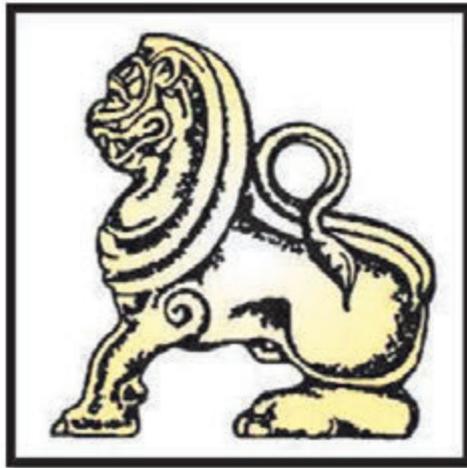


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ஆண்டறிக்கை
ANNUAL REPORT
2022



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இலங்கை தேசிய திரைப்படக் கூட்டுத்தாபனம்
NATIONAL FILM CORPORATION OF SRI LANKA

National Film Corporation of Sri Lanka



**Annual Report
2022**

Presentation

Date – 24.05.2023.

My No NFC/119/02/01/01 - 2022

Hon. Dr. bandula Gunawardana
Ministry of Mass Media,
163, 'Esidisi Medura',
Kirulapona Mawatha,
Polhengoda,
Colombo 05

Through,
Secretary,
Ministry of Mass Media

National Film Corporation of Sri Lanka **Annual Report -2022**

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

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

Yours faithfully,

G A Kithsiri
General Manager
National Film Corporation of Sri Lanka

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

Administrative Report

01. Introduction
02. Board of Directors
03. Production of local Films
04. Human Resources and Administrative Activities
05. Publicity for films/ Cine Ads
06. Cinema Culture and Educational Affairs
07. Screening Films
08. Local Supplies – Imports and exports
09. Audit Affairs
10. Financial Activities
11. Legal Affairs
12. Studio
13. Investigation Activities
14. Planning Statistics and Training
15. Medical Aids
16. Welfare
17. Religious Affairs
18. Sports Society
19. Trade Unions
20. Expression of Gratitude

01. Introduction

Annual report of the Film Corporation of Sri Lanka for year 2022 which is submitted to Hon. Dr. Bandula Gunawardana, Minister of Mass Media and the Auditor General in terms of the Section 32 (1) of National Film Corporation Act No 47 of 1971 amended by Act No 45 of 1980 and Section 14 (1) of Finance Act No 38 of 1971.

This report submitted for year 2022 is applicable for the 50th year of the Corporation from its establishment.

02. Board of Directors

The Board of Directors of the National Film Corporation of Sri Lanka consisted of the following members during year 2022.

Members of the Board of Directors appointed from 01.01.2022 up to May 2022.

01.	Dr. Jayantha Dharmadasa	Chairman National Film Corporation of Sri Lanka
02	Mr. Mohan Samaranayake	Director General of Information Department of Government Information
03	Mr. Chandrapala Liyanage	Director General Sri Lanka Broadcasting Corporation
04	Mrs. Tharani Anoja Gamage	Director , Cultural Affairs Department of Cultural Affairs
05	D. Dhammika Dissanayake	Lecturer University of Visual and Performing Arts
06	Prof. Kolitha Bhanu Dissanayake	Dean University of Visual and Performing Arts
07	Dr. Ravindra Randeniya	Veteran Actor
08	Mr.Dhammith Fonseka	Veteran Actor
09	Mrs N.P.A.R.Jayawardana Mrs. W.A.J.C. Wickramarachchi Mr. Jude Nilukshan	Representative of General Treasury
10	Mr. Thilak Hettiarachchi	Additional secretary (Promotion) Ministry of Buddhasasana, Religious and Cultural Affairs
11	Mrs. K.A.D.R. Nishanthi	Secretary, State Ministry of National Heritages, Performing Arts and Rural Arts
12	Mrs. Wasanthi Chathurani	Veteran Actress

The Minister of the Line Ministry has taken action in August to appoint a new Board of Directors including a Chairman Director.

01	Mr. Deepal Chandrarathna, Attorney at Law	Chairman National Film Corporation of Sri Lanka
02	Mr. Dinith Chinthaka Karunarathna	Director General of Government Information Department of Government Information
03	Mr.Nalin Kumara Nishshanka	Director General Sri Lanka Broadcasting Corporation
04	Mrs. Tharani Anoja Gamage	Director, Cultural Affairs Department of Cultural Affairs
05	Mr. Jagath Wickramanayaka, President Councilor	Member of the Board of Director
06	Mr. Ashley Rathna Vibhushana	Member of the Board of Director
07	Mrs. Nadeeka Gunasekara	Member of the Board of Director
08	Mr. P.P.S.R.De Silva	Director Department of External resources Representative of the General Treasury

03. Production of local films

	Description	Progress (Rs. Cts)
01.	<p><u>Registration of local films</u></p> <p>No of films - 30 (Rs. 5000.00 is recovered for per one film as the fee for registration)</p> <p>Charges for changing the names of films - 04 (Rs. 3000.00 per one film)</p>	<p>150,000.00</p> <p>12,000.00</p> <hr/> <p>162,000.00</p>

02.	Trust of the Corporation for film artists and technicians. • Payment of pension. (Rs. 5,000.00 per person) January - for 139 persons February -for 164 persons, March - for 161 persons, April - for 161 persons, May - for 160 persons, June - for 159 persons, July - for 157 persons, August- for 157 persons, September - for 157 persons October - for 157 persons, November- for 157 persons, December - 156 persons,	695,000.00 820,000.00 805,000.00 805,000.00 800,000.00 795,000.00 785,000.00 785,000.00 785,000.00 785,000.00 785,000.00 780,000.00 9,425,000.00
03.	For artists on specific cases : Medical aids. ➤ Mr. Senaka Wijesingha Granting funeral aids. ➤ Mr. Darshan Dharmaraj	50,000.00 25,000.00 75,000.00
04.	Importation of films Issuing applications for registration of film suppliers for year 2023. (Rs. 50,000.00 per one application) Accordingly, the number of film suppliers registered for year 2023 - 20 Number of Tamil/English/ Hindi films and films in other languages, which were imported during the year, is 150. (Rs. 50,000.00 per one film)	1,000,000.00 750,000.00 1,750,000.00
05.	Granting approval for shooting foreign films. Documentary films - 27 - Rs. 25,000.00 per programme - For 91 foreign persons 91 (Rs. 2000.00 per person) Foreign feature films - 04 - Rs. 150,000.00 per programme - For 159 foreign persons (Rs. 2,000.00 per person)	675,000.00 182,000.00 857,000.00 600,000.00 318,000.00 918,000.00

Short films - 01	
- Rs. 75,000.00 per programme	75,000.00
- For 16 foreign persons (Rs. 2,000.00 per person)	32,000.00
	107,000.00
T.V Drama – 02	
- Rs.75,000.00 per programme	150,000.00
- For 170 foreign persons (Rs. 2,000.00 per one person)	340,000.00
	490,000.00
Reality Show– 02	
- Rs. 75,000.00 per programme	150,000.00
- For 230 foreign persons (Rs. 2,000.00 per person)	460,000.00
	610,000.00
TV COMMERCIAL - 02	
- Rs. 50,000.00 per programme	10,000.00
For 45 foreign persons (Rs. 2,000.00 per person)	90,000.00
	190,000.00
Photo Shoot – 02	
- Rs. 25,000.00 per person	50,000.00
For 11 foreign persons (Rs. 2,000.00 per person)	22,000.00
	72,000.00

Other (Special services)

- I. Issuing letters for certifying the identity of cine artists and old films.
- II. Taking action to issue identity cards to film artists.
- III. Issuing clearance letters to Sri Lanka Customs
- IV. Issuing letters to Department of Inland Revenue for granting tax concessions.
- V. Issuing clearance letters after obtaining a security by Sri Lanka Customs for the technical equipment including cameras imported from foreign countries for the local, foreign films and other programmes.
- VI. Providing assistance for the welfare of film artists and technicians.
- VII. Providing information on cinema to the university students who study film industry
- VIII. Submitting required information on behalf of the National Film Corporation to the courts for production and importation of films.
- IX. Making necessary action for the preparation of agreements for the local and foreign films , which are released for screening under the circuit of the Corporation (Rithma). .
- X. Issuing passes to Media personals for viewing films.

04. Human resource and administrative activities

Staff of the Corporation in year 2022

Staff as at 01.01.2022.	
Approved cadre	186
Permanent staff	117
Number of the employees left the Corporation in 2022	
Number of the retired employees	01
Number of employees resigned from service	03
Permanent staff as at 31.12.2022	113
Other staff	
Chairman	01
Total staff as at 31.12.2022.	114

Administration of the institution and satisfying the requirements of the employees

Service delivery has been ensured continuing the actions taken in relation to the administration of employees of the institute.

05. Publicity for films/ Cine Ads

Tasks performed pertaining to year 2022 and their progress

Income from newspaper publicity	Rs. . 15,988.30
Income from displaying advertisement boards	Rs. <u>304,500.00</u>
	Rs. <u><u>320,488.30</u></u>

Expenditure for publicity from 01.01.2022 up to 31.12.2022

Institute to which payment is made	Amount (Rs.)
Wijeya News Paper Ltd	9,782.20
Wijeya News Paper Ltd	24,976.03
Wijeya News Paper Ltd	3,965.76
	38,723.99

Expenditure for the advertisements of the Corporation from 01.01.2022 up to 31.12.2022

Institute to which payment is made	Amount (Rs.)
	130,925.75
The Associated News Papers of Ceylon Limited	105,019.20
	19,794.38
	102,989.40
	358,728.73

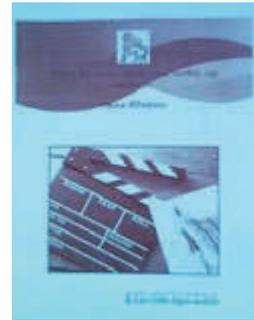
06. Promotion of Cinema Education and Culture

❖ Diploma in Cinematography

- The course works of 2021 have been successfully completed. However this course could not be concluded during the correct time frame due to COVID 19 pandemic..
- At the juncture, where the Sri Lankan Cinema celebrates its 75th anniversary, certificates and awards have been presented to 08 students selecting them from the students who followed Diploma in Cinematography and appreciated in international film festivals. .
- Purchasing a SONY A7 R iii for the cinematography courses.

❖ Planning the course on film script writing- 2023.

- Syllabus for this course has been prepared by a special committee and it is due to be commenced during the second quarter of year 2023.



❖ Issuing publications on cinema.

- The issue of the Chithrapata magazine for the anniversary of 2022 has been issued. 500 copies have been printed. 495 copies out of the above have been released. (By sale and special donations)

- Two books have been published under the project for publications on cinema.

1. Pashchath Nuthana Cinamawa - Prabhath Agampodi
2. Sinhale Maha Cinama Wanshaya 2 – Arthur U Amarasena



❖ Conducting workshops for promotion of viewers. (District centered)

1. Uva Provincial Library Auditorium , Badulla – With the participation of 250 aesthetic teachers. (23.03.2023)
2. Urban Council, Bandarawela, With the participation of 250 aesthetic teachers (24.03.2023)
3. Defense Services Collage- Colombo 02, Cinema programme with the participation of 400 teachers - Screening Beddegama film - 22.11.2022.



❖ Cinema Library

Arranging cinema library establishing it in proper manner.



❖ Sale of publications on cinema

Books to the value of Rs. 306,395.00 have been sold. (Through book shops, external programmes, and at the International book exhibition)



07. Distribution of films

1. Screening of films

- ❖ During year 2022, 42 movie theaters have been operated under Rithma circuit.

2. Releasing films

- ❖ Films have been released for 42 movie theaters by Rithma circuit.
- ❖ Action has been taken to release films during year 2022 by Rithma circuit joining with other circuits.
- ❖ 05 Sinhala films have been released by Rithma circuit.
- ❖ Rithma circuit has taken action to release 03 and 04 Tamil and Hindi films respectively, which were imported by suppliers from January of this year, joining with the movie theaters of Rithma and other circuits.
(Action has been taken by Rithma circuit to release films obtaining them from the quotas allowed to the circuit of the Corporation)

3. Film rental

Rental received for the films supplied by Rithma circuit to other circuits

- ❖ Lanka Films Distributors Company Pvt Ltd = Rs. 215,801.12
- ❖ E A P Films and Importers Pvt Ltd = Rs. 569,557.92
- ❖ Cinema Entertainment Pvt Ltd = Rs. 247,708.58

Payments have been made in the following manner for the films screened at movie theaters of Rithma circuits obtaining them from other circuits.

- ❖ Lanka Films Distributors Company Pvt Ltd = Rs. 10,421,394.46
- ❖ E A P Films and Importers Pvt Ltd = Rs. 5,454,039.76
- ❖ Cinema Entertainment Pvt Ltd = Rs. 2,774,725.51

08. Local supplies, imports and exports

1. Launching the project by way of awarding bids relevant to E-Ticketing project..
2. Carrying out procurement activities pertaining to obtaining and updating security and sanitary services for Sarasavi Studio and the Head Office..
3. Procurement and supply of technical equipment and stationary and other equipment based on the requirements of movie theaters owners and Corporation.
4. Carrying out procurement activities pertaining to printing works relevant to the requirements of Movie theaters and Corporation.
5. Maintaining service agreements with updating pertaining to goods and services with agencies.
6. Taking action pertaining to repairing and servicing of vehicles and their insurance.
7. Carrying out repairs to technical equipment and building as per the requirements of the Corporation.
8. Issuing sales invoices for all the sales of the Corporation.

9. Internal Audit Affairs

As per the instructions of the Auditor General, annual internal audit programme for 2022 has been prepared as per the action plan prepared in order to achieve the objectives of the Act No 18 of 1971 and the Amendment Act.

During the year, 01 meeting of the Audit and Management Committee has been conducted.. (15/12/2022)

Members of the Audit and Management Committee

Name	Post
Mr.P.P.R.S.De Silva	Chairman of Committee (Representative of General Treasury)
Mr. Nalin Kumara Nishshanka	Member of the Committee
Mrs. Nadeeka Gunasekara	Member of the Committee
Mr.M.K. Jayasekara	Superintendent of Audit, National Audit Office
Mrs. Nimali Jayasingha	Chief Internal Auditor, Ministry of Mass Media

10. Financial Activities

01. Sources of income

Particulars of the actual income in 2021 - 2022 and the budgeted income of 2022 are as follows.

Income	2021 Actual Rs. M.	2022 Actual Rs. M.	Decrease / Increase (%)	2022 Budgeted Rs. M.
Commission for distribution - Local Foreign	1.8	8.3	361.1	20
	12	38.6	221.6	
Increase (Trust of Corporation)	2.1	6.6	214.3	4.5
Fines for investigations on surcharge and other	1.1	1.5	36.4	1.3
Cine ads commission	0.1	0.01	(90.0)	0.5
Income from studio	0.5	2.5	400.0	2.5
Trade affairs	0.7	1.8	157.1	1.1
Income from operations	18.3	59.3	224.1	29.9
Other income	48.7	91.9	88.7	75.1
From Treasury –Receipts for recurrent expenses of the President’s Film Awards Ceremony	0	0	0	0
	100	97.4	(2.6)	97.5
Total receipts	167	248.6	48.9	202.5

When comparing with year 2021, the income from operations has shown an increase by 224.1% in year 2022 than 2021. The increase observed in commission from local distribution and foreign distribution by 361.1% and 221.65 is the main reason for the increase in the income from operations.

02. Source of the expenditure

Particulars of the actual expenditure in year 2021, 2022 and the budget expenditure in year 2022 are as follows.

Expenditure	2021 Actual Rs. M.	2022 Actual Rs. M.	Decrease / Increase (%)	2022 Budgeted Rs. M.
Employees' remunerations	89.5	88.8	(0.8)	97.5
Travelling and subsistence allowances	0.4	0.4	0.0	0.3
Supplies and equipment	5.6	2.8	(50.0)	8.4
Repairs and maintenance	25.3	4.7	25.7	4.7
Depreciations		27.1		
National Film Festivals	0	35	0.0	0
Cost of sales	0.7	1.2	71.4	3.3
Travelling, links and other	21.6	28.6	32.4	63.8
Allocations for bad debts	1.6	19.4	1112.5	17.3
Allocations for gratuity	2.4	2	(16.7)	5.3
Fund for film artists and technicians	10.5	8	(23.8)	0.5
Total expenditure	157.6	218	38.3	201.1

The expenditure in 2022 has shown an increase by 38.3% comparatively to year 2021. Main reasons for such situation are the allocation of Rs. 35 million for President's Film Awards of year 2022 and increase in the allocation for doubtful debts up to Rs. 19.4 million.

	<u>2021</u> Rs.M.	<u>2022</u> Rs.M.	<u>%</u>
Income from operations	18.3	59.3	224.1
<u>Less</u>			
Expenditure from operations	(157.6)	(218)	38.3
Operational loss / profit	(139.3)	(158.7)	13.9
<u>Add</u>			
Other income	48.7	91.9	88.7
Profit/loss of the year	(90.6)	(66.8)	(26.3)
<u>Add</u>			
From Treasury – Receipts for	-	-	
recurrent expenses	<u>100</u>	<u>97.4</u>	<u>(2.6)</u>
of the President’s Film Awards Ceremony			
Surplus	<u>9.4</u>	<u>30.6</u>	<u>225.5</u>

Comparatively to year 2021, the operational loss has marked a decrease by 26.3% in year 2022. A surplus of 225.5% is shown after adjusting the receipts for recurrent expenditure from General Treasury.

Fixed Assets

Rs. 205,900.00 and Rs. 3.3. million have been spent to purchase a projector for Sarasavi Studio and E- ticketing software. The amount paid from the trust of Corporation from film rental (Rithma) for transforming dos system to Windows in computer system has been identified in year 2022 as an asset and Rs. 215,000.00 and Rs. 107,500.00 have been spent for the same purpose in year 2021 and 2022 respectively. Further, verification of motor vehicles has also been made in year 2022.

Current Assets

Comparatively to the previous year, current assets have recorded an increase by Rs. 232 million.

Current liabilities

Current liabilities have also recorded an increase in year 2022 by Rs. 126.5 million comparatively to year 2021 due to the increase in the debtors on film rental.

11. Legal Division

Tasks performed by the Legal Division during the year 2022

- Filing proxies pertaining to the cases filed making the Corporation a party on behalf of the Corporation and appearing for the Corporation at courts.
- Appearing for the Corporation on labor disputes at the Department of Labor.
- Preparation and signing of all the agreements pertaining to the production and distribution of local films, distribution of imported films and granting services and loans for production of films/ studio services/printing copies and movie theaters.
- Preparation and signing all legal agreements pertaining to obtaining supportive services to the National Film Corporation and other activities.

12. Supply of studio services

Main role of the Sarasavi Studio, Dalugama Kelaniya is the provision of technical services and studio facilities for the films at post production stage

During this year also, technical services and other facilities have been provided by the following divisions of the Studio to the producers of local films.

1. Digital Division
2. Digital Conservation Division
3. Analogue Conservation Division
4. Post production equipment Archive
5. Film Archive
6. Films and telefilms recording room

Sounds Division	-	No of films	20	Income Rs.	1,785,568.25
Editing Division	-	No of films	05	Income Rs.	280,025.00
Filming	-	No of films	12	Income Rs.	<u>639,518.07</u>
				Income Rs.	<u>2,705,111.32</u>

Archive

Cleaning of the film reels deposited in the old archive is carried out.

Accordingly, nearly 25 reels of 25 films, which were not completed but selected for reservation in year 2022, have been cleaned with the application of chemicals and then deposited in the archive putting them in plastic containers.

Cine Post Archive has been updated.

Other Activities

1. The Film Museum has been established at the premises of the Black and White laboratory of Sarasavi Studion in the name of Cine Post Archive placing artifacts in film industry concurrently to the 75th Celebration of the Sri Lankan Cinema and 50th anniversary of Film Corporation fallen on 21 January 2022.
2. Only the construction of the make-up room of the studio has been completed as per the plan and estimate prepared in the previous year.
3. Offices at the first floor of the main building of the studio have been separated into two parts.
4. Partitioning of the conservation division has also been concluded.
5. The Folly Sound Studio, which has been modified with the labor contribution of the staff of studio, has been opened.



13. Investigation Activities

Tasks performed by the Investigation Division during year 2022 are as follows. 2022

1. Issuance of debit notices for inspection of movies theaters and malpractices.
2. Collecting information on lands and buildings for the establishment of movie theaters.
3. Opening new movie theaters whilst reopening movie theaters, which have been closed down
4. Supervising the shooting of foreign films
5. Issuing letters of clearance for the liquor permits for movie theaters
6. Recovery of the old amounts in arrears form the movie theaters, which were alienated, by the Committee appointed on 27.09.2022.
7. Making recommendations for the revision of ticket fees by way of inspecting the conditions of movie theaters.

01. Inspecting movie theaters and issuing debit notices for malpractices.

01- (a) Inspecting movie theaters

Main task of the investigation division is to carry out inspections at movie theaters. Accordingly, number of the inspections made is 705.

(b) Issuing debit notices for malpractices at movie theaters.

Investigation officers have identified various malpractices in their inspections at movie theaters. Accordingly action has been taken as per the Circulars of the Corporation and 24 debit notices have been issued in 2022 to the value of Rs.119,800.00. Rs. 81,500.00 has been recovered by that process.

02. Collecting information on lands and buildings for the establishment of movie theaters.

In order to collect information pertaining to the construction of movie theaters, letters have been sent to all local government institutions and pradeshiya sabhas for collecting information on constructions. In response to the letter, various information has been submitted by local government institutions in this regard. That information is given below.

Movie theaters, which are being constructed

Accordingly, one movie theater is now being constructed with the intervention of the investigation division and in the meantime a closed down movie theater has also been reopened in year 2022.

Proposed movie theater at Minuwangoda

This movie theaters complex is being constructed in the third floor of a three storied building at Galoluwa area of Minuwangoda. By the end of the year 2022, nearly 75% from the constructions has been completed.

At present, the roof of the building is being made and estimates are also being prepared for the projector and sounds system required by the movie theater. Initial plans are now in process to import them from India.



03. Opening new movie theaters whilst reopening movie theaters, which have been closed down

Reopening the movie theaters, which were closed down

Sangakavi - Pesale

This movie theater is maintained at Pesale town. The movie theater, which was run in the name of Paulic (2021) has been reopened in August 2022 under new management by way of repairing and renaming the theater as Sangakavi.

It is situated closing to Thalaimannar nearly 18 km away from Mannar.



04. Supervising the shooting of foreign films

Advertisements, films and documentaries, which are filmed in Sri Lanka by foreigners, have been supervised. Accordingly 40 such cases have been supervised in year 2022.

05. Issuing 23 letters of clearance for obtaining liquor permits for movie theaters

06. Recovery of the old amounts in arrears from the movie theaters

The amount recovered by the Committee appointed to recover the amounts in arrears from movie theaters as at 27.09.2022 is Rs. 5,652,085.73.

14. Planning, Statistics and Training

Main tasks of this Division are as follows.

- Provision of the guidance which is required for the preparation of the plans of institute.
- Preparation of corporate plans and action plan and their supervision
- Preparation of annual plan
- Submitting the monthly and quarterly progress to the line Ministry and relevant institutes.
- Identifying the training needs of the staff and preparation of annual training requirements.
- Maintaining a computerized data system collecting gazettes and other figures pertaining to the Corporation

15. Medical Aids Scheme

The Medical Aids Scheme, which is maintained by the membership fee and money provided by the Corporation, is maintained in this year also and the governing body of the scheme is as follows.

- Mrs. Gayani Munaweera - Deputy General Manager (Actg) - Finance (Chairperson of the Committee) up to 29.04.2022
- Mr. Dunil Heyiyanthuduwa - Deputy General Manager (Actg) - Finance (Chairperson of the Committee) From 26.10.2022.
- Mr. Asanka Gunathilaka - Administrative Officer – Administration and Human Resources
- Mr. K.R. Winston - Member of the Committee
- Mr.Sukhitha Ilangakoon - Member of the Committee

16. Welfare Society

Report of the welfare activities carried out during the year under review by the welfare society of the Corporation is as follows.

- Appointment of new office bearers holding annual general meeting on 10.11. 2022.
- Increasing the funeral aids of Rs. 25,000 issued so far to the death of members up to Rs. 100,000.
- Increasing the funeral aids of Rs. 25,000 issued so far to the death of a dependent of a member up to Rs. 50,000.
- Opening the canteen of the Corporation after 07 years.
- Simplifying the complex application for granting loans to members and canceling the requirement of providing guarantors for the loans of the members, who have completed a service of 15 years
- Removing the barriers for obtaining the full funeral aids
- Taking action to fix ATM machine in front of the Corporation communicating with National Savings Bank
- Taking action to open a sales outlet of MILKO for sale of milk related productions.

17. Buddhists' Society

Following activities have been performed by the Buddhists' Society in year 2022.

- In order to mark the 50 the anniversary of the National Film Corporation, a pirith chanting ceremony has been conducted to bless the staff and those who are in the film industry.
- Providing books required by the school going children of the staff
- Conducting a Bodhi Pooja on 01.01.2022 to bless the staff of National Film Corporation.

18. Sports Society

During this year also, the sports society carried out its activities but expected activities have been adversely affected by the COVID 19 pandemic.

19. Trade Unions

Jathika Sevaka Sangamaya, Sri Lanka Nidahas Sevaka Sangamaya , Employee Association of the National Film Corporation and Progressive Employees Association of Commercial Industries and Service have extended their collaboration during the year.

20. Expression of Gratitude

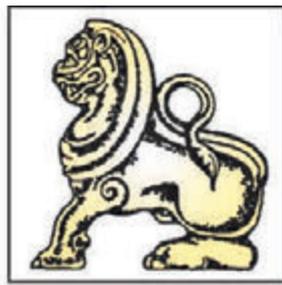
The staff of the Corporation has proved their commitment with much responsibility and courage in order to make the goals of year 2022 a success.

The Board of Directors appreciates their services and I also take this opportunity to express my gratitude to the staff for their commitment.

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

Sgd – Deepal Chandrarathna, Attorney At Law
Chairman
National Film Corporation of Sri Lanka

**National Film Corporation of
Sri Lanka**



Financial Statements
2022

National Film Corporation
Statement of comprehensive income
for the year ended 31 December 2022

Descriptio	Note	2022 Rs	2021 Rs
Sales	03	59,383,861	18,380,381
<u>Less: cost of sales</u>	04	(1,158,212)	(689,481)
Gross profit		58,225,649	17,690,900
<u>Less: expenses</u>			
Employee Remunerations	05	(88,750,498)	(89,509,572)
Travelling and subsistence allowances	06	(427,865)	(428,361)
Supplies and equipment	07	(2,843,434.89)	(5,637,331)
Repairs, maintenance and depreciations	08	(4,726,876)	(25,275,202)
Depreciations	08A	(27,141,801)	-
Transport, links, requirements and other services	09	(28,642,201)	(21,555,276)
Allocations for Presidential Film Awards	09A	(35,000,000)	-
Provisions for doubtful debtors	16-A	(19,414,395)	(1,627,943)
Provisions for gratuity	20	(2,009,657)	(2,443,174)
Contribution to film artists and technicians' funds		(8,000,000)	(10,500,000)
		(216,956,727)	(156,976,860)
Profit/ loss from operations		(158,731,078)	(139,285,960)
<u>Add:</u>			
Other income	10	7,641,644	
Interest for fixed deposits and treasury bills		54,115,725	
Identifying receipts from Treasury to the income		15,713,792	
224 Building rental		8,839,000	
Out door shooting of studio		2,358,518	
Approval for foreign documentaries		3,256,000	
		91,924,679	48,703,513
Profit/loss of the year		(66,806,399)	(90,582,447)
<u>Add: Receipts from General treasury</u>		97,495,000	100,000,000
Tax before profit		30,688,601	9,417,553
<u>Less: Provisions for taxes</u>			
Deficit/ Surplus		30,688,601	9,417,553

National Film Corporation of Sri Lanka
Statement of financial position
for the year ended 31 December 2022

	Notes	2022 Rs.	2021 Rs.
<u>Represented</u>			
<u>Fixed assets</u>			
Property plant and equipment	11	366,257,801.24	341,996,821.06
Intangible assets : less deprecations)	11A	1,194,229.60	1,691,619.60
Long term investments	12	141,814,000.00	196,022,797.74
Employees loans	16-1	17,804,372.84	16,506,774.81
		527,070,403.68	556,218,013.21
<u>Current assets</u>			
Short term investments (For 06 months)	13	82,619,991.10	106,850,577.29
Stocks	14	7,181,945.20	7,535,415.53
Loans receivable from film theaters	15A	126,592,045.10	118,441,907.28
Production loans	15B	10,477,258.68	
Miscellaneous debtors	16	258,758,538.43	191,404,901.31
Deposits and payments in advance	17	4,499,159.63	3,359,151.66
Cash, bank balance and short term investments for 03 months	18	230,681,670.45	57,523,461.69
		720,810,608.59	485,115,414.76
Total assets		1,247,881,012.27	1,041,333,427.97
<u>Invested capital</u>			
Authorised capital (page no 03)		10,000,000.00	10,000,000.00
Accumulated profit (page no 03)		475,908,546.15	441,170,246.92
Reserves (page no 03)		160,732,759.11	134,282,759.11
		646,641,305.26	585,453,006.03
<u>Non -current liabilities</u>			
Grants	19	112,617,552.62	89,894,344.61
Provisions for gratuities	20-1	44,214,793.50	48,057,986.50
		156,832,346.12	137,952,331.11
<u>Add: current liabilities</u>			
Provisions for gratuities (for the coming year)	20-2	4,719,990.00	944,610.00
Deposits	21	3,049,498.81	3,039,498.81
Film rental creditors	22	312,234,007.44	244,990,973.88
Financial liabilities	23	44,917,712.50	53,565,690.23
Other creditors	24	77,095,286.94	13,018,452.71
Tax payable	24	190,865.20	190,865.20
Provisions for audit fees	24	2,200,000.00	2,178,000.00
		444,407,360.89	317,928,090.83
Total liabilities		1,247,881,012.27	1,041,333,427.97

Accounting policies from page no 05 to 24 and notes to accounts from page no 25 to 39 are an essential part of financial statements. Board of Directors holds the responsibility for preparation and submission of financial statements. These financial statements have been approved by the Board of Directors and following signatures have been placed on behalf of the Board of Directors in this respect.

.....
Pradeep Lanka Dharmawickrama
16.03.2023

.....
P M Deepal Chandrarathna
Chairman

.....
Deputy General manager Finance
Director

National Film Corporation of Sri Lanka
303 , Bauddhaloka Mawatha
Colombo 07

National Film Corporation
Statement for the change in equity
For the year ended 31.December 2022

	<u>Equity</u> <u>Capital</u>	<u>Accumulated</u> <u>Profit</u>	<u>Capital</u> <u>Reserves</u>	<u>Revaluation</u> <u>Reserves</u>	<u>Other</u> <u>Reserves</u>	<u>Total</u>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01.01.2022	10,000,000	431,752,693	499,898	125,953,399	7,829,462	576,035,453
Profit of the year	-	9,417,553	-	-	-	9,417,553
Adjustments for the previous year						-
Adjustments for the previous years (Note 2.15)		4,049,698.70				4,049,699
Balance as at 31.12.2022	10,000,000	445,219,946	499,898	125,953,399	7,829,462	589,502,705
Revaluation of motor vehicles	-	-	-	26,450,000	-	26,450,000
Profit of the year	-	30,688,601	-	-	-	30,688,601
Balance as at 31.12.2022	10,000,000	475,908,546	499,898	152,403,399	7,829,462	646,641,305
Reserves						
Capital reserves	499,898					
Revaluation reserves	152,403,399					
Other reserves	7,829,462					
	160,732,759					

National Film Corporation of Sri Lanka
Statement of cash flow
for the year ended 31 December 2022

	2022	2021
	Rs	Rs
<u>Cash received from operational activities</u>		
Net profit before taxes	(66,806,399)	(90,582,447)
(less)		
Interest on production loans	(50,833)	-
Interest on fixed deposits and treasury bills	(54,115,725)	(17,388,383)
	<u>(120,972,957)</u>	<u>(107,970,829)</u>
<u>Adjustments for subjects which are not affected to cash flow</u>		
Depreciations	27,141,801	18,510,514
Provisions for gratuity	2,669,937	667,863
Identifying government grants to income	(15,713,792)	(11,757,590)
Provisions for doubtful debts	19,414,395	-
Motor vehicle awards	13,600,000	-
Verification of motor vehicles	26,450,000	-
Adjustments for verification of assets	6	-
	<u>(47,410,610)</u>	<u>(100,550,042)</u>
<u>Subjects fallen to previous periods</u>		
Adjustments for the fixes assets in previous periods	20,084,455	9,919,744
Adjustments for the subjects of previous periods	4,049,699	7,269,407
Profit from operations before the changes in working capital subjects	<u>(23,276,455)</u>	<u>(83,360,891)</u>
<u>Changes in the working capital subjects</u>		
Stock (Reduction)	353,470	(451,021)
Debtors (Increase)	(18,627,396)	(7,032,825)
Deposits and payment in advance (increase)	(89,205,638)	(18,935,816)
Deposit liabilities (Increase)	10,000	90,000
Creditors (Increase)	67,243,034	11,148,940
Other Creditors (Increase0)	55,450,857	(2,891,533)
	<u>(8,052,130)</u>	<u>(101,433,145)</u>
Less:		
Gratuity payments	(2,737,750)	(3,000,900)
	<u>(10,789,880)</u>	<u>(104,434,045)</u>
<u>Cash flow from investment activities</u>		
Production loan interest	50,833	-
Interest on fixed deposits and treasury bills	54,115,725	17,388,383
Acquition of fixed assets	(70,989,853)	(36,899,452)
Investment on fixed deposits and treasury bills	78,439,384	(74,261,174)
	<u>50,826,209</u>	<u>(198,206,288)</u>
<u>Cash flow from financial activities</u>		
Receipts from General Treasury	122,332,000	110,984,000
Net Increase (Decrease) in the cash and cash equivalents	173,158,209	(87,222,288)
Opening balances of cash and cash equivalents	57,523,462	144,745,749
Ripo/ treasury bills, which are matured in 03 months	169,156,793	
Balance of the cash and cash equivalence at the end of the year	61,524,878	
	<u>230,681,670</u>	<u>57,523,462</u>

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2022

Declaration of Management Responsibility in Financial Reporting

Management of the Corporation is responsible for,

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2022

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 31.05.2023 for these financial statements to be distributed.

1.2 Basis of Preparing Accounts

1.2.1 Declaration of Compliancy

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

1.2.2 Responsibility of Financial Statements

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2022

1.2.3. Basis for accounting

Financial statements have been prepared based on the historic value except where an appropriate revelation has been made in respect of fair value under relevant notes.

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.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2022

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 investments 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, which is the lesser period.

2.2 Financial Instruments

2.2.1 Financial Assets (Non-derivative)

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

2.2.2 Classification, Identification and Measurement

The management classifies its financial assets as follows,

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2022

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2022

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 in the income statement. Assets will be maintained upon the reduced present value and will be gathered using the discounted interest rate of future financial flows for the purpose of evaluation of the loss of value reduction. Interest income will be entered under investment income in the financial statements. When actual expectations of future recovery does not exist, debts will be written off along with associated allowances and all securities will be realized or transferred. If the loss of reduction in the estimated value increases or decreases on any reason after the recognition of value in a recent year, the identified loss of reduction of value will be increased or decreased as applicable by adjusting the amount of allowances. If a future writing off is later recovered, such recovery will be adjusted in the Allowance Account in the income statement.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2022

(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.

2.2.8. Investment in shares

An investment has been made for 20,000 shares in Associated Newspapers of Ceylon Limited at the reate of Rs. 6.35 per share.

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.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2022

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			10%
Motor vehicles			25%
Film Archive			10%
Cultural / Educational / Film Equipment			10%
Film Equipment			10%
Welfare equipment			10%
Intangible Assets			20%

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2022

2.3.4 Removal of Identification

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

2.3.5 Impairment of Tangible Assets

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

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.

- The assets, which have been depreciated to the value of Rs. 0 and mentioned in assets schedule, are maintained further as artifacts.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2022

2.4 Works ont concluded

Buildings

- Lester James Peries Museum- It is expected to complete under three phases and a part of first phase has now been completed.
- Preparation of the name board of the studio

Tangible

- Payment of advancs for the establishment of E-Ticketing Syatem
- Transforming the Doc basic system for Film Rental Trust of Corporation to a Window system

Air Conditioners

- Action is now being taken to fix air conditioners in the divisions of the new building of the Corporation.

2.5. Stock

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

2.6 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.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2022

2.7 Other Assets

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

(a) Advances, Deposits, Expenditure-in advance

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

(b) Other Debtors

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

2.8 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.

When treasury bills and bills on reselling are accounted, investments of which the period is 03 months or less, are shown in the cash flow statement as cash and cash equivalent liquid asset.

Loans of employees

In terms of the standard No 01 of Sri Lanka Accounting Standards, the loans of employees to be recovered within 12 months and loans to be recovered in a period of more than 12 months have been shown in the statement of financial position as current assets and non-current assets.

Loans of employees to be recovered within 12 months = 2,850,400.00

Loans of employees to be recovered in a period of more than 12 months = 17,804,372.84

20,654,772.84

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2022

2.9 Financial Liabilities

2.9.1 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.

2.9.2 Post Measurement

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

2.9.3 Financial Liabilities at Fair Value through Profit or Loss

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

2.10 Other Financial Liabilities

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

<u>Accrued Expenses</u>	<u>Rs.</u>
Salary payable	2,279,444.26
Other Expenses	41,281,268.24
Provision of Internet Facilities	<u>1,357,000.00</u>
	<u>44,917,712.50</u>

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2022

2.10 Other Liabilities

Other liabilities include accrued expenditure. They are valued as their fair value.

- National Film Development Fund under other creditors shows the amount to be paid to the fund by the Corporation for the purchase of Wekanda Walavva film produced by the Films Development Fund.
- An amount of Rs. 29,738,603.19 has been credited for PVR theaters in the balance shown by Rithma Circuit Control Account under other creditors. Rs. 29,000,000.00 out of the above has been invested in fixed deposits.

29,738,603.19
(29,000,000.00)
738,603.19

Allocations for gratuity

In terms of the standard no 01 of Sri Lanka Accounting Standards, the amount of gratuity to be paid in the coming 12 months has been shown as current liabilities and the remaining gratuities have been shown as non current financial liabilities in the statement of financial position, when allocations are made for gratuities to employees.

		Rs.
Gratuities to be paid in the coming 12 months	=	4,719,990.00
Remaining balance of gratuities	=	<u>44,214,793.50</u>
		<u>48,934,783.50</u>

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2022

2.12 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 2022 are as follows.

		<u>R. Cts</u>
New Building	-	1,308,864.04
Building-Head Office	-	4,226,511.52
Internet Facilities	-	135,700.00
Cinema Complex	-	5,072,028.74
Work Groups	-	149,945.28
Sounds Equipment	-	425,437.56
35 mm projector	-	135,600.78
Sounds equipment	-	43,114.42
Camera appliances	-	68,500.00
4K color mixing equipment	-	191,887.50
Awarding Motor vehicles	-	3,400,000.00
BAW Jayamanna Studio	-	<u>556,202.16</u>
		<u>15,713,792.00</u>

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2022

- Amount received for recurrent expenditure of the institution -Rs.97,495,000.00
(This amount includes the amount of Rs. 7,500,000.00 received for the Film Artists and Technicians' Fund)
- Amount received for capital expenses of the institute -Rs.24,837,000.00
- Awarding of motor vehicles from Presidential Secretariat - Rs.13,600,000.00

2.13 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.

2.14 **Income**

2.14.1 Main Sources of Income

01. Commission for the distribution of local and foreign films

The commission recovered by the Corporation in the distribution of local and foreign films as per the Circular provisions

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2022

02. Increase- Trust of the Corporation

An amount of Rs. 6 is recovered per ticket in the screening of films. Rs. 3.10 out of the above should be given to the Corporation and in case of a foreign film, the total of Rs.3.10 and in case of a local film 40 cts from Rs. 3.10 are recovered by the Corporation.

03.Surcharge

Only 25% has been taken in to income on the basis that 75% from the surcharge to be recovered from Film Theaters for film rental is not received. Since October 2020, the monthly interest rate has been revised from 2.5% to 1%.

04. Fines on inspections

Fines imposed on the malpractices found in film theaters

05. Commissions for publicity and services

The commissions and service charges recovered by the Corporation from agencies for carrying out publicity campaigns of film theaters and films

06. Income from studios

Charges recovered for the supply of studio services for post production activities (Sounds and editing works)

2.14.2. 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.

No loan has been issued during year 2022 entering into agreements for production of films.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2022

2.14.3. 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.

2.14.4. 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.

2.14.5. Income from rent for building 224

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

	<u>Monthly Rental</u>	<u>Annually</u>
01 SELASINE institute (From Dec 2021 to Mar 2022)	315,000.00	1,260,000.00
03 SAARC cultural center	<u>362,000.00</u>	<u>4,344,000.00</u>
	<u>677,000.00</u>	<u>5,604,000.00</u>

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2022

Public Performance Board

When the valuation report of monthly lease rent was received, monthly lease rent to be paid to National Film Corporation for the year 2022 has been accounted as per the agreement subject to the decision of the Board of Directors.

Suspense Account

The unidentified credit balances as at 31.12.2021 have been identified in January and then they have been accounted issuing receipts.

2.15 Adjustments to the profit of previous year

Nature of the transaction	Debit	Credit	balance
Entering delayed daily reports of 2022,. RJ 01,02,03,04,07,17,18,41,42,43,44,45,46,52,53	2,057.04	111,999.76	(109,942.72)
Provisions for gratuity in 2021	660,280.00		660,280.00
Rectifying the defects in the income and expenditures accounts of previous year. RJ - 10,11,63,64,65 GL - 45,46,48,49,50,52,53,55,59,72,73,54,86, 87,88,89,91,117, 118, 121, 125, 128,131	273,225.65	2,676,494.21	(2,403,268.56)
Making entries for previous years when identifying fixed assets of 2022. RJ 63,113,126	-	2,196,767.42	(2,196,767.42)
	935,562.69	4,985,261.39	(4,049,698.70)

National Film Corporation of Sri Lanka
Notes to the statements of income
for the year ended 31 December 2022

		2022	2021
		Rs.	Rs.
(03) <u>Sales</u>			
(Note 2.14.1)	<u>No of note</u>		
Income from the distribution of films	3.1	55,143,306.9	17,073,689
Income from publicity	3.2	15,988.3	136,440
Studio	3.3	2,465,593.3	446,900
Trade Affairs	3.4	1,758,972.9	723,353
		59,383,861.4	18,380,381
3.1 <u>Income from the distribution of films</u>			
Commission for local films		8,314,640.4	1,787,816
Commission for foreign films		38,684,596.1	12,048,742
Increase- trust of the corpotaion		6,678,170.8	2,125,971
Surcharge		1,346,099.5	787,461
Fine from investigations		119,800.0	323,700
		55,143,306.9	17,073,689
3.2 <u>Income from publicity</u>			
Commissions for publicity- cine ads		11,014.5	99,578
Commission for services		4,973.9	36,861
		15,988.3	136,440
3.3 <u>Studio</u>			
Sounds		2,185,568.3	385,425
Editing		280,025.0	61,475
		2,465,593.3	446,900
3.4 <u>Trade affairs</u>			
Cinema carbon		199,400.0	127,200
Spare parts		66,862.1	50,244
Stationary and publications		1,428,165.1	491,489
<u>Internal usage</u>			
Spare parts		855.8	-
Cost of stationary		63,690.0	54,420
		1,758,972.9	723,353

National Film Corporation of Sri Lanka
Notes to the Statements of Income
for the year ended 31 December 2022

(04) <u>Cost of sales</u>	<u>Screening</u>	<u>Studio</u>	<u>Production</u>	<u>General Administration expenses</u>	<u>2022 Total</u>	<u>2021 Total</u>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Stock as at 01.01.2022	5,253,887	1,409,412	-	4,811,813	11,475,112	11,877,983
<u>Add:</u>						
Purchases and transfers	-	-	-	1,837,694	1,837,694	286,610
	5,253,887	1,409,412	-	6,649,507	13,312,806	12,164,593
<u>Less:</u>						
loss of stocks	-	-	-	-	-	-
Transfers	-	-	-	5,491,294	12,154,593	11,475,112
Stock as at 31.12.2022	5,253,887	1,409,412	-	5,491,294	12,154,593	11,475,112
	-	-	-	1,158,212	1,158,212	689,481

For long notes- see (4-a), (4-b0 and (4-c)

National Film Corporation of Sri Lanka
Notes to Statements of Income
for the year ended 31 December 2022

(04 - A) **Cost of sales Exhibitions**

	<u>Stock</u> <u>01.01.2022</u> <u>Rs.</u>	<u>Purchases</u> <u>Rs.</u>	<u>Total</u> <u>Rs.</u>	<u>Stock</u> <u>31.12.2022</u> <u>Rs.</u>
<u>Lighted films</u>				
Local	3	-	3	3
Western	244	-	244	244
Eastyern	471	-	471	471
	<u>718</u>	<u>-</u>	<u>718</u>	<u>718</u>
<u>Films not releaed</u>				
Local	3,043,931	-	3,043,931	3,043,931
Western	982,492	-	982,492	982,492
Eastyern	8	-	8	8
Total	<u>4,026,431</u>	<u>-</u>	<u>4,026,431</u>	<u>4,026,431</u>
	<u>4,027,149</u>	<u>-</u>	<u>4,027,149</u>	<u>4,027,149</u>
		<u>2022</u> <u>Rs.</u>		<u>2021</u> <u>Rs.</u>
<u>Stock-01.01.2022</u>		-		-
<u>Add:</u>				
	Purchases	-		-
	Publicity	-		-
		<u>-</u>		<u>-</u>
<u>Less:</u>				
	Stock			
	31.12.2022	-		-
	Cost	-		-
	Other films			
<u>Add</u>				
<u>Stock 01.01.2022</u>				
I. On percentage basis	259,890	-	259,890	
II. Cine Siththam	966,848	1,226,738	966,848	1,226,738
<u>Add:</u>				
	Expenses	-		-
		<u>1,226,738</u>		<u>1,226,738</u>
<u>Less:</u>				
	Transfers			
<u>Stock 31.12.2022</u>				
I. On percentage basis	259,890	-	259,890	-
II. Cine Siththam	966,848	1,226,738	966,848	1,226,738
<u>Total cost</u>		<u>-</u>	<u>-</u>	<u>-</u>

National Film Corporation of Sri Lanka
Notes to Statements of Income
for the year ended 31 December 2022 (General Administration)

(04 - B) Cost of sales

	<u>Negatives</u>		<u>Cinema Carbon</u>		<u>Spare Parts</u>		<u>Chemicles</u>		<u>Stationary</u>		<u>Total</u>	
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>
Opening stock 01.01.2022	287,951	897,959	238,425	-	3,387,477	4,811,813	5,214,684					
<u>Add:</u> Purchases and transfers	-	-	-	-	1,837,694	1,837,694	286,610					
	287,951	897,959	238,425	-	5,225,171	6,649,507	5,501,294					
<u>Less:</u> Damages to stocks												
Closing stock 31.12.2022	287,951	856,810	220,399	-	4,126,134	5,491,294	4,811,813					
	-	41,149	18,026	-	1,099,037	1,158,212	689,481					

National Film Corporation of Sri Lanka
Notes to Statements of Income
for the year ended 31 December 2022 (Studio)

(04 - C) Cost of sales

	<u>Negatives</u>		<u>Cinema Carbon</u>		<u>Spare Parts</u>		<u>Chemicles</u>		<u>Total</u>	
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>2022</u>	<u>2021</u>
Opening stock 01.01.2022	816,569	-	538,753	54,090	1,409,412	1,409,412				1,409,412
Purchases	-	-	-	-	-	-	-	-	-	-
	816,569	-	538,753	54,090	1,409,412	1,409,412				1,409,412
<u>Less:</u>										
Damages to stocks	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Closing stock 31.12.2022	816,569	-	538,753	54,090	1,409,412	1,409,412				1,409,412
Internal usage during the year	-	-	-	-	-	-	-	-	-	-

National Film Corporation of Sri Lanka
Notes to Statements of Income
For the year ended 31 December 2022

Note: 05

	2022	2021
	Rs.	Rs.
<u>Employees remunerations</u>		
Salaries and wages	49,601,980.40	51,807,354
Overtime, holiday pay and compensatin	2,895,216.47	8,521,229
Contributions to W & O p and ETF	10,781,470.17	11,342,867
Othe allowances	25,471,830.63	17,838,122
	88,750,497.67	89,509,572
	88,750,497.67	89,509,572

Note: 06

Travelling and subsistence

Travelling and subsistence	(local)	249,320.30	49,453
	(foreign)	-	-
Subsistene		178,544.20	378,908
		427,864.50	428,361
		427,864.50	428,361

National Film Corporation of Sri Lanka
Notes to Statements of Income
For the year ended 31 December 2022

Note 07

	2022	2021
	Rs.	Rs.
<u>Supplies and equipment</u>		
Stationary and office equipment	2,763,760	1,563,315
Electricity (Indicated in note 09)	-	3,766,120
Expenses for refreshments (Indicated in note 09)	-	134,240
Electrical appliances	79,675	173,656
	<u>2,843,435</u>	<u>5,637,331</u>

Note: 08)

Repairs, Maintenance and depreciations

Fuel, oil, and maintenance of vehicles

Ibnsurance- motor vehicles	234,305	129,880
Fuel	1,181,823	1,093,643
Repairs to motor vehicles and maintenance	1,143,240	2,044,896
Vehicles licences	17,200	46,730
Purchasing- motpr vehicle spare parts	-	173,356
Maintenance	2,150,307	3,276,184
Depreciation (Note 11)	-	18,510,514
	<u>4,726,876</u>	<u>25,275,202</u>

Note 08A

Depreciations (Note 11)	27,141,801	-
	<u>27,141,801</u>	<u>-</u>

National Film Corporation of Sri Lanka
Notes to statement of income
for the year ended 31 December 2022

Notes: 09

	2022	2021
	Rs	Rs.
<u>Transport, links, requirements and other services</u>		
Transport	141,632	160,761
Links	-	1,419,122
Communication expenses	1,420,479	-
<u>Requirements</u>		
Internal Usage	64,546	54,420
Welfare expenses	1,887,781	2,236,902
Recruitment and training of employees	130,930	81,043
Water bills	100,199	144,595
Discussions and seminars	-	78,970
Film restoration	170,452	165,239
Rates	829,313	829,313
Electricity	4,293,344	-
<u>Other services</u>		
Expenses of Board of Director and audit committee	332,303	793,906
Publicity	122,784	421,247
Special agencies	345,740	186,971
Charges for disciplinaries	658,433	372,205
Legal charges	366,870	213,106
Festivals of the Corporation	1,286,564	133,587
Foreign film festivals	-	37,742
Audit fees	1,000,000	1,200,000
Security services	8,208,381	7,945,830
Bank charges	74,301	60,665
Diploma on cinema education	623,850	697,965
Outside funeral aids and expenses of film technicians	178,000	340,000
Maintenance of new film theater	343,532	371,577
Reading scripts	235,500	138,000
Delay charges	2,179	1,423
Sanitary services	4,559,625	2,945,688
Expenses for classification of films	-	-
Payments to investigation officers for filming of foreign movies	1,036,500	375,000
Technical consultancy services	-	150,000
Requirements- highiring projectors	12,000	-
Assets revaluation	6	-
Tender expenses	105,019	-
Miscellaneous expenses	7,850	-
Refreshments expenses	104,091	-
	28,642,201	21,555,276

Note 09 A

Expenses of Presidential Film Awards Ceremony	35,000,000	-
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National Film Corporation of Sri Lanka
Notes to the statement of income
For the year ended 31 December 2022

<u>Notes 10</u>	2022	2021
<u>Other income</u>	Rs.	Rs.
Income from dividends	-	-
Production loan interests	50,833	-
Employees' loan interest	622,742	679,011
Miscellaneous Income	120,721	446,800
Outside filming of studio	2,358,518	2,300,205
Quality assessments	-	-
Interest on fixed deposits and treasury bills	54,115,725	17,388,383
Film registration fees- foreign and local	905,000	545,000
Income from the NFC theater	692,500	610,000
Receipts from film watching	-	-
Approval for scripts	276,500	183,500
Income from 224 building (note 2.14.5)	8,839,000	9,937,000
Receipts for courses	1,430,000	2,580,000
Identifying receipts from Treasury to the income (note 19)	15,713,792	11,757,590
Adjusting foreign exchange	725,518	62,900
Income from the rental of lecture hall	84,375	43,625
Claims from insurance	-	-
Publicity boards	310,500	217,500
Annual registration fees- film importers	1,000,000	500,000
Approval for foreign documentaries	3,256,000	1,104,000
Receipts from investigation officers	1,276,500	348,000
Tender deposits	146,456	-
	91,924,679	48,703,513

National Film Corporation of Sri Lanka

Notes to the financial position

For the year ended 31 December 2022

Note 11- fixed assets

	Property machinery and equ		Adjustment s for the previous year	Adding during the year	Removal of the year	Cost	Accumulated depreciation		Adjustments for the depreciations of previous year	Depreciation of the year	Accumulated depreciation	Net value
	01.01.2022	31.12.2022					01.01.2022	21.12.2022				
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
01. Freehold deeds	174,343,457.95	174,343,457.95	-	-	-	174,343,457.95	-	-	-	-	174,343,457.95	
02. Freehold buildings	144,587,017.04	6,161,901.12	6,161,901.12	150,748,918.16	78,739,243.09	150,748,918.16	6,914,427.85	85,653,670.94	65,095,247.22	65,095,247.22		
03. Cinema complex	122,882,931.97	630,429.48	630,429.48	123,513,361.45	88,914,712.32	123,513,361.45	5,135,071.68	94,049,784.00	29,463,577.45	29,463,577.45		
04. Mini film equipment	331,450.69	331,450.69	331,450.69	331,450.69	331,448.69	331,450.69	-	331,448.69	2.00	331,448.69		
05. Furniture fittings and fixing	23,478,712.05	23,478,712.05	-	23,478,712.05	18,813,766.13	23,478,712.05	746,332.88	19,560,099.01	3,918,613.04	19,560,099.01		
06. Office equipment	29,096,204.47	711,000.00	711,000.00	29,807,204.47	21,656,029.82	29,807,204.47	1,389,672.39	23,045,702.21	6,761,502.26	23,045,702.21		
07. Motor vehicles	18,182,879.00	40,050,000.00	40,050,000.00	40,051,450.00	18,182,871.00	40,051,450.00	10,012,500.00	10,013,948.00	30,037,502.00	10,013,948.00		
08. Film archiving	2,104,455.17	-	-	2,104,455.17	1,760,687.91	2,104,455.17	210,445.52	1,971,133.43	133,321.74	1,971,133.43		
09. Bicycles	18,281.05	-	-	18,281.05	18,277.05	18,281.05	-	18,277.05	4.00	18,277.05		
10. Film equipment	910,689.39	-	-	910,689.39	910,669.39	910,689.39	-	910,669.39	20.00	910,669.39		
11. Projector equipment	1,158,151.95	205,900.00	205,900.00	1,364,051.95	793,790.95	1,364,051.95	88,385.00	882,175.95	481,876.00	882,175.95		
12. Studio machines	103,679,648.78	4,907,722.50	4,907,722.50	106,062,371.28	94,022,006.36	106,062,371.28	1,922,579.58	94,173,085.94	11,889,285.34	94,173,085.94		
13. Equipment for film studies	1,241,350.00	992,900.00	992,900.00	2,234,250.00	1,236,287.00	2,234,250.00	223,425.00	1,391,212.00	843,038.00	1,391,212.00		
14. Welfare equipment	210,676.50	-	-	210,676.50	202,817.72	210,676.50	1,571.55	204,389.27	6,287.23	204,389.27		
	622,225,906.01	-	53,659,853.10	20,706,429.00	655,179,330.11	622,225,906.01	26,644,411.45	332,205,595.88	322,973,734.24	332,205,595.88	322,973,734.24	
11A Intangible												
Intangible assets	2,486,950.00	-	-	2,486,950.00	795,330.40	2,486,950.00	497,390.00	1,292,720.40	1,194,229.60	1,292,720.40		
	2,486,950.00	-	-	-	795,330.40	2,486,950.00	497,390.00	1,292,720.40	1,194,229.60	1,292,720.40	1,194,229.60	
Works not finished												
1 Buildings	31,261,321.00	813,469.88	813,469.88	11,642,994.62	18,804,856.50	31,261,321.00	-	-	18,804,856.50	-	18,804,856.50	
2 Office equipment	634,700.00	-	-	634,700.00	-	634,700.00	-	-	-	-	-	
3 Airconditioners	7,149,210.50	-	-	7,149,210.50	-	7,149,210.50	-	-	7,149,210.50	-	7,149,210.50	
4 Intangible assets	6,308,290.98	106,875.00	106,875.00	6,201,415.98	17,330,000.00	6,308,290.98	-	-	17,330,000.00	-	17,330,000.00	
	45,353,522.48	920,344.88	920,344.88	18,479,110.60	43,284,067.00	45,353,522.48	-	-	43,284,067.00	-	43,284,067.00	
Total assets	670,066,378.49	920,344.88	70,989,853.10	39,185,539.60	700,950,347.11	670,066,378.49	27,141,801.45	333,498,316.28	367,452,030.84	333,498,316.28	367,452,030.84	

National Film Corporation of Sri Lanka
Notes to the financial position
For the year ended 31 December 2022

	2022	2021
	Rs.	Rs.
<u>Notes: 12</u>		
<u>Long term investments</u>		
Fixed deposits	141,687,000.00	195,895,797.74
Investment on shares- ANCL	127,000.00	127,000.00
(Note 2.2.8)	<u>141,814,000.00</u>	<u>196,022,797.74</u>
<u>Note 13</u>		
<u>Short term investments</u>		
Deposits at National Savings Bank- employees	5,000.00	5,000.00
Ripo deposits	-	106,845,577.29
Treasury bills	82,614,991.10	-
	<u>82,619,991.10</u>	<u>106,850,577.29</u>
<u>Note 14</u>		
<u>Stocks</u>		
Films	5,253,887.00	5,253,887.00
Trade affairs	5,203,343.37	4,523,861.95
Studio	1,697,363.00	1,697,363.00
Studio maintenance spare parts	1,472,575.00	1,472,575.00
Stationary and other	2,151,952.61	3,184,904.36
	<u>15,779,120.98</u>	<u>16,132,591.31</u>
Allocations for slow moving and non moving stocks	<u>(8,597,175.78)</u>	<u>(8,597,175.78)</u>
	<u>7,181,945.20</u>	<u>7,535,415.53</u>
<u>Note 15 A</u>		
<u>Debtors</u>		
Film theaters	411,680,539	
(-) provisions for surcharges	(161,855,343)	
(-) Impairment adjustment for debtors (notes 16 a)	<u>(123,233,150)</u>	126,592,045.10
		104,936,580.68
<u>Notes 15 B</u>		
Producers	83,517,103	
(-) provisions for production loans interests	(4,618,806)	
(-) Impairment adjustments for debtors (note 16 a)	<u>(68,421,038.74)</u>	10,477,258.68
		13,505,326.60
		<u>137,069,303.78</u>
		<u>118,441,907.28</u>
<u>Note 16</u>		
<u>Miscellaneous debtors</u>		
<u>Other</u>		
Commissions receivable-Rithma circuit	198,699,362.71	158,256,916.00
Interest receivable(Fixed/ Ripo)	22,047,837.60	6,837,861.00
Receivable trust of Corporation -Rithma circuit	25,942,686.30	22,191,472.00
Receivable cash account 224	20,759,869.93	12,437,643.00
Impairment adjustment for miscellenous debtors (note 16 a)	(13,372,487.83)	(9,986,195.00)
Employees salaries and wages control account	1,830,869.72	1,345,954.00
Loans of employees to be recovered within 12 months	2,850,400.00	321,250.00
	<u>258,758,538.43</u>	<u>191,404,901.00</u>
<u>Note 16-1</u>		
Loans of employees to be recovered within a period of more than 12 months	17,804,372.84	16,506,775.00

National Film Corporation of Sri Lanka
Notes to the statement of financial position
For the year ended 31 December 2022

	2022	2021
	Rs.	Rs.
<u>Notes: 17</u>		
<u>Deposits and payments made in advance</u>		
Deposits	4,653,853.88	3,925,436.37
Payments on advance	499,033.85	87,443.39
Advance for funeral aids to welfare society	-	-
	5,152,887.73	4,012,879.76
Impairment adjustment for loans	(653,728.10)	(653,728.10)
	<u>4,499,159.63</u>	<u>3,359,151.66</u>
<u>Note 18</u>		
<u>Cash and bank balances</u>		
Peoples bank C A No 004-1-001-1-0208647	588,541.78	373,994.47
Peoples bank C A No 055-1-001-5-0667533	1,690,172.53	1,046,786.29
Peoples bank C A No 004-1-001-6-0208664	5,585,038.03	2,080,681.13
Bank of Ceylon C A No 0002323272	1,670,950.98	2,218,557.22
Bank of Ceylon C A No 0002323131	936,902.48	712,999.48
Bank of Ceylon C A No 0002323354	34,981,110.56	19,438,605.64
Bank of Ceylon C A No 0002323363	12,701,701.21	3,456,069.51
Bank of Ceylon C A No 0005002189	3,370,426.20	2,191,823.01
Bank of Ceylon C A No 5152460	-	-
	<u>61,524,843.77</u>	<u>31,519,516.75</u>
<u>Cash in hand</u>		
Petty cash- Head Office	-	-
Petty cash- studio	-	-
Petty cash- film stores	34.00	34.00
	<u>34.00</u>	<u>34.00</u>
<u>Deposits matured in three months</u>		
Ripo deposits		21,935,375.00
Treasury bills	20,800,938.00	4,068,535.94
Fixed deposits	148,355,854.68	
	<u>169,156,792.68</u>	<u>26,003,910.94</u>
Total	<u>230,681,670.45</u>	<u>57,523,461.69</u>
<u>Note 19</u>		
<u>Grants</u>		
Treasury Grants	114,731,344.61	101,651,934.44
(-) Amortization	(12,313,791.99)	(11,757,589.83)
	<u>102,417,552.62</u>	<u>89,894,344.61</u>
Motor vehicle awards	13,600,000.00	-
(-) Amortization	(3,400,000.00)	-
	<u>10,200,000.00</u>	<u>-</u>
Total	<u>112,617,552.62</u>	<u>89,894,344.61</u>

National Film Corporation of Sri Lanka
Notes to the financial statements
For the year ended 31 December 2022

	2022	2021
	Rs.	Rs.
<u>Note 20</u>		
<u>Provisions for gratuity</u>		
Balance brought forward 01.01.2022	49,002,596.50	51,335,634.00
Adjustments before 2022	660,280.00	(1,775,311.00)
Provisions for the year	2,009,657.00	2,443,174.00
Payments in cash	(2,737,750.00)	(3,000,900.00)
	48,934,783.50	49,002,597.00
<u>Note 20-1</u>		
Payments after the coming 12 months	44,214,793.50	48,057,987.00
<u>Notes 20-2</u>		
Payments in coming 12 months (up to 31.12.2023)	4,719,990.00	944,610.00
<u>Note 21</u>		
<u>Deposits</u>		
Security deposits N F C film theater	475,271.70	465,271.70
Deposits for canteen	30,000.00	30,000.00
Deposits for security services	2,326,727.11	2,326,727.11
Film halls		
Employees	5,000.00	5,000.00
Importation of films	7,500.00	7,500.00
Cinema project	45,000.00	45,000.00
Sanitary services	160,000.00	160,000.00
	3,049,498.81	3,039,498.81
<u>Notes 22</u>		
<u>Film rental creditors</u>		
Film rental creditors	330,280,811.21	263,037,777.65
(-) Impairment adjustment for creditors	(18,046,803.77)	(18,046,803.77)
	0 312,234,007.44	244,990,973.88

National Film Corporation
Notes to the statement of financial position
For the year ended 31.12.2022

<u>Notes 23</u>	2022	2021
	Rs.	Rs.
<u>Financial liabilities</u>		
Accrued expenses (Note 2-10)	44,917,712.50	53,565,690.00
	<u>44,917,712.50</u>	<u>53,565,690.00</u>
 <u>Notes 24</u>		
<u>Other creditors</u>		
Payable value added taxes	152,612.36	152,612.36
Provisions for audit fees	2,200,000.00	2,178,000.00
Commissioner of Inland Revenue - stamp	30,673.25	41,648.25
Non claimed wages	539,151.97	539,151.97
Employees Provident Fund	591,842.06	656,759.46
Employees Trust Fund	70,375.45	72,955.35
Miscellaneous Creditors	759,734.15	857,754.53
(-) Provisions for liabilities not to be paid	(644,839.88)	(644,839.88)
National film development fund (Note no 2.11)	3,525,795.22	3,525,795.22
Control Rithma circuit	35,504,261.01	5,220,132.52
Payee tax	38,252.84	38,252.84
Account for provisions for salaries and wages	577,189.76	577,189.76
Provisions for the receivable production loan interest	-	1,028,121.58
Public Performance Board	114,800.79	114,800.79
Control account for film artists and technicians fund	-	-
Film restoration	-	-
Ceylon Biscuits Ltd	976,303.16	976,303.16
Suspense Account	-	52,680.00
Provisions for Presidential Film Awards	35,000,000.00	-
Grants for Presidential Film Awards ceremony	50,000.00	
	<u>79,486,152.14</u>	<u>15,387,317.91</u>

Board of Directors for the period from 01.01.2022 up to May 2022

Serial No	Name	Post	Address
1	Dr Jayantha Dharmadasa	Chairman National Film Corporation	National Film Corporation of Sri Lanka, No 303 , Baudhaloka Mawatha, Colombo 07
2	Mr. Mohan Samaranyake	Director General of Information, Department of Information	Department of Information, No 163,Kirulapana Mawatha, Colombo 05
3	Mr. Chandrapala Liyanage	Director General, Sri Lanka Broadcasting Corporation	Sri Lanka Broadcasting Corporation, Independence Square Colombo 07
4	Mrs Tharani Anoja Gamage	Director of Cultural Affairs, Department of Cultural Affairs	Department of Cultural Affairs, 08th Floor, Sethsiripaya Battaramulla
5	Dr Dhamma Dissanayaka	Lecture , University of Performing Arts	No 212, Town hall housing complex, Naiwala Weyangoda
6	Prof Kolitha Bhanu Dissanayake	Dean, Post Graduate Department, University of Performing Arts	No 561/1, Galedanda Road, Gonawala Kelaniya
7	Dr Ravindra Randeniya	Veteran Actor	No 283 a, Old Kandy Road, Dalugama Kelaniya
8	Mr Dhammith Fonseka	Veteran Actor	No 140/33, Kalapura, Templers Place, Mount Lavinia
9	Mrs. N P A R Jayawardana	Representative of General Treasury	Department of Public Accpounts, General Treasury, Ministry of Finance, Colombo 01
10	Mrs. W A J C Wickramarachchi	Representative of General Treasury	Director (Actg), Department of Public Finance Policies, Ministry of Finance
11	Mr. Jude Nilukshan	Representative of General Treasury	Director, Department of Budget
12	Mr. Thilak Hettiarachchi	Additional Secretary (Promotion) Ministry of Buddhasasana and Religious and Cultural Affairs	Ministry of Buddhasasana and Religious and Cultural Affairs
13	Mrs. K A D R Nishanthi Jayasingha	Secretary, State Ministry of National Heritages, Performing and Rural Arts Development	State Ministry of National Heritages, Performing and Rural Arts Development

Line Ministry has taken action to appoint a new Board of Directors including the chairman for the National Film Corporation from

Serial No	Name	Post	Address
1	Mr. P M Deepal Chandrarathna, Attorney At Law (From 08.08.2022)	Chairman, National Film Corporation of Sri Lanka	National Film Corporation of Sri Lanka, No 303, Baudhaloka Mawatha, Colombo 07
2	Mr. Dinith Chinthaka Karunarathna (From 15 09.2022)	Director General of Government Information, Department of Government Information	Department of Government Information, Colombo 05
3	Mr Nalin Kumara Nishshanka (From 10.08.2022)	Director General - Sri Lanka Broadcasting Corporation	Sri Lanka Broadcasting Corporation, Colombo 07
4	Mrs. Tharani Anoja Gamage (From 10.08.2022)	Director Cultural Affairs - Department of Cultural Affairs	Department of Cultural Affairs, 08th florr, Sethsiripaya, Battaramulla
5	Mr. Jagath Wickramanayake, President's Counsel (From 14.10.2022.)	President Council	1174, Dhammodaya Mawatha Battaramulla
6	Mr. Ashly Rathnavibhushana (From 08.08.202)	Representing the field of cinema	118, Dehiwala Boralessgamuwa
7	Mrs Ndeeka Gunasekara (2022.08.08 ඡ෧)	Representing the field of cinema	No.552 B, Westbury Park, Wijesingha Mawatha, Battaramulla
8	Mr P P S R De Silve (From 09.11.2022)	Director, Department of External Resources (Representative of General Treasury)	Department of External Resources , Secretariat (3rd florr), Colombo 01

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 2022 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 2022 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 2022, 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) Even though it is necessary, in terms of the para 03 and 08 of Sri Lanka Accounting Standard No 10, to adjust the transactions, which provide evidences for the situation prevailed between the date of reporting for financial statements and the date of approval for the submission of financial statements, in the above mentioned financial statements, no adjustment has been made in the financial statements pertaining to the salaries in arrears of Rs. 4,645, 296 which were to be paid to relevant officers as per the verdicts given in the 02 cases filed against Corporation.

(b) Even though the assets should be verified as per para 34 of Sri Lanka Accounting Standard No 16, once in every 03 or 05 years based on the change occur in the fair value of properties, plant and equipment, the Corporation has not taken action to verify the lands, and buildings to the value of Rs. 441,813,407.

(c) Even though the fixed assets to the total value of Rs. 154,976,666 have been fully depreciated due to not reviewing annually the productive life time of non-current assets as per para 51 of Sri Lanka

Accounting Standards 16, they were further in use and they have not been revealed in the financial statements as per para 79 (b) of the Standard. Accordingly, action has not been taken as per Sri Lanka Accounting Standards No. 08 to revise the defects in the estimate in the productive life time of such assets.

(d) The total value of slow moving and non-moving stock of the Corporation as at 31 December 2022 is Rs. 8,597,176. Even though inactive assets should be revealed in the financial statements to the net book value as per para 79 (a) of Sri Lanka Accounting Standards No. 16 as at 31 December 2022, no sufficient revelation has been made on the inactive assets and out-dated old assets in the premises of the Corporation and in the buildings belonging to the Corporation but situated outside the premises. Further comprehensive documents have not been submitted to the audit to confirm the value of the stock.

(e) In terms of the financial statements of year 2021, the opening balances of the year under review have been entered with the inclusion of the total value of debits of Rs. 21,263,945 and the value of credits of Rs. 1,451,345 conforming to the balances of Rs. 19,812, 600 in two ledger accounts as at 3 December 2021. However no written evidence has been submitted to the audit to confirm those debit and credit balances.

(f) Even though, the total of the balances of 03 ledger accounts is Rs.5,346,024 as at 31 December 2021 as per financial statements of year 2021, there is a difference of Rs. 2,011,190 among the balances as a result of indicating a total sum of Rs. 7,357,214 as the opening balances of the year under review.

(g) Even though the debit and credit balances of Rs. 1,467,383 in 02 Loan Interests of employees accounts (Assets) (liabilities) shown under ledger accounts no 60-1271 and 70-3422 have been set against each other, relevant revelations have not been made in this regard as per Sri Lanka Accounting Standards.

(h) In terms of the statement in the changes in equity for the year ended 31 December 2021, the accumulated profit at the end of the year is Rs. 441,170,247 but the opening balance has been shown as Rs. 431,752,693 as per the ledger of the year under review.

(i) Relevant documents pertaining to 02 journal vouchers for Rs. 329,577,291 and Rs. 291,649,659 for debits and credits in the debtors account and 135 vouchers to the value of Rs. 599,276,716 have not been submitted to the audit for confirming.

(j) Even though the value of the total assets as per the statement of financial position obtained from the computerised accounts system of the Corporation (Quick Book) is 1,103,950.458, the amount of it is Rs. 1,247,881,012 as per the statement of financial position submitted for the audit. Therefore a difference of Rs. 143,930,554 has been observed between balances.

(k) Grant of motor vehicles to the value of 13,600,000 , which has not been adjusted to statement of cash flow and verification profit from motor vehicles of Rs. 26,450,000, which has been adjusted, have been shown under subjects not affected to the cash flow in the cash flow statement.

(l) The value of the lands acquired during the year under review is Rs. 30,939,853 but it has been shown in cash flow statement as Rs. 70,989,853.

(m) According to the comprehensive schedule submitted to the audit on 31 December 2022, the balance of film rental debtors Rs, 439,289,504 but the same balance is Rs. 411,680,539 as per the statement of financial position as at the same date. Therefore a difference of Rs. 27,608,965 is observed between balances.

(n) Schedules relevant to get the confirmation of allocations for surcharges of Rs. 161,855,2343 for film rental debtors as at 31 December 2022 and the age analysis for the balances to the value of Rs. 27,789,043 to be recovered from film rental debtors have not been submitted to the audit.

(o) As a result of non-accounting of building rent to the value of Rs. 960,000, which is to be recovered from Public Performance Board for 2021, the outstanding rental and accumulated profit have been understated by that amount and further action has not been taken to reveal and account the amount of Rs. 13,120,000, which has been set off for the expenses born for the construction of new building from the lease rent for the period from year 2019 up to May 2022. Further, the amount to be paid to the Board for the construction of new building has not been identified and accounted.

(p) An unidentified balance of Rs. 545,052 is included in the balance of employees loans to the value of Rs. 20,654,773 as per the financial statements as at 31 December 2022.

(q) Even though the balance of creditors is Rs. 364,301,563 as per the schedule submitted to the audit as at 31 December 2022, the same balance is shown as Rs. 330,280,811 as per the ledger. Therefore a difference of Rs. 34,020,752 is observed in this regard.

(r) Even though the amount of gratuity paid during the year under review is Rs. 2,323,223, the amount has been shown in cash flow statement as Rs. 2,737,750. Therefore a difference of Rs. 414,527 is observed in this regard.

(s) The amount of increase in the allocations for gratuity to be adjusted under non cash changes for the year ended 31 December 2022 is Rs. 2,009,657 but the amount adjusted in the cash flow statement is Rs. 2,669,937.

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. Other particulars included in the Annual Report 2022 of the Corporation

Other particulars mean the particulars, which have been included in the annual report 2021 of the National Film Corporation of Sri Lanka and taken by me before the date of this audit report but not included in my report. The Management should be responsible for these other particulars.

Other particulars are not covered by my opinion on the financial statement and I do not make any certification or opinion in this regard.

My responsibility in relation to my audit on the financial statements is to read other particulars, whenever they can be collected, and further to consider as to whether such other particulars are not tallied quantitatively with financial statements or my knowledge obtained by other way in the audit.

If I determine that material misstatements are found in other particulars based on the other information collected by me and the works done by me before the date of this audit report, I should report them. I have nothing to report in this regard.

1.4 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.

1.5. 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

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

2.1.1. 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.

2.1.2. 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.

2.1.3. 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 (d and 1.2 (g)

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

2.2.1. 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.

2.2.2. 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 4 (h) the National Film Corporation Act No 47 of 1971	Action has not been taken to conduct market researches within and outside Sri Lanka on film industry.
(b) Para 16 (2) of the Part III of National Audit Act No 19 of 2018 and 6.6 of the Operation Manual of Public Enterprises Circular No 01/2021 dated 16 November 2021	Even though the draft of the annual report and accounts should be submitted within 60 days from the end of financial year but the financial report of the Corporation for year 2023 have been submitted on 28 July 2023 after the delay of 05 months.
(c) Para 2 (a) and (b) of Assets Management Circular No 05/2010 dated 02 October 2010	By the year 2021, the Corporation had 14 motor vehicles and 06 motor vehicles have been removed from running from year 2020. By the year 2022 only 05 motor vehicles were running and action has not been taken either to dispose or use after repairing vehicles as per this circular.
(d) Section 14 of the Financial Act and Section 6.5.3. of Public Enterprises Circular No PED/12 dated 02 June 2003	Even though the annual reports should be tabled at the Parliament in three languages within 150 days from the end of relevant financial year, reports of 2018, 2019, and 2020 have not been submitted to the Parliament.
(e) Para 2.3. of Public Enterprises Circular No 01/2021 dated 16 November 2021	No strategic plan has been prepared covering year 2022 of the Corporation.

2.2.3. 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 of 2018

2.2.4. 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.

2.3. Other matters

(a) Even though approval has been granted at the meeting of the Board of Directors held on 23 November 2021 to use the vehicle No GB 1371, which has been removed from running, after making necessary repairs, no action has been taken to repair and use the vehicle even after lapse of 02 years.

(b) The net balance of the recoverable loans is Rs. 146,733,375 as at 31 December 2022 as a result of allocating a total sum of Rs. 348,464,266 as surcharges and doubtful debts from the total outstanding amount of Rs. 495,197,641 including Rs. 411,680,538, (amounts outstanding from Movie Theatres) and Rs. 83,517,103 (loans issued for production of films and modification of Movie Theatres). Further, as per the movie theatre debtors time analysis submitted to the audit, debtor balances of Rs. 214,135,368 was remaining for a period of more than 05 years and the Corporation has not taken action to recover properly.

(c) A Committee has been appointed to recover the amounts due to be recovered by the Corporation but no meeting of the Committee has been conducted for the year even by 05 September 2023, which is the date of audit, and further the Committee has failed to submit recommendations for the recovery of amounts in arrears. Even though the Department of Public Enterprises has also given instructions to recover the loans in arrears following a proper method, which are remaining for a period of nearly 10 years as at 31 December 2021, no action has been taken to recover the loans in arrears following above instructions.

(d) Rs. 354,000, which is due from the Welfare Society of the Corporation for more than 05 years and Rs. 1,360,404, which is due for the amounts receivable for the films screened by film development fund have been shown in the balances, which cannot be recovered, and no action has been taken to recover these amounts, which are due from the transactions among the internal divisions of the Corporation.

(e) The stock of negatives and laboratory items to the value of Rs. 870,659 as at 31 December 2022 are remaining at unusable condition due to not using and expiring from 2014, and this has been pointed out by the audit report of the previous year. However no action has been taken to dispose these unusable items.

(f) The accrued expenses to the value of Rs. 4,523,718 out of the accrued expenses of Rs. 44,917,713 as at 31 December 2022 are fallen under the payments to be made for transactions made 05 years ago. However action has not been taken to settle accrued expenses without delay.

(g) The head office of the Corporation is situated in the land in extent of 1, 1235 hectares from the lot no 01 of plan no 9848 situated in Grama Niladhari Division, Kurunduwaththa belonging to the Divisional Secretary's Division, Thimbirigasyaya. Head Office of the Corporation has been maintained by way of constructing several buildings along with head office without transferring the legal ownership of the land to the Corporation.

(h) The first floor of the two storied building situated at the premises no 224 belonging to the Corporation has been provided to SELACINE institute up to 14 January 2019 on lease rent on recovery of a monthly rent of Rs. 315,000. However the building has been used by the institute without updating the lease agreement and without paying the lease rent in arrears to the value of Rs. 12,111,000. Then the building has been returned to the Corporation on 28 March 2022. No action has been taken to recover the arrears up to October 2022 and this building has not been used for a productive purpose from 28 March 2022.

(i) As per the stock verification papers, a stock of films to the value of Rs. 5,253,887 , which are not physically existing, has been included in the closing balance and no action has been taken either to take necessary action or write off this stock from records.

(j) As per the report of the Board of Survey, the stock to the value of Rs. 3,169,938 have not been verified due to unavailability of written evidences for obtaining necessary information as most of the stock ledgers of the Dalugama Studio have been destroyed by termites. Further Management has not taken action even by 18 September, which is the date of audit, to prepare again the stock registers and to verify stocks.

(k) 7,692 film magazines, which are old than 10 years, were kept using the space of the main store of the Corporation and the report of the Auditor General of the previous year has pointed out this stock, of which the cost or present value cannot be identified, but the Management has not taken action to dispose this stock, which was facing destruction.

(l) The commission received from the distribution of local and foreign film is one of the main sources of income of the Corporation and for a long time film distribution has been made also by private institutions. Even though the approval of the Cabinet of Ministers has been granted by its decision no CP/21/1024/305/022 dated 14 June 2021 to take over by the Corporation the system for film distribution and screening, higher Management has not taken action even by September 2023, the time of audit, to implement cabinet decision by way of gazetting relevant matter.

(m) Even though an institution should appoint an internal auditor for the institute as per para 40 (1), part VII of the National Audit Act No 19 of 2018, the internal audit division was not functioning from December 2021, when the Internal Auditor and the female officer, who were serving in the division, have left the service of the Corporation.

(n) A bilateral agreement has been signed to entrust the construction works and consultancy service to State Engineering Corporation to the total estimated value of Rs. 99,965,061 for construction of a museum and library in the name of late Dr. Lester James Peries and construction works have also been commenced on 05 April 2019. A payment of Rs. 3,134,107 has been made by 31 December 2022 to this construction which has been commenced without obtaining proper approval from Urban Development Authority and Cabinet of Ministers. This construction, which has been pointed out by the report of the Auditor General of previous year, has been given up for more than 04 years and the building is facing destruction as the iron rods of the building are being rusted.

(o) Since the income of the Corporation is not sufficient to cover the expenses of the Corporation, provisions have been made by the General Treasury for salaries and capital expenses. Since the corporation was under operational loss during the period of last five years and the year under review before receiving provisions from Treasury, it was observed that the continuity of the Corporation is uncertain without receiving the financial assistance of the Government and the income from the interest for short term savings.

(p) Construction and leasing of a new building for the Public Performance Board

(i) The single storied building at premises no 224 and belonging to the Corporation has been provided to Public Performance Board from year 2007 under lease agreement. Even though the both parties have agreed to be bound by the conditions in the lease agreement expired on 31 December 2016 and the lease agreement signed on 23 January 2017 for the period from 01 January 2017 to 31 December 2018, a new two storied building of 2576 sqft has been constructed demolishing the building provided on lease violating the section 06 and 08 of the lease agreement.

(ii) The initial activities of the construction of new building at premises no 224 have been commenced on 16 May 2016 and the foundation stone has also been laid on 08 January 2017. After the lapse of one year from the commencement of the constructions, the Governing Council has granted its approval for the construction on 27 April 2017. However, both parties have not signed a new agreement on the conditions pertaining to the construction, settling expenses and the ownership of the property.

(iii) As a result of the delay occurred in obtaining valuation reports relevant to the new lease agreement, agreement has not been signed for the period from 01 January 2019 to 31 May 2022 for recovery of lease rent. Even though both parties have agreed to pay 20% from the estimated monthly lease rent of Rs. 400,000, in cash from year 2019 to 2021 and to set the remaining 80% from the cost of the construction of building, they have failed to sign a lease agreement until 14 March 2023.

(iv) After the lapse of 04 years from the expiry of the agreement signed for the last time, new agreement has been signed on 14 March 2023 for the period of 02 years from 01 June 2022 to 31 May 2024. However the conditions pertaining to the amount to be paid to the Public Performance Board have not been included in the new agreement.

W.P.C. Wickramaratne
Auditor General



