation of an advanced Sri Lanka cinema culture	Conducting the Diploma in Cinematography (2015)	No of students registered	50	31	62	2.5	0.5	20	Course Fee & NFC	Assistant General Manager – Education , Promotion and Culture	
12. Development of cinema library for the nurture of cinematic culture	Launching of cinema related publications 1. Printed magazines 2. Publications	No of printed magazines No of publications	3000 2000	3000 -	100 -	0.4 0.3	0.4 -	100 -			
Eventhough preliminary activities were taken to obtain services of cinema writers as resource persons, publications could not be compiled up to the expected standard											
3. Nurturing cinema art and cinema industry through the promotion of cinema viewership	Cinema Appriciation Programmes / Workshops “Jeewithayata Cinemawa”	No of program mes	8	7	87'5	0'2	0'06	30	Sponsor institutions and NFC		

[illegible]

## **9. Import and Exportation of Local Supplies**

- Procure and supply essential office requisites for theatre owners and the Corporation staff.
- Print and supply tickets for theatre owners
- Importation of arch carbon for cinema halls
- Procurement of fixed assets for the use of the Corporation
- Entering in to agreements with respective agents on photo copiers, computers and accessories, air-conditioners, fax machines and computer programmes when required
- Repairs and services of photo copiers, computers and accessories, air-conditioners, fax machines
- Supply of security services and janitorial services for the Corporation premises for the year 2015/2016

## **10. Film Archive**

### **10.1 Functions**

- Registration of foreign films imported on approval of the National Film Corporation and locally produced films.
- Receive such films and submit them to the Public Performance Board after quality inspection and thereby to earn revenue for the Corporation. Handing over the same to the importer / producer / distribution circuit upon obtaining quality reports on approval of the Public Performance Board
- Distributing and receiving to and from respective cinema halls, the films scheduled by the Corporation Circuit by hand and train.
- Distributing in advance the publicity trailers related to such films to cinema halls

- Re-checking and stacking in racks the films received by the film archive
- Random checking of films stacked in shelves from time to time.
- Rs. 12 lakhs have been earned from quality inspections.
- Rehabilitation of old films in the film archive to suit re-screening and thereby to earn an income for the Corporation.
- Systemizing the maintenance of the film archive by delivering all film copies to their owners after retaining 03 copies suitable for screening.
- Taking measures to burn and dispose the damaged films and films with expired agreements after informing the proprietors and to earn an income to the Corporation by the sale of the ashes remained in the process of burning.
- 21 Sinhala films have been registered
- Quality inspection of films stored in the film archive

## **11. Legal Activities**

### **11.1 Functions**

- Submission of proxy and appearing before courts on behalf of the Corporation for cases, in which the Corporation has become a party.
- Appearing on behalf of the Corporation in labour disputes at the Department of Labour.
- Drafting and signing of all legal agreements in relation to films produced, imported and distributed by the Corporation, providing loans

services for production of films, studio services, printing of copies, subtitling and publicity.

- Drafting of legal agreements in obtaining ancillary services, purchasing of goods, construction of buildings and other.
- Providing legal advice for day to day legal issues forwarded by the Divisions of the Corporation as and when necessary.

## **11.2 Judiciary Activities**

### **Details of cases implemented during year 2015**

1. Court of Appeal Case No: 590/2007
2. Court of Appeal Case No: 870/99
3. Magistrate Court Colombo Case No: 97659/5/11
4. District Court Case No: DMR 1126/2012 – The Corporation has filed a case against the outstanding Corporation Trust due from the 04nCine City theatres
5. District Court Colombo Case No: DSP/00026/2013, DSP/00027/2013, DSP/00028/2013, DSP/00029/2013, DSP/00030/2013
6. Court of Appeal Application No: CA(Writ) Application No : 144/2013
7. Laour Tribunal Case No: 13/41/2013
8. Laour Tribunal Case No: 2/435/2014
9. Laour Tribunal Case No: 2/47/2014
10. DMR 2603/2013 Film *Walapatala*
11. CHC 370/2014 Film *Subha*
12. District Court Colombo Case No: DSP 140/2015
13. District Court Colombo Case No: DMR 00030/2015
14. District Court Chilaw Case No: SPL 4160/2015
15. District Court Colombo Case No: DSP 00052/2015
16. Magistrate Court Colombo Case No: MC 30392/5

17. Inquiries in the Department of Labour

- I Former Corporation employee – Mr. W.S. Fonseka and others
- II Labour Office complaint No: IR/15/19/2012 – Corporation employee Mr. Samitha Dissanayake

**12. Financial Activities**

12.1

	<b>2014</b>	<b>2015</b>
Revenue from exhibition	28,337,822	47,198,999
Cinema Carbon	2,496,080	2,307,960
Stationery	1,185,398	1,342,237
Spare parts	5,507,545	21,168
Cine Ads	364,188	390,026
Studio	<u>1,481,969</u>	<u>2,288,688</u>
Balance	<u>36,807,353</u>	<u>20,813,275</u>

Sales revenue of year 2015 has been Rs. 5.6Mn. It has been an increase of Rs. 14Mn from the Rs. 9.6Mn in year 2014. This has contributed by 78.% of distribution commissions, 96.4% of foreign distribution commission and 9.5% of Corporation Trust. This increase has resulted from the creation of attractive films and the importation of foreign films.

12.2 compared to previous year Total expenditure has increased by Rs. 32.4Mn

Employee remuneration has increased by Rs. 15.22Mn while allocation for employee gratuity has been increased by Rs. 16.4Mn.

12.3 Rs. 80Mn has been received from the Treasury for recurrent expenditure during the year. Nett loss of the year has been Rs. 59.1Mn while the net loss of the previous year has been Rs. 38.1Mn

Excess of year 2015 after adjustment of recurrent revenue received from the Treasury has been Rs. 20Mn.

- 12.4 Rs. 30Mn has been received this year from the capital expenditure approved by the Treasury.

#### **12.5 Production Loan and Cinema Hall Loan**

Loan facilities have been granted for publicity activities at screening of films.

#### **12.6 Investments**

At the end of the year, short term investments have been made as follows; Rs. 16Mn in Fixed Deposits, Rs. 85Mn in Treasury Bills, Rs. 104Mn in REPO Deposits. Rs. 49Mn from these investments has been for the gratuity of Corporation employees while securities received from cinema halls have been Rs. 2.4Mn.

- 12.7 Employee remuneration has been paid from Treasury allocations and therefore, no income tax has been allocated for the year.

### **13 Studio**

Main function of the studio is to provide technical services and other facilities for films in the post production stage.

Accordingly, technical and other facilities have been provided in following areas for local film producers during year 2015.

1. Sound Division (Digital)
2. Non-linear Editing Division (Digital)
3. Film and television shooting studio

#### **13.1 Functions Performed**

- 1 Nearly 24 local films have obtained technical facilities provided by the Sarasavi Studio



- 2 Facilities have been provided in the internal studio, studio verandah and in the garden to shoot films and television programmes and 05 films and 06 television programmes have been filmed during the period.
- 3 Modernization of one sound studio to facilitate multi-dimensional sound recordings of international standards  
  
Bids have been called for this project and tenders have to be awarded upon comparison of bids
- 4 Upgrade high quality colour correction and computer generated image technology by purchasing a sophisticated editing system for the Digital Editing Unit of the studio.  
  
Bids have been called to procure equipment required to update the studio with facilities for colour correction and creating computer generated images and tenders have to be awarded upon comparison of bids
- 5 Preliminary activities of converting the B. A. W. Jayamanna studio in to a multi-purpose study room and to rent it out for film shooting, cinema courses and cinema-related events.

### **13.2 Films obtained post technical services from the studio - 2015**

#### **Sound Division**

- |                                    |                                    |
|------------------------------------|------------------------------------|
| 1. <i>Sudu Samanali</i>            | 2. <i>Wasdandu Ravaya</i>          |
| 3. <i>The Rainbow</i>              | 4. <i>Short Film</i>               |
| 5. <i>Ho Gana Pokuna</i>           | 6. <i>Tharu Mithuro</i>            |
| 7. <i>Surangana</i>                | 8. <i>Aloko Udapadi</i>            |
| 9. <i>Bota Honda Nam Mata Moko</i> | 10. <i>Paththini</i>               |
| 11. <i>Adara Kathawak</i>          | 12. <i>The Undecided</i>           |
| 13. <i>Dr. Nawariyan</i>           | 14. <i>Weerawarna</i>              |
| 15. <i>Tiger</i>                   | 16. <i>Meda Poddak Peththak Ne</i> |
| 17. <i>Adara Poojasane</i>         | 18. <i>Weswalagath Tharuniya</i>   |
| 19. <i>Jobless Douglas</i>         | 20. <i>TV Commercial</i>           |

21. *Ulath Ekai Pilath Ekai*
22. *Bambara Wasanthaya*
23. Education Programme – Sri Lanka Foundation

### **Non-linear Editing Division**

1. *Surangana*
2. *Kumari Kanyavi*
3. *Athma Warsha*
4. *Natannethiwa Dinna*
5. *Oluwa Japan Kanda German*
6. Documentry (Dharmaloka College)
7. Documentry (Mr.Sujitha Kurruppu)

### **Films / Television Programmes filmed in the studio - 2015**

1. Tokyo Cement All Island School Quiz
2. Derana – Dell Studio
3. Sri Lanka Rupavahini Corporation – Muthuhara Programme
4. Sri Lanka Rupavahini Corporation – Rin Bright Star
5. Asia Broadcasting (Pvt) Ltd. – Hiru Unplugged
6. Swarnavahini – *Panadol Sahanabhimani*
7. *Kalu Hima* - Film
8. *Weerawarna* - Film
9. *Jobless Douglas* - Film
10. *Athuru Mithuru* – Film
11. *Natannethiwa Dinna* - Film

### **13.3 Annual Returns from the Studio**

Sound Division	2,239,988
Editing Division (NLE)	143,475
Shooting	2,324,667
Total Returns	4,708,130

## 14. **Investigations**

### **14.1 Functions performed by the Investigation Division during the year**

- Collecting data on land and buildings suitable for construction of cinema halls
- Opening of new cinema halls and re-opening of closed down cinema halls
- Inspection of cinema halls
- Supervision of foreign film shootings

### **14.2 Functions performed by the Investigation Division during the year**

- Proposed cinema hall in Chillaw
- Proposed cinema hall in Ambalangoda
- Proposed cinema hall - Saxon - Colpetty
- Proposed cinema hall in Rajagiriya
- Dinak Cinema Boralesgamuwa
- Proposed cinema hall – Naham - Chunnakam
- Proposed cinema hall - Regal - Jaffna
- Proposed cinema hall - Kottawa
- Proposed cinema hall – My Lan
- New mini cinema hall - Deniyaya
- Proposed cinema hall - Jaffna
- K – Zone – Ja Ela
- Sky Lights - Malambe

### **14.3 Opening of new cinema halls and re-opening of closed down cinema halls**

#### **New cinema halls opened**

- Rejina Cinema - Thambuththegama
- City Line Cinema - Mt. Lavinia

### **Re-opening of closed down cinema halls**

- Praja Cinema - Wellawaya

#### **14.4 Inspection of cinema halls**

Main function of the investigation Division is to inspect cinema halls. Accordingly, all cinema halls islandwide have been inspected 1246 times during the year

#### **Recovering outstandings of cinema halls**

Measures have been taken to recover outstandings due from cinema halls. Accordingly, Rs. 2, 304,798.96 has been recovered as the Corporation Trust and film rent fees.

#### **Issuance of Debit Notes for irregularities taken place in cinema halls**

Various irregularities have been identified when investigation officers inspecting cinema halls. Pursuant to Corporation Circulars, 132 Debit Notes to the value of Rs. 401,020/- have been issued during year 2015.

Out of Debit Notes issued in previous years Rs. 808,540/- has been recovered from 52 Debit Notes issued.

#### **14.5 Supervision of Foreign Film Shootings**

The Corporation is supervising commercials, films and documentary programmes filmed in Sri Lanka by foreign crews. Accordingly, 37 such shootings have been supervised.

### **15. Welfare**

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

## **16. Sports Club**

The Sports Club has gained following achievements during the year.

- Conducting a new year festival with the Corporation staff
- Participating in the Janasathu Seva Carrom competition
- Winning the Championship in Division B of the Janasathu Seva Elle competition
- Grading carrom players by conducting an internal carom competition
- Obtaining carom seeds (carom men), striker and 12 stools required for the game

## **17. Religious Activities**

### **17.1 Buddhist Association**

- Distributing exercise books for the children of Corporation employees.
- Conducting a Dhamma desana for Vesak and poson festivals
- Conducting a biscuit and coffee *dansela* for the Vesak festival
- Distributing '*Pansiya Panas Jathaka*' (Volume I) among Corporation employees by the Buddhist Association
- Constructing a shrine room in the Corporation premises for the employees to engage in religious activities
- Releasing two cows prepared to be slaughtered with the contribution of the Buddhist Association and the employees

### **17.2 Christian Association**

Conducting annual Christmas celebrations with the participation of the employees and their children.

## **18. Medical Assistance Scheme**

The Medical Assistance Scheme conducted with contributions from the Corporation and subscriptions from employees has been implemented in this year as well and the Board of Control of the said scheme will be as follows.

Mr. Sunil Wikramanayake	-	Chairman
Mrs. Ranjani Perera	-	Member (General Manager (Actg.) – Administration & Human Resources)
Mr. Namal Weerabahu	-	Member (Administrative Officer (Administration & Human Resources)
Mr. R.P. Tissa	-	Member (Secretary – Sri Lanka Freedom Trade Union)
Mr. K.R. Winson	-	Member (National Workers’ Union)
Mr. Sukhitha Ilangakoon	-	Member (Chairman- Film Corporation Workers’ Association)
Mr. H. D. Asanka Goonathilake	-	Officer – in -charge

## **19. Trade Unions**

Sri Lanka Freedom Trade Union, National Workers’ Union and the National Film Corporation Workers’ Association have acted in cooperation with the management of the National Film Corporation.

## **20. Acknowledgement**

The staff of the National Film Corporation has responsibly dedicated themselves to achieve the performance of year 2014 and the Board of Directors commends and offers its gratitude for the effort of the staff.

Deepal Candrarathna, Attorney-at-Law  
Chairman  
National Film Corporation of Sri Lanka

**National Film Corporation of Sri Lanka**  
**Comprehensive Income Statement**  
**for the year ended 31.12.2015**

Description	Referen	2015				2015			
		2015		2014		Exhibition		Studio	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sales	03	53,594,147	39,591,535	47,589,025	2,288,688	-	-	-	3,716,434
Less : Sales Cost	04	2,866,206	7,341,871	-	149,384	-	-	-	2,716,822
Gross Profit		50,727,941	32,249,664	47,589,025	2,139,304	-	-	-	999,612
Less : Expenditure									
Employee Remuneration	05	77,611,315	62,390,237	11,701,951	10,812,685	4,819,283	50,277,396		
Travelling & Subsistence	06	429,651	808,155	2,318	16,206	500	410,627		
Supply & Equipment	07		7,028,356	4,950	1,681,174	12,935	4,446,329		
Repairs, Maintenance & Depreciation	08	28,406,798	29,487,741	-	6,144,298	-	22,262,500		
Transport, Communication, Requisites & Other Services	09	14,386,447	18,496,419	368,708	1,866,123	900,893	11,250,723		
Adjustments for Bad Debt		10,995,465	3,750,161	8,957,236	-	2,038,229	-		
Gratuity Allocation		20,485,019	4,005,290	3,457,933	3,292,941	686,520	13,047,625		
Allocation for Film Artists' & Technicians' Fund		200,000	200,000	-	-	200,000	-		
Loss of Stock		-	21,143	-	-	-	-		
Absorption of General Administrative Expenditure		152,514,695	126,187,502	24,493,096	23,813,427	8,658,360	101,695,200		
		-	-	15,333,231	14,168,013	6,314,774	(35,816,018)		
Operational Profit / Loss	10	158,660,083	126,187,502	39,826,327	37,981,440	14,973,134	65,879,182		
Add : Other Income		(107,932,142)	(93,937,838)	7,762,698	(35,842,136)	(14,973,134)	(64,879,570)		
Profit / Loss of the Year		48,745,417	55,745,191						
Add : Treasury Grants		(59,186,725)	(38,192,647)						
Profit (Pre-tax)		80,000,000	75,000,000						
Less : Allocation for Tax		20,813,275	36,807,353						
Deficit / Surplus		-	-						
		20,813,275	36,807,353						

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

	Reference	2015 Rs.	2014 Rs.
<u>Represented by</u>			
<u>Fixed Assets</u>			
Property, Machinery & Equipment	11	356,557,037	368,801,813
Long-term Investments	12	127,000	127,000
		<u>356,684,037</u>	<u>368,928,813</u>
<u>Current Assets</u>			
Short-term Assets	13	207,087,271	181,279,365
Stock	14	9,329,064	11,909,411
Debtors	15	140,875,826	123,136,192
Miscellaneous Debtors	16	159,015,837	149,472,335
Deposits and Advanced Payments	17	3,357,237	10,810,753
Cash & Bank Balance	18	67,844,504	21,578,961
		<u>587,509,739</u>	<u>498,187,017</u>
Total Assets		<u>944,193,776</u>	<u>867,115,830</u>
<u>Input Capital</u>			
Authorized Capital		10,000,000	10,000,000
Accumulated Profit		334,063,659	314,730,054
Other Reserves		123,482,759	123,482,759
		<u>467,546,418</u>	<u>448,212,813</u>
<u>Non-current Liabilities</u>			
Grants	19	146,944,856	136,862,813
Gratuity Allocations	20	49,392,704	34,060,813
		<u>196,337,560</u>	<u>170,923,626</u>
<u>Add : Current Liabilities</u>			
Deposits	21	2,474,227	2,484,227
Film Rent Creditors	22	242,661,692	208,610,799
Other Creditors	23	35,173,879	36,884,365
		<u>280,309,798</u>	<u>247,979,391</u>
Total Liabilities		<u>944,193,776</u>	<u>867,115,830</u>

These Financial Statements have been prepared according to Sri Lanka Financial Reporting Standards

...SGD./ ILLEGIBLE.....  
Deputy General Manager - Finance (Actg.)  
National Film Corporation of Sri Lanka  
303, Bauddhaloka Mawatha,  
Colombo 07.

SGD./ ILLEGIBLE  
Chairman

SGD./ ILLEGIBLE  
Director

30.05.2016



**National Film Corporation of Sri Lanka**

**Equity Statement**

**for year ended 31.12.2015**

	<b><u>Capital Equity Rs.</u></b>	<b><u>Accumulated Profit Rs.</u></b>	<b><u>Capital Reserves Rs.</u></b>	<b><u>Revaluation Reserves Rs.</u></b>	<b><u>Other Reserves Rs.</u></b>	<b><u>Total Rs.</u></b>
<b>Balance as at 01.01.2014</b>	10,000,000	277,922,702	499,898	115,153,399	7,829,462	411,405,461
Profit of the year	-	35,327,682	-	-	-	35,327,682
Balance as at 31.12.2014	10,000,000	313,250,384	499,898	115,153,399	7,829,462	446,733,143
Profit of the year	-	20,813,275	-	-	-	20,813,275
<b>Balance as at 31.12.2015</b>	10,000,000	334,063,659	499,898	115,153,399	7,829,462	467,546,418

**National Film Corporation of Sri Lanka**  
**Cash Flow Statement**  
**for the year ended 31.12.2015**

	<b><u>2015</u></b>	<b><u>2014</u></b>
	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>
<b><u>Cash Received from Operational Activities</u></b>		
Net Profit before Tax	(59,186,725)	(38,192,647)
(Less)		
Interest on Production Loans	(396,064)	-
Interest on Fixed and Treasury Bills	(11,111,070)	(10,267,443)
	<u>(70,693,859)</u>	<u>(48,460,090)</u>
<b><u>Adjustments for subjects not affecting cash flow</u></b>		
Depreciation	21,160,625	20,762,242
Allocation for Gratiuty	20,485,019	4,005,290
Allocation for Doubtful Debt	10,995,465	3,750,161
Allocation for maintenance	-	616,923
Recognition of state grants in to revenue	(19,917,957)	(19,300,177)
Revenue earned from removal of vehicles	-	(2,611,420)
Writing off of loan interests	-	211,878
	<u>(37,970,707)</u>	<u>(41,025,193)</u>
<b><u>Objects of previous years</u></b>		
Adjustments for objects of previous years	(1,479,671)	4,598,518
Operational profit before differences in working capital	<u>(39,450,378)</u>	<u>(36,426,675)</u>
<b><u>Differences in Working Capital Subjects</u></b>		
Stock (Less)	2,580,347	1,270,711
Debtors (Add)	(38,278,601)	(108,760,402)
Deposits and Advanced Payments (Less)	7,453,516	(354,010)
Deposits (Add)	(10,000)	37,500
Creditors (Add)	34,050,893	102,679,959
Other Creditors (Less)	(1,710,483)	(1,049,236)
	<u>(35,364,706)</u>	<u>(42,602,152)</u>
<b><u>Less :</u></b>		
Gratuity Payments	(5,153,128)	(2,169,965)
	<u>(40,517,834)</u>	<u>(44,772,117)</u>
<b><u>Cash Flow from Investment Activities</u></b>		
Production Debt Interest	396,064	
Fixed & Treasury Bill Interest	11,111,070	10,267,443
Acquisition of Fixed Assets	(8,915,851)	(15,146,200)
Investment in Fixed & Treasury Bills	(25,807,906)	(56,480,881)
Cash received from sale of fixed assets		4,535,556
Treasury Grants	110,000,000	93,100,000
Net increase in cash and cash equivalents	46,265,543	(8,496,199)
Balance of cash and cash equivalents at the beginning of year	21,578,961	30,075,160
Balance of cash and cash equivalents at the end of year	<u><b>67,844,504</b></u>	<u><b>21,578,961</b></u>

# **National Film Corporation of Sri Lanka**

Notes on Financial Statements

**Year ended 31<sup>st</sup> December, 2015**

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## **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 31<sup>st</sup> December, 2015**

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## **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 01.07.2016 for these financial statements to be distributed.

## **1.2 Basis of Preparing Accounts**

### **1.2.1 Declaration of Compliancy**

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

# **National Film Corporation of Sri Lanka**

## **Notes on Financial Statements**

**Year ended 31<sup>st</sup> December, 2015**

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### **1.2.2 Responsibility of Financial Statements**

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

### **1.2.3 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 for the Corporation to discontinue its operations or liquidate it and the financial statements have been prepared based on its continuity.

### **1.2.5 Implementation and Presentation Currency**

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

### **1.2.6 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.

# **National Film Corporation of Sri Lanka**

## **Notes on Financial Statements**

**Year ended 31<sup>st</sup> December, 2015**

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### 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.

#### **(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.

# **National Film Corporation of Sri Lanka**

## **Notes on Financial Statements**

**Year ended 31<sup>st</sup> December, 2015**

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### **2. Specialized Accounting Principles**

#### **2.1 Assets and the Basis of Evaluation**

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

#### **2.2 Financial Instruments**

##### **2.2.1 Financial Assets (Non-derivative)**

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

##### **2.2.2 Classification, Identification and Measurement**

The management classifies its financial assets as follows,

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

##### **a. Debts and Receivables**

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

# **National Film Corporation of Sri Lanka**

## **Notes on Financial Statements**

**Year ended 31<sup>st</sup> December, 2015**

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### **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.

#### **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.



# **National Film Corporation of Sri Lanka**

## **Notes on Financial Statements**

**Year ended 31<sup>st</sup> December, 2015**

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### **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 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

# **National Film Corporation of Sri Lanka**

## **Notes on Financial Statements**

**Year ended 31<sup>st</sup> December, 2015**

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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 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

# **National Film Corporation of Sri Lanka**

## **Notes on Financial Statements**

**Year ended 31<sup>st</sup> December, 2015**

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

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

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

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

## **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 aquisition 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 depreaciation will be calculated upon cost / assessed value according to depletion method of depreciation. Depreciationof property excluding land, plant and machinery will be calculated as per following percentages within their productive life

# National Film Corporation of Sri Lanka

## Notes on Financial Statements

**Year ended 31<sup>st</sup> December, 2015**

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

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

### **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

# **National Film Corporation of Sri Lanka**

## **Notes on Financial Statements**

**Year ended 31<sup>st</sup> December, 2015**

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an asset or a finance sourcing unit exceeds its estimated recoverable value, a loss in reduction of value will be identified. The recoverable value of an asset or a finance sourcing unit will be the highest among its value in use and the difference between its fair value and its sales cost. In evaluation of value in use, it will be discounted at the pre-tax discount rate, which reflects the present market evaluation of the current rupee and the present value of future financial flows estimated using risks unique to the asset or the financial sourcing unit.

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

### **2.4 Stock**

All stocks are evaluated at the least between the cost and the 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 31<sup>st</sup> December, 2015**

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### **(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.

### **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**

# **National Film Corporation of Sri Lanka**

## **Notes on Financial Statements**

**Year ended 31<sup>st</sup> December, 2015**

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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.

### **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**

# **National Film Corporation of Sri Lanka**

## **Notes on Financial Statements**

**Year ended 31<sup>st</sup> December, 2015**

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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 and Surcharge**

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 decrease in income during the screening of the film.

#### **2.13.3 Unscreened Films**

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

(b) Inrelation to studio services, intersts of films, which have suspended production activities and 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**



# **National Film Corporation of Sri Lanka**

## **Notes on Financial Statements**

**Year ended 31<sup>st</sup> December, 2015**

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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 Statement**  
**for the year ended 31.12.2015**

		<b><u>2015</u></b>		<b><u>2014</u></b>
(03) <b><u>Sales</u></b>		<b><u>Rs.</u></b>		<b><u>Rs.</u></b>
Light-fed Films	<b>3.1</b>	47,198,999		28,337,822
Exhibitions	<b>3.2</b>	390,026		364,188
Studio	<b>3.3</b>	2,288,688		1,481,969
Sales	<b>3.4</b>	3,716,434		9,407,556
		<u>53,594,147</u>		<u>39,591,535</u>
<b>3.1 <u>Light-fed Films</u></b>				
Local film rent		34,166		9,854
Eastern film rent		-		-
<i><u>Distribution Commission</u></i>				
Local		18,889,785		10,567,571
Foreign		16,653,226		8,495,208
Increase		7,789,740		5,630,449
Commission on Services		148,724		116,093
Surcharge		3,253,073		3,061,887
Investigation fines		430,285		456,760
		<u>47,198,999</u>		<u>28,337,822</u>
<b>3.2 <u>Exhibitions</u></b>				
Cine Ads		390,026		364,188
		<u>390,026</u>		<u>364,188</u>
<b>3.3 <u>Studio</u></b>	<b><u>No of</u></b>		<b><u>No of</u></b>	
	<b><u>Films</u></b>		<b><u>Films</u></b>	
Sound	45	2,133,488	21	1,208,906
Editing	7	155,200	17	273,063
Laboratory (B/W)	-	-	-	-
		<u>2,288,688</u>		<u>1,481,969</u>
<b>3.4 <u>Sales Activities</u></b>	<b><u>No</u></b>		<b><u>No</u></b>	
Cinema Carbon	45,950	2,307,960	45,250	2,496,080
Spare parts	-	21,168		5,507,545
Stationery	-	1,342,237		1,185,398
internal use				
Spare parts		6,100		20,840
Stationery cost		38,969		197,693
		<u>3,716,434</u>		<u>9,407,556</u>

**National Film Corporation of Sri Lanka**  
**Notes on Income Statements**  
**for the year ended 31.12.2015**

(04) <b><u>Sales Cost</u></b>	<b><u>Exhibitions</u></b>		<b><u>Studio</u></b>		<b><u>General Admin Expenditure</u></b>		<b><u>2015 Total</u></b>		<b><u>2014 Total</u></b>	
	<b><u>Rs.</u></b>		<b><u>Rs.</u></b>		<b><u>Rs.</u></b>		<b><u>Rs.</u></b>		<b><u>Rs.</u></b>	
Stock as at 01.01.2015	5,253,887		1,824,580		8,130,875		15,209,342		23,858,948	
<b><u>Add :</u></b>										
Purchases and Transfers	-		-		3,025,486		3,025,486		1,469,916	
	5,253,887		1,824,580		11,156,361		18,234,828		25,328,864	
<b><u>Less :</u></b>										
Loss of stock	-		-		-		-		3,185	
Transfers	-		-		-		-		-	
Final stock as at 31.12.2015	5,253,887		1,675,196		8,439,539		15,368,622		17,983,808	
	-		149,384		2,716,822		2,866,206		7,341,871	
	5,253,887		1,675,196		8,439,539		15,368,622		17,986,993	

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

**National Film Corporation of Sri Lanka**  
**Notes on Income Statement**  
**for the year ended 31.12.2015**

**(04 - A) Sales Cost**

Stock 01.01.2015	Purchases	Total	Stock 31.12.2015	Depreciation	Advertising	Total Cost	Increase	Distribution Profit	Total Earnings	Profit / Loss
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
3	-	3	3	-	-	-	3,488	30,678	-	34,166
244	-	244	244	-	-	-	-	-	-	-
471	-	471	471	-	-	-	-	-	-	-
718	-	718	718	-	-	-	3,488	30,678	-	34,166
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	-	-	-	3,488	30,678	-	34,166

## Light-fed Films

Local	3	-	3	3	-	-	3,488	30,678	-	34,166
Western	244	-	244	244	-	-	-	-	-	-
Eastern	471	-	471	471	-	-	-	-	-	-
	718	-	718	718	-	-	3,488	30,678	-	34,166

## Unreleased Films

Local	3,043,931	-	3,043,931	3,043,931	-	-	-	-
Western	982,492	-	982,492	982,492	-	-	-	-
Eastern	8	-	8	8	-	-	-	-
Total	4,026,431	-	4,026,431	4,026,431	-	-	-	-
	4,027,149	-	4,027,149	4,027,149	-	-	3,488	34,166

**Stock as at 01.01.2015**

Purchases	-	-
Advertising	-	-

Less:

Stock	-	-
31.12.2015	-	-

Add:

**Stock as at 01.01.2015**

I. On percentage basis	259,890	259,890	
II. Cine Arts	966,848	966,848	1,226,738
<u>Add :</u>	Expenditure	-	-
		1,226,738	1,226,738

Less:

## Transfers

**Stock as at 31.12.2015**

I. On percentage basis	259,890	-	-
II. Cine Arts	966,848	1,226,738	1,226,738
<b>Total Cost</b>		-	-

**National Film Corporation of Sri Lanka**  
**Notes on Income Statement**  
**for the year ended 31.12.2015**

**(04 - B) Sales Cost**

	<b><u>Negatives</u></b>	<b><u>Cinema Carbon</u></b>	<b><u>Spare Parts</u></b>	<b><u>Chemicals</u></b>	<b><u>Stationery</u></b>	<b><u>Total</u></b> <b><u>2015</u></b> <b><u>Rs.</u></b>	<b><u>Total</u></b> <b><u>2014</u></b> <b><u>Rs.</u></b>
	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>
Initial Stock as at 01.01.2015	287,951	2,130,804	3,298,200	-	2,413,920	8,130,875	16,769,843
<b><u>Add :</u></b>							
Purchasing and Transfers	-	1,630,183	-	-	1,395,303	3,025,486	1,469,916
	287,951	3,760,987	3,298,200	-	3,809,223	11,156,361	18,239,759
<b><u>Less :</u></b>							
Loss of stock	-	-	-	-	-	-	3,185
Final Stock as at 31.12.2015	287,951	2,193,458	2,775,688	-	3,182,442	8,439,539	10,905,341
	-	1,567,529	522,512	-	626,781	2,716,822	7,331,233
	287,951	2,193,458	2,775,688	-	3,182,442	8,439,539	10,908,526

**National Film Corporation of Sri Lanka**  
**Notes on Income Statement (Studio)**  
**for the year ended 31.12.2015**

**(04 - C) Sales Cost**

	<b><u>Negatives</u></b>	<b><u>Cinema Carbon</u></b>		<b><u>Spare Parts</u></b>	<b><u>Chemicals</u></b>	<b><u>Total</u></b>	<b><u>Total</u></b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>2015</b>	<b>2014</b>
						<b>Rs.</b>	<b>Rs.</b>
Initial stock as at 01.01.2015	816,569	-		953,921	54,090	1,824,580	1,835,218
Purchasing	-	-		-	-	-	-
	<u>816,569</u>	<u>-</u>		<u>953,921</u>	<u>54,090</u>	<u>1,824,580</u>	<u>1,835,218</u>
<b><u>Less : </u></b>							
Loss of stock	-	-		-	-	-	-
Transfers	-	-		-	-	-	-
Final stock as at 31.12.2015	<u>816,569</u>	<u>-</u>		<u>804,537</u>	<u>54,090</u>	<u>1,675,196</u>	<u>1,824,580</u>
Internal use during the year	<u>-</u>	<u>-</u>		<u>149,384</u>	<u>-</u>	<u>149,384</u>	<u>10,638</u>
	816,568.80	-		804,537.00	54,090.00	1,675,196.00	#####

**National Film Corporation of Sri Lanka**

**Notes on Income Statements**

**for the year ended 31.12.2015**

**Note : 05**

	<b><u>Exhibitions</u></b>	<b><u>Studio</u></b>	<b><u>Production</u></b>	<b><u>Gen . Admin.</u></b>	<b><u>Total</u></b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b><u>Employee Remuneration</u></b>					
Salaries & Wages	4,977,610	3,944,065	2,079,280	19,345,713	29,776,949
Overtime , Holiday Pay & Compens	529,867	875,367	66,715	1,657,878	3,646,942
Contribution for E.P.F. & E.T.F	822,248	598,361	311,964	2,699,148	4,301,233
Other Allowances	5,372,226	5,394,892	2,361,324	26,574,657	24,665,113
	<b>11,701,951</b>	<b>10,812,685</b>	<b>4,819,283</b>	<b>50,277,396</b>	<b>62,390,237</b>

**Note 06 :**

<b><u>Travelling &amp; Subsistence</u></b>					
Travelling & (Local)	1,393	3,881	-	141,389	136,836
(Foreign)	-	-	-	-	344,551
Subsistence	925	12,325	500	269,238	326,768
	<b>2,318</b>	<b>16,206</b>	<b>500</b>	<b>410,627</b>	<b>808,155</b>

**National Film Corporation of Sri Lanka**  
**Notes on Income Statements**  
**for the year ended 31.12.2015**

**Note : 07**

	<b><u>Exhibitions</u></b>	<b><u>Studio</u></b>	<b><u>Production</u></b>	<b><u>Gen . Admin.</u></b>	<b><u>Total</u></b>	<b><u>Total</u></b>
	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>	<b><u>Expenditure</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
				<b><u>Rs.</u></b>	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>
<b><u>Supplies &amp; Equipment</u></b>						
Stationery & Office Equipment	4,950	44,045	12,935	927,568	989,498	1,439,820
Electricity	-	1,544,299	-	3,113,540	4,657,839	5,072,399
Entertainment	-	-	-	313,481	313,481	464,325
Machinery & Electric Equipment	-	92,830	-	-	92,830	51,812
Uniforms	-	-	-	91,740	91,740	-
	<u>4,950</u>	<u>1,681,174</u>	<u>12,935</u>	<u>4,354,589</u>	<u>6,145,388</u>	<u>7,028,356</u>

**Note : 08**

**Repairs, Maintenance & Depreciation**

<b><u>Fuel &amp; Lubricants</u></b>	-	-	-	3,184,127	3,184,127	1,451,673
<b><u>Maintenance</u></b>	-	195,432	-	3,866,614	4,062,046	7,273,826
<b><u>Depreciation</u></b>	-	5,948,866	-	15,211,759	21,160,625	20,762,242
	<u>-</u>	<u>6,144,298</u>	<u>-</u>	<u>22,262,500</u>	<u>28,406,798</u>	<u>29,487,741</u>



**National Film Corporation of Sri Lanka**

**Notes on Income Statements**

**for the year ended 31.12.2015**

**Note : 09**

	<b><u>Exhibitions</u></b>	<b><u>Studio</u></b>	<b><u>Production</u></b>	<b><u>Gen . Admin.</u></b>	<b><u>Total</u></b>	<b><u>Total</u></b>
	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>	<b><u>Expenditure</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
				<b><u>Rs.</u></b>	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>
<b><u>Transport, Communication, Utilities &amp; Other Requisites</u></b>						
Transport	90,868	-	-	32,573	123,441	910,050
Communication	274,451	199,620	234,190	953,980	1,662,241	1,693,745
Requisites	3,389	-	-	4,167,484	4,170,873	3,644,013
Rates	-	62,569	-	609,840	672,409	784,889
Other Services	-	1,603,934	666,703	5,486,846	7,757,483	11,251,844
Cost of employee loan interest	-	-	-	1,055,679	1,055,679	1,182,551
(-) Employee loan interest income	-	-	-	(1,055,679)	(1,055,679)	(1,182,551)
Writing-off of production loan interest	-	-	-	-	-	211,878
	<u>368,708</u>	<u>1,866,123</u>	<u>900,893</u>	<u>11,250,723</u>	<u>14,386,447</u>	<u>18,496,419</u>

**National Film Corporation of Sri Lanka**

**Notes on Income Statements**  
**for the year ended 31.12.2015**

**Note : 10**

**Other Revenue**

	<b><u>2015</u></b>	<b><u>2014</u></b>
	<b>Rs.</b>	<b>Rs.</b>
Production Loan Interest	396,064	4,767,640
Employee Loan Interest	411,068	420,908
Miscellaneous Revenue	783,290	1,782,712
Outdoor shooting	2,429,418	2,849,245
Repairing of films not belonging to the Corporation	1,814,824	1,961,046
Fixed and Treasury Bill Interest	11,111,070	10,267,443
Application Fee	260,000	212,000
Revenue of NFC Theatre	2,656,250	3,315,000
Compensation form Insurance Corporation	-	-
Receipts from exhibition of films	750	8,000
Approval for film scripts	5,000	15,000
Rent income from the building 224	7,740,000	7,740,000
Receipts from courses	1,176,400	294,600
Providing of film projectors	-	200,000
Identifying treasury receipts in revenue	19,917,957	19,300,177
Vehicle Discarding Account	-	2,611,420
Adjustment of Foreign Exchange	43,326	
	<u>48,745,417</u>	<u>55,745,191</u>

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

**Note : 11 - Fixed Assets**

**Property, Machinery and Equipment**

	<b><u>Cost</u></b>	<b><u>Additions during the year</u></b>	<b><u>Disposals during the year</u></b>	<b><u>Cost</u></b>	<b><u>Accumulated Depreciation</u></b>	<b><u>Depreciation for the Year</u></b>	<b><u>Accumulated Depreciation</u></b>	<b><u>Nett Value</u></b>
	<b><u>01.01.2015</u></b>			<b><u>31.12.2015</u></b>	<b><u>01.01.2015</u></b>			<b><u>31.12.2015</u></b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>A</b>								
<b>01.</b> Free-hold Lands	174,343,458	-	-	174,343,458	-	-	-	174,343,458
<b>02.</b> Free-hold Buildings	131,911,054	3,433,248	-	135,344,302	38,776,150	5,124,632	43,900,782	91,443,520
<b>03.</b> Temporary Buildings	6,080,387	-	6,080,387	-	-	-	-	-
<b>04.</b> Cinema Complex	104,928,508	-	-	104,928,508	42,163,279	7,061,919	49,225,197	55,703,311
<b>05.</b> Mini-cinema Equipment	331,451	-	-	331,451	331,449	-	331,449	2
<b>06.</b> Furniture, Installation & Fixation	16,468,347	77,760	-	16,546,107	15,140,845	220,612	15,358,578	1,187,529
<b>07.</b> Office Equipment	16,619,129	893,666	-	17,512,795	13,450,272	719,267	14,172,419	3,340,376
<b>08.</b> Motor Vehicle	15,297,820	50,000	-	15,347,820	9,761,740	1,857,857	11,619,598	3,728,222
<b>09.</b> Film Archiving	1,610,655	-	-	1,610,655	867,808	97,279	965,087	645,568
<b>10.</b> Bicycles	18,281	-	-	18,281	18,277	-	18,277	4
<b>11.</b> Film Equipment	910,689	-	-	910,689	565,710	49,280	614,990	295,699
<b>12.</b> Projection Equipment	480,202	-	-	480,202	447,603	5,709	453,312	26,890
<b>13.</b> Studio Machinery	88,813,583	4,461,177	-	93,274,760	61,988,655	5,948,866	67,937,521	25,337,239
<b>14.</b> Cinema Education Equipment	1,241,350	-	-	1,241,350	660,928	75,204	736,132	505,218
<b>15.</b> Welfare Equipment	194,961	-	-	194,961	194,960	-	194,960	1
	<u>559,249,875</u>	<u>8,915,851</u>	<u>6,080,387</u>	<u>562,085,339</u>	<u>184,367,676</u>	<u>21,160,625</u>	<u>205,528,302</u>	<u>356,557,037</u>

**National Film Corporation of Sri Lanka**

**Notes on Financial Status**

**as at 31st December, 2015**

	<b><u>2015</u></b>	<b><u>2014</u></b>
	<b>Rs.</b>	<b>Rs.</b>
<b><u>Note : 12</u></b>		
<b><u>Long-term Investments</u></b>		
Associated Newspapers of Ceylon Ltd.	127,000	127,000
	<u>127,000</u>	<u>127,000</u>
<b><u>Note : 13</u></b>		
<b><u>Short-term Investments</u></b>		
Deposits in National Savings Bank	5,000	5,000
Fixed Deposits	16,826,422	15,955,241
REPO Deposits	104,667,166	83,977,782
Treasury Bills	85,588,683	81,341,342
	<u>207,087,271</u>	<u>181,279,365</u>
<b><u>Note : 14</u></b>		
<b><u>Stock</u></b>		
Films	5,253,887	5,253,887
Sales Activities	8,151,588	10,905,341
Studio	1,675,196	1,824,580
Spare parts for studio maintenance	1,472,575	1,472,575
Stationery and Other	1,372,994	1,050,204
	<u>17,926,240</u>	<u>20,506,587</u>
Allocation for slow-marketed and non-marketed stocks	(8,597,176)	(8,597,176)
	<u>9,329,064</u>	<u>11,909,411</u>
<b><u>Note : 15</u></b>		
<b><u>Debtors</u></b>		
Cinema Halls	176,366,114	141,370,156
Producers	101,027,511	114,694,335
	<u>277,393,625</u>	<u>256,064,491</u>
<b><u>Less :-</u></b>		
Allocation for Debtors (Note 15 A )	(136,517,799)	(132,928,299)
	<u>140,875,826</u>	<u>123,136,192</u>
<b><u>Note : 16</u></b>		
<b><u>Miscellaneous Debtors</u></b>		
Other	148,119,293	130,126,139
Allocation for Miscellaneous Debtors (Note 15 A)	(7,405,965)	-
Employee Advances	18,302,509	19,346,196
Employee Loan Asset Account	5,569,131	7,634,829
(-) Employee Loan Liability Account	(5,569,131)	(7,634,829)
	<u>159,015,837</u>	<u>149,472,335</u>

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

**Schedule of Allocation for Bad Debt**

**Note : 15 A**

<u>Debtors</u>	<u>Total</u> <u>2015</u> <u>Rs.</u>	<u>Not agreed and</u> <u>Non-recoverable</u> <u>Rs.</u>	<u>Recoverable</u> <u>Rs.</u>	<u>Allocation of 5%</u> <u>Rs.</u>	<u>Total Allocations</u> <u>Rs.</u>
Film Halls	176,366,114	66,089,856	110,276,258	5,513,812	71,603,668
Producers	101,027,511	63,013,427	38,014,084	1,900,704	64,914,131
Other	148,119,293	-	148,119,293	7,405,965	7,405,965
Employee Advances	18,302,509	-	18,302,509	-	-
	<u>443,815,427</u>	<u>129,103,283</u>	<u>314,712,144</u>	<u>14,820,481</u>	<u>143,923,764</u>

<u>Total</u>	<u>Cinema Halls</u>	<u>Production</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	132,928,299	62,875,902	342,489	-
Transfer to Profit & Loss Account	10,995,465	2,038,229	7,063,476	-
	<u>143,923,764</u>	<u>64,914,131</u>	<u>7,405,965</u>	<u>-</u>

<u>Allocations for Debtors</u>	
as at 01.01.2015	132,928,299
Transfer to Profit & Loss Account	10,995,465
Balance B/D 31.12.2015	<u>143,923,764</u>

**National Film Corporation of Sri Lanka**

**Notes on Financial Status**

**as at 31st December, 2015**

	<b><u>2015</u></b>	<b><u>2014</u></b>
	<b>Rs.</b>	<b>Rs.</b>
<u>Note : 17</u>		
<u>Deposits and Advance Payments</u>		
Deposits	3,691,450	6,371,892
Advance Payments	315,915	5,132,069
Advance Payments for the Welfare Society	31,000	10,000
	<u>4,038,365</u>	<u>11,513,961</u>
Allocation for non-recoverable debt	(681,128)	(703,208)
	<u><u>3,357,237</u></u>	<u><u>10,810,753</u></u>

Note : 18

Cash and Bank Balances

People's Bank - C. A. No 004-1-001-1-0208647	681,468	294,980
People's Bank - C.A. No 055-1-001-5-0667533	873,874	502,730
People's Bank - C. A. No 004-1-001-6-0208664	8,059,708	1,064,374
Bank of Ceylon - C.A. No 0002323272	10,456,100	2,496,651
Bank of Ceylon - C.A. No 0002323131	537,256	276,439
Bank of Ceylon - C.A. No 0002323354	41,475,925	8,442,131
Bank of Ceylon - C. A. No 0002323363	5,707,301	8,444,520
Bank of Ceylon - C. A. No 0005002189	23,023	25,073
	<u>67,814,655</u>	<u>21,546,898</u>

Cash at Hand

Petty Cash - Head Office	28,171	27,876
Petty Cash - Studio	1,644	4,153
Petty Cash - Film Archive	34	34
	<u>29,849</u>	<u>32,063</u>
Total	<u><u>67,844,504</u></u>	<u><u>21,578,961</u></u>

Note : 19

Grants

Treasury Grants	166,862,813	156,162,990
(-) Amortisation	19,917,957	19,300,177
	<u><u>146,944,856</u></u>	<u><u>136,862,813</u></u>

**National Film Corporation of Sri Lanka**

**Notes on Financial Status**

**as at 31st December, 2015**

	<b><u>2015</u></b>	<b><u>2014</u></b>
	<b>Rs.</b>	<b>Rs.</b>
<u>Note : 20</u>		
Balance B/F as at 31.01.2015	34,060,813	32,225,488
Allocations for the year	20,485,019	4,005,290
Cash Payments	(5,153,128)	(2,169,965)
	<u>49,392,704</u>	<u>34,060,813</u>
(Invested in Treasury Bills)		

Note : 21

Deposits

NFC Theatre Security Deposits	60,000	90,000
Canteen Deposit	30,000	10,000
Security Deposit - Theatres	2,326,727	2,326,727
Employees	5,000	5,000
Film Importation	7,500	7,500
Cinema Project	45,000	45,000
	<u>2,474,227</u>	<u>2,484,227</u>

Note : 22

Film Rent Creditors

Film Rent Creditors	260,708,496	226,657,603
(-) Allocation for Creditors	(18,046,804)	(18,046,804)
	<u>242,661,692</u>	<u>208,610,799</u>

**National Film Corporation of Sri Lanka**

**Notes on Financial Status**

**as at 31st December, 2015**

	<b><u>2015</u></b>	<b><u>2014</u></b>
	<b>Rs.</b>	<b>Rs.</b>
<b><u>Note : 23</u></b>		
<b><u>Other Creditors</u></b>		
Accrued Expenditure	5,953,251	6,434,329
VAT Payable	152,613	152,613
Allocations for Audit Fees	1,486,720	986,720
Commissioner of Inland Revenue (Stamps)	43,030	44,380
Film Artistes' and Technicians Fund	-	-
Unclaimed Wages	1,025,537	889,824
E. P. F.	663,353	665,928
E. T. F.	73,858	74,209
Miscellaneous Creditors	2,005,794	1,518,910
(- Allocations for Non-payable Liabilities)	(644,840)	(644,840)
Miscellaneous Debtors (Credit Balance)	1,245,505	1,257,674
Film Rent Debtors	3,477,940	3,704,237
General Treasury	5,000,000	5,000,000
National Film Development Fund	3,525,795	3,569,113
Control Account of Rithma Circuit	-	2,078,307
Cine Tharu Punchi Tharaka	31,750	31,750
Allocation Account for Film Festivals	5,000,000	5,000,000
Tax Paye 2012	37,939	25,577
Allocation for Salaries and Wages	714,182	714,182
Allocation for Receivable Production Loan Interest	5,381,452	5,381,452
	<b><u>35,173,879</u></b>	<b><u>36,884,365</u></b>



**National Film Corporation of Sri Lanka**

**Notes on Income Statement**

**as at 31st December, 2015**

Other Services	Total 2015		Exhibition		Studio		Production		Gen. Admin. Expenditure	
	Rs.		Rs.		Rs.		Rs.		Rs.	
Director Fee	188,550		-		-		-		188,550	
Publicity	274,475		-		-		-		274,475	
Special Commission Fee	93,536		-		-		-		93,536	
Legal Fee	791,112		-		-		-		791,112	
Corporation Festivities	384,480		-		-		-		384,480	
Audit Fees	500,000		-		-		-		500,000	
Security Services	4,497,885		-		1,603,934		-		2,893,951	
Bank Fees	70,085		-		-		-		70,085	
Miscellaneous Expenditure	20,815		-		-		-		20,815	
Cinema Education	666,703		-		-		666,703		-	
Death Donations and Film Artists' Expenditure	185,600		-		-		-		185,600	
Expenditure of the New Theatre	59,803		-		-		-		59,803	
Gratuity Fines	9,920		-		-		-		9,920	
Adjustments for Foreign Exchange	-		-		-		-		-	
Reading of scripts	-		-		-		-		-	
Watching films	3,000		-		-		-		3,000	
Late payments	5,038		-		-		-		5,038	
Tender Expenditure	6,480		-		-		-		6,480	
Disposal of Fixed Assets	1		-		-		-		1	
	7,757,483		-		1,603,934		666,703		5,486,846	

**National Film Corporation of Sri Lanka**

**Notes on Income Statement**

**as at 31st December, 2015**

	<b>Total 2015</b>		<b>Exhibition</b>		<b>Studio</b>		<b>Production</b>		<b>Gen. Admin. Expenditure</b>	
	<b>Rs.</b>		<b>Rs.</b>		<b>Rs.</b>		<b>Rs.</b>		<b>Rs.</b>	
Transport	123,441		90,868		-		-		32,573	
Communication	1,662,241		274,451		199,620		234,190		953,980	
<b><u>Requisites</u></b>										
Internal Use	45,069		3,389		-		-		41,680	
Foreign Film Festival	47,152		-		-		-		47,152	
Welfare Expenditure	2,950,815		-		-		-		2,950,815	
Employee Recruitment and Training	947,231		-		-		-		947,231	
Water Bills	180,606		-		-		-		180,606	
	4,170,873		3,389		-		-		4,167,484	
Rates	672,409		-		62,569		-		609,840	

**National Film Corporation of Sri Lanka**  
**Comprehensive Income Statement**  
**for the year ended 31.12.2015**

**Income Statement for the year ended 31.12.2014**

	<b><u>SLFRS</u></b> <b><u>2014</u></b> <b>Rs.</b>	<b><u>Measurable</u></b> <b><u>Deviations</u></b> <b>Rs.</b>	<b><u>SLFRS</u></b> <b><u>2014</u></b> <b>Rs.</b>
Sales	39,591,535	-	39,591,535
<u>Less : Sales Cost</u>	7,341,871	-	7,341,871
Gross Profit	32,249,664	-	32,249,664
<u>Less : Expenditure</u>			
Employee Remuneration	62,390,237	-	62,390,237
Travelling and Subsistence	808,155	-	808,155
Supplies and Equipment	7,028,356	-	7,028,356
<u>Repairs, Maintenance and Depreciation</u>			
(A) Repairs, Maintenance and Depreciation	29,487,741	-	29,487,741
Transport, Communication, Requisites & Other Services	18,496,419	-	18,496,419
Allocation for Bad Debt	3,750,161	-	3,750,161
Allocation for Garatuities	4,005,290	-	4,005,290
Allocation for the Fund for Film Artistes and Technicians	200,000	-	200,000
Loss of Stock	21,143	-	21,143
	126,187,502	-	126,187,502
Absorption of General Administration Expenditure	-		-
	126,187,502	-	126,187,502
Operational Profit /Loss	(93,937,838)	-	(93,937,838)
<u>Add : Other Revenue</u>	55,745,191	(1,479,672)	54,265,519
Profit / Loss of the Year	(38,192,647)	(1,479,672)	(39,672,319)
<u>Less : Treasury Grants</u>	75,000,000	-	75,000,000
	36,807,353	(1,479,672)	35,327,681
<u>Less : Allocation for Tax</u>	-	-	-
Deficit / Surplus	<b>36,807,353</b>	<b>(1,479,672)</b>	<b>35,327,681</b>

**National Film Corporation of Sri Lanka**  
**Notes**  
**as at 31st December, 2015**

**Note No 01**

(I) Writing-off of over accounted production loan interest	(32,600.31)
(II) As per Director Board decision No 11343.1.1 / 5940 - Removal of interests on	(392,700.00)
(III) Writing-off of accounted interest due to settlement of production loans	(1,538,035.25)
(IV) Rectifying the procurement of projectors for Namel Malini Theatre being accounted in tender Expenditure account	1,000.00
(V) Accounting the balance of an advance paid in year 2014 in the expenditure account	2,600.00
(VI) Rectifying the advance payment of death donation to the Welfare Association being accounted in the expenditure account	1,500.00
(VII) Payment in short an accrued expenditure in year 2014	3,374.51
(VIII) Double accounting of the water expenses in year 2014	22,800.00
(IX) Over valued amount due to sale of DTS sound equipment before valuation	(41,155.84)
(X) Writing-off of over-accrued expenditure in year 2011	493,545.35
	<b><u>(1,479,671.54)</u></b>

**National Film Corporation of Sri Lanka**  
**as at 31st December, 2015**

**Annexe**

	Standard No	Value Rs.
<b><u>Stock</u></b>		
Writing-off of over-valuation in year 2011	LKAS 39	41,155.84

**Debtors**

Writing-off of approved interests on fines and production	LKAS 39	
32,600.31		
392,700.00		
1,538,035.25		
<u>(1,000.00)</u>		1,962,335.56

**Other Debtors**

Adjustment of advances	LKAS 39	
2,600.00		
<u>1,500.00</u>		4,100.00

**Other Creditors**

Non-repayable creditors		
3,374.51		
493,545.35		
<u>22,800.00</u>		519,719.86

**National Film Corporation of Sri Lanka**

**Notes on Financial Status**  
**as at 31st December, 2015**

**Note : 24**

**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 for year 2015 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	Deepal Chandrarathna, Attorney-at-Law	11.03.2015	Chairman of the Board of Directors Chairman - National Film Corporation of Sri Lanka	Chairman, National Film Corporation of Sri Lanka Colombo 07	-
2	Mr. Sampath Subasinha Arachchi	23.06.2015	Working Director- National Film Corporation of Sri Lanka	Working Director National Film Corporation of Sri Lanka Colombo 07	-
3	Mrs. S.K.M.D. Darshani Goonathilake	14.05.2015	Member of the Board of Directors (Ex-officio) Director General of Information Department of Government Information	Director General Department of Government Information Colombo 05	-
4	Mrs. N. Godakanda	26.03.2015	Treasury Representative Director General - Department of Management Services	Director General Ministry of Finance and Planning General Treasury, Colombo 01	-
5	Mr. Nayana Hettiarachchi	06.04.2015	Member of the Board of Directors	No. 330/8, Saman Mawatha, Lake Road, Boralesgamuwa	-
6	Mrs. P. V. P. Dayarathna	06.02.2015	Member of the Board of Directors	No. 59/3, Heenatikumbura, Thalangama North, Battaramulla	-
7	Dr. Anil Samaranyake, Consultant Physician	14.05.2015	Member of the Board of Directors	No. 182/1, Hill Street , Dehiwala	
8	Mr. Amal Alwis	14.05.2015	Member of the Board of Directors	No. 262, Denzil Kobbekaduwa Mw, Battaramulla	



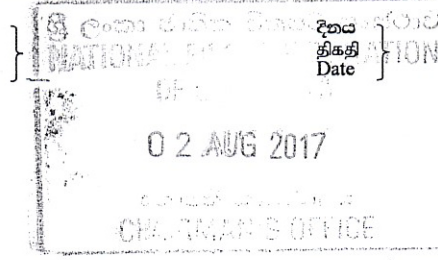
**විගණකාධිපති දෙපාර්තමේන්තුව**  
கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය  
எனது இல.  
My No.

} සිඵ්පස්/රි/එන්එස්සී/1/15/20

ඔබේ අංකය  
உமது இல.  
Your No.



2017 ජූලි 02 දින

mm Deepa Perera  
For your reference  
selvi / 2/8

සභාපති,

ශ්‍රී ලංකා ජාතික විනය සංස්ථාව.

ශ්‍රී ලංකා ජාතික විනය සංස්ථාවේ 2015 දෙසැම්බර් 31 දිනෙන් අවසන් වර්ෂය සඳහා වූ මූල්‍ය ප්‍රකාශන පිළිබඳව 1971 අංක 38 දරන මුදල් පනතේ 14(2)(සී) වගන්තිය ප්‍රකාර විගණකාධිපති වාර්තාව

මාගේ සමාක හා 2017 මැයි 23 දිනැති ලිපියට යොමුවේ.

02. ඉහත සඳහන් ලිපිය සමඟ එවන ලද මාගේ වාර්තාවේ ඉංග්‍රීසි අනුවාදය මේ සමඟ එවා ඇත.

ඩබ්ලිව්.ප්‍රේමනන්ද

අතිරේක විගණකාධිපති

විගණකාධිපති වෙනුවට.

පිටපත් : 1. ලේකම් - මුදල් හා ජනමාධ්‍ය අමාත්‍යාංශය





**විගණකාධිපති දෙපාර්තමේන්තුව**  
கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம்  
**AUDITOR GENERAL'S DEPARTMENT**



මගේ අංකය  
எனது இல.  
My No.

CAS/E/NFC/1/15/20

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

23 May 2017

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 2015 in term of Section 14(2)(c) of the Finance Act, No. 39 of 1971

The audit of financial statements of the National Film Corporation of Sri Lanka for the year ended 31 December 2015, comprising the statement of financial position as at 31 December 2015 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.

## 1.2 Management's Responsibility for the Financial Statements

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



### 1.3 Auditor's Responsibility

---

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

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

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

### 1.4 Basis for Qualified Opinion

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

## **2. Financial Statements**

---

### **2.1 Qualified Opinion**

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In my opinion, except for the effects of the matters described in Paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the National Film Corporation as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

## **2.2 Comments on Financial Statements**

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### **2.2.1 Sri Lanka Accounting Standards**

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The following non-compliances were observed in audit.

#### **(a) Sri Lanka Accounting Standard 7**

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In terms of paragraph 44 of the Standard, in adjusting items which did not have direct impact on the cash flows, rectification of Rs.1,479,671 relating to the prior year items had been adjusted, and the change of foreign exchange rates amounting to Rs.43,326 relating to the year under review had not been adjusted.

#### **(b) Sri Lanka Accounting Standard 16**

---

(i) Although idle assets should be disclosed in the financial statements in terms of the Standard, accounting and disclosures in respect of technologically obsolete old assets belonging to the black and white and colour laboratories in the studio of the Corporation had not been made in the financial statements.

(ii) As the useful life of non-current assets had not been annually reviewed, assets costing Rs.250,899,989 had been further used, though they had been fully depreciated. Accordingly, action had not been taken to revise the estimated error in accordance with the Sri Lanka Accounting Standard 8.

(c) **Sri Lanka Accounting Standard 20**  
-----

The basis of accounting for government capital grants had not been disclosed in the financial statements and 12.35 per cent and 11.93 per cent of the value of grants had been amortized in the years 2014 and 2015 respectively.

(d) **Sri Lanka Accounting Standard 38**  
-----

The software used for the post production activities in the sarasavi studio had not been shown under intangible assets in the financial statements.

**2.2.2 Accounting Deficiencies**  
-----

The following observations are made.

- (a) As sum of Rs.944,186 identified as stock shortages according to the Accounts schedules and 2500 carbon rods valued at Rs.175,000 identified as damages in audit had not been brought to accounts, the profit and the closing stock of the year under review had been overstated by those amounts.
- (b) Luxury tax of Rs.50,000 paid in the year under review had been capitalized though it should have been accounted as recurrent expenditure.
- (c) The withholding tax totalling Rs.3,180,320 recovered from fixed deposit interest since several years had been posted as an asset instead of being posted as an expense and as such the assets had been overstated by that amount.
- (d) Due to accounting errors debtor balance of Rs.1,245,505 and creditors balances of Rs.8,926,642 had been overstated.

#### 2.2.4 Unexplained Variances

The following observations are made.

- (a) A difference of Rs.18,113,637 between the schedules/ ledger balances made available for audit relating to 4 items and the balances appearing in the financial statements was observed.
- (b) According to the accounts of the Corporation, the amount payable to the development fund was Rs.3,525,795 whereas according to the ledger of the development fund the amount receivable was Rs.5,642,590. Action had not been taken to identify and correct the difference of Rs.2,116,795.

#### 2.2.4 Lack of Evidence for Audit

Evidence shown against each item of the following was not made available for audit.

Item	Value	Evidence not made availability
-----	-----	-----
	Rs.	
(a) Development Reserve	7,827,785	Approval of the Board of Directors for the creation of the reserve.
(b) Provision for film festival	5,000,000	Approval of the Board of Directors and detailed schedules.
(c) Debit balance of film rent creditors	8,926,642	Detailed schedules, confirmation of balances, Age Analysis
(d) Film hall debtors credit balance	3,477,940	-do-
(e) Receivable deposits	773,728	Deposit schedules.
(f) Unclaimed wages	387,231	Detailed schedules
(g) Spare parts for studio maintenance	1,472,572	Board of Director's approval for the purchase, invoices, stock registers.



### 2.3 Accounts Receivable and Payable

---

The following observations are made.

- (a) The outstanding receivable amount from 163 Cinema Halls before assigning the film distribution activities to the private boards in the year 2001 and the amount receivable from 186 Cinema Halls existed after so assigned but closed down at present were Rs.7,604,528 and Rs.74,412,984 respectively.
- (b) The outstanding amount receivable from Cinema Halls belonging to the Boards now in operation was Rs.149,054,764. An effective steps had not been taken to recover such money even in the year under review.
- (c) Although loans of Rs.651,815 granted to the officers of the Corporation had been outstanding for more than 5 years, action had not been taken to recover same.
- (d) Sundry debtor balances totalling Rs.69,303,374 brought forward for more than 5 years had not been recovered.

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

The following instances of non-compliance were observed in audit.

Reference to Laws, Rules, Regulations  
and Management Decisions

Non-compliances

(a) Financial Regulations of the  
Democratic Socialist Republic of  
Sri Lanka.

(i) Financial Regulation 371 (2)

Advances granted to be settled immediately after the purpose for which it was granted. However, advance of Rs.666,590 given to the Development Fund in the year 2015 had not been settled even by 31 August 2016.

(ii) Financial Regulation 381 (1)

Approval of the Treasury through the Chief Accounting Officer to open an official bank accounts should be obtained. Nevertheless, the Treasury approval had not been obtained to open 9 bank accounts of the Corporation which totalled Rs.67,915,601 by 31 December 2015.

(b) Paragraph 04 of the Circular  
No.PED/2/2015 dated 25 May  
2015.

The cost of telephone incurred for giving mobile telephones should be borne by the relevant officer and it should not be reimbursed by the institution concerned. However, a sum of Rs.254,114 had been spent to issue 12 mobile telephones to the officers by the corporation during the period 2010 to 2015.

- (c) Decision No. Non-ironic metals such as copper, brass  
අමුද/05/0741/041/012 dated aluminum, read etc. and the special type iron,  
22 July 2015 of the Cabinet of cast iron and steel scrapps discarded by  
Ministers. government institutions can be sold to the  
Industrial Development Board. Nevertheless,  
iron scraps and script covers had been stacked  
in an old building at the sarasavi studio.

### 3. Financial Review

#### 3.1 Financial Result

According to the financial statements presented, the financial results of the corporation for the year under review had been a surplus of Rs.20,813,275 as compared with the surplus of Rs.36,807,353 for the preceding year, thus indicating a deterioration of Rs.15,994,078 in the financial statements as compared with the preceding year. Decrease in other income by Rs.6,999,774 and increase in employees remuneration and provision for gratuities by Rs.15,221,078 had mainly attributed to this deterioration.

In analyzing the financial results of the year under review and the previous 4 years the surplus in the year 2011 amounting to Rs.2,417,937 had increased up to Rs.20,813,275 by the end of the year 2015 with fluctuations. In considering employees remuneration and depreciation on non-current assets, the contribution of the year 2011 amounting to Rs.100,218,715 had increased to Rs.119,585,215 in the year 2015.

#### 3.2 Analytical Financial Review

The current ratio in the year under review was 2.1:1. However, the sundry debtors included in the current assets, consisted of balances older than 5 years amounting to Rs.69,303,374 and as such it was observed that there was no efficiency in the recovery of debts and no adequate liquidity.

#### 4. Operation Review

##### 4.1 Performance

According to the National Film Corporation Act No.47 of 1971 the Corporation had been established to achieve the objectives such as the production of films and import, distribution and supply of film formers, films, photographic equipment required for showing, export of films including the purchase of films and storing, establishment of studio and film halls for film production, provision of facilities and assisting financially, pay tribute to film producers, awarding gifts and awards, organizing and conducting discussions and seminars, holding film festivals, publication of periodical magazines on films and conducting market researches on films.

The following observations are made in respect of the achievement of the above objectives.

- (a) Ten thousand and forty seven magazines printed with the objective of promoting and encouraging film industry and to maintain high standard of films produced in Sri Lanka and for the distribution among the persons engage in film industry and who gain education on films were available in the stores even by 15 September 2016.
- (b) Eventhough it is a prime objective of promoting film industry by providing financial assistance for the production of films, any production loans whatsoever had not been granted since 2012. Any course of action whatsoever had not been taken to achieve such objectives as conducting market researches in respect of films within or outside Sri Lanka as well.
- (c) A provision of Rs.66.84 million had been made for the achievement of objectives of the Corporation for the year under review but only a sum of Rs.3.7 million had been utilized by 31 December 2015.



- (d) Out of the activities included in the Action Plan, 28.5 per cent (16 of 56) had not been implemented. Out of the activities performed, 35.7 (20) had not been adequately implemented.
- (e) A specific unit to make complaints on film industry had not been set up in the Corporation. Documentation of complaints from spectators and film producers on film industry had not been done by any Division of the Corporation. Furthermore, attention had not been drawn in respect of complaints received, by referring them to relevant sections and to take appropriate course of action periodically and action had also not been taken to formulate national policies for the advancement of film industry. Similarly, the vision of the Corporation is to reproduce creations, reachable to international level by protecting Sri Lankan identity but the required financial assistance had not been granted to the new producers and as such they could not come forward. Therefore, instead of producing meaningful creations, their main objective was to earn money by addressing commercial films.

#### 4.2. Management Activities

The following observations are made.

- (a) The Treasury provision of Rs.30,000,000 had been granted for the year 2015 for the improvement of the Post Production facilities in the Sarasavi Studio and bids had been called therefore. As they were not in conformity with the specifications of the Corporation they had been cancelled subsequently. However, a sum of Rs.1,145,840 had been paid to an Indian consultant by 31 December 2015 for the preparation of new specifications and future action but the project had not been commenced even by 30 September 2016.

- (b) Even though a loan scheme had been introduced to produce films for the upliftment of local cinema industry, the entire loan had been granted at once without being reviewed the production progress. As a methodology had not been introduced, out of the loans of Rs.95,474,170 granted as at 31 December 2015 for the production of films, a sum of Rs.14,271,266 granted for films not shown and a sum of Rs.44,531,267 granted for films released for showing had been outstanding for more than 5 years.

#### 4.3. Operating Activities

Although 44 books, 527 DVDs were available in the Library of the Corporation, required facilities had not been provided thereto for the use of readers.

#### 4.4. Transactions of Contentious Nature

As the minimum balance of Rs.250,000 had not been maintained in a bank account opened prior to the year 2014 of a private bank, the available balance of Rs.100,949 had reduced up to Rs.60,949 at Rs.10,000 per year. The balance of that account had not been disclosed in the financial statements of the Corporation as well.

#### 4.5. Idle and Under-utilised Assets

The following observations are made.

- (a) The values of fixed asset existed in the black and white and colour laboratories of the Sarasavi Studio had not been identified, documented or accounted and they had become obsolete due to being technologically outdated. As the animals were perching in certain buildings in which machines were located it was observed that the security of those machines were under threat.
- (b) A three-wheeler valued at Rs.156,800 had been removed from running since March 2014 as it was not repaired.

- (c) More than 500 Library books given by the welfare society of the Head Office were being decayed as they were stacked unprotectively.

#### 4.6 Identified Losses

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Mobile telephones valued at Rs.161,816 given to 8 officers whose services had been terminated due to various reasons had not been taken back.

#### 4.7 Procurement and Contract Process

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The following observations are made.

- (a) In terms of Section 3.1 of the Government Procurement Guidelines, when the capacity of the local suppliers is limited, and calling for international bids is advantageous, publicity should be given internationally. Nevertheless, in purchasing carbon rods from India, purchases had been made from one supplier for 5 years continuously, deviating from Procurement Guidelines.
- (b) A lessee with a monthly rental of Rs.10,000 had been selected by deviating from procurement process for the operation of the canteen of the Corporation in the year under review and he had been awarded the trading right without entering into a written agreement. However, the lessee had been removed since November 2015 as he had not provided proper service and closed down the canteen. Further, the lessee had filed a case against the Corporation and the Corporation had to pay a sum of Rs.98,950 as legal fees of that case to a private lawyer in the year 2016.

#### 4.8 Personnel Administration

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The following observations are made.

- (a) The number of vacant posts of the Corporation as at 31 December 2015 was 67 and the three key staff grade posts had fallen vacant for periods ranging from 3 to 6 years. As such it was observed that planning and setting targets under the supervision and guidance of the top management and the direction to achieve such targets had not been carried out.
- (b) Although advertisement in the six newspapers had been published on 15 June 2015 by spending Rs.17,413 to fill the vacant positions of the Corporation, holding interviews or recruitments, in considering the applications received had not been done even by 30 November 2016.

#### 5. Accountability and Good Governance

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##### 5.1 Presentation of Financial Statements

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In terms of Section 6.5.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003 the financial statements should be presented to the Auditor General within 60 days of the closure of the year of accounts, but the financial statements had been presented to audit on 12 July 2016.

##### 5.2 Corporate Plan

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A corporate plan had been prepared for the period from 2012 – 2015, but it had not been updated, pertinent to the year 2015.

### 5.3 Action Plan

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The action plan for the year under review had not been prepared based on the objectives of the corporate plan for the period 2012-2015. Although the targeted activities had been identified quarterly in the action plan, performance reports so as to evaluate its performance had not been prepared.

### 5.4 Internal Audit

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The following observations are made.

- (a) According to the written reports, of the Internal Audit Division, 45, 36 and 41 audit queries had been issued in the years 2013, 2014 and the year under review respectively, 122 queries in total, but the management had not replied to those queries even up to 31 August 2016. Further, the copies of those queries had not been furnished to the Auditor General in terms of Financial Regulation 134 (3).
- (b) According to the approved cadre, there should be 3 permanent audit assistants but only one assistant had been deployed as at 30 November 2016 and he had also left the Corporation by 31 December 2016.

### 5.5 Audit and Management Committees

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In terms of Paragraph 7.4.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003 the Audit Committee should meet at least once in 3 months. However, only 3 meetings had been held during the year under review.

### 5.6 Procurement Plan

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According to the Section 4.2.1(b) of the Procurement Guidelines, a main procurement plan should be prepared at least for a minimum period of 3 years and a procurement time table in terms of Section 4.2.2. Nevertheless, a procurement plan had been prepared only for the year under review.



## 5.7 Tabling the Annual Reports

Annual reports for the years 2013 and 2014 had not been tabled in Parliament even by 30 April 2017.

## 6. Systems and Controls

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

Areas of systems and control	Observations
(a) Assets Control	(i) Appropriate course of action had not been taken regarding the idle assets existed in the studio having being identified. (ii) Library books kept unprotectively. (iii) Inventory book not properly maintained, enabling to identify receipts and issues.
(b) Debtors Control	(i) Existence of irrecoverable debt or balances for more than 10 years. (ii) No proper supervision over loan agreements.
(c) Financial Control	(i) Non-maintenance of register indicating all particulars of cheques sent by post. (ii) Cheques to be hand delivered after being clearly ensured the identity of the payee but it had not been done so.



- (iii) Non-keeping of unused cheques in a safe or a safety place under lock and key.
- (iv) Not placing signatures for the preparation of bank reconciliation statements checking of certification relating to 06 bank accounts.
- (v) Not checking the correctness of receipts and payments and daily balancing of the cash book by a responsible staff officer or a responsible supervisor.

**Sgd./ H.M. GAMINI WIJESINGHE**  
**Auditor General**

H.M.Gamini Wijesinghe  
Auditor General



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இலங்கை தேசிய திரைப்படக் கூட்டுத்தாபனம்  
National Film Corporation of Sri Lanka