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ஆண்டறிக்கை
ANNUAL REPORT
2018

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இலங்கை தேசிய திரைப்படக் கூட்டுத்தாபனம்

NATIONAL FILM CORPORATION OF SRI LANKA

National Film Corporation of Sri Lanka

Annual Report 2018

Presentation

My No NFC/119/01/02/02

Through
Secretary
Ministry of Buddhasasana, Religious and Cultural Affairs

Hon. Vidura Wickramanayake
Ministry of Buddhasasana, Religious and Cultural Affairs
8th Floor
Sethsiripaya,
Battaramulla

National Film Corporation- Annual Report- 2018

The annual report of the National Film Corporation is hereby submitted along with the following documents for the year ended 31 December 2018 as per section 14 (1) of the Finance Act and section 32 (1) of National Film Corporation Act No. 47 of 1971 amended by the Act No. 45 of 1980.

1. Tasks performed by the Corporation in year 2018 and relevant statements
2. Profit and Loss Account, related notes for the year ended 31 December 2018 and the Balance Sheet as at the same date.
3. Report of the Auditor General for the year ended 31 December 2019. 2018

Yours faithfully

G.A.Kithsiri
General Manager
National Film Corporation of Sri Lanka

Administrative Report

01. Introduction
02. Board of Directors
03. Local Movie Production
04. Personal and Institutional Management
05. Publicity for movies/ Cine Ads
06. Cine Culture and Educational Activities
07. Movie Distribution and Stores
08. Legal Affairs
09. Financial Activities
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11. Investigation Activities
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01. Introduction

Annual Report of the National Film Corporation of Sri Lanka for the year 2019, which is submitted to Hon. Mahinda Rajapaksha, Prime Minister and the Minister of Buddha Shasana, Religious and Cultural Affairs and the Auditor General under Section 32 (1) of the National Film Corporation Act No 47 of 1971 amended by the Act No 45 of 1980 and section 14 (1) of the Finance Act No. 38 of 1971.

This report, which is submitted for the year of 2019, is in relation to 46th year of the National Film Corporation

02. Board of Directors

The Board of Directors for the year 2018 is as follows.

The Board of Directors, who held office from 01 January 2018 up to 31 December 2018, consists of the members mentioned below. However, Board of Directors has been appointed as mentioned from 1-4 with the change of the scopes of Ministries.

No. 1 - From 01.01.2018 up to 06.06.2018

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

No. 02 from 06.06.2018 up to 31.10.2018

1. Mr. Sithendra Senarathna - Chairman
2. Mr. Nilantha Kumarage, Attorney At Law - Working Director
3. Mr. Sudarshana Gunawardana- Attorney At Law - Member of the Board of Directors (Ex officio)
4. Mrs. Anusha Gokula Fernando - Member of the Board of Directors (Ex officio)
5. Mr. Erananda Hettiarachchi - Member of the Board of Directors (Ex officio)
6. Mr. Anil Rajakaruna, Attorney At Law - Member of the Board of Directors
7. Mrs. P.V.P.Dayarathna - Member of the Board of Directors
8. Mr. Bennet Rathnayaka - Member of the Board of Directors
9. Mrs. Niromi Sanoja Bibile - Member of the Board of Directors
10. Mr. B.M.D.N.Balasuriya - Representative of General Treasury
11. Mrs. W.K Wickramarachchi, Attorney At Law- Assistant General manager Legal/ Secretary- Board of Directors

No. 03 from 01.11.2018 up to 08.11.2018

1. Mr. Sanath Weerasuriya - Chairman

No. 04. From 06.06.2018 up to 31.10.2018

1. Mr. Jagath Manjula Yapa - Chairman
2. Mr. Samson Kumarage - Working Director
3. Mr. Nalaka Kaluwewa - Member of the Board of Directors (Ex officio)
4. Mrs. Anusha Gokula Fernando - Member of the Board of Directors (Ex officio)
5. Mr. Erananda Hettiarachchi - Member of the Board of Directors (Ex officio)
6. Mr. Saman Weeraman, Attorney At Law- Member of the Board of Directors
7. Mrs. Nadeeka Gunasekara - Member of the Board of Directors
8. Dr. Tudor Weerasingha - Member of the Board of Directors
9. Prof. Sena Nanayakkara - Member of the Board of Directors
10. Mr. B.M.D.N.Balasuriya - Representative of General Treasury
11. Mrs. W.K Wickramarachchi, Attorney At Law- Assistant General Manager Legal/ Secretary- Board of Directors

03. Production of local movies

	Description	Progress (Rs. Cts)	
3.1	**<u>Registration of local movies:</u>** Number of movies 64 (Rs. 3000 is recovered per movie as registration fee)		192,000.00
3.2	**<u>Trust of the Corporation for movie artists and</u>** Payment of pension: From January to April Rs. 2000 per person I. From January to February (For 54 persons) II. From March to April (For 53 persons) **<u>Rs. 5000 per person:</u>** In addition to the above 53, who were paid pension, action was taken to make payments from May 2018 to 79 new pensioners. III. May- June (For 131 persons) IV. July August (For 129 persons) V. Sep- Nov (For 129 persons) VI. December (For 128 persons)	216,000.00 212,000.00 1,310,000.00 1,290,000.00 1,935,000.00 645,000.00	5,608,000.00
3.3	**For artists on special grounds** • Payment of medical aids : I. Mr. Thilak Jayaweera II. Mr. Siri Kahawala III. Mr. M.V.Hemapala IV. Mrs. Latha Walpola V. Mrs. Damayanthi Fonseka VI. Mr. Malcom Mannara VII. Mr. Wilson Karunarathna VIII. Mrs. G. R. Perera IX. Mr. Daya Wimalaweera X. Mr. V. Vamadevan Payment of Rs. 50,000 per person • Payment of funeral aids I. Mr. Roy De Silva • In appreciation I Mr. Rex Kodippili		550,000.00 250,000.00 50,000.00

3.4	**Importation of movies :** Issuance of 20 applications for registration of suppliers for movies for year 2018. (Rs. 25,000 per movie) Action was taken to register 18 qualified suppliers for importation of foreign movies for 2018 Number of Tamil/Hindi/English movies imported during the year is 171. Tamil movies - 76 English movies -65 Hindi movies - 30 (A charge of Rs. 5000 is recovered for importation of one movie.)		500,000.00 855,000.00
3.5	Granting approval for shooting of foreign movies. Feature movies - 11 Commercial movies - 08 Documentaries - 51	 1,215,000.00 400,000.00 1,375,000.00	 2,990,000.00
3.6	Charges recovered for foreign actors, actresses and technical staff , who contributed for foreign movies • For 02 main actors of Yashodara movie		500,000.00
3.7	**Other (Special services)** 1. Issuance of letter of identity for movies technicians and artists and old movies. 2. Issuance of clearance letters to Sri Lanka Customs. 3. Issuance of letter of confirmation to the Department of Inland Revenue for granting tax relief to movie theaters. 4. Issuance of custom clearance letters to Sri Lanka Customs for obtaining a security for the technical equipment including cameras imported for local and foreign films, which are filmed in the country. 5. Granting assistance for the welfare of cine artists. Issuance of identity cards of cine artists for 55 actors and technical staff in year 2018. 6. Providing information and conducting lectures for the benefit of university students who study on cinema. 7. Appearing and submitting required information on behalf of the National Film Corporation at courts in cases on movie production and importation. 8. Making necessary arrangements to prepare agreements for local and foreign movies, which are released for screening under Corporation (Rithma) circuit		

04. Personal and Institutional Management

4.1

Staff	
Staff as at 01.01.2018	
Approved Cadre	186
Permanent Cadre	120
Other	09
Number of the retired employees	04
Number of recruitments made during year 2018	13
Number of employees who left Corporation in 2018	
Number of retired employees	04
Number of employees who resigned from posts	02
Permanent cadre in 2018	116 (100-6)
Other staff	
Chairman	01
Working Director	01
Daily allowances	01
Contract	01
Performing duties	01
Training	12
Total staff as at 31.12.2018	132

4.2 Administration of the institution and fulfilling requirements of the employees

Service delivery has been made continuing the actions taken for the administration of the institutions.

05. Publicity for movies /Cine Ads

5.1 Tasks performed during the year

1. In order to mark the 71st anniversary of local cinema and 46th anniversary of the National Film Corporation, a ceremony has been held on 21.01.2018 at the premises of the Corporation. At this event the cine artists, who won awards representing local cinema at recognized film festivals, have been felicitated.

    - Mr. Somarathna Dissanayaka- Movie Director
    - Mr. Sanjeewa Pushpakumara- Movie Director
    - Mr. Ashoka Handagama- Movie Director
    - Mr. Visakesa Chanrdasekaram- Movie Director
    - Mr. Benet Rathnayaka- Movie Director
    - Mrs. Anoma Janadari- Actress
    - Mr. Dasun Pathirana- Actor
    - Mr. Jehan Appuhami- Actor
    - Bhumi Narendran- Actor
    - Mr. Vishvajith Karunarathna- Camera Director

2. Celebrating 83rd birthday of veteran movie directress Mrs Sumithra Peries on 24.03.2018.

3. Celebrating 99th birthday of veteran movie director Mr. Lester James Peries on 05.04.2018 at his residence

4. Making contribution of the corporation for the funeral of Dr. Lester James Peries.

5. Media publicity of the felicitation ceremony held for Roy De Silva on 31.08. 2018 at the movie theater of National Film Corporation, Colombo 07.

6. Awarding free pass for media personals, media institutions and critics for their services to make the awareness of audience. (To be renewed annually)

06. Education, Promotion and Cultural Division

"Jeevithayata Cinamawa (Movies for life)" Programme

	Date	Programme	Venue
1	20.03.2018	Workshop on entertaining movies	Bibila National School
2	21.03.2018	”	Medagama National School
3	29.03.2018 02.04.2018	”	Yovun Puraya- Nikaveratiya Farm Premises
4	26.07.2018	”	Wayamba National Collage of Education
5	21.09.2018	”	Department of Probation and child care services - Embilipitiya
6	27.09.2018	”	Divisional Secretariat, Okewela
7	15.10.2018	”	National School , Walasmulla

Educational movie screening programmes

	Date	Programme	Venue
1	07/08.03. 2018	Screening of movies	Sirimavo Bandaranayake Vidyalaya
2	16.06.2018	”	Avulegama Bayawa Rajamaha Vihara - Kurunegala
3	28.06.2018	”	Dodangoda
4	14.07.2018	”	Dankotuwa
5	31.07.2018	”	Rathnawali Balika Vidalaya, Gampaha
6	06.10.2018	”	Makola South
7	.10,11,12.10.2018	”	Mahind Vidyalaya, Galle
8	.02,03,04.11.2018	”	National Schools Walasmulla

Discourse on Cinema

	Date	Programme	Venue
1	15.02.2018	Movie- Sulan Kirilli	Movie theater of Corporation-Resource Person- Mr. Bhupathi Nalin

Cinema Diploma Course 2018

First part of the course has been successfully completed. Secing part has been commenced. Number of the students- 40..

Publishing the magazine 'Chithrapata' of year 2018

1. Chithrapata magazint- January- March issue
2. Chithrapata magazine- Second volume
3. Chithrapata magazine- Third volume

Issuing publications of the Corporation in 2018

Catalogue of local movies has been issued.

07. Distribution and stores

- Taking action to receive and register the movies, which are imported with the permission of the Corporation and produced locally and out of the Island.
- Receiving such movies and submitting them to the Public Performance Board, generating an income to the Corporation by obtaining quality reports, obtaining again quality reports on the approval of Public Performance Board and handing over them to importer/producer/ distribution circuit or distributing to movie theaters.
- Sending by hand and train the movies. Scheduled by the circuit of the Corporation and calling them back in the proper manner.
- Sending in advance the trailers of such movies to the relevant movie theaters.
- Re checking the movies handed over to the stores and storing them in racks properly.
- Examining from time to time the movies kept in racks.
- The income generated from the quality inspection is approximately Rs. 100.8 million.
- Preservation and preparation of old movies at movie store for re screening and generating an income of screening such movies.
- Conducting stock verification on the movies at store.

- ❖ Keeping only the old movies which are suitable for screening and ensuring proper maintenance of the store by way of handing over other movies to the owners.
- ❖ Sending copies of foreign movies to the preservation unit of Dalugama Sarasavi studio.
- ❖ 18 Sinhala, Tamil and Hindi movies have been registered.
- ❖ Taking action to check the quality of movies, which have been kept at National Archives

08. Legal Division

Making proxies on behalf of the Corporation for the cases in which the Corporation is declared as a party and appearing for the Corporation at the courts.

Appearing for the Corporation at Department of Labor in respect of the labor disputes

Preparation of all agreements for the movies, which are produced locally, imported and distributed and, for granting loans for the production of movies/ studio services/ copy printing/ making subtitles/ publicity and referring completed copies of agreements to relevant divisions.

Preparation and signing all legal agreements to obtain supporting services to National Film Corporation and for other activities

Providing consultations for the legal issues referred from any division of the Corporation depending on the necessity.

Particulars of the cases, which were in process during year

1. Supreme Court Case No:HCCA/LA 181/2016 (Concluded on 04/10/2018)
2. Appeal Court Case No: 870/99
3. HC/civil/35/18/IP Case connecting to Dhawala Chathra movie (Called on 13/12/2018)
4. High Court Case No:HC ALT 21/2017 } Up to 06/09/2018
5. High Court Case No:HC ALT 22/2017
6. District Court Case No. DMR 1126/2012 - A case has been filed by the Corporation for neglecting the trust of Corporation by 4 movie theaters of Cine City
7. Labor Tribunal Case No: 13/41/2013
8. DMR 2603/2013 Walapatala movie
9. CHC 370/2014 - Subha movie
10. District Case Colombo No. DSP 140/2015
11. DSP 99/2018 Case filed by the Circuits against the decision taken to take over the distribution of movies by Corporation
12. DSP 131/18 Case filed by Movie Workers Pvt Limited
13. D.S.P 00166/17 Kala movie
14. Matara D.C Proxy/318 New Cinema Matara
15. Investigations conducted by the Department of Labor
    I. Complaint No : IR/15/19/2012 at Labor Office - Mr. Samitha Dissanayaka, Employee of the Corporation
    II. Complaint No IR 253/2016 at Labor Office Mrs. D.S.R.Ranjanee Perera
    III. Complaint No CC/C/IR/135/2015 at Labor Office Mr. M.A.W.Kumarasiri and group of employees
    IV. Complaint No CC/C/WB/512/2018 at Labor Office Mr. G.S. Thilakarathna

09. Finance

01. Income Sources

Particulars of the actual income of year 2017 - 2018 and the budgeted income of 2018 are as follows.

Income	2017 Actual Rs. M Actual Rs. M	2018 Actual Rs. M 2019	Increase/ Decrease %	2018 Budget Rs. M.
Commission for distribution				
Local	17.9	12.9	(28.0)	35
Foreign	12.2	11.7	(4.1)	
Increase-Trust of Corporation	8.7	8.5	(2.3)	9
Surcharges, fines on investigations and other	6.4	5.6	(12.5)	5.6
Cine Ads- commission	0.3	0.8	166	0.4
Income from studio	2.2	1.3	(41.0)	3.2
Trade affairs	2.3	2.2	(4.3)	3.8
Income from operations	50	43	(14)	57
Other income	66.5	72.7	9.3	47
Receipts from General Treasury for recurrent expenses of Presidential Awards Ceremony -	-	-	-	
	81	63.8	(21.2)	100
Total receipts	197.5	179.5	(9.1)	204

When considering the income from operations in year 2018, it has marked a decrease by 14% comparatively to 2017. The decrease of the commission from distribution, trust of corporation, surcharge and fine on inspections, income from studio and trade affairs 32.1%, 2.3%, 12.5% ,41% and 4.3% respectively has caused for such situation.

In the meantime, income from cine ads has shown in increase by 166%.

02. Source of expenditure

The actual expenditure in year 2017 and 2018 and the budgeted expenditure in 2018 are as follows.

Income	2017 Actual Rs. M	2018 Actual Rs. M	Increase/ Decrease %	2018 Budget Rs. M.
Employee Remunerations	80.6	80.6	-	80
Travelling and subsistence allowances	1.4	1.4	-	1.8
Supplies and equipment	7.5	7.2	(4.0)	9.7
Repairs, maintenance and depreciations	29.4	32.9	11.9	28.8
National movie festivals	-	-	-	41
Cost of sales	3.2	1.8	(43.8)	2.5
Transport links, requisites and other	24.7	24.5	(0.81)	27
Allocations for bad debts	14.7	22.2	50.0	0.5
Allocations for gratuity	6.6	7.1	7.6	6.6
Movie artists' and technical officers' fund	0.5	0.5	-	0.5
Total expenditure	168.6	178.2	5.7	198.4

The increase shown in allocations for bad debts by 50% , repairs, maintenance and depreciations by 11.9% and allocations for gratuity by 7.6% has caused in the increase in total expenditure in 2018 comparatively t0 2017.

	2017	2018	%
	Rs. M	Rs.M	
Income from operations	50.1	43.0	(14.2)
Less			
Expenses for operations	168.6	178.2	5.7
Profit/ loss from operations	(118.5)	(135.2)	14.1
Add			
Other income	66.5	72.7	(9.3)
Profit/ loss of the year	(52.0)	(62.5)	20.2
Add			
From General Treasury - For recurrent expenditure	81.0	63.9	(21.1)
Surplus	29.0	1.4	(95.1)

Comparatively to year 2017, loss from operations has marked an increased by 14.1% and other income has marked an increase by 9.3% in 2018. Further the loss in in 2018 comparatively to 2017 has marked an increase by 20.2%.

The surplus of year 2018 has decreased by 95.1% in 2018 comparatively to 2017 after adjustment of receipts for recurrent expenditure. Main reason for such situation is the increase in expenditure of operation by 5.7% and decrease of income from operations by 14.2% in year 2018 comparatively to year 2017.

03. Fixed Assets

The revaluation of motor vehicles in year 2018 is Rs. 10.8 million and the value of the projector for cinema complex id Rs. 25.7 million.

Current Assets

Comparatively to the previous year, current assets have shown a decrease by Rs. 07 million. However, the old debtors from the balance of debtors, which cannot be recovered, has deducted showing as bad debts. The balance of debtors has increased by Rs. 25 million. In the meantime, cash and bank balance has shown a decrease by Rs. 56 million.

04. Current Liabilities

When comparing with the previous year, the creditors on film rental has marked a decrease by Rs. 5.8 million. Other creditors has increased by Rs. 40 million.

10. Services rendered from studio

Movies for which services were provided from sounds division.

	Movie
1	Thakkita Tharikita
2	Vishama Bhaga
3	Frozen Heart
4	New Demodara Palama
5	Reload
6	Kavi Bana
7	Ran Kolla
8	Sri Wickrama
9	Ikka
10	Red Mustang
11	Ela Dabala
12	Bimba Devi Hewath Yashodara
13	1970 Love Story
14	Judas ge harda shakshiya
15	Rush
16	Bullet Proof Children
17	Maya Rathriya
18	Ayu

Movies for which services were provided from editing division

Serial No	Movie
1	Seethala Yudddhaya
2	Maya Rathriya
3	Documentary relevant to the 71st Anniversary of National Film Corporation
4	Oluva Japan Kanda German
5	Weera Kumari

Usage of filming studio and studio premises

	Movie/ programmes	Company
1	Musical programme of Sinhagiri studio	Derana TV chlnnel
2	Musical programme- Pure Legend	Jathika Rupavahini
3	Documentary relevant to the 71st Anniversary of National Film Corporation	
4	Shooting of the movie Allapu Gedara	Anupama films
5	Desa Mane- a song by Dnanjaya Siriwardana	
6	Jaya Pita Jaya – Competition for enjoying	Hiru TV channel
7	Shooting season 09 programme of Derana Little Star	Derana TV chlnnel
8	Programme to mark Women's Day	Wayamba Development Bank
9	'Singithi Avurudu Kumara saha Kumari' programme by Derana	Derana TV chlnnel
10	Share Market – Quiz competition	
11	Daddy Band- Music Group	
12	Shhoting the movie Adara Heenaya	Alankulama Films
13	Senehasa Saviya- Book Launch -	Social Welfare Foundation
14	Shhoting the movie 'Rukada Panchi'	Pinsara Pictures
15	The Supreme Chef – Cookery Programme	Rala Creations
16	Shooting sixty plus programme of Derana	Derana TV chlnnel
17	Book launch	Mr. Chaminda

BAW Jayamanna Studio and Sounds Division- Progress achieved

01. Repairing the roof, fixing rain gutters and water proofing the walls.
02. Fixing the ceiling.
03. Fixing Lighting Grid
04. Removal and rearranging coir mixed pads of side walls.
05. Widening the entrance enabling the moving of items.

06. Laying concrete on the inner floor of Jayamanna studio and laying timber planks on the whole area of outside corridor.
07. Modifying the door of sounds studio (Sound proof door)
08. Laying carpets on the floor area of control room and sounds recording studio.
09. Arranging lights of Wijaya Kumarathunga Studio and laying carpets and reparing the ceiling.
10. Carrying out a complete examination on air conditioning system.
11. Arranging electric lighting system of the building, laying carpets on floor and repairing the ceiling.
12. Carrying out a complete examination on air conditioning system and fixing lightning arresters.
13. Making sounds studio 5.1 as a sound proof studio

Other Functions

Conducting movie preservation workshop at studio from 12 March to 16

Holding Saraswathi Puja and all night pirith chanting on 21 March

Conducting World Environment Day Programme on 22 March

11. Investigations

11.1 Tasks performed by the Investigation Division during year 2018

1. Collection of information on lands and buildings for the construction of movie theaters
2. Opening new movie theaters and re-opening movie theaters, which have been closed.
3. Inspecting movie theaters and issuing debit notices for malpractices.
4. Supervision on the shooting of foreign movies.

11.2 Collection of information on lands and buildings for the construction of movie theaters.

Collection of information on the construction of movie theaters during the year 2019 and the movie theaters, which are being constructed

- Jaffna district - Movie theaters complex at Kopai city
- Proposed movie theater at Matale city
- Proposed movie theater at Kandy(KCC)

11.3 Opening new movie theaters and re-opening movie theaters, which have been closed**.**
New movie theaters, which have been opened during year 2018

1. Jayasekara Cinema- Suriyawewa
2. NIT Cinema -Yatiyantota
3. New Sandya- Gampola
4. Sugandhi Cinema- Batticaloa
5. Milano Diamond- Kegalle
6. Saru Cinema- Point Pedro
7. Salu Cinema- Point Pedro
8. Wijaya Cinema- Batticaloa
9. Kibes Cinema- Batticaloa
10. Osaka Light- Nittmbuwa
11. Aruna Cinema - Kiribathoda

11.4 Inspecting movie theaters

Main duty of the Investigations Division is the inspection of movie theaters

- ❖ Number of the inspections carried out during year 2018 is 904

Issuing debit notices for the malpractices revealed in movie theaters .

Various malpractices have been revealed by Inspection Officers at the inspections carried out at movie theaters. Therefore action gas been taken in the following manner as per the circulars

- ❖ 69 debit notices to the value of Rs. 693,240.00 have been issued for year 2018 and Rs. 399,800.00 has been recovered out of the above. (Relevant document is attached)
- ❖ The amount recovered in year 2018 for 02 debit notices, which have been issued in previous years, is Rs. 52,300.00

Recovery of the trust of Corporation and rental for movies, which have been neglected

- ❖ The amount recovered during year 2018 is Rs. 550000.00

11.5 Supervision on the filming foreign movies within the country

Supervision was carried out on the movies and documentaries, which were filmed by foreigners arriving to Sri Lanka. Accordingly,

- ❖ Shooting of 68 foreign movies has been supervised during year 2018.

12. Plans , Statistics and Training

Main role of this Division is as follows.

- Making necessary guidelines required for the preparation of institutional plans.
- Preparation of corporate plan and action plan and supervision of the progress
- Preparation of annual reports
- Submission of monthly and quarterly progress to the line Ministry and other relevant institutions.
- Identifying the training needs of the staff and preparation of annual training plan.
- Maintaining computerized data system by way of collecting gazette, circulars and other statistical data relevant to the Corporation.

13. Medical Aids System

Medical Aids System, which is maintained by the money granted from the Corporation and membership fees, is continued during the year under review and the Governing Committee of the MAS is as follows

- Mr. Nimal Abeywardana - General Manager (Chairman of the Committee)
- Mr. Asanka Gunathilaka - Administrative Officer – Admin and Human Resources (Covering up duties)
- Mr. K. R. Winson - Member of the Committee
- Mr. Sukhitha Ilangakoon - Member of the Committee

14. Welfare Society

01. Ophthalmic service has been provided for the employees of the Corporation by Vision Express Optometry Company Ltd.
02. Introducing the productions of Plenty Foods (Pvt) Ltd affiliated to Ceylon Biscuits Limited.
03. Providing textiles by Oshani Textile (Pvt) Ltd on concessionary prices.
04. Awareness on credit cards by Commercial bank.
05. Launching a concessionary loan scheme by National Savings Bank – Bambalapitiya branch for employees of the Corporation. Granting loans to a large number of employees by this loan schemes.
06. Making awareness on the TV and other services delivered by Dialog institute.
07. Providing furniture and electrical items by Damro on installment basis.
08. Conducting promotional programmes by Asian Lanka Marketing
09. Payment of funeral aids to the families of several members.

15. Buddhists' Society

Mainly, books have been donated to the school going children of the employees of the Corporation during the year and a Vesak Pandal has been made whilst organizing a Dansela.

16. Sports Association

Various events have been conducted during the year so as to improve the sports skills of the staff of Corporation.

17. Trade Unions

Jathika Sevaka Sangamaya, Sri Lanka Nidahas Sevaka Sangamaya and Employees Association of Film Corporation have worked during this year also in association with the Administration of the Corporation.

18. Acknowledgement

The staff of National Film Corporation has extended their contribution with commitment and enthusiasm in the achievement of goals successfully during year 2018. .

The Board of Directors highly appreciates their services and extends gratuity to the staff for their commitment.

G.A. Kithsiri
General Manager
National Film Corporation of Sri Lanka

National Film Corporation of Sri Lanka

Financial Statements

2018

National Film Corporation of Sri Lanka

Comprehensive statement of income for the year ended 31. 12 2018

Description	Note		2018	2017
			Rs.	Rs.
Sales	**03**		43,078,671	50,118,541
Less: Cost of sales	**04**		1,804,339	3,173,435
Gross Profit			41,274,332	46,945,106
Less: Expenses				
Employee Remuneration	**05**		80,615,418	80,622,539
Travelling & Subsistence allowances	**06**		1,389,174	1,414,583
Supply & Equipment	**07**		7,198,155	7,475,827
Repairs, Maintenance & Depreciation	**08**		32,937,729	29,380,892
Transport, Communication, Requisites &Other S	**09**		24,480,561	24,672,336
Adjustments for Bad Debt	**16-A**		22,190,423	14,736,803
Gratuity Allocation			7,131,374	6,626,608
Allocation for Film Artistes' & Technicians' Fund			500,000	500,000
Allocation for National Film Festivals				-
			176,442,834	165,429,588
Operational Profit / Loss			(135,168,502)	(118,484,482)
Add : Other Income	10	**18,466,100**		66,514,077
Interest on fixed and treasury bills		**25,428,638**		
Identifying treasury grants to income		**20,168,009**		
224 Building rent		**8,658,000**		
Add :		72,720,747	72,720,747	
Profit/loss of the year			(62,447,755)	(51,970,405)
Add : Treasury grants			63,850,000	81,000,000
Profit before tax			1,402,245	29,029,595
Less (allocation for taxes			-	-
Deficit/ surplus			**1,402,245**	**29,029,595**

National Film Corporation of Sri Lanka
Statement on Financial Status
as at 31st December, 2018

	Reference	2018 Rs.	2017 Rs.
Represented by			
Fixed Assets			
Property, Machinery & Equipment	**11**	339,841,802	339,976,939
Long-term Investments	**12**	21,588,312	19,689,022
		361,430,114	359,665,961
Current Assets			
Short-term Investments	**13**	295,820,920	273,219,772
Stock	**14**	6,050,330	5,402,684
Debtors	**15**	127,374,293	117,231,724
Miscellaneous Debtors	**16**	190,736,132	175,850,187
Deposits and Advanced Payments	**17**	3,877,434	3,915,423
Cash & Bank Balance	**18**	35,948,047	90,588,968
		659,807,156	666,208,758
Total Assets		**1,021,237,270**	**1,025,874,719**
Input Capital			
Authorized Capital		10,000,000	10,000,000
Accumulated Profit		385,259,178	419,196,769
Other Reserves		134,282,759	123,482,759
		529,541,937	552,679,528
Non-current Liabilities			
Grants	**19**	104,181,910	124,349,919
Gratiuity Allocations	**20**	43,151,056	40,228,205
		147,332,966	164,578,124
Add : Current Liabilities			
Deposits	**21**	2,969,499	2,884,227
Film Rent Creditors	**22**	253,098,466	258,933,048
Other Creditors	**23**	88,294,402	46,799,792
		344,362,367	308,617,067
Total Liabilities		**1,021,237,270**	**1,025,874,719**

Accounting policies from page 05 to 21 and notes to accounts from page 22 to 41 are a part of the financial statements. Responsibility for the preparation and submission of finncial statements is entrusted to the Board of Directors. Board of Directors has signed below ti the effect that these financial statements have been approved by the Board of Directors.

Assist. Gn. Manager- Finance (Income)
National Films Corporation of Sri Lanka
303 " Bauddhaloka Mawatha "
Colombo 07
22.07.2019

………………..
Chairman

………………..
Director

National Film Corporation of Sri Lanka

Statement fro the change of equity for the year ended 31.12.2018

	Capital Equity Rs.	Accumulated Profit Rs.	Capital Reserves Rs.	Revaluation Reserves Rs.	Other Reserves Rs.	Total Rs.
Balance as at 01.01.2017	10,000,000	390,167,174	499,898	115,153,399	7,829,462	523,649,933
Adjustments for the previous year- Note a		(34,692,207)				(34,692,207)
Profit of the year	-	29,029,595	-	-	-	29,029,595
Adjustments for the previous year		(647,629)				(647,629)
Balance as at 31.12.2017	10,000,000	383,856,933	499,898	115,153,399	7,829,462	517,339,692
Profit of the year	-	1,402,245	-	10,800,000	-	12,202,245
Balance as at 31.12.2018	**10,000,000**	**385,259,178**	**499,898**	**125,953,399**	**7,829,462**	**529,541,937**

National Film Corporation of Sri Lanka
Cash Flow Statement
for the year ended 31.12.2018

	2018	2017
Cash Received from Operational Activities	**Rs.**	**Rs..**
Net Profit before Tax	(62,447,755)	(51,970,405)
(Less)		
Interest on Production Loans	(2,163,409)	(859,172)
Interest on Fixed and Treasury Bills	(25,428,638)	(26,419,833)
	(90,039,802)	(79,249,410)
Adjustments for subjects not affecting cash flow		
Depreciation	25,755,076	23,554,903
Allocation for Gratiuty	7,131,374	6,626,608
Allocations in excess for gratuity 2017	-	(102,235)
Revaluation of Fixed assets	10,800,000	-
Allocations for doubtful debt	22,190,423	14,736,803
Identifying government grants to the income	(20,168,009)	(21,972,624)
Adjustments for revaluation of fixed assest	6	
Profit in the removel of fixed assets	(50,249)	-
	(44,381,181)	(56,405,955)
Subjects fallen in previous periods		
Adjustments for the Subjects fallen in previous periods	(35,339,836)	742,182
Operational profit before differences in working capital	(79,721,017)	(55,663,773)
Differences in Working Capital Subjects		
Stock (Less)	(647,646)	970,648
Debtors (Add)	(47,218,937)	46,553,155
Deposits and Advanced Payments (Add)	37,989	1,256,398
Deposits (Add)	85,272	340,000
Creditors (Add)	(5,834,582)	(16,623,752)
Other Creditors (Add)	41,494,610	(5,014,893)
	(91,804,311)	(28,182,217)
Less :		
Gratuity Payments	(4,208,523)	(2,229,071)
	(96,012,834)	(30,411,288)
Cash Flow from Investment Activities		
Production Debt Interest	2,163,409	859,172
Fixed & Treasury Bill Interest	25,428,638	26,419,833
Acquisition of Fixed Assets	(25,619,946)	(15,027,807)
Investment in Fixed & Treasury Bills	(24,500,438)	(8,982,025)
Cash received from sale of fixed assets	50,250	-
Treasury Grants	63,850,000	81,000,000
Net increase in cash and cash equivalents	(54,640,921)	53,857,885
Balance of cash and cash equivalents at the beginning of year	90,588,968	36,731,083
Balance of cash and cash equivalents at the end of year	**35,948,047**	**90,588,968**

Declaration of Management Responsibility in Financial Reporting

Management of the Corporation is responsible for,

1. Maintaining proper accounts on revenue and expenditure, assets and liabilities and all other financial transactions of the Corporation

2. Preparing accounts in accordance with Sri Lanka Accounting Standards introduced by the Institute of Chartered Accountants of Sri Lanka under Sri Lanka Accounting and Auditing Standards Act No 15 of 1995 for a true and fair presentation of financial process and the financial status of the Corporation and

3. Taking actions to secure assets of the Corporation and to prevent fraud and discrepancies.

1. **General Information**

1.1.1 Establishment and Legal Status

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

1.1.2 Nature of Basic Functions and Operations

National Film Corporation has become the pioneer in the effort for the establishment of a cinema culture with high qualities, which has the capacity to mark the local identity of the cinema of Sri Lanka in the world cinema.

1.1.3 Date Approved for Issuance

Approval has been granted by the Board of Directors on 30.07.2019 for these financial statements to be distributed.

1.2 Basis of Preparing Accounts

1.2.1 Declaration of Compliancy

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

1.2.2 Responsibility of Financial Statements

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

1.2.4 Continuity

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

1.2.5 Implementation and Presentation Currency

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

1.2.6 Important Accounting Judgments, Estimates and Schedules

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

(a) Fair Value of Financial Instruments

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

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

(b) Fair Value

Fair Value is the transferable value of an asset in a transaction happened at 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 financial instrument will be the bid value in an active market. It is the demanding price of financial responsibilities. The current value for the purpose of cash equivalents and short term investiments is the fair value.

2. Specialized Accounting Principles

2.1 Assets and the Basis of Evaluation

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

2.2 Financial Instruments

2.2.1 Financial Assets (Non-derivative)

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

2.2.2 Classification, Identification and Measurement

The management classifies its financial assets as follows,

a. Debts and Receivables

b. Things to be sold

a. Debts and Receivables

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

b. Financial Assets for Trading Purposes

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

2.2.3 Determination of Fair Value

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

2.2.4 Re-classification

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

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

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 iin 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 dos not exist, debts will be written off along with associated allowances and all securities will be realized or transferred. If the loss of reduction in the estimated value increases or decreases on any reason after the recognition of value in a recent year, the identified loss of reduction of value will be increased or decreased as applicable by adjusting the amount of allowances. If a future writing off is later recovered, such recovery will be adjusted in the Allowance Account in the income statement.

(b) Impairment of Other Non-financial Assets

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

2.2.6 Giving-up of Identification

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

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

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

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

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

2.3 Property, Plant and Machinery

2.3.1 Identification and Measurement

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

2.3.2 Post-construction Cost

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

2.3.3 Depreciation

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

Buildings	-	Head Office	2.5%
	-	Auditorium	5%
Film Complex	-	Buildings	5%
	-	Other Machinery	10%

Furniture fixations	25%
Motor vehicles	25%
Film Archive	10%
Cultural / Educational / Film Equipment	10%
Film Equipment	10%
Welfare equipment	10%

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

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.

Revaluation of assets

Category of assets: Vehicles	Cost	Revaluation
43-9025	1,011,841.00	1,200,000.00
WPGA-2729	2,530,300.00	3,500,000.00
WPHM-7716	916,666.50	1,100,000.00
WPHM7708	916,666.50	1,100,000.00
253-3507	1,426,667.00	2,300,000.00
54-6419	956,000.00	1,600,000.00

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.

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 revaluation. 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) <u>Advances, Deposits, Expenditure-in advance</u>

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

(b) Other Debtors

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

2.7 Cash and Cash Equivalents

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

2.8 Financial Liabilities

2.8.1 Initial Recognition and Measurement

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

Financial liabilities of the Corporation include sales and other payables.

2.8.2 Post Measurement

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

2.8.3 Financial Liabilities at Fair Value through Profit or Loss

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 though profit or loss. .

2.9 Other Financial Liabilities

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

Accrued Expenses	Rs.
Salary payable and other	36,944,646
EPF in arrears -30529142	
ETF in arrears -4163064	
Salary payable -2252439	
President Awards Ceremony	9,854,285
Other expenses	8,558,068
Provision of internet fcility	1,357,000
Printing of tickets	305,400
60% from the balance of 4 k DCP machine	6,876,093
	63,895,492

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.

Incomes recognized in year 2018 are as follows.

		R. Cts
New Building	-	1,293,258.53
Cinema Complex	-	8,535,991.51
Head Office	-	4,251,471.57
Machines of studios		5,951,587.05
Internet facilities	-	135,700.00
		20,168,008,66

Amount received for recurrent expenditure of the institution -**Rs..63,850,000**

Capital received

Receipts for rehabilitation of Thunveni Yamaya film - 2450317.20

2.12 Employee Benefits

Determined Contributory Plan

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

Determined Beneficiary Plan

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

2.13 Income

2.13.1 Production Loan Interest 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.

(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 two 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 from building rental

Building rental is recovered from the following institutions providing temporarily the Building 224 , which is an asset belonging to the Corporation, on rental basis.

		Monthly Rental	Annually
01	SELASINE institute	291,500.00	3,498,000.00
02	Public Performance Board	115,000.00	1,380,000.00
03	SAARC cultural center	315,000.00	3,780,000.00
		725,000.00	8,658,000.00

2.13.6 Projects, which are not included to the account of the Corporation

01. **Film Education School Children** Current Account No - 5152460

Munchee institution has invested for this project.

Balance as at 20.06.2019- Rs. 976,303.16

02 .Insurance of cine artists

Account No at Standard Charted bank - 01 3514633 01.

Money has been personally invested for the project. At present there are no balances of accounts.

2.13.7 Entries, which have not been made in accounts -2017

Presidential Film Awards 2017

Recipts – Receipts from General Treasury	-	33,000,000.00
Contribution of the Corporation	-	10,000,000.00
		43,000,000.00
Less - Expenses	-	44,394,713.31
Arrears	-	1,394,717.31

National Film Corporation of Sri Lanka
Notes on Income Statement
for the year ended 31.12.2018

			2018		2017
(03)	**Sales**		**Rs.**		**Rs.**
	Light-fed Films	**3.1**	38,916,762		45,278,949
	Exhibitions	**3.2**	612,770		314,090
	Studio	**3.3**	1,292,200		2,253,125
	Sales	**3.4**	2,256,939		2,272,377
			43,078,671		**50,118,541**
3.1	**Light-fed Films**				
	Local film rent				
	Eastern film rent				
	Distribution Commission				
	Local		12,942,272		17,916,627
	Foreign		11,655,093		12,201,966
	Increase		8,506,324		8,720,372
	Commission on Services		230,497		98,886
	Surcharge		4,889,096		5,110,118
	Investigation fines		693,480		1,230,980
			38,916,762		**45,278,949**
3.2	**Exhibitions**				
	Cine Ads		612,770		314,090
			612,770		**314,090**
3.3	**Studio**	**No of Films**		**No of Films**	
	Sound	18	1,240,300	23	1,778,800
	Editing	5	51,900	4	474,325
	Laboratory (B/W)		-		-
			1,292,200		**2,253,125**
3.4	**Sales Activities**	**Amount**		**Amount**	
	Cinema Carbon	2,500	129,995	7,650	379,855
	Spare parts		14,595	-	42,624
	Stationery		1,651,782	-	1,810,227
	internal use				
	Spare parts		16,266		3,987
	Stationery cost		444,301		35,684
			2,256,939		**2,272,377**

National Film Corporation of Sri Lanka

Notes on Income Statements

for the year ended 31.12.2018

(04) Sales Cost

	Exhibitions	Studio	General Admin Expenditure	2018 Total	2017 Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Stock 01.01.2018	5,253,887	1,409,412	4,494,941	11,158,240	12,073,168
Add :					
Purchases and Transfers	-	-	2,465,631	2,465,631	2,258,507
	5,253,887	1,409,412	6,960,572	13,623,871	14,331,675
Less :					
Loss of stock	-				
Transfers	-				
Final stock as at 31.12.2018	5,253,887	1,409,412	5,156,233	11,819,532	11,158,240
	-	-	**1,804,339**	**1,804,339**	**3,173,435**

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

National Film Corporation of Sri Lanka
Notes on income statement
for the year ended 31.12.2018

(04 - A) Sales Cost

	Stock 01.01.2018	Purchases	Total	Stock 31.12.2018	Depreciation	m%pdrKh	Total Cost	Increase	Receipts on distribution	Total Receipts	Profit Loss
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Light-fed Films											
Local	3	-	3	3	-	-	-	-	-	-	-
Western	244	-	244	244	-	-	-	-	-	-	-
Eastern	471	-	471	471	-	-	-	-	-	-	-
	718	-	718	718	-	-	-	-	-	-	-
Unreleased Films									-	-	-
Local	3,043,931	-	3,043,931	3,043,931	-	-	-	-	-	-	-
Western	982,492	-	982,492	982,492	-	-	-	-	-	-	-
Eastern	8	-	8	8	-	-	-	-	-	-	-
Total	4,026,431	-	4,026,431	4,026,431	-	-	-	-	-	-	-
	4,027,149	-	4,027,149	4,027,149	-	-	-	-	-	-	-

			2018 re'		2017 re'
Stock as at 01.01.2018			-		-
Add :	Purchases		-		-
	Advertising		-		-
			-		-
Less :	Stock				
	31.12.2018		-		-
	Cost		-		-
Add	Other Films				
Stock as at 01.01..2016					
I. On percentage basis		259,890	-	259,890	
II. Cine Arts		966,848	1,226,738	966,848	1,226,738
Add :	Expenditure		-		-
			1,226,738		1,226,738
Less :					
	Transfers				
Stock as at 31.12.2018					
I. On percentage basis		259,890	-	259,890	-
II. Cine Arts		966,848	1,226,738	966,848	1,226,738
Total Cost			-	-	-

National Film Corporation of Sri Lanka

Notes onIncome Statement

for the year ended 31.12.2018

(04 - B Sales Cost

	Negatives	**Cinema Carbon**	**Spare Parts**	**Chemicals**	**Stationery**	**Total 2018**	**Total 2017**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Initial Stock as at 01.01.2018	287,951	934,936	299,531	-	2,972,523	4,494,941	5,330,937
Add :							
Purchasing and Transfers		187,287			2,278,344	2,465,631	2,258,507
	287,951	1,122,223	299,531	-	5,250,867	6,960,572	7,589,444
Less :							
Loss of stock							
Final Stock as at 31.12.2016	287,951	1,170,579	277,864	-	3,419,839	5,156,233	4,494,941
	-	**(48,356)**	**21,667**	**-**	**1,831,028**	**1,804,339**	**3,094,503**

National Film Corporation of Sri Lanka

Notes on Income Statement (Studio)

for the year ended 31.12.2018

(04 - C) Sales Cost

	Negatives	Cinema Carbon	Spare Parts	Chemicals	Total 2018	Total 2017
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Initial stock as at 01.01.2018	816,569	-	538,753	54,090	1,409,412	1,488,344
Purchasing	-	-	-	-		
	816,569	-	538,753	54,090	1,409,412	1,488,344
Less :						
Loss of stock	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Final stock as at 31.12.2018	816,569	-	538,753	54,090	-	1,409,412
Internal use during the year	**-**	-	**-**	**-**	-	**78,932**

National Film Corporation of Sri Lanka

Notes on Income Statements

For the year ended 31 December 2018

Note : 05

	Total 2018 Rs.	Total 2017 Rs.
Employee Remuneration		
Salaries & Wages	42,973,075	39,884,469
Overtime , Holiday Pay & Compensation	4,838,815	3,182,659
Contribution for E.P.F. & E.T.F	8,074,850	7,435,031
	24,728,678	30,120,380
Other Allowances	**80,615,418**	**80,622,539**

Note 06 :

Travelling & Subsistence		
Travelling & Subs (Local)	121,719	81,086
(Foreign)	1,077,204	1,055,574
Subsistence	190,251	277,923
	1,389,174	**1,414,583**

National Film Corporation of Sri Lanka
Notes on Income Statements
for the year ended 31.12.2018

Note (07

Supplies & Equipment

	Total 2018 Rs.	Total 2017 Rs.
Stationery & Office Equipment	2,065,529	1,998,142
Electricity	4,869,052	4,988,081
Entertainment	189,929	326,289
Machinery & Electric Equipment	73,645	163,315
Uniforms	-	
	7,198,155	**7,475,827**

Note : 08

Repairs, Maintenance & Depriciation

Fuel &Lubricants	4,732,663	3,809,619
Maintenance	2,449,990	2,016,370
Depreciation	25,755,076	23,554,903
	32,937,729	**29,380,892**

National Film Corporation of Sri Lanka
Notes on Income Statements
for the year ended 31.12.2018

Note (09

	Total 2018 Rs.	Total 2017 Rs.
Transport, Communication, Utilities & Other Requisites		
Transport	64,382	72,072
Communication	2,483,811	2,185,088
Requirememts		
Internal usage	460,567	1,434,388
Foreignfilm festivals	-	
Welfare exenses	2,941,760	2,915,567
Recruitment and tranining of employees	719,647	166,740
Water bills	404,093	173,648
Discussions and seminars	247,477	208,508
Films conservation	2,241,138	3,861,506
Assesment Tax	829,313	766,111
Other services		
Director fees	837,099	898,690
Publicity	709,829	306,182
Special commission	370,379	28,165
Legal fees	489,415	977,154
Festivals of the corporation	1,267,391	1,977,244
Audit fee	700,000	700,000
Security services	5,169,591	3,222,280
Banking charges	83,750	66,866
Cinema education	705,865	863,062
Aids for funerals of outsiders and expenses for cine artists	943,635	898,800
Expenses of new threter	484,240	259,402
Witholding tax	-	-
Reading of scripts	6,000	-
Delay charges	10,872	2,658
Tebder expenses	-	44,476
Removal of fixed assets	-	-
Sanitary services	2,310,301	2,643,729.00
Cost of the interests of the loans obtained by employees	968,843	953,005
(-) & Income on the interest from the loans obtained by employee	(968,843)	(953,005)
Lossincurred from the removal of fixed assets	6	-
	24,480,561	**24,672,336**

National Film Corporation of Sri Lanka
Notes on Income Statements
for the year ended 31.12.2018

Note : 10
Other Revenue

	2018	**2017**
	Rs.	**Rs.**
Income on dividents	20,000	33,694
Interest on oroduction loans	2,163,409	859,172
Interest on loans obtained by employees	484,421	457,199
Miscellenous income	2,960,735	910,804
Outdoor shooting	4,580,700	1,750,274
Repairing of films not belonging to the Corporation	120,417	313,030
Fixed and Treasury Bill Interest	25,428,638	26,419,833
Application Fee	883,000	432,000
Revenue of NFC Theatre	4,329,875	4,555,125
Receiprts from viewing of films	-	-
Transfers from the account for allocation for President's Film awa	-	-
Aapproval for scripts	5,000	-
224 Income from building rent	8,658,000	8,340,000
Receipts fro courses	1,542,000	162,000
Identification of treasury grants to the income	20,168,009	21,972,624
Adjustment of exchange rates	99,345	73,514
Income from lecture hall	166,150	103,250
Compensation from Insurance Corporation	11300	131,558
Advertisement boards	7500	-
Account for removal of assets	50249	-
Registration fee from importers of films	575,000	-
Fines from employees	466,999	-
	72,720,747	**66,514,077**

National Film Corporation of Sri Lanka

Notes on Financial Status

as at 31st December, 2018

Note : 11 - Fixed Assets

	Property, Machinery and Equipmen	Cost 01.01.2018	Additions during the year	Disposals during the year	Cost 31.12.2018	Accumulated Depreciation 01.01.2018	Depreciation for the Year	Accumulated Depreciation	Nett Value 31.12.2018
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	RS.
A	**01.** Free-hold Lands	174,343,458	-	-	174,343,458	-		-	174,343,458
	02. Free-hold Buildings	145,740,310	1,126,280	-	146,866,590	55,189,648	5,743,247	60,932,895	85,933,695
	03. Cinema Complex	119,571,471	6,218,233	-	125,789,704	65,065,736	9,148,038	74,213,774	51,575,930
	04. Mini-cinema Equipment	331,451	-	-	331,451	331,449	-	331,449	2
	05. Furniture, Installation & Fix	17,940,747	911,030	-	18,851,777	15,929,270	421,544	16,350,814	2,500,963
	06. Office Equipment	19,615,545	6,107,383	-	25,722,928	15,902,528	1,471,414	17,373,942	8,348,986
	07. Motor Vehicle	15,297,820	10,800,000	7,914,941	18,182,879	7,382,877	2,700,000	10,082,877	8,100,002
	08. Film Archiving	1,610,655	-	-	1,610,655	1,159,645	97,279	1,256,924	353,731
	09. Bicycles	18,281	-	-	18,281	18,277	-	18,277	4
	10. Film Equipment	910,689	-	-	910,689	713,550	49,280	762,830	147,859
	11. Projection Equipment	925,202	-	-	925,202	553,730	50,209	603,939	321,263
	12. Studio Machinery	93,301,972	457,020	-	93,758,992	79,837,974	5,997,289	85,835,263	7,923,729
	13. Cinema Education Euipmen	1,241,350	-	-	1,241,350	886,540	75,204	961,744	279,606
	14. Welfare Equipment	210,677	-	-	210,677	196,531	1,572	198,103	12,574
		591,059,628	**25,619,946**	**7,914,941**	**608,764,633**	**243,167,755**	**25,755,076**	**268,922,831**	**339,841,802**

National Film Corporation of Sri Lanka
Notes onFinancial Status
as at 31st December, 2018

Note (12
Long term investments

		2018 Rs.		2017 Rs.
Fixed deposits		21,461,312		19,562,022
Associated Newspapers of Ceylon Ltd.		127,000		127,000
		21,588,312		**19,689,022**

Note (13
Short investments

		2018 Rs.		2017 Rs.
Deposits in National Savings Bank		5,000		5,000
REPO Deposits		187,811,682		173,097,656
Treasury Bills		108,004,238		100,117,116
		295,820,920		**273,219,772**

Note : 14
Stock

		2018 Rs.		2017 Rs.
Films		5,253,887		5,253,887
Sales Activities		4,868,282		4,206,990
Studio		1,697,363		1,697,363
Spare parts for studio maintenance		1,472,575		1,472,575
Stationery and Other		1,355,399		1,369,045
		14,647,506		13,999,860
Allocation for slow-marketed and non-mar Allocation for slo		(8,597,176)		(8,597,176)
		6,050,330		**5,402,684**

Note (15
Debtors

		2018 Rs.		2017 Rs.
Cinema halls	348,893,245		301,745,885	
^-& Allocation for surcharges	(134,159,069)		(119,490,277)	
^-& impairment adjustments for debtors 16 A-	(110,944,780)	103,789,396	(86,668,793)	95,586,815
Poducers	92,109,979		92,928,307	
(-)& Allocations for production loans	(4,618,806)		(4,618,805)	
(-)& impairment adjustments for debtors 1(	(63,906,276)	23,584,897	(66,664,593)	21,644,909
		127,374,293		**117,231,724**

Note (16
Miscellaneous Debtors

		2018 Rs.		2017 Rs.
Other		176,195,054		162,747,665
Impairment adjustment for miscellaneous (Note 16 A)		(8,809,753)		(8,137,000)
Employee Advances		23,350,831		21,239,522
Employee Loan Asset Account		3,224,642		12,289,064
(-) Employee Loan Liability Account		(3,224,642)		(12,289,064)
		190,736,132		**175,850,187**

National Film Corporation of Sri Lanka
Notes on Financial Status
as at 31st December, 2018

Schedule of Allocation for Bad Debt

Note : 16 A

Debtors	Total 201	Not agreed and Non-recoverable	Recoverable	Allocation of 5%	Total Allocations
	Rs.	Rs.	Rs.	Rs.	Rs.
Film Halls	348,893,245	98,421,177	250,472,068	12,523,603	110,944,780
Producers	92,109,979	62,421,871	29,688,108	1,484,405	63,906,276
Other	176,195,054		176,195,054	8,809,753	8,809,753
Employee Advances	23,346,291		23,346,291		
	640,544,569	**160,843,048**	**479,701,521**	**22,817,761**	**183,660,809**

Balance B/F	161,470,386	86,668,793	66,664,593	8,137,000	
Transfer to Profit & Loss Account	22,190,423	24,275,987	(2,758,317)	672,753	
	183,660,809	**110,944,780**	**63,906,276**	**8,809,753**	**-**

Allocations for Debtors	
as at 01.01.2018	161,470,386
Transfer to Profit & Loss Account	22,190,423
Balance B/D 31.12.2018	**183,660,809**

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

	2018	2017
	Rs.	Rs.
Note : 17		
Deposits and Advance Payments		
Deposits	4,209,588	3,768,432
Advance Payments	321,574	800,719
	4,531,162	4,569,151
Impairement adjustment for non- recoverable lons	(653,728)	(653,728)
	3,877,434	**3,915,423**

	2018	2017
Note : 18		
Cash and Bank Balances		
People's Bank - C. A. No 004-1-001-1-0208647	1,585,453	1,325,524
People's Bank - C.A. No 055-1-001-5-0667533	2,124,340	901,745
People's Bank - C. A. No 004-1-001-6-0208664	7,166,206	19,019,734
Bank of Ceylon - C.A. No 0002323272	4,863,086	7,074,511
Bank of Ceylon - C.A. No 0002323131	952,745	1,594,638
Bank of Ceylon - C.A. No 0002323354	6,296,658	19,940,390
Bank of Ceylon - C. A. No 0002323363	6,715,678	25,572,737
Bank of Ceylon - C. A. No 0005002189	5,223,378	15,120,013
Bank of Ceylon - C. A. No. 5152460	976,303	-
	35,903,847	90,549,292
Cash at Hand		
Petty Cash - Head Office	48,971	35,345
Petty Cash - Studio	(4,805)	4,297
Petty Cash - Film Archive	34	34
	44,200	39,676
Total	**35,948,047**	**90,588,968**

	2018	2017
Note : 19		
Grants		
Treasury Grants	124,349,919	146,322,543
(-) Amortisation	(20,168,009)	(21,972,624)
	104,181,910	**124,349,919**

National Film Corporation of Sri Lanka
Notes to Financial Statements
As at 31 December 2018

	2018	2017
	Rs.	Rs.
Note : 20		
Allocations for the gratuity		
Balance forward as at 31.01.2018	40,228,205	35,932,903
Allocation in excess in year 2017	-	(102,235)
Allocations for the year	7,131,374	6,626,608
Cash Payments	(4,208,523)	(2,229,071)
	43,151,056	**40,228,205**
(Invested in Treasury Bills)		

	2018	2017
Note : 21		
Deposits		
NFC Theatre Security Deposits	295,272	310,000
Canteen Dep Canteen Deposit	30,000	30,000
Security Dep Theatres	2,326,727	2,326,727
Employees	5,000	5,000
Film Importation	7,500	7,500
Cinema Project	45,000	45,000
Sanitary Services	260,000	160,000
	2,969,499	**2,884,227**

	2018	2017
Note : 22		
Film Rent Creditors		
Film Rent Creditors	271,145,270	276,979,852
(-) Allocation for Creditors	(18,046,804)	(18,046,804)
	253,098,466	**258,933,048**

National Film Corporation of Sri Lanka
Notes to Financial Statements
As at 31 December 2018

	2018	2017
	Rs.	Rs.
Note (23		
Other creditors		
Accruied expensess ^Shown in note 2.10 notes for financial statemei	63,895,493	25,238,340
VAT payable	152,613	152,613
Allocations for audit fees	2,515,795	2,286,720
Commissioner of Inland Revenue (Stamps)	75,022	81,447
Unclaimed Wages	944,912	998,494
E. P. F.	656,726	666,426
E. T. F.	72,955	74,278
Miscellaneous Creditors	759,853	752,877
(- Allocations for Non-payable Liabilities)	(644,840)	(644,840)
Miscellaneous Debtors (Credit Balance)	-	-
Film Rent Debtors	-	-
General Treasury	5,000,000	5,000,000
National Film Development Fund	3,557,545	3,650,545
Control Account of Rithma Circuit	5,542,572	5,763,596
Allocation Account for Film Festivals	-	-
Payment of Paye tax	35,304	33,564
Allocation for Salaries and Wages	550,887	550,887
Allocation for Receivable Production Loan Interest	1,028,122	1,506,922
Advances for funeral aids to welfare society	46,150	4,950
Public Performance Board	682,973	682,973
Rehebilitation of films	2,446,017	-
	87,318,099	**46,799,792**

National Filnm Corporation of Sri Lanka

Comprehensive income report for the year ended

31.12.2018

Income Statement for the year ended 31.12.2017

		SLFRS 2017 Rs.	Measurable Deviations Rs.	SLFRS 2017 Rs.
Sales	Note 01	50,118,541	87,150	50,031,391
Less : Sales Cost	Note 02	(3,173,435)	141,966	(3,031,469)
Gross profit		46,945,106	54,816	46,999,922
Less: Expenses				
Employees remunirations		80,622,539		80,622,539
Travelling and Subsistence		1,414,583		1,414,583
Supplies and Equipment		7,475,827		7,475,827
Repairs, Maintenance and Depreciation				
(A) Repairs, Maintenance and Depreciation	Note 03	29,380,892	-	29,380,892
Transport, Communication, Requisites & Other Services		24,672,336	301,354	24,370,982
Allocation for Bad Debt		14,736,803		14,736,803
Allocation for Garatuities		6,626,608		6,626,608
Allocation for the Fund for Film Artistes and Technicians		500,000		500,000
Allocation for National Film Festivals		-		-
		165,429,588	356,170	165,128,234
Operational Profit /Loss		(118,484,482)		(118,128,312)
Add : Other Revenue	igyk 04	66,514,077	1,003,799	65,510,278
Profit / Loss of the Year		(51,970,405)		(52,618,034)
Less : Treasury Grants		81,000,000		81,000,000
Tax before profit		29,029,595		28,381,966
Less : Allocation for Tax		-		-
Deficit / Surplus		**29,029,595**	**647,629**	**28,381,966**

National Films Corporation of Sri Lanka
Notes as at 31 December 2018

Annex

Note	Description	Amount Rs.Cts
Note 01	Amount in excess, which has been obtained for Studio services	(87,150)
Note 02	Understating the stocks in accoiunts in 2017	141,966
Note 03	Cancellation of cheques (130097.8+37500)	301,354.00
Note 04	Rectification of errors in accounting (213213+4456.69)	(1,003,796)
		(647,626)
Note A	**Adjustments to accumulated profit**	
	EPF in arrears,which have not been calculated to cost living allowance from year 2006	30,529,142
	ETF in arrears,which have not been calculated to cost living allowance from year 2006	4,163,064
		34,692,206

CAS/C/NFC/1/18/FA 26 November 2019

Chairman,
National Film Corporation of Sri Lanka

Report of the Auditor General on the Financial Statements and other Legal and Regulatory Requirements of the National Film Corporation of Sri Lanka for the year ended 31 December 2019 as per Section 12 of National Audit Act No 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Film Corporation of Sri Lanka for the year ended 31 December 2018 comprising the comprehensive statement of income, Statement of Changes in Equity, and Statement of Cash flow for the year then ended and notes on financial statements, including a summary of significant accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and provisions of the Finance Act No 38 of 1971. My report will be tabled in the Parliament in due course, in terms of the Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

In my opinion, except for the effects of the matters described in the Basis for qualified opinion, the accompanying financial statements give a true and fair view of the financial position of the fund as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

(a) Non compliance to Sri Lanka Accounting Standards

Following observations are made in this regard.

(i) When treasury bills and resale of treasury bills are accounted, it is necessary as per para 7 of Sri Lanka Accounting Standards no 7 to show an investment, of which the period is three months or below, as a cash and cash equivalent liquid asset in the financial statement, but treasury bills, which were to be matured within a period of 3 months to the value for Rs.9,669,041 and resale of treasury bills (Repo) to the value of Rs. 103,293,173 have not been shown under cash and cash equivalent.

(ii) Even though the net book value of idle assets should be disclosed in financial statements as per para 79 (a) of Sri Lanka Accounting Standards no 16, no disclose has been made on the old assets belonging to colour and black and white laboratories of Kelaniya Studio of the Corporation, of which technology is outdated, and of their accounting process.

(iii) Even though the employees post benefits allocations should be calculated making a life assessment as per para 57 of Sri Lanka Accounting Standards no 19, in contrary to the above requirement, the Corporation has allocated a gratuity equivalent to the salary of half month to each employee for every year of service, without identifying an accounting policy for the allocation of employees post benefits.

(iv) The software applied in Sarasavi studio, Kelaniya for post production activities has not been shown in financial statements under intangible assets as per para 119 of Sri Lanka Accounting Standards no 38.

(v) Even though the investment assets should be identified and accounted as per para 75 (c) of Sri Lanka Accounting Standards no 40, no appropriate disclosure has been made on the building, which has been given for more than 15 years to Public Performance Board, SALACINE institute and SAARC Cultural Centre by the Corporation.

(b) Going Concern of the Corporation

With the abolition of the monopoly of the Corporation for the distribution of movies in 1999, the Corporation has lost its one of the main sources of income; namely the commission for movie distribution. Under such circumstance, the income of the Corporation was not sufficient to cover the expenditure and therefore the General Treasury has taken action to provide provision for the payment of salaries of employments from year 2001. Further, the Corporation was maintained with losses during the period under review and 04 previous years before receiving grants from General Treasury, it was observed that it was uncertain the maintenance of the Corporation continuously without the financial assistance of the Government.

(c) Accounting deficiencies

Even though it has disclosed in the financial statements that the policy for accounting properties is either on cost or valuation, no action has been taken to asses and account the fair value of the land of Kelaniya studio and the building of rental no 224 situated at Bauddhaloka mawatha, which are belonging to the Corporation.

(d) Non-reconciled account balances

Following observations are made in this regard.

(i) The total of the difference of the non-clarified balances as at 31 December 2018 between the 03 current accounts maintained by the Corporation with Film Artists and Technicians Fund , Film Development Fund and Rithma Circuit and the current accounts of those funds is Rs. 9,117,914.

(ii) Even though Rs. 75,776,603 has been shown in financial statements as salaries and wages, contributions to Employees Provident Fund, Contributions to Employees Trust Fund and other allowances, there is a difference of Rs. 8,082,941 as the above is amounted to Rs. 67,693,662 as per the total of salary slips.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of the management and those charged with governance for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for determining such internal control which is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance of the fund are responsible for overseeing the financial reporting process of the fund.

As per Section 16(1) of the National Audit Act No. 19 of 2018, it is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared for the fund.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause the fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal Requirements

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

-. In terms of the requirement prescribed in the section 12 (a) of the National Audit Act No 19 of 2018, I have obtained all information and other clarifications, which were necessary for the audit, except for the effects of the matters described in the Basis for qualified opinion, and according to my inspection the Corporation has maintained financial reports in the proper manner.

- The financial statements presented by the Corporation are consistent with the preceding year as per the requirements of section 6 (1) (d) (iii) of the National Audit Act No. 19 of 2018.

-.Recommendations, which have been made by me during the previous year in terms of the requirement prescribed in the section 6 (I) (d) (iv) of the National Audit Act No 19 of 2018, have been included in the financial statements, which were submitted, except the para 1.2 (a), 1.2 (c), 1.2 (d), 1.2. (e), 1.2 (g), and 1.2 (h).

Based on the procedures performed and evidences obtained were limited to matters that are material, nothing has come to my attention,

- to state that any member of the governing body of the Corporation has any direct or indirect interest in any contract entered into by the Corporation which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.
- to state that the Corporation has not complied with any applicable written law, general and special directions issued by the governing body of the Corporation as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018, except the following recommendations;

Reference to laws, rules and order	Description
(a) Section 27 of the National Film Corporation Act No 47 of 1971 and Sections 10 (5) and 11 of the Finance Act No 38 of 1971	The surplus income of Rs. 141,934,127 relevant to the period from year 2014 to 2018 has not been remitted to the General Treasury and further Rs. 108,004,238 and Rs. 187,811,682 have been invested in treasury bills and re sale of treasury bills respectively without obtaining the approval of the Minister of Finance and relevant Minister.

(b) Section 7 (2) of the Finance Act No 38 of 1971	Rs. 63,850,000, which was the grants received from the Government during the year under review, has been shown in the Comprehensive statement of income after calculating the profit/ loss of the Corporation.
(c) Para 9 of the National Movie Policy and Guidelines dated 17 June 1999	Even though a film archives should be established and its management should be carried out by the Corporation, nearly 273 old movies have been deposited in a repository of the Department of National Archives and further a programme has been made to preserve the copies of 987 old and new movies , which were screened from year 1947 up to 2018, no supervision and follow up action have been made in this regard.
(d) F.R. 381 (1) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Even though the Chief Accounting Officer should obtain approval from the General Treasury for opening official bank accounts, 09 bank current accounts have been opened by the Corporation by 31 December 2018 without obtaining the approval of the General Treasury and the total of the balances of such accounts as at the aforesaid date was Rs. 35,903,847.
(e) Public Enterprises Circular No. PED 12 dated 02 June 2003	Even though the financial statements should be submitted to the Auditor General with 60 days from the end of financial year, those financial statements have been submitted on 07 August 2019 with a delay of 05 months 07 days.
(f) Section 4 (1) (c) of the Value Added Tax Act No 07 of 2014	Even though the taxes should be paid on the added value for the advance payment for a service supply, the Corporation has paid only for value added tax on 07 August 2019 preparing a voucher for Rs. 4,357,404 without recovering VAT for advance payments.

- To state that the Corporation has not performed according to its powers, functions, and duties as per the requirements of section 12 (g) of National Audit Act No 19 0f 2018

  (a) Unauthorised transactions

  As a result of computing the contributions for the Employment Provident Fund for the period from January 2006 to December 2015 without considering the cost of allowance, it has been informed by the last letter of demand that Rs. 12,211,657, Rs. 8,141,105 as contribution of employer and employee respectively and Rs. 10,176,381 as the surcharge on the above have to be paid. In addition to the above, Corporation has been informed that Rs. 2,763,753 and Rs. 1,381,876 has to be paid for the contribution to the Employees' Trust Fund and the surcharge for the above. However, provisions of Rs. 34,674,772 have been made in financial statements for the full payment as the adjustments of previous years without obtaining the approval of the Board of Directors and without obtaining approval of the General Treasury for the payment of surcharge. Even though the Department of Public Enterprises has informed to pay the surcharge of Rs. 11,558,257 not causing any burden to the General Treasury, no action has been taken accordingly.

- To state that the resources of the Corporation had not been procured and utilised economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirements of section 12 (h) of the National Audit Act No 19 of 2018.

(a) Deviation from procurement guidelines

It has become impossible to complete the procurement activities even by 30 July 2019 due to reasons such as not following the provisions of procurement guidelines of 2006 for the procurement of office furniture to the estimated value of Rs. 5.6 million and further the furniture supplied were not in accordance with the prescribed prescriptions, and they have not supplied within due time.

3. Other audit observations

(i) A balance of Rs. 71.32 million had to be recovered as at 31 December 2019 from the loan value granted to the movie producers for their productions during the period from 1975 to 2014. Rs. 25.10 million out of the above has not been utilized for movie productions and further it has become uncertain the recovery of the arrears of the loan balance of Rs. 8.29 million as the relevant producers have demised. As a period of more than 10 years has lapsed, the possibility to recover the loans is at a low level and further even though it has been proposed to write off the balance of Rs. 11.84 million, which was in arrears, by way of taking over the ownership of movies to the Film Corporation, these activities were not taken due to the weaknesses in the application process.

(ii) Action has not been taken even by 15 September 2020 to recover the rental for movies to the value of Rs. 12,343,433 from the Cine City Cinema Complex, Maradana for the period from year 2003 to 31 My 2016 and it has become impossible to calculate and account the income from movie rental as no action has been taken to call for daily reports after 31 May 2016.

(iii) Rs. 263,940, which is the fine imposed to the movie theatres in year 2018 has not been accounted even by 15 October 2019 and the Corporation has failed to recover the fine of Rs. 693,480 i.e. 38%, which should be recovered as at 31 December of the year under review.

(iv) Even though the time of the remaining part of the compensation granted by the General Treasury for sending employees on retirement, which is Rs.5,000,000, has lapsed more than 05 years, it has not been remitted again to the General Treasury.

(v) The total of the loans to the value of Rs. 640,544,569, which is for construction of movie theatres, other loans and advances to the employees as at 31 December of the year under review, has to be recovered. However an allocation of 100% has been made for the non- agreed and unrecoverable loan balance, which is Rs 160,843,048 out of the debtors and further an allocation of 5% for bad debts has been made for remaining debtors. However, it was observed that it is uncertain the recovery of Rs. 183,660,809 i.e. 29% from the above debtors.

(b) Uneconomical transactions

(i) The value of treasury bills and resale of treasury bills is 295,820,920 and it has been invested continuously in one and the same bank instead of investing them on more profitable interest rates calling quotations from the state banks in the primary market.

(ii) As a result of taking action to provide the building No 224 belonging to the Corporation on a lease rent to two institutions on a lower rate without determining the rental as per the valuation of the Government a loss of Rs. 1,722,000 has incurred to the Corporation during the year 2018.

(c) Idle and underutilized assets

(i) The monthly balance maintained in 9 bank current accounts of the Corporation was nearly Rs. 64.2 during the year 2018 and no attention has been paid to earn an extra income by way of investing it in short term investments productively.

(ii) Negatives and chemical stock to the total value of Rs. 870,659 has been kept without issuing since year 2014 and accordingly negatives have become useless due to expiry of the period.

(e) Transactions of contentious nature

The Chairman of the Corporation has issued liquor permits to the movie theatres of Rithma circuit for several years and to 40 movie theatres of other circuits from the year under review without any legal basis and without any link to the objectives of the Corporation. However, a decision has been taken to suspend the issuance of recommendations for liquor permits to movie theatre as per the cabinet decision No CP/19/1240/122/045 dated 22 May 2019 but no circular has been issued to communicate this cabinet decision.

(f) Projects which were not carried out

Even though an estimate of Rs. 125 million has been prepared to launch project activities for the enhancement of movie industry such as developing Sarasavi Studio, Dalugama, constructing movie dubbing studio, editing room, sound mixing room, cinema library, B. A. W. Jayamanna studio etc, those projects, which were targeted to launch, have been given up for 03 years due to the weaknesses in management and due to lack of attention on the ways for obtaining funds.

(g) Internal audit

Even though there were 03 posts of permanent Audit Assistant in the Internal Audit Division as per the approved cadre, no Audit Assistant has been engaged in service as at 31 December 2018. Accordingly it was observed that adequate attention has not been paid for carrying out activities of internal audit.

(h) Tabling annual reports

Annual reports of year 2016 and 2017 have not been tabled in the Parliament even by 24 October 2019 as per para 6.5.3. Of Public Enterprises Circular No PED/12 dated 02 June 2003.

(i) Administration of the staff

(i) The number of vacancies existed in the staff of the Corporation as at 31 December 2018 is 81 and the approved cadre has not been reviewed considering the present requirements. Accordingly, 03 essential posts in staff grade have fallen vacant for a long time. Further appointment has been made to the post of General Manager of the Corporation on contract basis.

(ii) In a situation where there was an excess of 08 labourers in the staff of the Corporation, the cleaning services were being carried out by a private company.

W.P.C. Wickramaratne
Auditor General