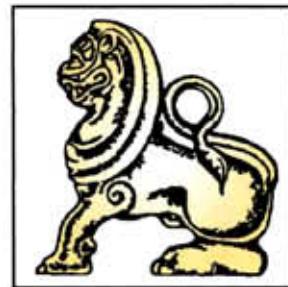


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இலங்கை தேசிய திரைப்படக் கூட்டுத்தாபனம்
NATIONAL FILM CORPORATION OF SRI LANKA



National Film Corporation of Sri Lanka



**Annual Report
2016**

Contents

	Pages
Presentation	03
Administration Report	04 - 23
Balance Sheet, Profit and Loss Account and Associated Notes	24 - 60
Auditor - General's Report	61 - 78

Date: 06.11.2017

My No: NFC/103/05/02/98

Hon. Ranjith Madduma Bandara

Minister of Public Administration and Management,

Independence Square, Colombo 07

Hon. Sir,

The National Film Corporation of Sri Lanka- Annual report-2016

In terms of the Section 32 (1) of National Film Corporation Act No 47 of 1971 amended by Act No 45 of 1980 and Section 14 (1) of Finance Act No 38 of 1971, the annual report of the Corporation for the year ended on 31 December 2016 is hereby submitted along with the following documents.

1. The tasks performed by the Corporation during year 2016 and other relevant statements
2. Profit and Loss Account for the year ended on 31. December 2016, related notes and the Balance Sheet on the above date.
3. Report of the Auditor General for the year ended on 31 December 2016.

Yours Faithfully,

Sithendra Senarathna

Chairman,

The National Film Corporation of Sri Lanka

Administrative Report

1. Introduction
2. Board of Directors
3. Productions of local films
4. Personal and institutional management
5. Publicity for films/Cine Ads
6. Screening of films
7. Activities of internal audit
8. Cinema culture and educational activities
9. Local supplies-Imports and exports
10. Store of films
11. Legal affairs
12. Financial affairs
13. Studio
14. Investigations
15. Welfare
16. Sports Association
17. Religious activities
18. Medical assistance system
19. Trade Unions
20. Expression of gratitude

01. Introduction-

Annual report of the Film Corporation of Sri Lanka for year 2016 which is submitted to Hon. Ranjith Madduma Bandara, Minister of Public Administration and Home Affairs and the Auditor General in terms of the Section 32 (1) of National Film Corporation Act No 47 of 1971 amended by Act No 45 of 1980 and Section 14 (1) of Finance Act No 38 of 1971.

This report submitted for year 2016 is applicable for the 45th year of the Corporation from its establishment.

02. Board of Directors

1. Mr. Deepal Chandraratne, (Attorney at Law)-Chairman
2. Mr. Sampath Subasingha Arachchi -Working Director
3. Dr. S.M.K.D.Dharshani Gunathilaka -Ex officio Member of the Board of Directors
4. Dr. Anil Samaranayaka, Medical Consultant- Member of the Board of Directors
5. Mrs. P.V.P.Dayaratna - Member of the Board of Directors
6. Mr. Nayana Hettiarachchi - Member of the Board of Directors
7. Mr. Amal Alwis - Member of the Board of Directors
8. Mrs. N. Godakanda - Representative of the General Treasury
9. Mrs. W.K.Wickramarachchi, Attorney at Law- Secretary of the Board of Directors

03. Productions of local films

3.1. Registration for production of local films

Total number of films registered during year 2016 is 54.

The Corporation has recovered an amount of Rs. 2000/= from each producer of the relevant film for the registration.

3.2. Loan facilities granted for the production of local films

3.2.1 Loan facilities for services of studios

The amount of approved loan facility for services of studios is Rs. 400,000=/. During the under review no film producer has made requests for loan facilities for services of studios.

3.2.2. Granting loan facilities for production of films

No request has been made during this year for loan facilities for production of films.

3.2.3. Special loan facilities

No special loan facility has been granted during this year.

3.2.4. Granting loan facility for making copies of films

No loan facility has been granted during this year for making copies of films

3.2.5. Granting loan facilities for publicity

Special loan facility of Rs. 20 million has been granted for the publicity of the film ‘*SARIGAMA*’, which was released for screening on 20.12.2016 under Corporation Circuit Theaters (*RITHMA*)

3.2.6. Granting loan facilities for sub titles

No loan facility has been granted during this year in respect of any film for making sub titles

3.3. Registration of Artists and Technicians and issuance of Identity Cards to Technicians

New identity cards have been issued during this year for 24 actors and technicians.

3.4. Recovery of approved charges for the engagement of foreign actors, actresses and technical staff in making local films.

An amount of Rs. 500,000 has been recovered for Director and the Cinematographer of the film *Dharmayuddhaya*.

3.5. Charges recovered for the camera equipment ,which are used for local feature/commercial and documentary films on the basis of taking them back by foreigners

Action has been taken to recover Rs. 25,000 for 05 foreign commercial programmes.

3.6. Appreciation of exceptional artists

- Presenting a financial grant of Rs. 25,000 to Mr. Roy De Silva, Film Director and Actor for his contribution to the enhancement of local cinema industry.
- Presenting a financial grant of Rs. 25,000 to Mrs. Sumana Amarasingha, veteran Actress of local cinema industry.
- Presenting a financial grant of Rs. 50,000 to Mr. Sathischandra Edirisingha, Film Director and Actor, to mark the completion of 55 years as an Artist in field.

Provision of medical aids

During the year Rs. 50,000 has been granted to each of the following artists as medical aids.

- Mr. Sirilal, Lighting Technician
- Mr. Sirimal Wijesingha, Film Director
- Mr. Dinesh Priyasad, Film Director
- Mrs. Chandi Rasika, Actress
- Mr. Ananda Wickramage, Actor
- Mr. Prince Udaya Priyantha, Singer

Funeral aids

- Bearing a cost of Rs. 500,000 by the National Film Corporation for the funeral of Dr. D.B.Nihalsingha, Chief Executive Officer of the Corporation and veteran Artist.

In addition to the above, Rs. 50,000 has been granted each as funeral aids for the funeral of following artists.

- Mr. Mervin Bense, Sound Controller and recording technician
- Mr. Wimal Kumara De Costa, veteran Actor
- Mr. Siri Kularatna, Film Director
- Mr. Sarath De Silva, Action film director

3.7. Importation of films

The number of persons registered for importation of films during the year is 24.

Accordingly, approval has been granted to import 119 Tamil, English, Hindi and films in other languages by 05 circuits during year 2016.

3.8. Trust of the Corporation for Cine Artists and Technicians

3.8.1. Payment of pension(Rs. 2000 per person)

- January-March (for 58 retired persons) Rs. 116,000.00
- April-December (For 57 retired persons)Rs.114,000.00

3.8.2 Pensioners who demised during the year 2016

Mr. Thissa Udangamuwa, Actor, who was receiving pension, has demised.

3.9. National Film Development Fund

3.9.1. Appreciation of exceptional artists

- Presenting a financial grant of Rs. 50,000 to Mrs. Edna Sugathpala, Actress, in appreciation of her contribution in acting for the enhancement of local cinema.
- Presenting a financial grant of Rs. 50,000 to Dr. Edwin Ariyadasa in appreciation of the service rendered by him for the various sectors of the art field.

3.9.2. Granting permission for shooting of foreign/feature/documentary/commercial films.

During the year under review, approval has been granted for 68 feature/documentary and commercial films after recovering prescribed charges.

04. Personal and institutional management

4.1. Staff of the Corporation

Staff as at 01.01.2016-	132
Number of recruitments made during the year-	-
Number of employees who left the Corporation during the year	
Number of employees who have retired from service-05	
Number of employees resigned from service-	01
	06
	126
Permanent staff	126
Chairman	01
Working Director	01
On daily allowances	01
On contract basis	01
Total number of employees as at 31.12.2016	130

4.2. Administration of the institution and fulfilment of the requirements of the staff

Service delivery has been ensured continuing the action followed to the administration of the staff of the institution.

05. Publicity for films/Cine Ads

5.1. Tasks performed during the year under review

5.1.1. Publicity by printed media for Sinhala films released for local screening

- I. Suhada Koka
- II. Hora Polis
- III. Natannethuwa Dinna
- IV. Sujatha Puthra
- V. Weerawarna
- VI. Raja Mamai
- VII. Sakkaran
- VIII. Mootor bicycle

5.1.2. Publicity by printed media for Tamil, English and Hindi films which are imported.

- I. Bajiro Mastani
- II. Saala Khadoos
- III. Neerja
- IV. Waziy
- V. Fitoor
- VI. Dhanak
- VII. Kapool and sons
- VIII. Hhouse Full III
- IX. Kabali
- X. Dishoom
- XI. Pink
- XII. M.S.Doni
- XIII. Irumugal
- XIV. Thodavi

5.1.3. Media publicity

Printed and media publicity has been carried out in relation to the following activities.

- 69th anniversary of local cinema and 44th anniversary of National Film Corporation of Sri Lanka.
- Seminar conducted at Jayawardana Center, Colombo to mark the launch of the book '*Jalayen watawu linchge lokaya*'
- Island wide Cinema programme '*Jeewithayata Cinemawa*' conducted by the Film Corporation
- Dialogue conducted under the theme '*Anubhoothi Uththara ha Cinema paula*'
- Thai cinema festival conducted by Royal Thai Embassy
- Film festival on refugees conducted as a joint effort of the Office of the United Nations High Commissioner in Sri Lanka and Ministry of Foreign Affairs of Sri Lanka.
- Launch of the book in April at the celebration held to mark the birth day of Dr. Lester James Peiris
- In relation to the Diploma on cinematography commenced by the National Film Corporation of Sri Lanka.
- In relation to 09 local films screened and 17 foreign films imported during year 2016.

Other

- Media briefing on activities carried out by the institution
- Activities to assist for watching films in Presidential Film Awards (Cinema Jury) 2015

06. Screening of films

6.1. Circuit of the Corporation (Rithma Enterprises)

- During year 2016, 59 Cinema Halls were operated under Rithma Circuit
- Nahams Cinema Hall, Chunnakam, which has been temporarily closed down, has been opened again for film screening.

6.2. Releasing of films

- Films have been released by Rithma Circuit for 59 Cinema Halls
- Rithma Circuit has taken action to release films during year 2016 joining with other circuits.
- Action has been taken by Rithma Circuit to release 06 Sinhala films.
- Action has been taken joining with Cinema Halls of Rithma Circuit and other circuits to release 29 Tamil films and 14 Hindi films, which were imported by suppliers from January of this year.

(In the meantime action has been taken to obtain films from the quota allowed to the Circuit of the corporation and other Circuits and then to distribute them by Rithma Circuit.

- More opportunity has been made to release a higher number of Sinhala films with the introduction of a methodology of three streams.

6.3 Rental for films

Rental has been recovered for the films supplied by our circuit to other circuits in the following manner. (Up to July 2016)

- Lanka Films Distributors Company (pvt) Limited -Rs. 1,326,385.02
- Move Producers and Importers Company (pvt) Limited -Rs. 698,960.76
(Only up to March 2016)
- Cinema Entertainment (pvt) Limited -Rs. 5,275,957.72
- E.A.P. Films and Theaters (pvt) Limited - Rs. 2,498,531.47

Charges have been paid by the Corporation for the films obtained by our Circuit from other Circuits in the following manner. (Up to October 2016)

- Lanka Films Distributors Company (pvt) Limited -Rs. 3,407,077.46
- Move Producers and Importers Company (pvt) Limited -Rs. 3,438,348.98
- Cinema Entertainment (pvt) Limited -Rs. 30,179,915.80
- E.A.P. Films and Theaters (pvt) Limited -Rs. 38,669,373.52
- RIPO deposits

There are deposits amounted to Rs. 58,000,000.00 for the period from January up to December 2016.

The income on commissions for the period from January up to November 2016 is Rs. 32,515,829.46.

- Providing films under concessionary terms for screening to raise funds to various associations, clubs and students of Universities and schools.

- Providing films under concessionary terms and free of charge for screening at army camps and police training colleges.

07. Activities of internal audit

Audit activates have been carried out in terms of the provisions of the Finance Act No 38 of 1938 subject to the attention of the Auditor General.

Audit and Management Committee which was functioning during the year consists of the following members.

Mrs. N.Godakanda	Representative of the General Treasury, Chairman of the Committee
Mrs. W. Shriyani Hanwella	Internal Auditor, Secretary of the Committee
Mr. Anila Samaranayaka, Medical Consultant	Member of the Committee
Dr. S.K.M.Dharshani Gunathilaka	Member of the Committee
Mr. Amal Alwis	Member of the Committee
Mrs. N.G. Kumari	Supervising Officer, Department of Auditor General

During the year 02 meetings have been conducted by the Audit and Management Committee

08. Cinema culture and educational activities

8.1. Programmes for enjoying cinema culture- ‘Jeewithayata Cinemawa’ (Cinema for the life)

	Date	Programme	Venue	Number of the participants
1	24.02.2016	Workshop for enjoying cinema culture	Sipali Vidyalaya, Horana	100
2	14.03.2016	Workshop for enjoying cinema culture	ADIC Institute, Colombo 05	60
3	29.03.2016	Workshop for enjoying cinema culture	Divisional Secretariat, Balangoda	70
4	25.05.2016	Workshop for enjoying cinema culture	Divisional Education Office, Dimbulagala	150
5	05.06.2016	Workshop for enjoying cinema culture	Red Cross Auditorium, Chillaw	70
6	06.06.2016	Workshop for enjoying cinema culture	Mayurapada Vidyalaya, Narammala	200
7	15.07.2016	Workshop for enjoying cinema culture	Prison, Ambepussa	60
8	25.08.2016	Workshop for enjoying cinema culture	Technical College, Warakapola	60
9	19.10.2016	Workshop for enjoying	Kuliyapitiya Central	200

		cinema culture	College	
10	20.10.2016	Workshop for enjoying cinema culture	D.S.Senanayaka College. Colombo	200
11	29.11.2016	Workshop for enjoying cinema culture	Ke/Kegalle Balika Vidyalaya	200

Screening films for educational purposes

	Date	Programme	Venue	Number of the participants
12	12.01.2016	Screening of films	Sinhaka Junior School, Blumendal	100
13	02.03.2016	Screening of films	Central College, Kirillawala	100
14	14.03.2016	Screening of films	Police Crime Investigation Division	70
15	23.05.2016	Screening of films	Parama Vichithrananda Maha Vihara, Galle	200
16	21.06.2016	Screening of films	Sri Sumangala Central College, Wariyapola	250
17	06,07,08.06.2016	Screening of films	Mahinda College, Galle	200
18	19.07.2016	Screening of films	Divisional Secretariat, Balangoda	200
19	29.07.2016	Screening of films	Viharamaha Devi Balika Vidyalaya, Kiribathgoda	100
20	05.08.2016	Screening of films	Police Crime Record Division, Colombo 07	70
21	08.09.2016	Screening of films	Divisional Secretariat, Hatharaliyadda	60
22	06,07,08.09.2016	Screening of films	Wayamba University, Kuliyanpitiya	100
23	24.09.2016	Screening of films	Cultural Center, University of Sri Jayawardanapura	125

24	07.09.2016	Screening of films	Divisional Secretariat, Seethawaka	70
25	25.08.2016	Screening of films	Technological College, Warakapola	70
26	30.09.2016	Screening of films	Defense Services College, Colombo 02	70
27	16.12.2016	Screening of films	Sumanarama Viharaya, Kobawaka, Govinna	100

Discourse on Cinema

	Date	Programme	Venue	Number of the participants
28	05.05.2016	Discourse on Cinema 'Anubhoothi Uttara Cinamawa'	Cinema Theater of the Corporation	200
29	30.06.2016	Discourse on Cinema 'Cinamawa ha pawula"	Cinema Theater of the Corporation	250

8.2. Diploma on Cinematography

First term test has been conducted

8.3. Publication of 'Chithrapata" magazine in year 2016

- Issue of the magazine-January- April
- Issue of the magazine-May-August
- Issue of the magazine-September-December have been issued
- Nearly 20 new books have been obtained for the cinema Library

09. Local supplies-Imports and exports

- Supply of technical equipment, stationeries, and other equipment after purchasing them as per proper systems depending on the requirements of the owners of Cinema Theaters and Corporation.
- Partitioning of new office building of the Corporation
- Activities relating to digitalizing the Cinema Theater of the Corporation.
- Maintaining service agreements with respective agencies relevant to good and services with necessary updating

10. Store of films

10.1.

10.2. Role

- Taking action to receive and register the films which are imported on the permission of the Corporation and which are released locally.
- Receiving such films and submission of them to Public Performance Board, making a way to earn an income to Corporation by way of obtaining quality reports, obtaining again quality reports on the approval of the Public Performance Board and handing them to importer /producer or circuit or Cinema Theaters
- Sending by train and by hand the films which are arranged in a queue by the Circuit of the Corporation and receiving these films
- Sending in advance the pre-publicity trailers of those films and other materials to Cinema Theaters
- Receiving all the films to the store and storing them in racks after checking
- Conducting timely checking of films stored in the racks
- Nearly one million has been earned by the quality assurance process
- Rehabilitation of the old films in film store for screening them again and earning an income in such process
- Keeping only 03 copies of old films , which can be screened, at the store and handing over of all the remaining copies to owners of such films and streamlining the functions of the store by this arrangement
- Taking action to burn properly the copies of damaged films and films of which the period of agreement has expired after informing the owners and making an income to the Corporation selling the ash of burned films.
- 15 Sinhala Films (35 mm) have been registered
- Taking action to check the quality of Sinhala films kept at the repositories at the Department of National Archives

11. Legal affairs

11.1. Role

- Filling proxies on behalf of the Corporation regarding the cases of which the Corporation named as a party and appearing for the Corporation at the Court.
- Appearing for the Corporation at the Department of Labor on labor disputes
- Preparation and signing of all agreements for loan facilities and supply of services on films which are imported , produced and distributed by the Corporation , and production/studio services/printing of copies/making subtitles/ publicity of films
- Preparation and signing of all agreements for obtaining assisting services to the Corporation and other matters.
- Providing instruction for legal issues brought forward by any division of the Corporation depending on the day to day requirements.

11.2. Cases at the Court

11.2.1. Particulars which were /are being heard during the year 2016

1. Case No 870/99 at the Appeal Court
2. Case No 97659/5/11 at the Magistrate Court , Colombo
3. Case No DMR1126/2012 at the District Court- A case has been filed by the Corporation for non-making the payment due to Corporation from 4 theaters of Cinecity.
4. Case No DSP/00026/2013,DSP/00027/2013,DSP/00028/2013, DSP/00029/2013,DSP/00030/2013 at the District Court, Colombo
5. Appeal Court Petition No CA(Writ)Application No:144/2013
6. Case No 13/41/2013 at Labor Tribunal
7. Case No 2/435/2014 at Labor Tribunal
8. DMR 2603/2013 Wlapatala film
9. CHC 370/2014 Subha film
10. Case No DSP140/2015 at the District Court, Colombo
11. Case No DSP00128/2016 at the District Court, Colombo
12. Case No MC 30392/5 at the Magistrate Court, Colombo
13. Case No 47446/1/16 at the Chief Magistrate Court, Colombo
14. Supreme Court Case No HCCA/LA181/2016
15. Investigation conducted by the Department of Labor
 - I. Labor office, Complaint No : IR/15/19/2012- Mr. Samitha Dissanayaka, Employee of the Corporation
 - II. Labor office, Complaint No CC/C/EPF/583/2015- Mr. K.H.Nilantha Prasad, Employee of the Corporation

12. Financial Affairs

12.1 Sources of income

Income	Actual-2015 Rs. M.	Actual-2016 Rs. M.	Increase/Decrease %	Budget 2016 Rs. M.
Commission for distribution Local Foreign	18.9 16.7	15.7 21.4	(16.9) 28.1	18 12.5
Increase (Trust of the Corporation)	7.8	8.3	6.4	8
Fines on inquiries of surcharges and other	3.8	5.9	55.3	5.1
Cine Ads -Commission	0.4	0.5	25	0.4
Income of the studio	2.3	2.4	4.3	2.05
Trade affairs	3.7	3.3	(10.8)	3.05
Income on operations	53.6	57.5	7.3	49.1
Other income	48.7	62.1	27.5	68.32
Receipts from General Treasury for recurrent expenditure	80	74.3	(7.1)	101
Total income	182.3	193.9	6.4	218.42

When considering comparatively to year 2015, an increase by 7.3% of income on operations is observed in year 2016. Main reason for the increase is the increase in commission on distribution of foreign films by 28.1%.

The increase in surcharges, fines on inspections, and other income by 55.3% has caused for the increase of total income. Further increase in other income by 27.5 % has also caused for the increase of total income

Sources of expenditure

Income	Actual-2015 Rs. M.	Actual-2016 Rs. M.	Increase/Decrease %	Budget 2016 Rs. M.
Remunerations for employees	77.6	80	3.09	94.5
Travelling and subsistence allowances	0.4	1.7	325	2
Supplies and equipment	6	7.4	23.33	4
Repairs and depreciations on maintenance	28.4	29.7	4.58	5
National celebrations on films	-	5	100	-
Cost of sales	2.9	2.7	(6.90)	3

Transport links, requirements and other	14.4	17.3	20.14	42
Allocations for bad debts	11	2.9	(73.64)	5
Allocations for gratuity	20.5	7.1	(65.37)	5
Fund of film artists and Technicians	0.2	0.5	150	2
Total receipts	161.4	154.3	4.40	158

The decrease in cost of sales, allocations for bad debts and allocations for gratuities by 6.9%, 73.64% and 65.37% respectively comparatively to year 2015 has caused for the decrease in total expenditure.

	2015 Rs. M.	2016 Rs. M.
Income on operations	53.6	57.5
Expenditure on operations	161.5	154.3
Profit/loss on operations	(107.9)	(96.8)
Other income	48.7	62.1
Profit/loss of the year	(59.1)	(43.7)
Recurrent expenditure-receipts (From General Treasury)	80	74.3
Excess	20.9	39.6

The loss in operations has decreased by 11.13% in year 2016 comparatively to year 2015. Other income has increased by 27.51%. Therefore the loss in year 2016 has decreased by 41.45% comparatively to year 2015. The excess records an increase by 90% in year 2016 than year 2015 after adjusting recurrent receipts. Main reason for this situation is the increase in income on operation in 2016 than 2015 and the decrease in expenditure on operations than 2015.

12.3. Fixed assets

This year an amount of Rs. 20 million has been granted by the General Treasury, which is the estimated amount for capital expenditure of this year.

Rs. 0.4 million has been spent in year 2016 for the purchase of projectors and equipment and Rs. 6.7 million has been spent for partitioning of new building. The amount of depreciation of this year is Rs. 22 million.

12.4. Current assets

An increase is observed in current assets by Rs. 98 million when comparing with the previous year. The short term investments record an increase by Rs. 76 million than year 2015 due to re investment of the interest received on deposits and purchase of RIPO deposits.

The value of stock records a decrease by Rs.2.9 million as a result of fixing a sound system for Tharangani Theater.

12.5. Current liabilities

Amount on Rental for films, creditors record an increase by Rs. 49 when comparing with the previous year.

13. Studio

Main role of the studio is the provision of technical services and facilities for the films which are at post production stage.

Accordingly technical services required by producers of local films have been provided also in year 2016 from the following divisions of the studio.

1. Sound division (Digital)
2. Non line editing division (Digital)
3. Films and television recording studio

13.1. Tasks fulfilled

1. Under the technical facilities provided by Sarasavi Studio for the film industry, technical services have been provided from sounds division and non-line editing division during this period for 24 and 06 local films respectively.
2. Facilities for shooting have been provided for television and films in the internal room of the studio and the parlor of studio and garden. During the relevant period facilities for shooting have been granted for 08 films and 12 television programmes.
3. Modification of one room of sound division of studio for multi-dimensional sound recording according to international standards.

Upgrading the basic film post production facilities, which are granted at present by studio for the local film industry, according to international standards.

Quotations have been called and preliminary action has also been taken to award tender for this project carried out as per the technical instructions of Mr. V.Kishor, Indian Sounds Consultant.

4. Enhancement of computer generated image technology and color correction technology with higher quality by way of purchasing new editing system with new technology for the digital editing division of the studio.

Editing media with 2k, 4k high resolution. Purchasing required equipment in order to upgrade this division to suit to the local film industry based on computer generated image system and color correction system before making copies of a film.

Preliminary action has been taken to award tenders after calling quotations for this project.

5. Preliminary plans have been prepared to establish a National Film Academy within the premises of the studio.

13.2. Films for which post technical services were obtained-2016

Sounds division

1. Athuru Mithuru Hari Apuru
2. Ho Gana Pokuna
3. Weswalagath Tharuniya
4. Adara Kathawak
5. Heena Hoyana Samabnallu
6. Kota Uda Express
7. Ran sayura

8. Doctor Navariyan
9. Weerawarna
10. Bambara Wasanthaya
11. The Great Elephant Gather of Sri Lanka
12. The Undecided
13. Komali King
14. Breaking News
15. Jobless Douglas
16. Appata Siri
17. Sons and Fathers
18. Heta Hathara Mayan
19. Punchi Weerayo
20. Punchi Andare
21. Adarei Thamath Usas pelata
22. Ela Dabala
23. Ali Kathawa
24. SLF-Practical lessons

Non line editing division

1. Kota Uda Express
2. Pilikadturawa
3. Surangana
4. Natannethiwa Dinna
5. Rajano
6. Eduru Wedaduru Pudamu Namadimu

Films / television programmes of which the shooting was made in studio-2016

1. Derana-Dell Studio
2. The song 'Ruchirananiye'
3. The song of Kota Uda Express
4. Derana Little Star-Season 8
5. Asia Broadcasting (pvt) Ltd – Hiru Unplugged
6. The film 'Barathali'
7. Raigam- Gemak Nethi Show
8. Yama Raja Siri-Film
9. Sons & Father

10. Eduru Wedaduru Pudamu Namadimu
11. EAP Network Pvt Ltd Swarwahini-Tokyo cement all Island School quiz- Season 03
12. Peduru Sadaya
13. Helo Mister man Director, Film
14. Mr. Sunil Edirisingha- Song
15. EAP Network Pvt Ltd Swarwahini-Mareena Rasa Saraniya- Star Chef Hunt
16. RDB bank- World Children's day
17. Ali Kathawa- film
18. Aluth Kathawak
19. Nawa Demodara Palama
20. Anora –Film

13.3. Receipts from the studio during the year

	Rs.
Sound studio facilities	2,346,750.00
Editing facilities	137,675.00
Shooting	4,452,118.15
Total	6,936,543.15

14. Investigation

14.1. Tasks performed by the investigation division

- Collecting information on lands and buildings for construction of Cinema Theaters
- Opening of new cinema theaters and re-opening of closed down cinema theaters
- Inspection of Cinema Theaters
- Supervision of shooting by foreigners

14.2. Collecting information on lands and buildings for construction of Cinema Theaters

Collecting information on the construction of Cinema Theaters during year 2016 and Cinema Theaters which are being constructed

Cinema Theaters, which are under construction

- Jafnna District- Point Pedro New Cinema Theater complex
- New Cinema Theater complex, Killinochchi
- Cinema Theater ,which is constructed close to Shanthi Theater, batticaloa
- Chenkaladi Selvem 2 Cinema Theaters
- New Cinema Theater, Rajagiriya
- Saxon Cinema Theater, Kollupitiya
- Cinema Theater ,which is constructed within the premises where Sarsavi Cinema Theater was located in Galle

Collecting information on lands and buildings

It is proposed to constructed Cinema Theaters at following cities

- Mundalama
- Kottawa
- Deniyaya
- Urubokka
- Matara
- Giriulla
- Horana

14.3. Opening of new cinema theaters and re-opening of closed down cinema theaters

New Cinema Theaters, which were opened

- Vista Light, Ja Ela
- Sky Light, Malabe
- Vijayanthi Cinema 2- Kaduwela

14.4. Inspection of Cinema Theaters

During the year, Cinema Theaters have been inspected at 850 occasions.

Issuance of debit cards on the malpractices observed at Cinema Theaters

Various malpractices have been identified by inspection officers when cinema theaters were inspected. In this case 99 debit cards have been issued to the value of Rs. 1,284,760 following the circulars issued by the Corporation. Out of the above Rs. 929,040 has been recovered.

The amount of money recovered during this year in connection to 5 debit cards issued in previous year is Rs. 96,230.

14.5. Supervision of shooting by foreigners

Supervision was made on shooting of advertisements, films and documentary films which were carried out by foreigners. Accordingly, 62 such shootings by Foreigners have been supervised during year 2015.

15. Welfare

Activities of the Welfare, Thrift and Credit Society of the Corporation.

It took action during this year also for the welfare of its members.

16. Sports Association

Following achievements have been gained by the Sports Association during the year.

- Conducting New Year festival with the participation of the staff of Corporation.
- Directing players from the Corporation to series of Elle, Carom Tournament of Janasathu Seva.
- Winning the trophy of B division of Elle Tournament of Janasathu Seva
- Participation of women's cricket team for the first time representing Corporation in Esi Disi Cricket Tournament.
- Conducting a Carom Tournament internally and grading players accordingly.
- Obtaining Carom pawns and 12 stiger stools for Carom game.

17. Religious affairs

17.1. Buddhist Association

- Organizing all night Pirith Chanting to mark the anniversary which is fallen 21st January each year and other anniversaries of Cinema and offering Heel Dana in the following morning.
- Making decorations within the premises of Corporation to mark Wesak Festival and presenting a valuable Daham Book to employees of the Corporation.
- Cancelling the Coffe Dansela, which is held each year to mark Wesak Festival within the premises of the Corporation, and giving lunch for nearly 1000 people, who were adversely affected by the heavy flood during that period.
- Presenting exercise books for children of the staff member, who are educating.

17.2. Christian Association

Conducting annual Christmas Festival with the participation of the Children of staff

18. Medical assistance system

The Medical Assistance System maintained by the membership fees and money granted by the Corporation was maintained during this year also and the Governing committee of it is as follows.

Mr.H.A.U.Jayalath -Chairman of the Committee(Acting General Manager- Finance)

Mr. Namal Weerabamu-Member of the Committee (Administration officer-Admin and Human Resources)

Mr.R.P.Thissa- Member of the Committee(Secretary- Sri Lanka Freedom Employees Association)

Mr. K.R. Vincent- Member of the Committee(Representative, Jathika Sevaka Sangamaya)

Mr. Sukhitha Ilangakoon- Member of the Committee (Chairman-Employees Association of Film Corporation)

Mr. H.D.Asanka Gunathilaka- Officer in Charge

19. Trade Unions

Jathika Sevaka Sangamaya. Sri Lanka Nidahas Sevaka Sangamaya and Employees Association of the Film Corporation looked forward during this year also with collaboration of the Governing Authority of the Corporation.

20. Special Facilitation

Board of Directors including the Chairman has resigned due to reshuffle of line Ministry and I take this opportunity to appreciate the service rendered by Mr. Deepal Chandraratna, Attorney At Law and former Chairman for the enhancement of the Corporation.

During that period Mr. Deepal Chandraratna has commenced following projects.

- Establishment of National Film Academy
- Establishment of National Film Archives and Film Restoration Unit.

21. Extension of gratitude

During year 2016, whole staff of the Corporation had worked demonstrating utmost dedication and responsibility to achieve the success. The Board of Directors highly appreciates their commitment and services and the heartfelt gratitude of the Board of Directors is hereby extended.

Sithendra Senarathna

Chairman

The National Film Corporation of Sri Lanka.

National Film Corporation of Sri Lanka

Comprehensive statement of income for the year ended 31.12.2016

Description	Reference			2016		2016	
		2015	Rs.	Screening	Studio	Production	Gen. Admin. Expenditure
Sales	03	57,500,610	Rs. 53,594,147	Rs. 522,273	Rs. 2,345,086	Rs. -	Rs. 54,633,251
<u>Less: Cost of sales</u>	<u>04</u>	<u>2,763,999</u>	<u>2,866,206</u>	<u>-</u>	<u>(186,852)</u>	<u>-</u>	<u>(2,577,147)</u>
Gross Profit		54,736,611	50,727,941	522,273	2,158,234	-	52,056,104
<u>Less: Expenses</u>							
Employee Remuneration	05	80,053,840	77,611,315	11,950,044	10,799,678	9,639,357	47,664,761
Travelling & Subsistence allowances	06	1,658,035	429,651	-	12,140	3,705	1,642,190
Supply & Equipment	07	7,376,420	6,145,388	-	1,469,344	-	5,907,076
Repairs, Maintenance & Depreciation	08	29,662,545	28,406,798	-	5,948,866	-	23,713,679
Transport, Communication, Requisites & Other Services	09	17,309,406	14,386,447	339,627	1,425,073	274,045	15,270,661
Adjustments for Bad Debt		2,809,819	10,995,465	-	-	-	2,809,819
Gratuity Allocation		7,131,335	20,485,019	1,287,564	905,434	272,063	4,666,274
Allocation for Film Artistes' & Technicians' Fund		500,000	200,000	-	-	500,000	-
Allocation for National Film Festivals		5,000,000	-	-	-	5,000,000	-
Loss of Stock		-	-	-	-	-	-
		151,501,400	158,660,083	13,577,235	20,560,535	15,689,170	101,674,460
Absorption of General Administrative Expenditure		-	-	15,177,463	13,716,411	12,242,715	(41,136,589)
Operational Profit / Loss		151,501,400	158,660,083	28,754,698	34,276,946	27,931,885	60,537,871
<u>Add: Other Income</u>	<u>(96,764,789)</u>	<u>(107,932,142)</u>	<u>(28,232,425)</u>	<u>(32,118,712)</u>	<u>(27,931,885)</u>	<u>(8,481,767)</u>	
<u>Add: Profit / Loss of the Year</u>	<u>10</u>	<u>62,125,983</u>	<u>48,745,417</u>				
<u>Add: Treasury Grants</u>		(34,638,806)	(59,186,725)				
Profit (Pre-tax)		74,250,000	80,000,000				
<u>Less : Allocation for Tax</u>		<u>39,611,194</u>	<u>20,813,275</u>				
Deficit / Surplus		<u><u>39,611,194</u></u>	<u><u>20,813,275</u></u>				

National Film Corporation of Sri Lanka
Statement on Financial Status
as at 31st December, 2016

	Reference	2016	2015
		Rs.	Rs.
<u>Represented by</u>			
<u>Fixed Assets</u>			
Property, Machinery & Equipment	11	348,504,036	356,557,037
Long-term Investments	12	<u>127,000</u>	<u>127,000</u>
		<u>348,631,036</u>	<u>356,684,037</u>
<u>Current Assets</u>			
Short-term Investments	13	283,799,769	207,087,271
Stock	14	6,373,332	9,329,064
Debtors	15	182,390,282	140,875,826
Miscellaneous Debtors	16	171,981,587	159,015,837
Deposits and Advanced Payments	17	5,171,821	3,357,237
Cash & Bank Balance	18	<u>36,731,083</u>	<u>67,844,504</u>
		<u>686,447,874</u>	<u>587,509,739</u>
Total Assets		<u>1,035,078,910</u>	<u>944,193,776</u>
<u>Input Capital</u>			
Authorized Capital		10,000,000	10,000,000
Accumulated Profit		389,424,993	334,063,659
Other Reserves		<u>123,482,759</u>	<u>123,482,759</u>
		<u>522,907,752</u>	<u>467,546,418</u>
<u>Non-current Liabilities</u>			
Grants	19	146,322,543	146,944,856
Gratuity Allocations	20	<u>35,932,903</u>	<u>49,392,704</u>
		<u>182,255,446</u>	<u>196,337,560</u>
<u>Add : Current Liabilities</u>			
Deposits	21	2,544,227	2,474,227
Film Rent Creditors	22	275,556,800	242,661,692
Other Creditors	23	<u>51,814,685</u>	<u>35,173,879</u>
		<u>329,915,712</u>	<u>280,309,798</u>
Total Liabilities		<u>1,035,078,910</u>	<u>944,193,776</u>

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

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

.....
 Chairman

.....
 Director

23.02.2017

National Film Corporation of Sri Lanka

Statement fro the change of equity for the year ended 31.12.2016

	<u>Capital</u> <u>Equity</u> <u>Rs.</u>	<u>Accumulated</u> <u>Profit</u> <u>Rs.</u>	<u>Capital</u> <u>Reserves</u> <u>Rs.</u>	<u>Revaluation</u> <u>Reserves</u> <u>Rs.</u>	<u>Other</u> <u>Reserves</u> <u>Rs.</u>	<u>Total</u> <u>Rs.</u>
Balance as at 01.01.2015	10,000,000		334,063,659	499,898	115,153,399	7,829,462
Profit of the year	-	15,750,140	-	-	-	15,750,140
Balance as at 01.01.2015	10,000,000	349,813,799	499,898	115,153,399	7,829,462	483,296,558
Profit of the year	-	39,611,194	-	-	-	39,611,194
2016.12.31 උතු ගණනය	<u><u>10,000,000</u></u>	<u><u>389,424,993</u></u>	<u><u>499,898</u></u>	<u><u>115,153,399</u></u>	<u><u>7,829,462</u></u>	<u><u>522,907,752</u></u>

National Film Corporation of Sri Lanka
Cash Flow Statement
for the year ended 31.12.2016

	2016	2015
	sr.	sr.
Cash Received from Operational Activities		
Net Profit before Tax	(34,638,806)	(59,186,725)
(Less)		
Interest on Production Loans	(1,048,738)	(396,064)
Interest on Fixed and Treasury Bills	<u>(19,790,921)</u>	<u>(11,111,070)</u>
	<u>(55,478,465)</u>	<u>(70,693,859)</u>
Adjustments for subjects not affecting cash flow		
Depreciation	22,068,858	21,160,625
Allocation for Gratiuity	7,131,335	20,485,019
Allocations in excess for gratuity 2015	(16,830,608)	
නිෂ්පාදන ශය පොලී උග වෙන් කිරීම	519,102	
Allocation for Doubtful Debt	2,809,819	10,995,465
Identifying government grants to the income	(20,622,313)	(19,917,957)
Loss in the removal of fixed assets	<u>46,875</u>	<u>-</u>
	<u>(60,355,397)</u>	<u>(37,970,707)</u>
Subjects fallen in previous periods		
Adjustments for the Subjects fallen in previous periods	<u>15,750,140</u>	<u>(1,479,671)</u>
Operational profit before differences in working capital	<u>(44,605,257)</u>	<u>(39,450,378)</u>
Differences in Working Capital Subjects		
Stock (Less)	2,955,732	2,580,347
Debtors (Add)	(57,290,025)	(38,278,601)
Deposits and Advanced Payments (Add)	(1,814,584)	7,453,516
Deposits (Add)	70,000	(10,000)
Creditors (Add)	32,895,108	34,050,893
Other Creditors (Add)	<u>16,121,704</u>	<u>(1,710,483)</u>
	<u>(51,667,322)</u>	<u>(35,364,706)</u>
Less :		
Gratuity Payments	(3,760,528)	(5,153,128)
	<u>(55,427,850)</u>	<u>(40,517,834)</u>
Cash Flow from Investment Activities		
Production Debt Interest	1,048,738	396,064
Fixed & Treasury Bill Interest	19,790,921	11,111,070
Acquisition of Fixed Assets	(14,077,732)	(8,915,851)
Investment in Fixed & Treasury Bills	(76,712,498)	(25,807,906)
Cash received from sale of fixed assets	15,000	-
Treasury Grants	94,250,000	110,000,000
Net increase in cash and cash equivalents	(31,113,421)	46,265,543
Balance of cash and cash equivalents at the beginning of year	67,844,504	21,578,961
Balance of cash and cash equivalents at the end of year	<u>36,731,083</u>	<u>67,844,504</u>

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2016

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.

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.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2016

1.2 Basis of Preparing Accounts

1.2.1 Declaration of Compliancy

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

1.2.2 Responsibility of Financial Statements

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

1.2.3 Accounting Basis

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

1.2.4 Continuity

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

1.2.5 Implementation and Presentation Currency

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2016

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.

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 31st December, 2016

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.

b. Financial Assets for Trading Purposes

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2016

2.2.3 Determination of Fair Value

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

2.2.4 Re-classification

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

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

2.2.5 Impairment

(a) Financial Assets Maintained at Amortised Cost

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2016

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 no reduction in value or assets to be continuously recognized will not be included in collaborative evaluation.

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2016

(b) Impairment of Other Non-financial Assets

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

2.2.6 Giving-up of Identification

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

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

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

(b) Transferring of 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.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2016

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 measured. Daily services will be identified as expenditure in the income statement at the occurrence.

2.3.3 Depreciation

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

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

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

2.3.4 Removal of Identification

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2016

2.3.5 Impairment of Tangible Assets

In order to determine an indication of a reduction of value of non-financial assets, the current value of non-financial assets excluding deferred leased assets will be reviewed as at each reporting date. On such instance, the recoverable value of the asset will be estimated. The recoverable value of intangible assets with indefinite productive life or assets no longer exist will be estimated then and there in each year. If the current value of an asset or a financial sourcing unit exceeds its estimated recoverable value, a loss in reduction of value will be identified. The recoverable value of an asset or a financial 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 24% should be allocated for tax out of the profit after payment of income tax upon the annual profit of the Corporation and we believe that it should be out of the nett profit after adjustments for income tax.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2016

2.6 Other Assets

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

(a) Advances, Deposits, Expenditure-in advance

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

(b) Other Debtors

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

2.7 Cash and Cash Equivalents

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

2.8 Financial Liabilities

2.8.1 Initial Recognition and Measurement

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

Financial liabilities of the Corporation include sales and other payables.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2016

2.8.2 Post Measurement

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

2.8.3 Financial Liabilities at Fair Value through Profit or Loss

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

2.9 Other Financial Liabilities

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

2.10 Other Liabilities

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

2.11 Government Grants

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

Recognizing treasury grants properly with the income according to the utilization

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2016

Incomes recognized in year 2016 are as follows.

	Rs. & Cts
New Building	1,293,258.53
Cinema Complex	7,314,324.52
Motor Vehicles	1,845,357.25
Head Office	4,220,506.97
Machines of studios	5,948,865.88
	20,622,343.15

Amount received for recurrent expenditure of the institution= Rs. 74,250,000

2.12 Employee Benefits

Determined Contributory Plan

As per Statutes and Regulations, the employees of the Corporation are entitled for Employees' Provident Fund and the Employees' Trust Fund. Corporation makes a fixed

contribution to these funds upon the gross remuneration of the employees and the Corporation has no other legal obligation in this regard.

Determined Beneficiary Plan

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2016

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) In relation to studio services, interests 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

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 31.12.2016

		2016	2015
		Rs.	Rs.
(03) <u>Sales</u>			
Light-fed Films	3.1	51,357,509	47,198,999
Exhibitions	3.2	522,273	390,026
Studio	3.3	2,345,086	2,288,688
Sales	3.4	3,275,742	3,716,434
		57,500,610	53,594,147
3.1 <u>Light-fed Films</u>			
Local film rent		-	34,166
Eastern film rent		6,609	-
<i>Distribution Commission</i>			
Local		15,722,745	18,889,785
Foreign		21,359,098	16,653,226
Increase		8,333,107	7,789,740
Commission on Services		182,547	148,724
Surcharge		4,405,363	3,253,073
Investigation fines		1,348,040	430,285
		51,357,509	47,198,999
3.2 <u>Exhibitions</u>			
Cine Ads		522,273	390,026
		522,273	390,026
3.3 <u>Studio</u>		No of Films	No of Films
Sound	24	2,207,411	45
Editing	6	137,675	7
Laboratory (B/W)	-	-	-
		2,345,086	2,288,688
3.4 <u>Sales Activities</u>		Amount	Amount
Cinema Carbon	18,500	989,377	45,950
Spare parts		15,289	-
Stationery		1,709,241	-
internal use		8,882	6,100
Spare parts		552,953	38,969
Stationery cost		3,275,742	3,716,434

National Film Corporation of Sri Lanka

**Notes on Income Statements
for the year ended 31.12.2016**

(04) Sales Cost

	<u>2016</u>		<u>2015</u>	
	<u>Exhibitions</u>	<u>Studio</u>	<u>General Admin</u>	<u>Total</u>
	Rs.	Rs.	Rs.	Rs.
Stock as at 01.01.2016	5,253,887	1,675,196	6,006,058	12,935,141
<u>Add:</u>				
Purchases and Transfers	<u>5,253,887</u>	<u>-</u>	<u>1,889,126</u>	<u>1,889,126</u>
			<u>7,895,184</u>	<u>14,824,267</u>
				<u>3,025,486</u>
<u>Less:</u>				
Loss of stock	-	-	-	-
Transfers	-	-	-	-
Final stock as at 31.12.2016	<u>5,253,887</u>	<u>1,488,344</u>	<u>5,318,037</u>	<u>12,060,268</u>
	<u>-</u>	<u>186,852</u>	<u>2,577,147</u>	<u>2,763,999</u>
				<u>15,368,622</u>
				<u>2,866,206</u>

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 31.12.2016

National Film Corporation of Sri Lanka
Notes on Income Statement
for the year ended 31.12.2016

14 - 1 Sales Cost

	<u>Negatives</u>	<u>Cinema Carbon</u>	<u>Spare Parts</u>	<u>Chemicals</u>	<u>Stationery</u>	<u>Total</u> <u>2016</u> <u>Rs.</u>	<u>Total</u> <u>2015</u> <u>Rs.</u>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Initial Stock as at 01.01.2016	287,951	2,193,458	342,207	-	3,182,442	6,006,058	8,130,875
<u>Add:</u>							
Purchasing and Transfers	<u>287,951</u>	<u>2,193,458</u>	<u>342,207</u>	<u>-</u>	<u>-</u>	<u>1,889,126</u>	<u>1,889,126</u>
<u>Less:</u>							
Loss of stock						-	-
Final Stock as at 31.12.2016	<u>287,951</u>	<u>1,453,660</u>	<u>329,976</u>	<u>-</u>	<u>3,246,450</u>	<u>5,318,037</u>	<u>8,439,539</u>
	<u><u>-</u></u>	<u><u>739,798</u></u>	<u><u>12,231</u></u>	<u><u>-</u></u>	<u><u>1,825,118</u></u>	<u><u>2,577,147</u></u>	<u><u>2,716,822</u></u>

National Film Corporation of Sri Lanka
Notes on Income Statement (Studio)
for the year ended 31.12.2016

(04 - C) Sales Cost

	<u>Negatives</u> Rs.	<u>Cinema Carbon</u> Rs.	<u>Spare Parts</u> Rs.	<u>Chemicals</u> Rs.	<u>Total 2016</u> Rs.	<u>Total 2015</u> Rs.
Initial stock as at 01.01.2016	816,569	-	804,537	54,090	1,675,196	1,824,580
Purchasing	-	-	-	-	-	-
	<u>816,569</u>	<u>-</u>	<u>804,537</u>	<u>54,090</u>	<u>1,675,196</u>	<u>1,824,580</u>
 <u>Less :</u>						
Loss of stock	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Final stock as at 31.12.2016	816,569	-	617,685	54,090	1,488,344	1,675,196
Internal use during the year	-	-	<u>186,852</u>	<u>-</u>	<u>186,852</u>	<u>149,384</u>

National Film Corporation of Sri Lanka
Notes on Income Statements
for the year ended 31.12.2016

Note : 05

	<u>Exhibitions</u>		<u>Studio</u>		<u>Production</u>		<u>Gen .Admin.</u>		<u>Total</u>	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Expenditure	2016	2015	Rs.
Employee Remuneration										
Salaries & Wages	5,051,718	4,098,917	2,378,892		21,106,530		32,636,057		30,346,668	
Overtime , Holiday Pay & Compens	489,302	1,329,080	113,351		1,730,799		3,662,532		3,129,827	
Contribution for E.P.F. & E.T.F	1,070,936	875,522	519,571		4,520,144		6,986,173		4,431,721	
Other Allowances	5,338,088	4,496,159	6,627,543		20,307,288		36,769,078		39,703,099	
	11,950,044	10,799,678	9,639,357		47,664,761		80,053,840		77,611,315	

Note 06 :

Travelling & Subsistence

Travelling & (Local)	-	3,040	55	63,822	66,917	146,663
(Foreign)	-	-	-	1,345,829	1,345,829	-
Subsistence	-	9,100	3,650	232,539	245,289	282,988
	-	12,140	3,705	1,642,190	1,658,035	429,651

National Film Corporation of Sri Lanka
Notes on Income Statements
for the year ended 31.12.2016

Note : 07

	<u>Exhibitions</u> Rs.	<u>Studio</u> Rs.	<u>Production</u> Rs.	<u>Gen. Admin.</u> Expenditure Rs.	<u>Total</u> <u>2016</u> Rs.	<u>Total</u> <u>2015</u> Rs.
					<u>2016</u> Rs.	<u>2015</u> Rs.
Supplies & Equipment						
Stationery & Office Equipment	-	-	-	2,001,650	2,001,650	989,498
Electricity	-	1,454,714	-	3,720,989	5,175,703	4,657,839
Entertainment	-	-	-	184,437	184,437	313,481
Machinery & Electric Equipment	-	14,630	-	-	14,630	92,830
Uniforms	-	-	-	-	-	91,740
	-	1,469,344	-	5,907,076	7,376,420	6,145,388

Note : 08

Repairs, Maintenance & Depreciation

Fuel & Lubricants	-	-	4,081,881	4,081,881	3,184,127
Maintenance	-	13,826	-	3,497,980	3,511,806
Depreciation	-	5,948,866	-	16,119,992	22,068,858
	-	5,962,692	-	23,690,853	29,662,545

National Film Corporation of Sri Lanka
Notes on Income Statements
for the year ended 31.12.2016

Note : 09

	<u>Exhibitions</u> Rs.	<u>Studio</u> Rs.	<u>Production</u> Rs.	<u>Gen. Admin. Expenditure</u> Rs.	<u>Total</u> <u>2016</u> Rs.	<u>Total</u> <u>2015</u> Rs.
					<u>2016</u> Rs.	<u>2015</u> Rs.
Transport, Communication, Utilities & Other Requisites						
Transport	-	-	-	103,491	103,491	123,441
Communication	339,627	203,494	274,045	1,388,310	2,205,476	1,662,241
Requisites	-	-	-	4,602,415	4,602,415	4,170,873
Rates	-	73,111	-	609,840	682,951	672,409
Other Services	-	1,148,468	-	8,566,605	9,715,073	7,757,483
Cost of employee loan interest	-	-	-	1,078,005	1,078,005	1,055,679
(-) Employee loan interest income	-	-	-	(1,078,005)	(1,078,005)	(1,055,679)
Writing-off of production loan interest	-	-	-	-	-	-
	<u>339,627</u>	<u>1,425,073</u>	<u>274,045</u>	<u>15,270,661</u>	<u>17,309,406</u>	<u>14,386,447</u>

National Film Corporation of Sri Lanka

Notes on Income Statements
for the year ended 31.12.2016

Note : 10

Other Revenue

	<u>2016</u>	<u>2015</u>
	Rs.	Rs.
Production Loan Interest	1,048,738	396,064
Employee Loan Interest	421,828	411,068
Miscellaneous Revenue	548,435	783,290
Outdoor shooting	4,589,458	2,429,418
Repairing of films not belonging to the Corporation	1,010,740	1,814,824
Fixed and Treasury Bill Interest	19,790,921	11,111,070
Application Fee	326,000	260,000
Revenue of NFC Theatre	4,634,048	2,656,250
Compensation form Insurance Corporation	11,000	750
Approval for film scripts	-	5,000
Rent income from the building 224	8,160,000	7,740,000
Receipts from courses	945,000	1,176,400
Identifying treasury receipts in revenue	20,622,313	19,917,957
Adjustment of Foreign Exchange	17,502	43,326
	<u>62,125,983</u>	<u>48,745,417</u>

National Film Corporation of Sri Lanka

Notes on Financial Status

as at 31st December, 2016

Note : 11 - Fixed Assets

	Property, Machinery and Equipment	Cost	Additions during the year	Disposals during the year	Cost	Accumulate d Depreciatio	Depreciat on for the Year	Accumulat ed Depreciat ion	Net Value	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
A										
01.	Free-hold Lands	174,343,458	-	-	174,343,458	-	-	-	-	174,343,458
02.	Free-hold Buildings	135,344,302	9,039,008	-	144,383,310	43,900,782	5,576,583	49,477,365	94,905,945	
03.	Cinema Complex	104,928,508	2,524,058	-	107,452,566	49,225,197	7,314,324	56,539,521	50,913,045	
04.	Mini-cinema Equipment	331,451	-	-	331,451	331,449	-	331,449	2	
05.	Furniture, Installation & Fixat	16,546,107	1,072,966	81,250	17,537,823	15,301,703	295,284	15,596,987	1,940,836	
06.	Office Equipment	17,512,795	996,700	-	18,509,495	14,172,419	816,472	14,988,891	3,520,604	
07.	Motor Vehicle	15,347,820	-	50,000	15,297,820	11,607,098	1,845,357	13,452,455	1,845,365	
08.	Film Archiving	1,610,655	-	-	1,610,655	965,087	97,279	1,062,366	548,289	
09.	Bicycles	18,281	-	-	18,281	18,277	-	18,277	4	
10.	Film Equipment	910,689	-	-	910,689	614,990	49,280	664,270	246,419	
11.	Projection Equipment	480,202	445,000	-	925,202	453,312	50,209	503,521	421,681	
12.	Studio Machinery	93,274,760	-	-	93,274,760	67,937,521	5,948,866	73,886,387	19,388,373	
13.	Cinema Education Equipment	1,241,350	-	-	1,241,350	736,132	75,204	811,336	430,014	
14.	Welfare Equipment	194,961	-	-	194,961	194,960	-	194,960	1	
		562,085,339	14,077,732	131,250	576,031,821	205,458,927	22,068,858	227,527,785	348,504,036	

National Film Corporation of Sri Lanka
Notes on Financial Status
as at 31st December, 201

	<u>2016</u> Rs.	<u>2015</u> Rs.
<u>Note : 12</u>		
<u>Long-term Investments</u>		
Associated Newspapers of Ceylon Ltd.	127,000	127,000
	<u>127,000</u>	<u>127,000</u>
<u>Note : 13</u>		
<u>Short-term Investments</u>		
Deposits in National Savings Bank	5,000	5,000
Fixed Deposits	17,891,742	16,826,422
REPO Deposits	173,871,346	104,667,166
Treasury Bills	92,031,681	85,588,683
	<u>283,799,769</u>	<u>207,087,271</u>
<u>Note : 14</u>		
<u>Stock</u>		
Films	5,253,887	5,253,887
Sales Activities	5,318,037	8,151,588
Studio	1,000,820	1,675,196
Spare parts for studio maintenance	1,472,575	1,472,575
Stationery and Other	1,925,189	1,372,994
	<u>14,970,508</u>	<u>17,926,240</u>
Allocation for slow-marketed and non-marketed stocks	(8,597,176)	(8,597,176)
	<u>6,373,332</u>	<u>9,329,064</u>
<u>Note : 15</u>		
<u>Debtors</u>		
Cinema Halls	200,467,136	176,366,114
Producers	120,625,829	101,027,511
	<u>321,092,965</u>	<u>277,393,625</u>
<u>Less :-</u>		
Allocation for Debtors (Note 15 A)	(138,702,683)	(136,517,799)
	<u>182,390,282</u>	<u>140,875,826</u>
<u>Note : 16</u>		
<u>Miscellaneous Debtors</u>		
Other	160,618,026	148,119,293
Allocation for Miscellaneous Debtors (Note 15 A)	(8,030,900)	(7,405,965)
Employee Advances	19,394,461	18,302,509
Employee Loan Asset Account	9,858,711	5,569,131
(-) Employee Loan Liability Account	(9,858,711)	(5,569,131)
	<u>171,981,587</u>	<u>159,015,837</u>

National Film Corporation of Sri Lanka
Notes on Financial Status
as at 31st December, 201

Schedule of Allocation for Bad Debt

Note : 15 A

Debtors	Total		Not agreed and Non-recoverable		Recoverable		Allocation of 5%		Total Allocations	
	201	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Film Halls	200,467,136		66,089,856		134,377,280		6,718,800		72,808,656	
Producers	120,625,829		63,013,427		57,612,402		2,880,600		65,894,027	
Other	160,618,026		-		160,618,026		8,030,900		8,030,900	
Employee Advances	19,394,461		-		19,394,461		-		-	
	501,105,452		129,103,283		372,002,169		17,630,300		146,733,583	
Cinema Halls										
Total	Production		Other		Employee Advances					
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Balance B/F	143,923,764		71,603,668		64,914,131		7,405,965		-	
Transfer to Profit & Loss Account	2,809,819		1,204,988		979,896		624,935		-	
	146,733,583		72,808,656		65,894,027		8,030,900		-	
Allocations for Debtors										
as at 01.01.201	143,923,764									
Transfer to Profit & Loss Account							2,809,819			
Balance B/D 31.12.201							146,733,583			

National Film Corporation of Sri Lanka

Notes on Financial Status

as at 31st December, 201

	<u>2016</u>	<u>2015</u>
	Rs.	Rs.
<u>Note : 17</u>		
<u>Deposits and Advance Payments</u>		
Deposits	3,712,027	3,691,450
Advance Payments	2,077,522	315,915
Advance Payments for the Welfare Society	36,000	31,000
	<hr/>	<hr/>
	5,825,549	4,038,365
Allocation for non-recoverable debt	(653,728)	(681,128)
	<hr/>	<hr/>
	<u>5,171,821</u>	<u>3,357,237</u>

Note : 18

Cash and Bank Balances

People's Bank - C. A. No 004-1-001-1-0208647	10,607,968	681,468
People's Bank - C.A. No 055-1-001-5-0667533	949,309	873,874
People's Bank - C. A. No 004-1-001-6-0208664	2,076,534	8,059,708
Bank of Ceylon - C.A. No 0002323272	2,920,580	10,456,100
Bank of Ceylon - C.A. No 0002323131	1,530,342	537,256
Bank of Ceylon - C.A. No 0002323354	2,124,038	41,475,925
Bank of Ceylon - C. A. No 0002323363	16,432,069	5,707,301
Bank of Ceylon - C. A. No 0005002189	65,023	23,023
	<hr/>	<hr/>
	<u>36,705,863</u>	<u>67,814,655</u>

Cash at Hand

Petty Cash - Head Office	23,085	28,171
Petty Cash - Studio	2,101	1,644
Petty Cash - Film Archive	34	34
	<hr/>	<hr/>
	<u>25,220</u>	<u>29,849</u>
Total	<u>36,731,083</u>	<u>67,844,504</u>

Note : 19

Grants

Treasury Grants	166,944,856	166,862,813
(-) Amortisation	20,622,313	19,917,957
	<hr/>	<hr/>
	<u>146,322,543</u>	<u>146,944,856</u>

National Film Corporation of Sri Lanka

Notes on Financial Status
as at 31st December, 201

	<u>2016</u>	<u>2015</u>
	Rs.	Rs.
Note : 20		
Allocations for the gratuity		
Balance B/F as at 31.01.2015	49,392,704	34,060,813
Allocation in excess in year 2015	(16,830,608)	-
Allocations for the year	7,131,335	20,485,019
Cash Payments	(3,760,528)	(5,153,128)
	<u>35,932,903</u>	<u>49,392,704</u>
(Invested in Treasury Bills)		

Note : 21

Deposits

NFC Theatre Security Deposits	130,000	60,000
Canteen Deposit Canteen Deposit	30,000	30,000
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>2,544,227</u>	<u>2,474,227</u>

Note : 22

Film Rent Creditors

Film Rent Creditors	293,603,604	260,708,496
(-) Allocation for Creditors	(18,046,804)	(18,046,804)
	<u>275,556,800</u>	<u>242,661,692</u>

National Film Corporation of Sri Lanka

Notes on Financial Status

as at 31st December, 2016

	<u>2016</u>	<u>2015</u>
	Rs.	Rs.
<u>Note : 23</u>		
<u>Other Creditors</u>		
Accrued Expenditure	14,841,780	5,953,251
VAT Payable	152,613	152,613
Allocations for Audit Fees	1,586,720	1,486,720
Commissioner of Inland Revenue (Stamps)	36,455	43,030
Unclaimed Wages	998,494	1,025,537
E. P. F.	654,342	663,353
E. T. F.	74,103	73,858
Miscellaneous Creditors	1,599,863	2,005,794
(- Allocations for Non-payable Liabilities)	(644,840)	(644,840)
Miscellaneous Debtors (Credit Balance)	1,110,955	1,245,505
Film Rent Debtors	3,982,955	3,477,940
General Treasury	5,000,000	5,000,000
National Film Development Fund	3,525,795	3,525,795
Control Account of Rithma Circuit	4,696,303	-
Cine Tharu Punchi Tharaka	-	31,750
Allocation Account for Film Festivals	10,000,000	5,000,000
Payment of Paye tax	24,243	37,939
Allocation for Salaries and Wages	714,182	714,182
Allocation for Receivable Production Loan Interest	<u>3,460,722</u>	<u>5,381,452</u>
	<u>51,814,685</u>	<u>35,173,879</u>

National Film Corporation of Sri Lanka

Notes on Income Statement
as at 31st December, 2015

	Other Services	Total 2016		Exhibition	Studio	Production	Gen. Admin. Expenditure
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Director Fee		718,170	-	-	-	-	718,170
Publicity		393,502	-	-	-	-	393,502
Special Commission Fee		146,812	-	-	-	-	146,812
Legal Fee		916,197	-	-	-	-	916,197
Corporation Festivities		1,295,332	-	-	-	-	1,295,332
Audit Fees		600,000	-	-	-	-	600,000
Security Services		2,200,511	-	-	1,148,468	-	3,348,979
Bank Fees		73,177	-	-	-	-	73,177
Miscellaneous Expenditure		-	-	-	-	-	-
Cinema Education		847,050	-	-	-	-	847,050
Death Donations and Film Artistes' Expenditure		1,105,538	-	-	-	-	1,105,538
Expenditure of the New Theatre		35,928	-	-	-	-	35,928
Withholding Tax		157,836	-	-	-	-	157,836
Adjustments for Foreign Exchange		-	-	-	-	-	-
Reading of scripts		3,000	-	-	-	-	3,000
Watching films		-	-	-	-	-	-
Late payments		64,177	-	-	-	-	64,177
Tender Expenditure		-	-	-	-	-	-
Disposal of Fixed Assets		9,375	-	-	1,148,468	-	9,375
		8,566,605	=====	=====	=====	=====	9,715,073

National Film Corporation of Sri Lanka

Notes on Income Statement
as at 31st December, 2016

	Total	2016	Exhibition	Studio	Production	Gen. Admin. Expenditure
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Transport		103,491	-	-	-	103,491
Communication		2,205,476	339,627	203,494	274,045	1,388,310
Requisites						
Internal Use		561,835	-	-	-	561,835
Foreign Film Festival		6,912	-	-	-	6,912
Welfare Expenditure		3,341,482	-	-	-	3,341,482
Employee Recruitment and Training		277,110	-	-	-	277,110
Water Bills		415,076	-	-	-	415,076
Rates		4,602,415	-	-	-	4,602,415
		682,951	-	73,111	-	609,840

National Film Corporation of Sri Lanka
Comprehensive income report for the year ended
31.12.2016

Income Statement for the year ended 31.12.2015

	<u>SLFRS 2015</u> Rs.	<u>Measurable Deviations</u> Rs.	<u>SLFRS 2015</u> Rs.
Sales	53,594,147	-	53,594,147
<u>Less : Sales Cost</u>	<u>2,866,206</u>	<u>-</u>	<u>2,866,206</u>
Gross Profit	50,727,941	-	50,727,941
<u>Less : Expenditure</u>			
Employee Remuneration	77,611,315	-	77,611,315
Travelling and Subsistence	429,651	-	429,651
Supplies and Equipment	6,145,388	-	6,145,388
<u>Repairs, Maintenance and Depreciation</u>			
(A) Repairs, Maintenance and Depreciation	28,406,798	-	28,406,798
Transport, Communication, Requisites & Other Services	14,386,447	-	14,386,447
Allocation for Bad Debt	10,995,465	-	10,995,465
Allocation for Gratuities	20,485,019	16,855,253	3,629,766
Allocation for the Fund for Film Artistes and Technicians	200,000	-	200,000
Loss of Stock	-	-	-
	158,660,083	16,855,253	141,804,830
Absorption of General Administration Expenditure	-	-	-
	158,660,083	16,855,253	141,804,830
Operational Profit /Loss	(107,932,142)	(16,855,253)	(91,076,889)
<u>Add : Other Revenue</u>	<u>48,745,417</u>	<u>(1,105,113)</u>	<u>47,640,304</u>
Profit / Loss of the Year	(59,186,725)	15,750,140	(43,436,585)
<u>Less : Treasury Grants</u>	<u>80,000,000</u>	<u>-</u>	<u>80,000,000</u>
	20,813,275	15,750,140	36,563,415
<u>Less : Allocation for Tax</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deficit / Surplus	<u>20,813,275</u>	<u>15,750,140</u>	<u>36,563,415</u>

National Film Corporation of Sri Lanka
Notes
as at 31st December, 2016

Annex

<u>Note</u>	<u>Description</u>	<u>Amount</u>
		Rs.Cts
Note 01	Allocation in excess for gratuity	(16,855,253)
Note 02	Withholding tax(Tax levied on the interest for fixed deposits)	3,180,320
	Rectification of errors in accounting	458,868
	Allocation in excess for audit fees	(30,470)
	Interest on production loans which were overaccounted	<u>(2,503,605)</u>
		<u>(15,750,140)</u>

National Film Corporation of Sri Lanka
Notes on Financial Status
as at 31st December, 2016

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 member of the Board of Directors	Date of appointment	Post held and service station/address	Address	Nature of transaction of parties concerned මඟ්‍ය තුනකා මඟ්‍ය තුනකා
1	Deepal Chandrarathna, Attorney-at-Law	04.03.2015	Chairman of the Board of Directors Chairman - National Film Corporation	Chairman, National Film Corporation of Sri Lanka	-
3	Dr. Ranga Kalansuriya	07.06.2016	Member of the Board of Directors (Ex-officio) Director General of Information	Director Department of Information Colombo 05	-
4	Mr. Erananda Hettiarachchi	07.06.2016	Member of the Board of Directors (Ex-officio) Director General	Director General Sri Lanka Broadcasting Corporation Colombo 07	-
5	Mrs. Anusha Gokula Fernando	07.06.2016	Member of the Board of Directors(Ex-officio) Director of Cultural Affairs, Dept of Cul Affairs	Director Cul Affairs Department of Cul Affairs Sethsiripaya Bvattaramulla	-
6	Dr. Anila Samaranayaka, Medical Consultant	14.05.2015	Member of the Board of Directors Deputy Director of Regional Health services, Western Province	No.182/1 . Hill Street Dehiwala	-
7	Mr. Amal Alwis	14.05.2015	Member of the Board of Directors	No. 300, Park Road Colombo 5	-
8	Mrs.P.V.P.Dayaratna	06.02.2015	Member of the Board of Directors	No. 59/3 , Heenatikumbura Thalangama North, Battaramulla	-
9	Mr. Nyana Hettiarachchi	06.04.2015	Member of the Board of Directors	No.330/8 Saman Mawatha Lake Road Boralesgamuwa	-



විශාලාංශු දෙපාර්තමේන්තුව
කණකාය්වාල් තැලම අතිපති තිශ්‍යකාලම
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எண்டு තිය.
My No. } CAS/C/NFC/1/16/FA

මහත් අංකය
භාෂා තිය.
Your No. }

දිනය
තික්ති
Date } 30 April 2018

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 2016 in terms of Section 14(2) (c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the National Film Corporation of Sri Lanka for the year ended 31 December 2016, comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971 and Section 31(1) of the National Film Corporation of Sri Lanka Act, No.47 of 1971. My comments and observations which I consider should be published with the Annual Report of the Corporation in terms of Section 14(2) (c) of the Finance Act appear in this report. A detailed report in terms of 13(7) (a) of the Finance Act was issued to the Chairman of the Corporation on 10 April 2018.

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 Auditing 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 judgement, 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 Going Concern of the Corporation

The commission on distribution, which was one of the main sources of income, had been deprived of to the Corporation with the abolition in the year 1999 of the monopoly of distribution of films which existed with the National Film Corporation. As such, the General Treasury had made arrangements to grant provisions for employees' salaries since the year 2011 on the inadequacy of the Corporation's income in settling expenses.

Moreover, a situation of continuous loss was observed before receiving Treasury grants by the Corporation during the year under review and 4 preceding years and



accordingly, it was observed that the going concern of the Corporation had been uncertain without the financial assistance of the Government.

1.5 Basis for Qualified Opinion

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

2. Financial Statements

2.1 Qualified Opinion

- In my opinion, except for the effects of the matters described in Paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the National Film Corporation as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following non-compliances were observed.

(a) Sri Lanka Accounting Standard 7

In terms of paragraph 7 of the Standard, in accounting Treasury Bills and Bills Repurchasing, investments of three months or less should be indicated in the cash flow statement as a liquid asset equivalent to cash. However, the value of Treasury Bills to be matured within a period of three months amounting to Rs.9,612,350 and Bills Repurchasing amounting to Rs.103,361,405 had been shown under cash and cash equivalents.



(b) Sri Lanka Accounting Standard 16

- (i) In terms of paragraph 79(a) of the Standard, idle assets should be disclosed in statements of accounts. However, accounting and disclosures on assets with outdated technology belonging to the black and white and colour laboratories of the Kelaniya Studio of the Corporation, had not been carried out.
- (ii) Even though assets costing Rs.250,899,989 had been fully depreciated as the useful life of non-current assets had not been reviewed annually in terms of paragraph 79(b) of the Standard, they were being further used. Accordingly, action had not been taken to revise the estimated error in terms of Sri Lanka Accounting Standard 8.

(c) Sri Lanka Accounting Standard 19

Provision for post-employment benefits should be computed after carrying out an actuarial estimate in terms of paragraph 57 of the Standard. However, contrary to that, the Corporation had allocated a gratuity equal to half pay of the monthly salary to every employee for each year of service without identifying an accounting policy for allocating post-employment benefits.

(d) Sri Lanka Accounting Standard 37

Contributions for the Employees Trust Fund had been computed from January 2006 to December 2015 without considering the Cost of Living Allowance. As such, an outstanding sum of Rs.2,763,753 and a surcharge of Rs.1,381,876 had to be paid and the approval of the Board of Directors had been granted on 27 April 2017 therefor. Nevertheless, provisions had not been made in the accounts in terms of the Standard.

(e) Sri Lanka Accounting Standard 38

The software used for the post production activities in the Sarasavi Studio in Kelaniya had not been shown under intangible assets in the financial statements in terms of paragraph 119 of the Standard.



(f) Sri Lanka Accounting Standard 40

Even though investment assets should be recognized and disclosed in the financial statements in terms of paragraph 75 (c) of the Standard , appropriate disclosures had not been made on a building rented out to three institutions over a period of 15 years by the Corporation.

2.2.2 Accounting Policies

Even though it had been indicated in the financial statements that accounting property to the cost or the assessed value is the policy, the land bearing assessment number 224 located on Bauddhaloka Mawatha and the land of the Kelaniya Studio belonging to the Corporation had been valued for the last time in the year 2007. Accordingly, 10 years had lapsed as at the end of the year under review. However, action had not been taken to revalue these lands and to account the fair value.

2.2.3 Accounting Deficiencies

Fixed deposits valued at Rs.17,891,742 of the National Savings Bank which was a long term deposit, had been shown in the financial statements as a short term investment.

2.2.4 Unexplained Differences

The following observations are made.

(a) A difference of Rs.13,495,075 was observed in the comparison of balances relating to 02 Items of Accounts included in the statement of financial position with the schedules/ ledger balances presented to Audit.

(b) An unexplained difference of Rs.4,696,302 was observed in an inter departmental current account according to the books of the Corporation and the books of the Ridma Circuit.



(c) Even though the balance of a bank current account had been indicated as Rs.10,607,968 in the statement of financial position as at 31 December of the year under review, that balance had been Rs.6,607,968 according to the Bank Reconciliation Statement, thus observing an unreconciled difference of Rs.4,000,000.

2.2.5 Accounts Receivable and Payable

The following observations are made.

(a) No action had been taken to repay the monies recovered in excess from the debtors to the relevant persons or to take into the income or to take any other appropriate measure. As such, debtors credit balances of Rs.1,110,955 were being brought forward in accounts for over a period of 10 years.

(b) Action had not been taken even by the date of this report to recover the film rental of Rs.12,343,433 recoverable from the year 2003 up to 31 May 2016 from the CineCity Cinema Hall in Maradana. Moreover, as the daily report had not been sent after 31 May 2016, the income from film rental could not be computed or disclosed by accounts.

(c) Out of the amount received from the Treasury for voluntary retirement of employees, a remaining sum of Rs.5,000,000 had not been remitted to the Treasury.

(d) Sums of Rs.7,604,528 from 163 cinema halls before assigning the activities of distributing films to private circuits in the year 2001 and a sum of Rs.74,412,984 from 186 cinema halls existed after assigning but closed down presently, had been recoverable as at the end of the year under review. Moreover, the outstanding amount recoverable from cinema halls belonging to circuits functioning at present amounted to Rs.149,054,764 and effective action had not been taken to recover those amounts in the year under review as well.



(e) According to the financial statements presented, a loan totalling Rs.501,105,452 had to be recovered as production of cinema other loans and employees' advances. Out of those debtors, a 100 per cent provision for bad debts for the loan balance of Rs.129,103,283 not agreed and unrecoverable and a 5 per cent provision for the remaining debtors had been made. However, it was observed that the recovery of Rs.146,733,583 or 29 per cent out of the above debtors had been uncertain.

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 etc.	Non-compliances
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	
(i) Financial Regulation 381 (1)	Application to open official bank accounts should be made through the Chief Accounting Officer to the Treasury. Nevertheless, the Corporation had opened 08 bank current accounts without the approval of the General Treasury by 31 December 2016 and the balances of those bank accounts totalled Rs.36,705,863 as at that date.
(ii) Financial Regulation 454 (1)	A Main Inventory Book had not been kept in Form General 44 in respect of receipt and issue of inventoried articles and lists had not been maintained separately for each branch according to relevant Forms.



(iii) Financial Regulation 754 The Inventory Book had not been balanced at the end of each financial year and carried forward for the following financial year.

(b) Decision No.අං/05/0741/041/012 dated 22 July 2015 of the Cabinet of Ministers. Non-ferrous metals such as copper, brass, aluminum, lead etc. and the special type iron, cast iron and steel scraps discarded by Government institutions can be sold to the Industrial Development Board of Ceylon. Nevertheless, action had not been so taken in respect of iron scraps and script covers that had been stacked in an old building of the Sarasavi Studio.

(c) (i) Sections 10(5) and 11 of the Finance Act of 1971 and Section 27 of the Film Corporation Act, No.47 of 1971 An income over expenditure amounting to Rs.111,502,287 from the year 2014 to the year 2016 had not been remitted to the Treasury and including that amount, sums of Rs.92,031,681 and Rs.173,871,346 had been invested in Treasury Bills and Treasury Bills Repurchasing respectively as at 31 December 2016 without the approval of the Minister of Finance and the relevant Minister.

(ii) Section 7(2) of the Finance Act In computing the profit of the Corporation, the subsidies from the Government amounting to Rs.74,250,000 received in the year under review had not been taken into consideration and it had been shown in the comprehensive income statement after computing the profit/loss.



(d) National Film Policy and Even though a maximum credit of Guidelines of 17 June 1999 Rs.1 million should be provided for post-production activities such as printing and publicity of films by the People's Bank, contrary to that, a loan of Rs.20 million had been granted out of the Film Corporation Fund to the "Sarigama" film subject to the approval of the Board of Directors.

(i) Section 2.1

(ii) Section 9 Even though a Film Preservation Unit should be established and managed by the Film Corporation, 273 old films belonging to the Film Corporation had been preserved in a repository in the Department of National Archives. However, no arrangement had been made to preserve 962 films screened from the year 1947 to the year 2016 and copies of new films.

(e) Sections (a) and (c) of Schedule 111 of the Excise Notification No.902 Liquor permits should not be issued if a religious place or school is located within 500 metres and if the area of the place selling liquor is less than 500 square feet. However, recommendations had been issued for liquor permits in cinema halls without carrying out inspections thereon.

(f) Section 61(2) (e) of the Film Corporation Act, No.47 of 1971 Instances were observed in which the rate that should be charged in the theatres for Three Dimensional (3D) films had been overcharged by Rs.100, exceeding the rate approved by the Corporation. Moreover, the



Investigation Officers of the Corporation had not taken action to observe and correct such instances.

3. Financial Review

3.1 Financial Results

The financial result of the Corporation for the year under review had been a loss of Rs.34,638,806 before receiving Treasury grants as compared with the corresponding loss of Rs.59,186,725 for the preceding year, thus indicating an improvement of Rs.24,547,919 in the financial result for the year under review as compared with the preceding year. Increase in other income by Rs.13,380,566 and decrease in provision for bad debts and gratuity by Rs.23,539,330 had mainly attributed to the above improvement.

An analysis of the financial results for the year under review and 04 preceding years revealed a continuous loss in the financial result before receiving Treasury grants and in the year 2012 it had been Rs.50,487,786 while as at the end of the year under review it had been Rs.34,638,806. However, in readjusting the employees' remuneration and depreciation for non-current assets to the financial result, the contribution of the Corporation which was Rs.31,192,547 in the year 2012 had increased to Rs.67,483,892 as at the end of the year under review.

4. Operating 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 inside and outside Sri Lanka. The following observations are made in respect of the achievement of those objectives.

- (a) Even though a sum of Rs.12 million had been allocated to co-produce 04 quality films per year as studio productions, as state sponsorship extended towards young film makers who had shown talents in television or any other relevant field for their first film production, that purpose had not been achieved.
- (b) Extending financial assistance in the production of films with the main objective of promoting the film industry is one of the objectives. However, no production loan whatsoever had been granted since the year 2012 and no action had been taken in achieving objectives such as conducting market research in respect of films inside and outside Sri Lanka.
- (c) Even though it had been planned to inspect even 2000 shows as a whole so that every cinema hall is subjected to inspection at least once a month, only 850 shows had been inspected during the year under review.
- (d) A sum of Rs.30 million had been allocated for purchase and installation of equipment for Acoustic treatment in the Vijaya Kumaranatunge Studio for mixing surround sound in films according to international standards and for purchase of equipment for recording songs and music in films. However, that purpose had not been fulfilled.
- (e) A specific unit had not been established in the Corporation for filing complaints on the film industry and attention had not been paid on taking necessary and timely measures by recording the complaints of viewers and film producers and directing them to relevant divisions. Moreover, action had not been taken as well to formulate national policies for the advancement of the film industry. It is the vision of the Corporation to mobilize local creative talent to develop Sri Lanka's cinema industry to be in par with world standards. Nevertheless, there had been hindrances for new producers to proceed further on non-provision of required



financial facilities and earning money by focusing on commercial films instead of producing quality creations had become the main objective.

4.2 Management Activities

The following observations are made.

- (a) Even though there was an excess of 10 labourers in the Corporation, the cleaning activities of the Corporation had been awarded to a private service supplier who had been rejected by the Technical Evaluation Committee, on the agreement of a monthly payment of Rs.293,490 and an unsatisfactory service had been supplied continuously due to failure in deploying the required number of employees by this institution.
- (b) In terms of Letter No.PE/ME/NFC/GEN/2015 of August 2015 of the Director General of the Department of Public Enterprises, as reply to the letter of requesting approval for writing off outstanding monies recoverable from cinema halls to the Corporation and the loan of Rs.192 million granted for production of films, it was observed that the following deficiencies had occurred.
 - (i) As recommended by the Parliamentary Committee on Public Enterprises, it had been instructed to appoint a committee at Ministerial level and formulate a proper methodology for collecting outstanding monies. However, there had been no representation from the Ministry for the appointed committee.
 - (ii) Failure in investigating on the legal ability for recovery of the relevant loans and not taking legal action to recover the relevant outstanding amounts from debtors identified through such investigations.
 - (iii) Non-preparation of a proper procedure by the above mentioned committee to settle the loan granted at least from the cinema halls functioning at present, in installments or on long term basis.

- (iv) Failure in obtaining the approval of the Cabinet by submitting a Cabinet Paper for writing off the remaining amount except for the loan amount that could be recovered as mentioned in (ii) and (iii) above, despite having informed earlier.
- (c) Action had not been taken even by the end of the year under review to obtain legal ownership and account the value of the land bearing assessment number 303 at Bauddhaloka Mawatha on which the building of the Corporation is located.

4.3 Uneconomic Transactions

In investing Treasury Bills and Treasury Bills Repurchasing, investments had been made in the same bank continuously and investments had not been made on more beneficial interest rates by calling for quotations from state banks in the primary market. A sum of Rs.264,903,027 had been invested as at 31 December 2016 at a percentage of about 0.2 per cent, lower than the weighted average interest rate at the auction of Treasury Bills issued by the Central Bank.

4.4 Transactions of Contentious Nature

The following observations are made.

- (a) The Chairman of the Corporation had recommended liquor permits in the year under review to 39 cinema halls of the Ridma Circuit and 16 cinema halls of other circuits since many years without any connection whatsoever with the objective of the Corporation and without being based on legal provisions.
- (b) The issue of liquor permits under state patronage is an action against the "Mathata Thitha" policy of the Government of Sri Lanka and even in instances of screening family films and children's films, the recommendation of liquor permits for cinema halls to enable intake of liquor, is observed as a contentious matter.



(c) In terms of permits issued, liquor should be sold only to viewers. However, it was observed that liquor had been sold to people who were not viewers and the right of selling liquor had been given to external persons.

4.5 Underutilization of Funds

The monthly average balance of 8 bank current accounts of the Corporation amounted to Rs.55,560,598 and an extra income could have been obtained by short term investment of a part of that amount. Nevertheless, attention had not been paid therefor.

4.6 Idle and Underutilized Assets

The following observations are made.

(a) The stock of negative films and chemicals totalling Rs.870,659 had remained without being issued since the year 2014.

(b) The Vehicle Mechanical Consultant had condemned the Three Wheeler valued at Rs.156,800 on 22 September 2017 as carrying out repairs by spending Rs.200,000 is ineffective. Nevertheless, action had not been taken to dispose of it.

(c) Over 500 library books provided to the library by the Welfare Society of the Head Office were being decayed due to stacking them in an unprotected manner in the Sarasavi Studio in Kelaniya.

4.7 Delayed Projects

Treasury provisions amounting to Rs.30 million had been received in the year 2015 to improve the post production facilities of films in the Sarasavi Studio and bids had been called therefor. However, they had been cancelled due to non-conformity with the specifications of the Corporation. Even though a sum of US\$ 8,000 had been paid to an Indian Consultant for the preparation of required specifications and future activities, this project had not been commenced even by May 2017. Moreover, only



the consultancy services necessary for completing the project under 03 phases in the year 2017 had been obtained.

4.8 Staff Administration

The following observations are made.

- (a) The number of vacancies of the Corporation as at 31 December 2016 stood at 71 and according to present requirements, the approved cadre had not been reviewed and as such, 02 essential posts of staff grade had been vacant for some time. As a result, it was observed that it could be problematic in the preparation of plans, setting up targets and monitoring in order to achieve those targets under the guidance and supervision of the top management.
- (b) Even though it had been planned in the year 2016 to fill the vacancies of the Corporation by calling applications from external applicants, no recruitment whatsoever had been made up to 12 July 2017.

5. Accountability and Good Governance

5.1 Corporate Plan

Even though a Corporate Plan had been prepared by the Corporation, an Action Plan had not been prepared in the year 2016 and taken action accordingly.

5.2 Action Plan

The Action Plan for the year under review had not been prepared based on the objectives of the Corporate Plan. Even though the targeted activities of the Action Plan had not been identified quarterly, the performance report had not been prepared in a manner to enable the evaluation of its performance.



5.3 Internal Audit

According to the approved cadre, there should be 03 permanent posts of Audit Assistant in the Internal Audit Unit. However, no assistant had been deployed by 31 December 2016. As such, it was observed that the Corporation had not paid adequate attention towards the internal audit activities.

5.4 Audit Committee

In terms of Section 7.4.1 of Public Enterprises Circular No. PED/12 of 02 June 2003, audit committee meetings should be held at least once in three months. Nevertheless, only 02 meetings had been held in the year under review.

5.5 Procurement Plan

In terms of Guideline 4.2.1 (b) of the Procurement Guidelines, a Master Procurement Plan for expected procurement activities and a Procurement Time Schedule in terms of Section 4.2.2 should be prepared. However, the Procurement Plan had been prepared only for the year under review. Even though a sum of Rs.16 million had been allocated for purchase of carbon as an urgent requirement, computer network, converting current cinema packages to digital technology quality tests and a sum of Rs.15 million had been allocated for purchase of computer accessories and generators as ordinary requirements, those purposes had not been achieved.

5.6 Tabling of Annual Reports

In terms of Section 6.5.3 of Public Enterprises Circular No. PED/12 of 02 June 2003, the Annual Reports of years 2013 and 2014 had not been tabled in Parliament even by 23 May 2017.



6. Systems and Controls

Weaknesses in systems and controls 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	<ul style="list-style-type: none">(i) Failure in taking necessary action by identifying the idle assets remaining in the studio(ii) Maintenance of library books in an unprotected manner(iii) Improper maintenance of the Inventory so as to easily identify receipts and issues
(b) Debtors Control	<ul style="list-style-type: none">(i) Failure in taking necessary action in respect of loan balances remaining unrecovered over a period of 10 years(ii) Lack of proper supervision over loan agreements(iii) Lack of an arrangement in the recovery of loans or non-establishment of a unit therefor
(c) Control of Income	<ul style="list-style-type: none">(i) Lack of supervision on the income from film rentals and tax recoverable annually(ii) Paying the part of income from rentals of the producer without confirming the income received in cash from cinema halls



(d) Debt Control Non-recovery from the first income in the recovery of loans on publicity of films, in terms of agreements

(e) Control of Computer Software Systems (i) Failure in providing passwords for the level of each officer and personally as well
(ii) Failure in carrying out the change of data in the Master File and non-supervision by a staff officer
(iii) Keeping the backups received, in their places
(iv) Running a risk in accessing the salary preparation system by external persons through Teamviewer software and internet facilities

**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