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இலங்கை தேசிய திரைப்படக் கூட்டுத்தாபனம்
NATIONAL FILM CORPORATION OF SRI LANKA

වාර්ෂික වාර්තාව ஆண்டறிக்கை ANNUAL REPORT 2017



National Film Corporation of Sri Lanka



Annual Report

2017

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Presentation

Date- 14.02. 2019

My No NFC/103/05/02/99

Hon. Minister of Housing, Constructions and Cultural Affairs,

Ministry of Housing, Constructions and Cultural Affairs,

08th Floor,

Sethsiripaya,

Battaramulla.

Hon. Sir,

Annual Report 2017- National Film Corporation of Sri Lanka

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 2017 is hereby submitted along with the following documents.

1. The tasks performed by the Corporation during year 2017 and other relevant statements
2. Profit and Loss Account for the year ended on 31. December 2017, related notes and the Balance Sheet on the above date.
3. Report of the Auditor General for the year ended on 31 December 2017.

Yours Faithfully,

Anusha Gokula Fernando

Chairman,

The National Film Corporation of Sri Lanka

Administrative Report

1. Introduction
2. Board of Directors
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01. Introduction-

Annual report of the Film Corporation of Sri Lanka for year 2017 which is submitted to Hon. Sajith Premadasa, Ministry of Housing, Constructions and Cultural 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 2017 is applicable for the 46th year of the Corporation from its establishment.

02. Board of Directors

A Board of Directors consisted of the following members held office up to 05th June 2017 and the Board of Directors mentioned under No 02 has been appointed with the change of the scope of the Ministry.

1. Mr. Deepal Chandraratne, (Attorney at Law)-Chairman
2. Mr. Sampath Subasingha Arachchi -Working Director
3. Dr. Ranga Kalansuriya -Ex officio Member of the Board of Directors
4. Mr. Erananda Hettiarachchi - Ex officio Member of the Board of Directors
5. Mrs. Anusha Gokula Fernando - Ex officio Member of the Board of Directors
6. Mrs. B.M.D.N.Balasuriya - Representative of the General Treasury
7. Dr. Anil Samaranayaka (Medical Consultant)-Member of the Board of Directors
8. Mr. Nayana Hettiarachchi - Member of the Board of Directors
9. Mrs. P.V.P.Dayarathna - Member of the Board of Directors
10. Mr. Amal Alwis - Member of the Board of Directors
11. Mrs. W.K.Wickramarachchi (Attorney at Law)-Assist: Gen: Manager-Legal/Secretary of the
Board of Directors

The Minister of the Line Ministry has appointed a Board of Directors consists of following names from 29 June 2017. Since Dr. Ranga Kalansuriys resigned from the post of Director, Information , Mr. Sudharshana Gunawardana, Attorney at Law, represents the Board of Director of the Corporation as the Acting Director, Information.

1. Mr. Seethendra Senarathna, (Attorney at Law)-Chairman
2. Mr. Ananda Bandara Dissanayaka -Working Director
3. Mr. Sudharshana Gunawardana (Attorney at Law)-Ex officio Member of the Board of Directors
4. Mrs. Anusha Gokula Fernando - Ex officio Member of the Board of Directors
5. Mr. Erananda Hettiarachchi - Ex officio Member of the Board of Directors
6. Mrs. B.M.D.N.Balasuriya - Representative of the General Treasury
7. Dr. Keerthi Bandara Kotagama -Member of the Board of Directors
8. Mrs. P.V.P.Dayarathna - Member of the Board of Directors
9. Mr. Bennet Rathnayaka - Member of the Board of Directors
10. Mrs. Thiromi Sanoja Bibile - Member of the Board of Directors
11. Mrs. W.K.Wickramarachchi (Attorney at Law)-Assist. Gen: Manager-Legal/Secretary of the Board of Directors

03. Productions of local films

❖ Registration for production of local films

Number of the films- 54

(An amount of Rs. 2,000 is recovered for each film as the fee for registration.)

Accordingly the amount recovered-108,000.00

❖ Importation of films

Issuance of applications for registration of films suppliers for year 2017

(Rs. 5000 per each application)

Accordingly the number of the registered suppliers is 25 for year 2017.

The number of the films in Tamil/English/Hindi and other languages is 181. (The total amount recovered at the rate of Rs. 2,000.00 from each film is Rs. 362,000.00.)

Accordingly the amount recovered-140,000.00

❖ Trust of the Corporation for Cine Artists and Technicians

Payment of pension

(Rs. 2,000 per person)

January- for 57 persons Rs. 114,000.00

From February to October- for 56 persons Rs.100,8000.00

From November to December- for 55 persons Rs. 220000.00

Rs. 1342000.00

Payments as funeral aids (Payments have been made to following artists at the rate of Rs. 10,000 per each)

i. Mr. M.V.Balan

ii. Mr. Thilak Luxman


❖ Payment for medical aids and funeral aids to prominent artists

Payment for medical aids

- i. Mr. Baptist Fernando
- ii. Mr. Indrajith Nawinna
- iii. Mr. Nishantha De Alwis
- iv. Mr. Thissa Wijesurendra
- v. Mrs. Anusha Sonali
- vi. Mr. Kapila Sigera
- vii. Mr. Anton Gregory
- viii. Mrs. Samanthi Lanarol
- ix. Mr. Rex Kodippili
- x. Mr. K.A.Piyakaru
- xi. Mr. K.D. Dayananda
- xii. Mr. Alexander Fernando

Rs. 50000 has
been paid to
each artist

Payment of funeral aids

- i. Mr. Bonifus Fernando
 - ii. Mr. Wimal Ranawaka
 - iii. Mr. Sumith Bibile
- 
- Rs. 50,000 has been paid to each artist

❖ Granting approval for filming foreign films

- Feature films
- Commercial programmes
- Documentaries

Amount recovered- 1,574,500.00

❖ Other special services

National Film Corporation of Sri Lanka took action to preserve two films namely Rekhawa directed by Dr. Lester James Peris and Hansa Wila directed by Dharmasiri Bandaranayaka for the enhancement of the film industry of Sri Lanka.

❖ President Film Festival – 2017

After 8 years the President Film Festival for year 2015 was held under the patronage of H.E. Maithreepala Sirisena, President at Bandaranayaka Memorial International Concerence Hall in the evening of 31 March 2017.

At this festival cash prizes were presented for the award winners of the aforesaid film festival.

- i. Best Film-Mohamad Adam Ali (Oba Nethiwa Oba Ekka) Rs. 200,000.00
- ii. Best Director- Prasanna Withanage- (Oba Nethiwa Oba Ekka) Rs. 200,000.00
- iii. Best Actor –Shyam Fernando -(Oba Nethiwa Oba Ekka) Rs. 200,000.00
- iv. Best Actress – Anjalee Patel -(Oba Nethiwa Oba Ekka) Rs. 200,000.00
- v. Best Script – Prasanna Withanage - (Oba Nethiwa Oba Ekka) Rs. 200,000.00
- vi. Best Music Director – Luxman Joseph De Seram - (Oba Nethiwa Oba Ekka) Rs. 200,000.00
- vii. Best Cinematographer - Channa Deshapriya -(Address Ne) – Rs. 150,000.00
- viii. Best Editor –Shaker Prasad - (Oba Nethiwa Oba Ekka) Rs150,000.00
- ix. Best Supporting Actor – Jayalath Manorathna – (Hogana Pokuna) Rs. 100,000.00
- x. Best Supporting Actress – Damitha Abeyrathna – (Pravegaya) Rs. 100,000.00
- xi. Best Sound Designer – Thapas Nayak - (Oba Nethiwa Oba Ekka) Rs. 150,000.00
- xii. Best Art Director – Manjula Ayagama - (Hogana Pokuna) Rs. 100,000.00
- xiii. Best Makeup Artist – Harsha Manjula -(Address Ne) – Rs. 100,000.00

- xiv. Best Lyricist – Ven. Pallegama Hemarathna Tero – (Maharaja Gemunu) Rs. 100,000.00
- xv. Best Singer- Amila Perera – (Sinahawa Atharin) Rs. Rs. 100,000.00
- xvi. Best Singer (Female)- Nirosha Virajani - (Sinahawa Atharin) Rs. Rs. 100,000.00
- xvii. Best Song- Dinesh Subasingha - (Hogana Pokuna) Rs. 100,000.00
- xviii. Best Upcoming Actor – Anasuya Subasingha - (Hogana Pokuna) Rs. 100,000.00
- xix. Best Upcoming Actor- Hemal Ranasingha – (Pravegaya) Rs. 100,000.00
- xx. Film which won the highest attraction from the audience- 2015 – Gunapala Rathnasekara (Maharaja Gemunu) Rs. 200,000.00
- xxi. Special award of the Jury- Kaushlya Fernando – (Boradiya Pokuna) Rs. 50, 000.00

- 7 awards for special performances

1. For the performance in the movie ‘Me Wage Adaraya’ – Dinakshi Priyasad –Rs. 25,000.00

2. For the performance in the movie ‘Hogana Pokuna’ –

- | | |
|---|-------------|
| i. Senith Sathviru Walpita Gamage | -Rs. 25,000 |
| ii. Sathsara Sawan Jayasuriya | -Rs. 25,000 |
| iii. Senitha Dinith Gunasingha | -Rs. 25,000 |
| iv. Nethpriya Manubhasitha Ranawakaarachchige | -Rs. 25,000 |
| v. Thishakya Sankalana Kumarathunga | -Rs. 25,000 |

3. For the performance in the movie ‘Address Ne’ – Praveen Sandeep - -Rs. 25,000

Artists who were awarded ‘Golden Lion’ award

- | | |
|-----------------------------|----------------|
| i. Nanda Malani | -Rs.200,000.00 |
| ii. Wasantha Obseykara | -Rs.200,000.00 |
| iii. Swarna Mallawarachchi | -Rs.200,000.00 |
| iv. Donald Karunarathna | -Rs.200,000.00 |
| v. Dharmasiri Bandaranayaka | -Rs.200,000.00 |
| vi. Anoja Weerasingha | -Rs.200,000.00 |

Award winning Avant-garde artists

- | | |
|-------------------------|----------------|
| i. Thisa Liyansuriya | -Rs.100,000.00 |
| ii. Arthur U. Amarasena | -Rs.100,000.00 |
| iii. K.P.K.Balasingham | -Rs.100,000.00 |
| iv. Derric Fernando | -Rs.100,000.00 |

v. A.D.Ranjith Kumara	-Rs.100,000.00
vi. Prof. Sunil Ariyaratna	-Rs.100,000.00
vii. Chandra K.Kaluarachchi	-Rs.100,000.00
viii. Sunil Mihindukula	-Rs.100,000.00
ix. Gamini Weragama	-Rs.100,000.00

❖ Other (special services)

- i. Issuing letters of certifying the identity of film artists and old movies
- ii. Issuing letters of clearance to the Department of Customs
- iii. Issuing letters of confirmation to the Department of Inland revenue for grantinh tax concessions to Movie Theaters
- iv. Issuing letters of clearance to Department of Customs after obtaining security for customs for technical equipment including cameras imported for other countries for local and foreign films, which are filmed in the country and for other programmes.
- v. Providing assistance to the welfare measures of film artists
- vi. Providing information on cinema to the undergraduates who study the field of cinema and conducting lectures for their benefits
- vii. Appearing before the Courts with necessary information on legal matters on behalf of the Corporation regarding the production and making of films
- viii. Making required measures to prepare agreements for local and foreign films, which are distributed under Corporation Circuit (Rithma) for screening

04. Role of Cine Ads (Publicity Division)

- Publishing publicity columns and other advertisements in newspapers on Sinhala movies and Tamil and English movies, which are imported
- Newspaper publicity for movies of Cinema Theaters, which carry out their publicity by Cine Ads
- Collection of passes for media personals and film critics of electronic and printed media
- Carrying out all media publicity campaign for following programmes organized by the Corporation during the year
 - i. Dr. Lester James Peris lecture on film preservation
 - ii. Programme for enhancing the taste on cinema held by Cinema Cultural Division
 - iii. Sale of the Sep/Dec issue of the Magazine ‘ Chithrapata’
 - iv. Publicity campaign of the ceremony conducted to mark the 70th anniversary of local cinema and the 45th anniversary of Film Corporation
 - v. Organization of President Cinema Awards Ceremony -2017

05. Screening of films

05.01.

- ❖ 06 Cinema Theaters were operated during year 2017 under Rithma Circuit
- ❖ The movie theaters such as E.D.C. cinema, Kekirawa, Ru conema' Katunayaka, Ramoga, Chilaw, Annei Sellam, Chenkaladi have been opened as new cinema halls under Rithma Circuit
- ❖ Film screening has been commenced again in year 2017 at Dhanasiri Cinema, Warakapola and Mahaweli Cinema, Mahiyangana , which were closed down temporarily.

05.02. Releasing movies

- ❖ Movies have been released for 60 cinema theaters by Rithma Circuit
- ❖ Action has been taken by Rithma Circuit in 2017 to distribute movies joining with other Circuits
- ❖ Action has been taken by Rithma Circuit to release 06 Sinhala Movies
- ❖ Action has been taken by Rithma Circuit joining with cinema halls in other Circuits to distribute 09 Tamil films, 12 Hindi films and 01 English film imported by suppliers from January this year
- ❖ Action has been taken by Rithma Circuit to release movies obtaining movies from the quota issued to the Circuit of the Corporation and quota from other Circuits
- ❖ Action has been taken to release more Sinhala movies preparing a methodology under three streams

05.03. Rental for movies

Rental has been received by the Corporation for movies provided by Rithma Circuit tp other Circuits in the following manner

(Up to December 2017)

- ❖ Lanka Films Distributors Company Ltd- Rs. 9,487,141.44
- ❖ Movie Producers and Importers Pvt Ltd-Rs. 4,942,435.91
- ❖ Cinema Entertainment Pvt Ltd- Rs. 19,633,601.33
- ❖ E.A.P. Films and Theaters Pvt Ltd – Rs.3,930,584,94

Payments have been made in the following manner for movies obtained by Rithma Circuit from other Circuits (Up to December 2017)

- ❖ Lanka Films Distributors Company Ltd- Rs. 9,752,900.03
- ❖ Movie Producers and Importers Pvt Ltd-Rs. 7,188,596.46

- ❖ Cinema Entertainment Pvt Ltd- Rs. 52,752,684.68
- ❖ E.A.P. Films and Theaters Pvt Ltd – Rs.32,128,308.26

RIPO deposits

- No any amount has been invested in 2017 as RIPO deposits
 - The income on commissions from January up to December 2017 is Rs. 29,958,697.17
- ❖ Provision of Movies on concessionary rates for aids projects held by various societies, Universities and School students during yer 2017
 - ❖ Provision of Movies to Police Training Colleges and Army Camps free of charge and on concessionary rates

06. Administration of the institution

Service delivery has been ensured continuing the actions followed for the administration of the employees of the Institution

07. Internal audit activities

Internal audit activities have been carried out in consistent with the provisions of the Finance Act No 38 of 1971 and subject to the attention of the Auditor General

08. Cinema cultural and educational activities

08.01. "Jeevithayata sinamawa" (Cinema as a life style) programmes

	Date	Programme	Place	Number of the participants
1	07.02.2017	Workshop on film production	Wayamba University	100
2	23.06.2017	Workshop on film production	Dodangoda Pradeshiya Sabha	120
3	24.06.2017	Workshop on film production	ELEC Campus, Pitakotte	70
4	26.06.2017	Workshop on film production	Zonal Office of Education, Mahawa	200
5	17.07.2017	Workshop on film production	Kolonnawa Balika Vidyalaya	200
6	27.07.2017	Workshop on film production	University of Colombo	100
7	25.08.2017	Workshop on film production	Police Crime Division	100
8	24.09.2017	Workshop on film production	District Secretariat, Puttalam	100
9	04.11.2017	Workshop on film production	Auditorium of Pradeshiya Sabha, Nikaweratiya	80
10	09.11.2017	Workshop on film production	Zonal Education Office, Kegalle	200
11	21.12.2017	Workshop on film production	Education Office, Maharagama	200

08.02. Programmes for the screening of educational movies

	Date	Programme	Place	Number of participants
1	10.01.2017	Screening of films	Royal Collage, Colombo	450
2	17.02.2017	Screening of films	Bonavista Elders'Home, Unawatuna	250
3	24.02.2017	Screening of films	Wekada Maha Vidyalaya, Chillaw	100
4	05.03.2017	Screening of films	Divisional Secretariat, Panduwasnuwara	250
5	11.05.2017	Screening of films	Prison, Galle	250
6	12.05.2017	Screening of films	Sanghamiththa Balika Vidyalaya	200
7	12.05.2017	Screening of films	Municipal Council, Galle	250
8	13.05.2017	Screening of films	Viharamahadevi Children Home, Kithulampitiya, Galle	40
9	08.06.2017	Screening of films	Municipal Council, Kaduwela	500
10	09.06.2017	Screening of films	Municipal Council, Kaduwela	500
11	10.06.2017	Screening of films	Municipal Council, Kaduwela	500
12	24,25.07.2017	Screening of films	Municipal Council, Galle	500
13	03.09.2017	Screening of films	Ranpokunugama, Nittambuwa	300
14	06.09.2017	Screening of films	Divisional Secretariat, Hatharaliyadda	150
15	15.09.2017	Screening of films	Central Cinema, Matale	100
16	29.09.2017	Screening of films	Shastraravindra Pirivena, Gokarella	100
17	01.10.2017	Screening of films	Rupavahini Corporation	200
18	25.11.2017	Screening of films	Senara White Palace, Department of Social Services	150

08.03. Dialogue on cinema

01	10.09.2017	Politics of cinema	Cinema hall of Film Corporation Resource person- Mr. Dhamma Dissanayaka, Lecturer	150
02	29.11.2017	Post war cinema	Cinema hall of Film Corporation Resource person - Mr. Bhupathi Nalin Wickramage	130

08.04. Exhibition stalls

01. 29.03.2017/02.04 Yovunpuraya Makneshher ground, Trincomalee

08.05. Diploma course on cinematography 2016 /2017

The diploma has been successfully completed. Certificates of the diploma have also been issued.

Publishing the magazin 'Çhitrapata' in year 2017

1. January - April magazine has been issued
2. May - August issue has been issued.
3. September - December has been issued.

09. Local supplies imports and exports

Equipment and services required by the owners of cinema halls as well as the staff have been provided adhering to the prescribed procedure.

10. Film store

- Taking action to receive and register the foreign movies , which are imported on the permission of the Film Corporation and which are released locally
- To receive such movies and submit them to Public Performance Board after making a quality test and to earn income to the Corporation by way of obtaining quality reports, to obtain again quality reports and to hand over either to importer/producer , distribution circuit or cinema halls
- To send movies serialised by the Corporation to the relevant cinema halls by bus or by hand and to call them back in due time
- To send pre publishing reels relevant to these movies to the cinema halls in advance
- To re check the movies received by the store and placing them in due shelves
- To conduct occasional examinations on movies kept in shelves
- The income earned by quality checkups is nearly Rs. 300,000.00
- To rehabilitate the old movies in film store to screen them and earn an income to the Corporation
- To retain only three copies of movies , which are in a good condition, and ensure the proper maintenance of the store by way of returning all other copies to the owners of movies
- To take action to burn all the films kept in the film store ,of which the term of agreement has expired and which are not in the condition for screening, informing the owners and make an income by way of selling the ash of such burned movies
- 17 Sinhala movies (35 mm.) have been registered
- To provide necessary assistance to the ceremonies conducted by the Film Corporation

- To carry out official functions for the issuance of identity cards to the persons in movie industry

11. Legal activities

11.01. Role played by the Legal Division during the year 2017

- Filing proxies on behalf of the Corporation for cases , in which the Corporation becomes a party, and appearing before the relevant Court for the Corporation
- Appearing before the Department on labour disputes for the Corporation
- Preparation and signing of all legal agreements connecting to the provision of loans for the production and distribution of local movies, distribution of imported movies, production of movies/ studio services/printing copies/making subtitles/ publicity
- Preparation and signing of all legal agreements connecting to obtaining supportive services to the Corporation and other activities
- Legal activities connecting to President Films Award Festival
- Fulfilling legal requirements with the relevant parties of the "Vesak Pandal" erected at the premises of the Corporation on Vesak festival
- Providing instructions regarding the legal issues referred from any Division of the Corporation, where ever necessary

11.02. Legal procedures

❖ Particulars of the cases, which were heard and being heard during the year 2017

1. Supreme Court Application No: HCCA/LA 181/2016

2. Appeal Court Application No: 870/99

3. Case No HC ALT 21/ 2017 at the High Court

4. Case No HC ALT 22/ 2017 at the High Court

5. Case No DMR 1126/2012 - A case has been filed by the Corporation against the non payment of the share to be paid to Corporation by 4 Cinecity theatres.

6. Case No at District Court, Colombo- DSP/00026/2013, DSP/00027/2013, DSP/00028/2013, DSP/00029/2013, DSP/00030/2013

7. Labour Tribunal Case No: 13/41/2013

8. Labour Tribunal Case No:2/435/2014 up to 31.03.2017

9. DMR 2603/ 2013 - Movie 'Walapatala'

10. CHC 370/2014- Movie 'Subha'

11. Case No DSP140/ 2015 at District Court, Colombo

12. Case No DSP 00128/ 2016 - up to 23.03.2017at District Court, Colombo

13. Case No 47446/1/16 up to 27.02.2017 at Main Magistrate Court, Colombo

14. D.C. 00166/17 Movie 'Kala'

15. Matara D.C. Pro/318 New Cinema, Matara

16. Inquiries held at the Department of Labour

I. Complaint No IR/15/419/2012 - Mr. Samitha Dissanayaka, Employee of the Corporation

II. Complaint at Labour Office No IR 253/ 2016 Mrs. D.R.S.Ranjani Perera

17. Human Rights Commission

I. H.R.C. 2888/15 Mr. Upali Dias

12. Financial Activities

12.01. Sources of income

Particulars of the budgeted income of year 2017 and actual income of year 2016 and 2017 are given below.

Income	Actual income of 2016 Rs. M.	Actual income of 2017 Rs. M.	Increase/ Decrease %	Budget of 2017 Rs. M.
Commission for distribution				
Local	15.7	17.9	14.01	20
Foreign	21.4	12.2	-42.99	15
Increase (Trust of the Corporation)	8.3	8.7	4.82	10
Fines on inquiries of surcharges and other	5.9	6.4	8.47	4.2
Commission of cine ads	0.5	0.3	-40.00	0.5

Income from studio	2.4	2.2	-8.33	2.7
Commercial activities	3.3	2.3	-30.30	3.4
Income on operation	57.5	50	-13.04	55.8
Other income	62.1	66.5	7.09	36.4
Receipts from General treasury for recurrent expenditure	74.3	81	9.02	140.5
Total receipts	193.9	197.50	3.06	232.7

When comparing with year 2016 the income on operation in year 2017 shows a decrease by 13.4%. The main reason for the decrease is the decrease of the commission from the distribution of foreign movies by 42.99% even though the commission from local distribution shows an increase by 14.1%.

The increase in Fines on inquiries of surcharges and other income by 4.8% and increase in other income by 7.9% have caused for the increase in total income.

12.02. Sources of expenditure

Particulars of the budgeted expenditure of year 2017 and actual expenditure of year 2016 and 2017 are given below.

Expenditure	Actual expenditure of 2016 Rs. M.	Actual expenditure of 2017 Rs. M.	Increase/Decrease %	Budget of 2017 Rs. M.
Employees' remuneration	80	80.6	0.75	111
Travelling and subsistence allowance	1.7	1.4	-17.65	2
Supplies and equipment	7.4	7.5	1.35	8.2
Repairs and depreciations on maintenance	29.7	29.4	-1.01	29.5
National film festivals	5	0	-100	31.5
Cost of sales	2.7	3.2	18.52	2.5
Transport links, requirements and other	17.3	24.7	42.77	29.1

Provisions for bad debts	2.9	14.7	406.9	0.5
Provisions for gratuity	7.1	6.6	-7.04	4.5
Fund of film artists and Technicians	0.5	0.5	0	6
Total receipts	154.3	168.6	344.59	224.8

The increase in cost of sales by 18.52% and increase in bad debt by 406.9% have caused for the increase in total expenditure.

	2016 Rs. M.	2017 Rs. M.	%
Income on operations	57.30	50.10	(12.57)
Expenditure on operations	154.30	168.60	9.27
Profit/loss on operations	(97.00)	(118.50)	2.16
Other income	62.10	66.50	7.09
Profit/loss of the year	(34.90)	(52.00)	49.00
Recurrent expenditure – Receipts (From General Treasury)	74.30	81.00	9.02
Surplus	39.40	29.00	(26.40)

The loss on operation has increased by 22.61% in year 2017 when comparing with year 2016. Even though the other income has also increased by 7.09% the loss of year 2017 has increased by 49% when comparing with year 2016. The surplus of year 2017 has decreased by 26.4% than year 2016 after adjusting receipts for recurrent expenditure. Main reason for such situation is the increase in the expenditure on operations in year 2017 than year 2016 and the decrease in income on operations than year 2016.

12.03 Fixed assets

An amount of Rs. 13 million and Rs. 2 million has been spent in year 2017 for the purchase of equipment required by the Cinema Complex and for the purchase of office equipment and internet facilities. The depreciation for this year is Rs. 23.5 million.

12.04. Current assets

When comparing with the previous year the current assets show a decrease by Rs. 01 million. However as a result of showing the balances of loans ,which could not be recovered , as bad

debts and the recovery of the balances of current debtors, the total balance of debtors showed a decrease by Rs. 65 million. In the meantime the balance in cash and bank , miscellaneous debtors and investments have increased by Rs. 53.8 million, Rs. 3.8 million and Rs. 9 million respectively.

12.05. Current liabilities

The amount of film rental creditors has shown a decrease by Rs. 16.6 million when comparing with the previous year.

12.06. Proposals

Following proposals are hereby submitted with a view to earn more profit in year 2018 than 2017.

- ❖ Importation of foreign movies for screening or releasing movies imported by agents through Rithma Circuit.
- ❖ Formalization of the functions of the studio and encouraging producers to obtain services from studios and releasing such movies by Rithma Circuit.
- ❖ Encouraging producers to produce classic films

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 movies have been provided also in year 2017 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 for nearly 29 local movies and non-line editing division for 05 movies during this period. (Relevant document is attached herewith)
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 09 films and 11 television programmes. (Relevant document is attached herewith)
3. Reconstruction of the guard room, which was in a dilapidated condition, at the front gate of studio with the contribution of the staff

4. Cleaning the pond with the assistance of Sri Lanka Navy which was in a dilapidated condition for a long time in front of the studio

5. Fixing a roller door in place of the broken back door of B.A.W.jayamanna studio

6. Modification of the electric lamps in the parlor of the studio in November 2017

13.2. Films for which post technical services were obtained – 2017

Sounds Division

Serial No	Name of the Movie	Serial No	Name of the Movie
01	Komali King	23	Ayyayi Nangiyi
02	Ali Kathawa	24	Sri Wickrama
03	Taume Iskole	25	Suragana
04	Punchi Weerayo	26	Ugulai Magulai
05	Dedunu Akase	27	Vishama Bhaga
06	Seya	28	Frozen Heart
07	Katha Karana Heena	29	Thakkita Tharikita
08	Sirimal		
09	Usas Jathika Diploma Patamalawa		
10	Nethi beri Tarzen		
11	Kidnap		
12	Dekala Purudu Kenek		
13	Ran Kolla		
14	Maya Rathriya		
15	Yalu Malu		
16	Eae (She)		
17	Re load		
18	Doctor Navariyan		
19	Heen Hoyana Samanallu		
20	Bimba Devi Hewath Yashodara		
21	Salakuna		
22	Kavi Bana		

Editing Division

Serial No	Name of the Movie
01	Seya
02	Karadiya
03	Maya Rathriya
04	Re Load
05	Seethala Yuddaya

Shooting

Serial No	Name of the Movie/ Institution	Serial No	Name of the Movie/ Institution
01	Kidnap	11	Maranthika Sarpaya
02	Bana Programme	12	Reedi Nimnaya
03	Sengaunu Tharakawe Dadayama	13	Derana Dream Star
04	Jaya pita jaya	14	The Daddy
05	Damila Geethaya	15	Seethala Yuddaya
06	Seya	16	Pure Legend
07	Programme for women's day	17	Yodayange Adawiya
08	Cinema	18	Re Load
09	Inowa Mind	19	Wedding photography
10	Derana Singhagiri Studio	20	Ugulai Magulai

13.3. Income – 2017

Sounds – Rs. 1,778,800.00

Editing – NLE – Rs. 474,320.00

Shooting- Rs. 1,750,274.00

14. Investigation

14.01. 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 and issuance of debt notes for malpractices
- Supervision of shooting by foreigners

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

Collection of information on the construction of new cinema theaters and cinema halls , which are being constructed during year 2017.

Cinema Halls, which are being constructed

- Jaffna District – New Cinema Hall complex, Point Pedro
- Cinema Hall, which is being constructed close to Shanthi Cinema Hall, Batticaloa
- New Cinema Hall, Rajagiriya

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

New Cinema Halls, which were opened during year 2017

1. Regal –Ampara
2. CK – Kirindiwela
3. Annai Sellam- Chenkaladi
4. New Dhanasiri – Warakapola
5. Naham – Chunnikam
6. EDC – Kekirawa
7. Sathsara – Ambalantota
8. Ramoga – Chillaw
9. Regal 1 – Gampaha
10. Roxy – Wellawaththa
11. Regal 2 – Gampaha

3. Inspection of Cinema Theaters and issuance of debt notes for malpractices

Inspection of Cinema Halls

Main duty of the Investigation Division is the inspection of Cinema Halls. Accordingly 825 inspections have been conducted during year 2017.

Issuance of debt notes for malpractices occurred in Cinema Halls

- Various malpractices have been identified by inspecting officers at their inspections of Cinema Halls. Accordingly following action has been taken adhering to the Circulars of the Corporation
- 134 debt notes of which the value was Rs. 1,214,468.00 have been issued for year 2017. Rs. 917,648.00 has been recovered out of those notes.
- The amount recovered in year 2017 for the 8 debt notes issued for previous year was Rs. 60,460.00
- Recovery of the trust of Corporation and rental for movies of which the payment has been neglected

The amount up to year 2017 is Rs. 851,617.00

4. Supervision of shooting by foreign countries

Supervision was made on shooting of advertisements, films and documentary films which were carried out by foreigners.

- Accordingly, 61 such shootings by Foreigners have been supervised during year 2017

15. Welfare

Activities of the Welfare, Thrift and Credit Society of the Corporation were carried out during the year under review for the welfare of its members

16. Religious activities

16.01. Buddhist Association

- Presenting exercise books for children of the staff member, who are educating
- Erecting a pandal at the front garden of the Film Corporation
- Organizing a Biscuit and Coffee *Dansela* to mark Vesak Festival

16.02. Christians' Association

Holding annual Christmas festival with the participation of the children of the staff of Film Corporation

17. 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. H.D.Asanka Gunathilaka- Officer in Charge – Administration

Mr.R.C.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)

18. 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

19. Extension of gratitude

During year 2017, 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.

Anusha Gokula Fernando

Chairman

The National Film Corporation of Sri Lanka.

National Film Corporation of Sri Lanka
Comprehensive income statement for the year ended 31.12.2017

Description	Note	<u>2017</u>	<u>2016</u>
		Rs.	Rs.
Sales	03	50,118,541	57,500,610
<u>Lessd /</u> Cost of sales	04	3,173,435	2,763,999
Net profit		46,945,106	54,736,611
<u>less /</u> Expenses			
Employees remunerations	05	80,622,539	80,053,840
Travelling and subsistence allowance	06	1,414,583	1,658,035
Supplies and equipment	07	7,475,827	7,376,420
Repairs, Maintenance and depreciation	08	29,380,892	29,662,545
Transport, Links, necessacities and other services	09	24,672,336	17,309,406
Provisions bad debts		14,736,803	2,809,819
Provisions for gratuities		6,626,608	7,131,335
Provisions for Cine Artists and Technicians		500,000	500,000
Provisions for National Film festivals		-	5,000,000
		165,429,588	151,501,400
Operational profit/loss		(118,484,482)	(96,764,789)
<u>Less /</u> Other income	10	66,514,077	62,125,983
Profit/loss of the year		(51,970,405)	(34,638,806)
<u>Add / Receiptsa from the Treasure</u>		81,000,000	74,250,000
Profit before tax		29,029,595	39,611,194
<u>Less /</u> Provisions for taxes		-	-
Deficit/ Surplus		29,029,595	39,611,194

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

	Reference	2017 Rs.	2016 Rs.
<u>Represented by</u>			
<u>Fixed Assets</u>			
Property, Machinery & Equipment	11	339,976,939	348,504,036
Long-term Investments	12	19,689,022	18,018,742
		<u>359,665,961</u>	<u>366,522,778</u>
<u>Current Assets</u>			
Short-term Investments	13	273,219,772	265,908,027
Stock	14	5,402,684	6,373,332
Debtors	15	117,231,724	182,390,282
Miscellaneous Debtors	16	175,850,187	171,981,587
Deposits and Advanced Payments	17	3,915,423	5,171,821
Cash & Bank Balance	18	90,588,968	36,731,083
		<u>666,208,758</u>	<u>668,556,132</u>
Total Assets		<u>1,025,874,719</u>	<u>1,035,078,910</u>
<u>Input Capital</u>			
Authorized Capital		10,000,000	10,000,000
Accumulated Profit		419,196,769	389,424,993
Other Reserves		123,482,759	123,482,759
		<u>552,679,528</u>	<u>522,907,752</u>
<u>Non-current Liabilities</u>			
Grants	19	124,349,919	146,322,543
Gratuity Allocations	20	40,228,205	35,932,903
		<u>164,578,124</u>	<u>182,255,446</u>
<u>Add : Current Liabilities</u>			
Deposits	21	2,884,227	2,544,227
Film Rent Creditors	22	258,933,048	275,556,800
Other Creditors	23	46,799,792	51,814,685
		<u>308,617,067</u>	<u>329,915,712</u>
Total Liabilities		<u>1,025,874,719</u>	<u>1,035,078,910</u>

Accounting policies from page no 05 to 19 and notes to accounts from page 20 to 39 are an essential part of financial statements. Responsibility for the preparation and submission of financial statement is entrusted to the Board of Directors. It is signed below to the effect that these financial statements have been approved by the Board of Directors.

.....
Deputy General Manager - Finance (Actg.)
National Film Corporation of Sri Lanka
303, Bauddhaloka Mawatha,
Colombo 07.
27.03.2018

.....
Chairman

.....
Director

National Film Corporation of Sri Lanka

Statement for the change of equity for the year ended 31.12.2017

	<u>Capital Equity Rs.</u>	<u>Accumulated Profit Rs.</u>	<u>Capital Reserves Rs.</u>	<u>Revaluation Reserves Rs.</u>	<u>Other Reserves Rs.</u>	<u>Total Rs.</u>
Balance as at 01.01.2016	10,000,000	349,813,799	499,898	115,153,399	7,829,462	483,296,558
Profit of the year	-	39,611,200	-	-	-	39,611,200
Adjustmen of the previous year		742,175				742,175
Balance as at 31.12.2016	10,000,000	390,167,174	499,898	115,153,399	7,829,462	523,649,933
Profit of the year	-	29,029,595	-	-	-	29,029,595
Balance as at 31.12.2017	10,000,000	419,196,769	499,898	115,153,399	7,829,462	552,679,528

National Film Corporation of Sri Lanka
Cash Flow Statement
for the year ended 31.12.2017

	<u>2017</u>	<u>2016</u>
	Rs.	Rs.
<u>Cash Received from Operational Activities</u>		
Net Profit before Tax	(51,970,405)	(34,638,806)
(Less)		
Interest on Production Loans	(859,172)	(1,048,738)
Interest on Fixed and Treasury Bills	(26,419,833)	(19,790,921)
	<u>(79,249,410)</u>	<u>(55,478,465)</u>
<u>Adjustments for subjects not affecting cash flow</u>		
Depreciation	23,554,903	22,068,858
Allocation for Gratiuty	6,626,608	7,131,335
Allocations in excess for gratuity 2016	(102,235)	(16,830,608)
Under allocation for interest on production loans	-	519,102
Allocation for Doubtful Debt	14,736,803	2,809,819
Identifying government grants to the income	(21,972,624)	(20,622,313)
Loss in the removal of fixed assets	-	46,875
	<u>(56,405,955)</u>	<u>(60,355,397)</u>
Subjects fallen in previous periods		
Adjustments for the Subjects fallen in previous periods	742,182	15,750,140
Operational profit before differences in working capital	<u>(55,663,773)</u>	<u>(44,605,257)</u>
<u>Differences in Working Capital Subjects</u>		
Stock (Less)	970,648	2,955,732
Debtors (Less)	46,553,155	(57,290,025)
Deposits and Advanced Payments (Add)	1,256,398	(1,814,584)
Deposits (Add)	340,000	70,000
Creditors (Less)	(16,623,752)	32,895,108
Other Creditors (Less)	(5,014,893)	16,121,704
	<u>(28,182,217)</u>	<u>(51,667,322)</u>
Less :		
Gratuity Payments	(2,229,071)	(3,760,528)
	<u>(30,411,288)</u>	<u>(55,427,850)</u>
<u>Cash Flow from Investment Activities</u>		
Production Debt Interest	859,172	1,048,738
Fixed & Treasury Bill Interest	26,419,833	19,790,921
Acquisition of Fixed Assets	(15,027,807)	(14,077,732)
Investment in Fixed & Treasury Bills	(8,982,025)	(76,712,498)
Cash received from sale of fixed assets	-	15,000
Treasury Grants	81,000,000	94,250,000
Net increase in cash and cash equivalents	<u>53,857,885</u>	<u>(31,113,421)</u>
Balance of cash and cash equivalents at the beginning of year	36,731,083	67,844,504
Balance of cash and cash equivalents at the end of year	<u>90,588,968</u>	<u>36,731,083</u>

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2017

Declaration of Management Responsibility in Financial Reporting

The Management of the Corporation should be responsible for,

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2017

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. The registered office of the Corporation 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 enhancing 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 27.03.2018 for these financial statements to be distributed.

1.2 Basis of Preparing Accounts

1.2.1 Declaration of Compliancy

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2017

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

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

1.2.5 Implementation and Presentation Currency

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

1.2.6 Important Accounting Judgments, Estimates and Schedules

For the purpose of preparing financial statements, the Corporation requires the income, expenditure assets and liabilities as at date of reporting, to make judgments, estimates and assumptions affecting the figures reported in relation to revelation of contingent

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2017

liabilities. However, impacts requiring considerable adjustments to the future value of assets and liabilities may occur due to uncertainty of these assumption and estimates. Judgments, estimates and assumptions may include in them.

Estimates and Assumptions

Major assumptions and sources of estimates 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 means the transferable value of an asset in a transaction happened at arm's length between two parties with knowledge and discretion. At first, the fair value of a financial instrument is generally its received or paid value. Later, the fair value of a

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2017

financial instrument will be the bid value in an active market. It is the demanding price of financial liabilities. Fair value is the existing value of short term investments and cash and cash equivalents

2. Specialized Accounting Principles

2.1 Assets and the Basis of Evaluation

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

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2017

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 equity price or the financial assets at fair value through profit or loss that are kept till maturity and has not classified as debts or receivables.

2.2.3 Determination of Fair Value

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

2.2.4 Re-classification

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2017

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

2.2.5 Impairment

(a) Financial Assets Maintained at Amortized Cost

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

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2017

(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 net 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 acquisition of the asset. Self-created assets include the

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2017

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

If ultimate evidence of a loss upon the reduction of assets measured at amortized cost prevails, the amount of loss would be evaluated from the difference between the present value of the asset and the present value of future financial flows discounted at the first effective interest rate of the financial asset (Except for unexpected future losses not occurred). If a certain debt has a variable interest rate, the discounted rate to evaluate a loss in reduction of value will be the present effective interest rate. Present value of the asset is reduced through the use of an Allowance Account and the impairment will be recognized in the income statement. Assets will be maintained upon the reduced present value and will be gathered using the discounted interest rate of future financial flows for the purpose of evaluation of the loss of value reduction. Interest income will be entered under investment income in the financial statements. When actual expectations of future 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, 2017

material cost, direct labor and any other directly related expenditure spent on upgrading such assets in to usable status. Expenditure on repairs and the expenses made upon expected future benefits are identified as expenditure at their occurrence.

2.3.2 Post-construction Cost

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

2.3.3 Depreciation

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

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2017

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

2.3.4 Removal of Identification

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

2.3.5 Impairment of Tangible Assets

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2017

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

2.4 Stock

All stocks are evaluated at the least between the cost and the net 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 net profit after adjustments for income tax.

2.6 Other Assets

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

(a) Advances, Deposits, Expenditure-in advance

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2016

(b) Other Debtors

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

2.7 Cash and Cash Equivalents

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

2.8 Financial Liabilities

2.8.1 Initial Recognition and Measurement

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

Financial liabilities of the Corporation include sales and other payables.

2.8.2 Post Measurement

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2017

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, 2017

Incomes recognized in year 2017 are as follows.

	Rs. & Cts
New Building	1,293,258.53
Cinema Complex	8,526,215.02
Motor Vehicles	1,845,356.25
Head Office	4,220,506.97
Machines of studios	5,951,587.05
Internet Facility	135,700.00
	21,972,623.82

Amount received for recurrent expenditure of the institution= Rs. 81,000,000

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.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2017

Determined Beneficiary Plan

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

2.13 Income

2.13.1 Production Loan Interest and Surcharge

Interest for the loans granted for film producers have been accounted only up to 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 one year 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.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2017

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

Even though the annual interest has not been calculated as per 02 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.

2.13.5 224 Income on the rental for buildings

Rental is recovered from following institutions by way of providing the building 224, which is an asset of the Corporation, temporarily on rent.

01. SELACINE institution

02. Public Performance Board

03. SAARC cultural center

National Film Corporation of Sri Lanka
Notes on Income Statements
for the year ended 31.12.2017

		<u>2017</u>	<u>2016</u>		
		<u>Rs.</u>	<u>Rs.</u>		
(03)	<u>Sales</u>				
	Films of the Corporation	3.1	45,278,949	51,357,509	
	Screening	3.2	314,090	522,273	
	Studio	3.3	2,253,125	2,345,086	
	Commercial Affairs	3.4	2,272,377	3,275,742	
		<u>50,118,541</u>	<u>57,500,610</u>		
3.1	Films of the Corporation				
	Income from local films		-		
	Income from foreign films		6,609		
	<u>Commission for distrubution</u>				
	Local	17,916,627	15,722,745		
	Foreign	12,201,966	21,359,098		
	Increase	8,720,372	8,333,107		
	Commission for services	98,886	182,547		
	Surcharge	5,110,118	4,405,363		
	Penalties fron investigations	1,230,980	1,348,040		
		<u>45,278,949</u>	<u>51,357,509</u>		
3.2	<u>Screening</u>				
	Cine ads	314,090	522,273		
		<u>314,090</u>	<u>522,273</u>		
3.3	<u>Studio</u>	<u>No of films</u>	<u>No.of films</u>		
	Sounds	23	1,778,800	24	2,207,411
	Editing	4	474,325	6	137,675
	Laboratory ^ Black and white &		-	-	-
			<u>2,253,125</u>		<u>2,345,086</u>
3.4	<u>Commercial affairs</u>	<u>Amount</u>	<u>Amount</u>		
	Cinema carbon	7,650	379,855	18,500	989,377
	Spare parts		42,624	-	15,289
	Stationary		1,810,227	-	1,709,241
	<u>Internal usage</u>				
	Spare parts		3,987		8,882
	Cost for stationary		35,684		552,953
			<u>2,272,377</u>		<u>3,275,742</u>

National Film Corporation of Sri Lanka

Notes on Income Statements

for the year ended 31.12.2017

(04) <u>Cost of sales</u>	<u>Screening</u>		<u>Studio</u>		<u>General Admin</u>	<u>2017</u>	<u>2016</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Expenditure</u>	<u>Total</u>	<u>Total</u>
Initial Stock as at 01.01.2017	5,253,887	1,488,344		5,330,937		12,073,168	12,935,141
<u>Add(</u>							
Purchasing and transfers	5,253,887	1,488,344		2,258,507		2,258,507	1,889,126
				7,589,444		14,331,675	14,824,267
<u>Less (</u>							
Losses in stocks							
Transfers							
Final Stock as at 31.12.2017	5,253,887	1,409,412		4,494,941		11,158,240	12,060,268
	-	78,932		3,094,503		3,173,435	2,763,999

See notes 4- A , 4-B, 4- C for details

National Film Corporation of Sri Lanka

**Notes on Income Statements
for the year ended 31.12.2017**

(04 - A) Cost of sales

	Stock 2017.01.01	Purchasin	Total	Stock 2017.12.31	Depreciation	Publicity	Total Cost	Increase	Receipts on distribution	Total Receipts	Profit/ Lost
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<u>Films of the Corporation</u>											
Local	3	-	3	3	-	-	-	-	-	-	-
Western	244	-	244	244	-	-	-	-	-	-	-
Eastern	471	-	471	471	-	-	-	-	-	-	-
	718	-	718	718	-	-	-	-	-	-	-
<u>Films not released</u>											
Local	3,043,931	-	3,043,931	3,043,931	-	-	-	-	-	-	-
Western	982,492	-	982,492	982,492	-	-	-	-	-	-	-
Eastern	8	-	8	8	-	-	-	-	-	-	-
Total	4,026,431	-	4,026,431	4,026,431	-	-	-	-	-	-	-
	4,027,149	-	4,027,149	4,027,149	-	-	-	-	-	-	-

2017
Rs.

Initial stock as at 01.01.2017

<u>Add :</u>				<u>2016</u>
Purchasing	-	-	-	Rs.
Publicity	-	-	-	-

Less :

Final Stock as at 31.12.2017	-	-	-	-
Cost	-	-	-	-
Other films	-	-	-	-

Add:

f;d,h 2017.01.01

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

Less :

Transfers

Stock as at 31.12.2017

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

National Film Corporation of Sri Lanka

Notes on Income Statements

for the year ended 31.12.2017

(04 - B) Cost of sales

	<u>Negatives</u>	<u>Cinema Carbon</u>	<u>Spare parts</u>	<u>Chemicals</u>	<u>Stationary</u>	<u>Total</u>	<u>Total</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>2017</u>	<u>2016</u>
						<u>Rs.</u>	<u>Rs.</u>
Initial stock as at 01.01.2017	287,951	1,453,660	329,976	-	3,259,350	5,330,937	6,006,058
<u>Add:</u>							
Purchasing and transfers		139,562			2,118,945	2,258,507	1,889,126
	287,951	1,593,222	329,976	-	5,378,295	7,589,444	7,895,184
<u>Less:</u>							
Damages of stocks							
Final stock as at 31.12.2017	287,951	934,936	299,531		2,972,523	4,494,941	5,318,037
	-	658,286	30,445	-	2,405,772	3,094,503	2,577,147

National Film Corporation of Sri Lanka
Notes on Income Statements
for the year ended 31.12.2017(Studio)

(04 - C) Cost of sales

	<u>Negatives</u>	<u>Cinema Carbon</u>	<u>pare parts</u>	<u>Chemicals</u>	<u>Total</u> <u>2017</u> <u>Rs.</u>	<u>Total</u> <u>2016</u> <u>Rs.</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>		
Initial stock as at 01.01.2017	816,569	-	617,685	54,090	1,488,344	1,675,196
Purchasing	-	-	-	-	-	-
	816,569	-	617,685	54,090	1,488,344	1,675,196
Less:						
Damages of stocks	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Final stock as at 31.12.2017	816,569	-	538,753	54,090	1,409,412	1,488,344
Internal usage during the year	-	-	78,932	-	78,932	186,852

National Film Corporation of Sri Lanka
Notes on Income Statements
for the year ended 31.12.2017(

Notes: 05

	<u>Total</u> <u>2017</u> Rs.	<u>Total</u> <u>2016</u> Rs.
<u>Employees' Remuneration</u>		
Wages and salaries	39,884,469	32,636,057
Overtime, holiday pay and compensation	3,182,659	3,662,532
Contributions to EPF and ETF	7,435,031	6,986,173
Other allowances	30,120,380	36,769,078
	<u>80,622,539</u>	<u>80,053,840</u>

Note : 06

Travelling and subsistence allowance

Travelling expense: (Local)	81,086	66,917
(Foreign)	1,055,574	1,345,829
Subsistence allowance	277,923	245,289
	<u>1,414,583</u>	<u>1,658,035</u>

National Film Corporation of Sri Lanka
Notes on Income Statements
for the year ended 31.12.2017)

Note: 07

	<u>Total</u> <u>2017</u>	<u>Total</u> <u>2016</u>
	Rs.	Rs.
<u>Supplies and equipment</u>		
Stationary and office equipment,	1,998,142	2,001,650
Electricity	4,988,081	5,175,703
Expenses for refreshments	326,289	184,437
Mechanical and electrical appliances	163,315	14,630
Uniforms	-	-
	<u>7,475,827</u>	<u>7,376,420</u>

Note: 08

Repairs, maintenance and depreciation

Fuel,oil, and vehicle maintenance	3,809,619	4,081,881
Maintenance	2,016,370	3,511,806
Depreciation	23,554,903	22,068,858
	<u>29,380,892</u>	<u>29,662,545</u>

National Film Corporation of Sri Lanka
Notes on Income Statements
for the year ended 31.12.2017

Note: 09

	<u>Total</u> <u>2017</u> Rs.	<u>Tptal</u> <u>2016</u> Rs.
<u>Transport,relations, requiurements,and</u> <u>other services</u>		
Transpotr	72,072	103,491
Links	2,185,088	2,205,476
Requirenments	8,760,357	4,602,415
Rates	766,111	682,951
Other services	12,888,708	9,715,073
Cost of interest for the interest on employees' loans	953,005	1,078,005
Less- Revenue on interest for employees;	(953,005)	(1,078,005)
Writing off- Interest on loans from producers		-
	<u>24,672,336</u>	<u>17,309,406</u>

National Film Corporation of Sri Lanka
Notes on income statements
For the year ended as at 31.12.2017

Notes: 10

Other income

	<u>2017</u>	<u>2016</u>
	Rs.	Rs.
Income on dividence	33,694.00	-
Interest on loans for productions	859,172.00	1,048,738.00
Interest on loans of employees	457,199.00	421,828.00
Miscellaneous income	910,804.00	548,435.00
Outdoor shooting	1,750,274.00	4,589,458.00
For repairing films which are not belonging to Corportation	313,030.00	1,010,740.00
Interest on fixed depossits and treasury bills	26,419,833.00	19,790,921.00
Application fees	432,000.00	326,000.00
Income from NFC theater	4,555,125.00	4,634,048.00
Receipts from watching films	-	11,000.00
Approval for film scripts	-	-
Income from rental for building 224	8,340,000.00	8,160,000.00
Receipts for courses	162,000.00	945,000.00
Identifying treasury receipts to income	21,972,624.00	20,622,313.00
Adjustment of exchange rates	73,514.00	17,502.00
Income from lecture hall	103,250.00	
Compensation received from Insurance Corporation	131,558.00	
	<u>66,514,077</u>	<u>62,125,983</u>

National Film Corporation of Sri Lanka

Notes on Financial Status

as at 31st December, 2017

Note: 11 - Fixed assets

<u>Property, Machinery and Equipmen</u>	<u>Cost</u>		<u>Additions during the year</u>		<u>Disposals during the year</u>		<u>Cost</u>		<u>Accumulate d Depreciation</u>		<u>Depreciated on for the Year</u>		<u>Accumulate d Depreciation</u>		<u>Nett Value</u>	
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
	<u>01.01.2017</u>	<u>31.12.2017</u>					<u>01.01.2017</u>	<u>31.12.2017</u>	<u>01.01.2017</u>	<u>31.12.2017</u>			<u>01.01.2017</u>	<u>31.12.2017</u>		
01. Free-hold Lands	174,343,458		-	-	-	-	174,343,458		-	-	-	-	-	-	174,343,458	
02. Free-hold Buildings	144,383,310		1,357,000	-	-	-	145,740,310		49,477,365	55,189,648	5,712,283	55,189,648	55,189,648	90,550,662	90,550,662	
03. Cinema Complex	107,452,566		12,118,905	-	-	-	119,571,471		56,539,521	65,065,736	8,526,215	65,065,736	65,065,736	54,505,735	54,505,735	
04. Mini-cinema Equipment	331,451		-	-	-	-	331,451		331,449	331,449	-	331,449	331,449	2	2	
05. Furniture, Installation & Fixt	17,537,823		402,924	-	-	-	17,940,747		15,596,988	15,929,270	332,282	15,929,270	15,929,270	2,011,477	2,011,477	
06. Office Equipment	18,509,495		1,106,050	-	-	-	19,615,545		14,988,891	15,902,528	913,637	15,902,528	15,902,528	3,713,017	3,713,017	
07. Motor Vehicle	15,297,820		-	-	-	-	15,297,820		13,452,455	15,297,811	1,845,356	15,297,811	15,297,811	9	9	
08. Film Archiving	1,610,655		-	-	-	-	1,610,655		1,062,366	1,159,645	97,279	1,159,645	1,159,645	451,010	451,010	
09. Bicycles	18,281		-	-	-	-	18,281		18,277	18,277	-	18,277	18,277	4	4	
10. Film Equipment	910,689		-	-	-	-	910,689		664,270	713,550	49,280	713,550	713,550	197,139	197,139	
11. Projection Equipment	925,202		-	-	-	-	925,202		503,521	553,730	50,209	553,730	553,730	371,472	371,472	
12. Studio Machinery	93,274,760		27,212	-	-	-	93,301,972		73,886,387	79,837,974	5,951,587	79,837,974	79,837,974	13,463,998	13,463,998	
13. Cinema Education Equipment	1,241,350		-	-	-	-	1,241,350		811,336	886,540	75,204	886,540	886,540	354,810	354,810	
14. Welfare Equipment	194,961		15,716	-	-	-	210,677		194,960	196,531	1,571	196,531	196,531	14,146	14,146	
	<u>576,031,821</u>	<u>15,027,807</u>					<u>591,059,628</u>		<u>227,527,786</u>	<u>251,082,689</u>	<u>23,554,903</u>	<u>251,082,689</u>	<u>251,082,689</u>	<u>339,976,939</u>	<u>339,976,939</u>	

National Film Corporation of Sri Lanka
Notes on Financial Status
as at 31st December, 2017

	<u>2017</u>	<u>2016</u>
	Rs.	Rs.
<u>Notes: 12</u>		
<u>Long-term Investments</u>		
Fixed deposits	19,562,022	17,891,742
Associated Newspapers of Ceylon Ltd.	127,000	127,000
	<u>19,689,022</u>	<u>18,018,742</u>
 <u>Note : 13</u>		
<u>Short-term Investments</u>		
Deposits in National Savings Bank	5,000	5,000
REPO Deposits	173,097,656	173,871,346
Treasury Bills	100,117,116	92,031,681
	<u>273,219,772</u>	<u>265,908,027</u>
 <u>Note : 14</u>		
<u>Stock</u>		
Films	5,253,887	5,253,887
Sales Activities	4,206,990	5,318,037
Studio	1,697,363	1,000,820
Spare parts for studio maintenance	1,472,575	1,472,575
Stationery and Other	1,369,045	1,925,189
	13,999,860	14,970,508
Allocation for slow-marketed and non-marketed stocks	(8,597,176)	(8,597,176)
	<u>5,402,684</u>	<u>6,373,332</u>
 <u>Note : 15</u>		
<u>Debtors</u>		
Cinema Halls	182,255,608	200,467,136
Producers	88,309,502	120,625,829
	270,565,110	321,092,965
<u>Less :-</u>		
Allocation for Debtors (Note 15 A)	(153,333,386)	(138,702,683)
	<u>117,231,724</u>	<u>182,390,282</u>
 <u>Note : 16</u>		
<u>Miscellaneous Debtors</u>		
Other	162,747,665	160,618,026
Allocation for Miscellaneous Debtors (Note 15 A)	(8,137,000)	(8,030,900)
Employee Advances	21,239,522	19,394,461
Employee Loan Asset Account	12,289,064	9,858,711
(-) Employee Loan Liability Account	(12,289,064)	(9,858,711)
	<u>175,850,187</u>	<u>171,981,587</u>

National Film Corporation of Sri Lanka
Notes on Financial Status
as at 31st December, 2017

Schedule of Allocation for Bad Debt

Note : 15 A

<u>Debtors</u>	<u>Total</u> <u>2017</u>	<u>Not agreed and</u> <u>Non-recoverable</u>	<u>Recoverable</u>	<u>Allocation of 5%</u>	<u>Total Allocations</u>
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Film Halls	301,745,885	75,348,947	226,396,938	11,319,846	86,668,793
Producers	92,928,308	65,282,593	27,645,715	1,382,000	66,664,593
Other	162,747,665		162,747,665	8,137,000	8,137,000
Employee Advances	21,239,522		21,239,522		-
	578,661,380	140,631,540	438,029,840	20,838,846	161,470,386
Balance B/F	146,733,583	72,808,656	65,894,027	8,030,900	
Transfer to Profit & Loss Account	14,736,803	13,860,137	770,566	106,100	
	161,470,386	86,668,793	66,664,593	8,137,000	-
<u>Allocations for Debtors</u>					
as at 01.01.2017	146,733,583				
Transfer to Profit & Loss Account	14,736,803				
Balance B/D 31.12.2017	161,470,386				

National Film Corporation of Sri Lanka
Notes on Financial Status
as at 31st December, 2017

	<u>2017</u>	<u>2016</u>
	Rs.	Rs.
<u>Note : 17</u>		
<u>Deposits and Advance Payments</u>		
Deposits	3,768,432	3,712,027
Advance Payments	800,719	2,077,522
Advance Payments for the Welfare Society		36,000
	<u>4,569,151</u>	<u>5,825,549</u>
Allocation for non-recoverable debt	(653,728)	(653,728)
	<u>3,915,423</u>	<u>5,171,821</u>

Note : 18

Cash and Bank Balances

People's Bank - C. A. No 004-1-001-1-0208647	1,325,524	10,607,968
People's Bank - C.A. No 055-1-001-5-0667533	901,745	949,309
People's Bank - C. A. No 004-1-001-6-0208664	19,019,734	2,076,534
Bank of Ceylon - C.A. No 0002323272	7,074,511	2,920,580
Bank of Ceylon - C.A. No 0002323131	1,594,638	1,530,342
Bank of Ceylon - C.A. No 0002323354	19,940,390	2,124,038
Bank of Ceylon - C. A. No 0002323363	25,572,737	16,432,069
Bank of Ceylon - C. A. No 0005002189	15,120,013	65,023
	<u>90,549,292</u>	<u>36,705,863</u>

Cash at Hand

Petty Cash - Head Office	35,345	23,085
Petty Cash - Studio	4,297	2,101
Petty Cash - Film Archive	34	34
	<u>39,676</u>	<u>25,220</u>
Total	<u>90,588,968</u>	<u>36,731,083</u>

Note : 19

Grants

Treasury Grants	146,322,543	166,944,856
(-) Amortisation	(21,972,624)	(20,622,313)
	<u>124,349,919</u>	<u>146,322,543</u>

Notes on Financial Status
as at 31st December, 2017

	<u>2017</u>	<u>2016</u>
	Rs.	Rs.
<u>Note:20</u>		
<u>Allocations for the gratuity</u>		
Balance B/F as at 01.01.2017	35,932,903	49,392,704
Allocation in excess in year 2016	(102,235)	(16,830,608)
Allocations for the year	6,626,608	7,131,335
Cash Payments	(2,229,071)	(3,760,528)
	<u>40,228,205</u>	<u>35,932,903</u>
(Invested in Treasury Bills)		

Note : 21

Deposits

NFC Theatre Security Deposits	310,000	130,000
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
Saneeparakshaka Seewa	160,000	-
	<u>2,884,227</u>	<u>2,544,227</u>

Note : 22

Film Rent Creditors

Film Rent Creditors	276,979,852	293,603,604
(-) Allocation for Creditors	(18,046,804)	(18,046,804)
	<u>258,933,048</u>	<u>275,556,800</u>

National Film Corporation of Sri Lanka
Notes on Financial Status
as at 31st December, 2017

	<u>2017</u>	<u>2016</u>
	Rs.	Rs.
<u>Note : 23</u>		
<u>Other Creditors</u>		
Accrued Expenditure	25,238,340	14,841,780
VAT Payable	152,613	152,613
Allocations for Audit Fees	2,286,720	1,586,720
Commissioner of Inland Revenue (Stamps)	81,447	36,455
Unclaimed Wages	998,494	998,494
E. P. F.	666,426	654,342
E. T. F.	74,278	74,103
Miscellaneous Creditors	752,877	1,599,863
(- Allocations for Non-payable Liabilities)	(644,840)	(644,840)
Miscellaneous Debtors (Credit Balance)	-	1,110,955
Film Rent Debtors	-	3,982,955
General Treasury	5,000,000	5,000,000
National Film Development Fund	3,650,545	3,525,795
Control Account of Rithma Circuit	5,763,596	4,696,303
Allocation Account for Film Festivals	-	10,000,000
Payment of Paye tax	33,564	24,243
Allocation for Salaries and Wages	550,887	714,182
Allocation for Receivable Production Loan Interest	1,506,922	3,460,722
Advance to Welfare society for assisting funerals	4,950	
Public Performance Board	682,973	
	<u>46,799,792</u>	<u>51,814,685</u>

National Film Corporation of Sri Lanka
Notes on Income Statement
as at 31st December, 2017

Other Services	Total 2017 Rs.	Total 2016 Rs.
Director Fee	898,690	718,170
Publicity	306,182	393,502
Special Commission Fee	28,165	146,812
Legal Fee	977,154	916,197
Corporation Festivities	1,977,244	1,295,332
Audit Fees	700,000	600,000
Security Services	3,222,280	2,200,511
Bank Fees	66,866	73,177
Cinema Education	863,062	847,050
Death Donations and Film Artistes' Expenditure	898,800	1,105,538
Expenditure of the New Theatre	259,402	35,928
withholding Tax	-	157,836
Reading of scripts	-	3,000
Late payments	2,658	64,177
Tender Expenditure	44,476	-
Disposal of Fixed Assets	-	9,375
Sanitary services	2,643,729	-
	12,888,708	8,566,605

National Film Corporation of Sri Lanka
Notes on Income Statement
as at 31st December, 2017

	Total 2017 Rs.	Total 2016 Rs.
Transport	<u>72,072</u>	<u>103,491</u>
Communication	<u>2,185,088</u>	<u>2,205,476</u>
<u>Requisites</u>		
Internal Use	39,671	561,835
Foreign Film Festival	-	6,912
Welfare Expenditure	2,915,567	3,341,482
Employee Recruitment and Training	166,740	277,110
Water Bills	173,648	415,076
Local film festivals- President's Awards	1,394,717	-
Discussions and seminars	208,508	-
Film conservation	<u>3,861,506</u>	<u>-</u>
	<u>8,760,357</u>	<u>4,602,415</u>
Rates	<u>766,111</u>	<u>682,951</u>

National Film Corporation of Sri Lanka
Comprehensive income report for the year ended
31.12.2017

Income Statement for the year ended 31.12.2017

		<u>SLFRS</u> <u>2016</u> Rs.	<u>Measurable</u> <u>Deviations</u> Rs.	<u>SLFRS</u> <u>2016</u> Rs.
Sales		57,500,610		57,500,610
<u>Less : Sales Cost</u>		(2,763,999)		(2,763,999)
Gross Profit		54,736,611		54,736,611
<u>Less : Expenditure</u>				
Employee Remuneration		80,053,840		80,053,840
Travelling and Subsistence		1,658,035		1,658,035
Supplies and Equipment		7,376,420		7,376,420
<u>Repairs, Maintenance and Depreciation</u>				
(A) Repairs, Maintenance and Depreciation	සටහන 01	29,662,545	5,000	29,667,545
Transport, Communication, Requisites & Other Services		17,309,406		17,309,406
Allocation for Bad Debt		2,809,819		2,809,819
Allocation for Garatuities		7,131,335		7,131,335
Allocation for the Fund for Film Artistes and Technicians		500,000		500,000
Allocations for national film festivals		5,000,000		5,000,000
		151,501,400		151,506,400
Operational Profit /Loss		(96,764,789)		(96,769,789)
<u>Add : Other Revenue</u>	සටහන 02	62,125,983	747,175	62,873,158
Profit / Loss of the Year		(34,638,806)		(33,896,631)
<u>Less : Treasury Grants</u>		74,250,000		74,250,000
Profit before tax		39,611,194		40,353,369
<u>Less : Allocation for Tax</u>		-		-
Deficit / Surplus		39,611,194	742,175	40,353,369

National Film Corporation of Sri Lanka

Notes

as at 31st December, 2017

Annex

<u>Note</u>	<u>Description</u>	<u>Amount</u> Rs.Cts
Note 01	Film Development Fund - Rectification of errors in accounting	<u>5,000</u>
හඳුනා 02	Rectification of errors in accounting	153,550
	Rectification of errors in accounting	220,200
	Rectification of errors in accounting	271,190
	Allocation in excess for gratuity	<u>102,235</u>
		<u>747,175</u>

National Film Corporation of Sri Lanka
Notes on Financial Status
as at 31st December, 2017

Note : 24
Links of Board of Directors

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 2017 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
1	Mr. Sithendra Senaratna	29.06.2017	Chairman - National Film Corporation, Colombo 07	National Film Corporation of Sri Lanka, Colombo 07	
2	Mr. Ananda Bandara Dissanayaka	27.06.2017	Working Director, National Film Corporation of Sri Lanka, Colombo 07	National Film Corporation of Sri Lanka, Colombo 07	
3	Mr. Sudharshana Gunawardana, At	26.10.2016	Member of the Board of Director (Ex officio), Director General of Information, Department of Information	Department of Information, Colombo 05	
4	Mrs. Anusha Gokula Fernand	07.07.2017	Member of the Board of Director (Ex officio) Director, Department of Cultural Affairs, Department of Cultural Affairs	Director, Department of Cultural Affairs, Department of Cultural Affairs Sethsiripaya, Battaramulla	
5	Mr. Erananda Hettiarachchi	07.07.2017	Member of the Board of Directors(Ex-officio), Director General, Sri Lanka Broadcasting Corporation	Director General, Sri Lanka Broadcasting Corporation, Colombo 07	
6	Mrs. B.M.D.N.Balasuriya	07.07.2017	Director, Representative of General Treasury, Department of Management Services	Director, Department of Management Services, 03rd Floor, Ministry of Finance, Colombo 01	
7	Dr. Keerthi Bandara Kotagama	29.06.2017	Member of the Board of Directors	Janatha Estate Development Board, No 55/75, Vauxall Lane, Colombo 02	
8	Mrs. P. V. Dayaratna	29.06.2017	Member of the Board of Directors	No 59/3, Heenartikumbura, Thalagama North, Battaramulla	
9	Mr. Benet Rathnayaka	29.06.2017	Member of the Board of Directors	No 1028/2, Nagahamulla Road, Battaramulla	
10	Miss Niromi Sanoja Bibiule	29.06.2017	Member of the Board of Directors	No 170/19, Hendala, Wattala	



ජාතික විගණන කාර්යාලය

தேசிய கணக்காய்வு அலுவலகம்

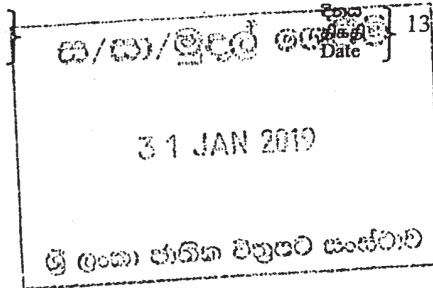
NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

CAS/C/NFC/1/17FA

ඔබේ අංකය
உமது இல.
Your No.



13 December 2018

Chairman

National Film Corporation of Sri Lanka

Report of the Auditor General on the Financial Statements of the National Film Corporation of Sri Lanka in terms of the 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 2017, comprising the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971 and Section 31(1) of the National Film Corporation of Sri Lanka Act, No.47 of 1971. My comments and observations which I consider should be published with the Annual Report of the Corporation in terms of Section 14(2) (c) of the Finance Act appear in this report.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent



with International 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Subsections (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 film distribution, which was one of the main sources of income, had been deprived 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 2001 on the inadequacy of the Corporation's income in settling expenses. Further, 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 2017 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 1

Contributions for the Employees Trust Fund had been computed from January 2006 to December 2015 without considering the cost of living allowance and due to that, an outstanding sum of Rs.2,763,753 and a surcharge of 1,381,876 had to be paid. Even though, the Board of Directors approval had been granted for that on 27 April 2017, provision had not been made in the accounts in terms of the section 27 of the standard.

(b) Sri Lanka Accounting Standard 7

In terms of paragraph 7 of the standard, in accounting Treasury Bills and Bills repurchasing, investments of 03 months or less should be presented in the cash flow statement as cash and cash equivalents. However, the value of Treasury Bills to be matured within a period of 03 months amounting to Rs.6,863,993 and Bills Repurchasing amounting to Rs.97,461,399 had been presented under the investments in the cash flow statement instead of presenting under the cash and cash equivalents.

(c) Sri Lanka Accounting Standard 16

- (i) Even though, in terms of paragraph 79(a) of the standard, the carrying amount of idle assets should be disclosed, idle assets with outdated technology belonging to the black and white and colour laboratories of the Kelaniya Studio of the Corporation had not been accounted and disclosed.
- (ii) Since useful life of non-current assets had not been reviewed annually in terms of paragraph 51 of the standard, fixed assets costing Rs. 69,032,058 had still been in use despite been fully depreciated. Accordingly, action had not been taken to rectified the estimated error in terms of Sri Lanka Accounting Standard 08.
- (iii) In terms of paragraph 34 of the Standard, when the fair value of a revalued assest differs materially from its carrying amount, that property should be revalued. Nevertheless, the land bearing assessment number 224 located in Bouddaloka Mawatha and the land of the Kelaniya Studio belonging to the corporation had been valued for the last time in the year 2007. Accordingly, 11 years lapsed as at the end of the year under review, an action had not been taken to revalue these lands and to account the fair value.

(d) Sri Lanka Accounting Standard 19

In terms of paragraph 57 of the standard, provision for post employment benefits should be computed after carrying out an actuarial estimate in terms of Projected Unit Credit Method. 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.

(e) Sri Lanka Accounting Standard 24

No disclosures had been made in terms of 26 (b) of the standard, in relating to the film production loan amounting to Rs.1,732,530 which had been given to the Director of the Board.

(f) Sri Lanka Accounting Standard 38

In terms of paragraph 119 of the standard, the software used for post production activities in the Sarasavi Studio in Kelaniya should be presented under the intangible assets in the financial statements, an action had not been taken thereon.

(g) Sri Lanka Accounting Standard 40

Even though, investments assets should be recognized and accounted in the financial statements as investment assets in terms of 75(c) of the standard, an appropriate disclosures had not been made to a building rented out by the corporation to Censor Board, Selacine Institution and SAARC Cultural Centre over a period 16 years.

2.2.2 Accounting Deficiencies

Government Grant amounting to Rs.33 millions which had been received for the Presidential Award Ceremony in the year under review had been set off against the expenses of the ceremony without recognizing as an income.

2.2.3 Unexplained Differences

The following observations are made.

- (a) An unexplained difference of Rs.5,763,596 was observed in Inter Department current account according to the books of the Corporation and books of the Ridma Circuit.
- (b) Even though according to the bank confirmation, the balance of the Treasury Bills Repurchasing amounting to Rs.171,078,340 and according to the financial statement balance was Rs.171,694,038. Therefore unexplained difference of Rs.615,698 was observed.
- (c) Even though as per Financial Statements as at 31 December 2017, closing stock value of films was Rs. 5,253,875, only 3 local films and 9 foreign films worth of Rs.718 included in the film stock according to the records of finance division.

2.2.4 Non Evidence for Audit

Even though, independent confirmation had been called for the debtor balance amounting to Rs.58,466,046, the letters amounting to Rs.11,088,220 had been returned due to wrong addresses and no confirmations had been received for letters amounting to Rs.47,377,826. Thus it was unable to get the above debtor balances confirmed during the audit.

2.3 Accounts Receivables and Payables

The following observations are made.

- (a) Action had not been taken even by the date of this report to recover the film rental Rs.12,343,433 recoverable from the year 2003 up to 31 May 2016 from the Cine City Cinema Hall in Maradana. Moreover, as the daily report had not been obtained after 31 May 2016, the income from film rental had been unable to compute and account.
- (b) Legal actions had not been taken to recover the loan of Rs.1,009,548 and Rs.19,332,544 had not been paid as at 31 December 2017, which were consists of film rental and Corporation levy, interest and debit notes from Cineworld Cinema Complex in Kotahena.
- (c) Out of the compensation received in 1997 from the Treasury for voluntary retirement of employees, remaining sum of Rs.5,000,000 had not been remitted to the Treasury.

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

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

Reference to Laws, Rules, Regulations etc.	Non-compliances
(a) Sections 10(5) and 11 of the Finance Act, No.38 of 1971 and Section 27 of the Film Corporation Act, No.47 of 1971	An income over expenditure amounting to Rs.140,531,882 from the year 2014 to the year 2017 had not been remitted to the Treasury and Rs.100,117,116 and Rs.173,097,656 had been invested in Treasury Bills and Treasury Bills



Repurchasing respectively without approval of the Minister of Finance and the Line Minister.

(b) Financial Regulation 381(1) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka

Approval for open the official bank accounts should be obtained by the Treasury through Chief Accounting Officer. Nevertheless, the Corporation has been operating 08 bank current accounts without approval of the General Treasury and the balances of those accounts were totaled to Rs.90,549,292 as at 31 December 2017.

(c) Cabinet Decision No. 05/0741/041/012 dated 22 July 2015.

Non-ironic metals such as copper, brass, aluminum, lead etc. and the special type iron, cast iron and steel scraps discarded by Government institutions could have been sold to the Industrial Development Board of Ceylon. Nevertheless, action had not been taken in respect with the iron, scraps and script covers that had been stacked in an old building of the Sarasavi Studio.

(d) Section 9 of National Film Policies and Guidelines of 17 June 1999.

Even though, a Film Preservation Unit should be established and managed by the Film Corporation, 273 old films belonging to the Corporation had been preserved in a repository in the Department of National Archives. However, no arrangement had been made to preserve 962 films screened and copies of new films from the year 1947 to the year 2018.

(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 meters and if the area of the place of selling liquor is less than 500 square feet. However, recommendations had been granted for liquor permits in 47 cinema halls without carrying out inspections thereon.

(f) Paragraph 6 of rent agreement No.4711 of 23 January 2017 entered with the Censor Board

No changes and additions should be done to the building given on lease without the written approval of the Corporation. However additions had been done to the building that had been leased to the Censor Board without the approval.

(g) Section 7(2) (a) (i) of the National Film Corporation Act, No 47 of 1971

Even though after queried of Minister of Education or the Line Minister, two members of the Universities had to be appointed as Board of Directors of the Corporation, such appointments had not been made.

2.5 Transaction not Supported by Adequate Authority.

Journals worth of Rs.14,736,803 had been included in the financial statements as impairment loss of doubtful debtors on the approval of the Accounts Clerk without proper authorization.

3. Financial Review.

3.1. Financial Results

The financial result of the corporation for the year under review had been a loss of Rs.51,970,405 before receiving Treasury Grants as compared with the corresponding loss of Rs.34,638,806 for the preceding year, thus indicating a deterioration of Rs.17,331,599 in the financial result for the year under review as compared with the preceding year. Decrease in commission income from distribution of foreign films by Rs.9,157,132 and increase in impairment adjustment for bad debts by Rs.11,926,984 had mainly attributed to the above deterioration.

An analysis of the financial results for the year under review and 04 preceding years revealed a continuous loss in the financial results before receiving Treasury Grants and in the year 2013 it had been Rs.58,337,827 while as at the end of the year under review it had been Rs.51,970,405. However, in re-adjusting the employees' remuneration and depreciation for non-current assets to the financial result, the contribution of the Corporation which was Rs.19,157,095 in the year 2013 had increased to Rs.52,207,037 as at the end of the year under review

4. Operating Review.

4.1 Performance

4.1.1. Planning

The following observations are made.

- (a) Even though an action plan had been prepared for the year under review, that plan had not been prepared based on the objectives of the Corporate Plan. Moreover, the targeted activities had been identified quarterly in the Action Plan, the performance reports had not been prepared in a manner to enable the evaluation of its performance.
- (b) Even though, Rs.25 millions had been allocated for the improvements of production facilities of Sarasavi Studio in Kelaniya and Rs.50 millions for the establishment of film

preservation unit and film restoration, that amount had not been utilized during the year under review. Moreover, Rs. 50 millions had been allocated for the establishment of National School for the Capacity Building of Film Artist and Technicians, only Rs. 500,000 had been spent for the soil test and rest of the project had not been carried out.

4.1.2 Activity and Review.

Even though it had been planned to inspect at least 1500 shows as a whole ensuring a cinema hall is subjected to an inspection at least once a month ,only 850 shows had been inspected during the year under review.

4.2 Management Activities.

The following observations are made.

- (a) In terms of letter No. PE/ME/NFC/GEN/2015 of August 2015 of the Director General of the Department of Public Enterprises, as a reply to the letter of requesting approval for writing off outstanding money recoverable from Cinema Halls and the loan of Rs,192 millions granted for production of films, it was observed that the following activities had not been done in connection with the recovery of outstanding income.
 - (i) As per the recommendation by the Parliamentary Committee on Public Enterprises, (COPE) 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-presentation of a proper procedure by the above mentioned committee to collect the loans granted at least from the cinema halls which are functioning at present, in installments or on long term basis.
- (iv) Despite of having informed earlier, failure in obtaining the approval from the Cabinet by submitting a Cabinet Paper to write off the remaining amounts except for the loan amount that could be recovered as mentioned in (ii) and (iii) above.
- (b) 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 No.303 at Bauddaloka Mawatha on which the building of the Corporation is located.
- (c) The value of Treasury Bills and Treasury Bills Repurchasing was amounted to Rs.273,214,772 and investments had been made in the same bank continuously. However, the attention of the Management had not been given for investing on more beneficial interest rates by calling for quotations from the State Banks in the Primary Market.

4.3 Transactions of Contentions Nature

The following Observations are made.

- (a) According to the financial Statements, Rs.44,394,717 had been accounted for the Presidential Film Festival held on 31 March 2017 and following observations were made in this regard.
 - (i) Even though, an institution should be selected for this festival by competitive bidding in terms of 3.2.1 of the Procurement Guidelines, deviating from that and contrary to the Cabinet Decision No.08/2253/338/043 dated 2 December 2008 of allowing only advertising

- activities and advertising programs to the Selacine Institution, stage decoration, lighting and artistic activities had been given to the Selacine Institution.
- (ii) For this award ceremony, the total cost estimate had been prepared by the Corporation amounted to Rs.38,170,000 and approval from the Board of Directors had been obtained. Even though only a Rs.19,400,000 had been allocated for the Event Management in the estimate, the Corporation had entered in to a contract with Selacine Institution on 23 February 2017 for the amount of Rs.27,682,469 (without taxes). Hence Rs.8,282,469 had been contracted and paid against the approval of the board of directors.
- (iii) Six reports had been submitted by the Technical Evaluation Committee regarding this activity and out of that, 2 reports dated were 30 March 2017. The ceremony had been held on 31 March 2017 and another 2 reports had also been submitted after the ceremony. Therefore, it was observed that the role of the Evaluation Committee had not been done in proper manner.
- (iv) An unusual sum of Rs.7,654,750 which was consist of Rs.3,103,750 for stage decoration of the Bandaranayaka Memorial Hall, Rs.1,943,500 for the stage lighting system and Rs.2,587,500 for the other artistic activities had been included in the above (ii) contracted amount of Rs.27,682,469.
- (v) Even though only Rs.1,955,500 included for food and beverages in the contracted amount of Rs.27,682,469 with the Selacine Institution, Rs .6,250,000 had been paid to the Selacine Institution at the time of auditing. Therefore, Rs 4,294,500 had been paid contrary to the agreement.

- (vi) According to the accounts presented, Rs. 44,394,717 had been shown as total expenditure for the award ceremony and Rs.9,854,285 had been identified as payable to Selacine Institution and accounted as an accrued expenditure in the accounts exceeding the contracted amount. However, the Board of Director's approval had not been obtained for the above accrued expenditure and Journal vouchers had been certified by the accounting officer. Further, no bills and other evidence had submitted to the audit to prove the above accrued expenditure.
- (vii) Even though, contracted amount with the Selacine Institution was Rs. 27,682,489 for the Presidential Award Ceremony, Rs. 27,000,000 had been paid as at audited date and according to the financial statements, further Rs. 9,854,285 had been accounted as accrued expenditure for the year ended 31 December 2017. Accordingly, it was observed during the audit that it had been planned to pay in excess of contracted amount.
- (b) (i) The liquor permits had been issued in the year under review to 18 cinema halls of the Ridma Circuit since many years and 29 cinema halls of the other circuits during the year without any connection whatsoever with the objective of the corporation and without being based on legal provision. In terms of permits issued, liquor should be sold only to viewers. However, during the physical inspection of 02 theaters in Sabaragamuwa Province in November 2017, the tickets issued for the nine days were 04 ,while the income from liquor sales was Rs.405,690. Therefore, it was observed that liquor had been sold to people who were not viewers.
- (ii) 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 observed as a contentious matter.

4.4 Operating Activities.

According to the Financial Statements presented, the total recoverable amount as at end of the year under review was Rs.578, 661,380 consisting of film producers, other loans and staff advances. Out of that, Rs.161,470,386 for impairment adjustment, Rs.119,490,277 for provision for surcharge and Rs. 4,618,805 for provision for interest for production loans had been made. However, it was observed during the audit that, the recoverability of Rs. 285,579,469 which is 49 per cent are doubtful.

4.5 Underutilization of Funds

The monthly average balance of 8 bank current accounts of the corporation amounted to Rs.50,503,509 and an attention had not been paid/made to invest surplus funds in short term investments.

4.6 Idle and Underutilized Assets

The following observations are made.

- (a) The stock of negative films and chemicals sum of Rs.870,659 had been unused since the year 2014.
- (b) 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 Sarasawi Studio in Kelaniya.

4.7 Staff Administration.

The following observations are made.

- (a) The no of vacancies of the Corporation as at 31 December 2017 stood at 71 and the approved cadre had not been reviewed, according to the present requirements. Hence, 02 Essential posts staff grade had been vacant from long period and due to that, it was observed that there was no proper guidance and monitoring, when preparing plans ,setting up targets and monitoring in order to achieve those targets.
- (b) An officer with at least 10 years experience at senior management level after obtaining a post graduate, should have been appointed as General Manager in terms of 4.1.1 of Scheme of recruitment of the Corporation, an officer with no qualifications had been recruited on contract basis and sum of Rs.1,671,808 had been paid as salaries and allowances during the year under review without approval of the Department of Management Services.
- (c) Deviating from the Scheme of recruitment and without the approval of the Board of directors or approval of the Department of Management Services with the recommendations of the secretary to the Ministry, a driver had been required and Rs.738,000 had been paid as monthly allowances and overtime.

5. Sustainable Development.

5.1 Achieving Sustainable Development Goals.

Every public institution should act in compliance with the United Nations “agenda” for the year 2030 for the sustainable development. and the corporation was aware about how to act in respect of the functions coming under own scope relating to the year under review. The following observations are made thereon.

(a) Although the existence of an accurate data base for the measurement of performance was essential, the corporation had failed to create an accurate data base for the measurement of achieving of sustainable Development Goals.

(b) As a result of not performing a proper coordination with the other institutions while being prepared to achieve Sustainable Development Goals, it was observed that the pre-preparation of plans to achieve targeted objectives and the status of pre-preparation process was at a very slow condition.

6. Accountability and Good Governance

6.1 Procurement

Even though, according to section 4.2.1 of Procurement Guidelines, a Master Procurement Plan including expected procurement activities at least for a period of 3 years and a procurement time table should be prepared, procurement plan had been prepared only for the year under review.

6.2 Internal Audit.

Even though according to the approved cadre , an internal audit division should have 3 permanent Audit Assistant posts, non-had been employed as at 31 December 2017. Accordingly, it was observed the corporation had not paid sufficient attention over internal audit activities.

6.3 Tabling Annual Reports

Annual Reports for the year 2015 and 2016 had not been tabled in Parliament even as at 24 August 2018 in terms of 6.5.3 of the Public Enterprises Circular No.PED/12 dated 02 June 2003.

7. Systems and Controls

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

Areas of Systems and Control	Observations
(a) Assets Control	<p>(i) Failure to take necessary actions with regard to the idle assets of the Studio.</p> <p>(ii) Failure to maintain library books in protected manner.</p> <p>(iii) The inventory had not been properly maintained to identify receipts and issues in an easy manner.</p>
(b) Debtors Control	<p>(i) Failure to take necessary actions against the outstanding loan balances of over 10 years.</p> <p>(ii) Lack of proper supervision over loan agreements.</p> <p>(iii) Non establishment of a system or division to recover loans.</p>
(c) Revenue Control	<p>(i) Lack of supervision in recovery of film rentals and annual taxes.</p> <p>(ii) Payments of Producer's rent income without</p>



confirming the proceeds from the cinema halls.

(d) Credit Control

In terms of agreements, film promotion loan had not been recovered from fist income.

(e)Control of Computer Software Systems

(i>Password had not been given to the each post of the Staff.

(ii) Changing date in main file by the non staff officers and lack of supervision.

(iii) Backups have been at the same place.

(iii) Risk of accessing to the Pay Processing System through the Teamviewer software and internet facilities.

Sgd./ H.M. GAMINI WIJESINGHE
Auditor General

H.M.Gamini Wijesingha

Auditor Genaral.



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இலங்கை தேசிய திரைப்படக் கூட்டுத்தாபனம்

NATIONAL FILM CORPORATION OF SRI LANKA

අංක 303, බෞද්ධලෝක මාවත, කොළඹ 07. | දුරකථන - 0112-584623 / 0112-588773 | විද්‍යුත් තැපෑල-filmcorp@slt.net.lk | වෙබ් අඩවිය -www.nfc.gov.lk
இல.303, பெனத்தாலோக மாவத்தை, கெழும்பு 07. | தொலைபேசி-0112-584623 / 0112-588773 | மின்னஞ்சல் புதுக்குத்தின்-filmcorp@slt.net.lk | இணையக்குளம்-www.nfc.gov.lk
No.303, Bauddhloka Mawatha, Colombo 07. | Tel - 0112-584623 / 0112-588773 | Email-filmcorp@slt.net.lk | Website-www.nfc.gov.lk