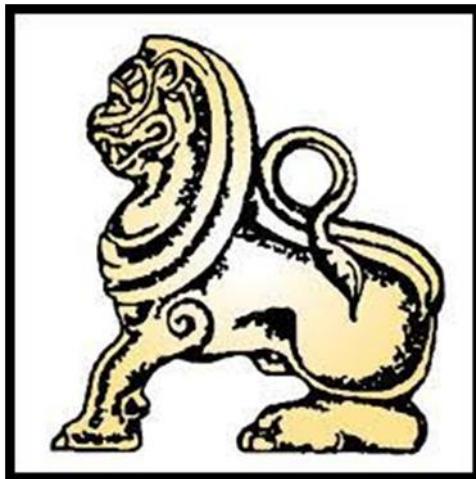


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ANNUAL REPORT
2021



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இலங்கை தேசிய திரைப்படக் கூட்டுத்தாபனம்
NATIONAL FILM CORPORATION OF SRI LANKA

National Film Corporation of Sri Lanka



**Annual Report
2021**

Presentation

Date-19.12.2022

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

Dr. Bandula Gunawardana
Ministry of Education,
163, Esidisi Medura,
Kirulapona Mawatha,
Plohengoda,
Colombo 05

Through,
Secretary,
Ministry of Media

National Film Corporation of Sri Lanka **Annual Report 2021**

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 2021 is hereby submitted along with the following documents.

1. The tasks performed by the Corporation during year 2021 and other relevant statements
2. Profit and Loss Account for the year ended on 31. December 2021, related notes and the Balance Sheet on the above date.
3. Report of the Auditor General for the year ended on 31 December 2021.

Your 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. Productions of local films
04. Personal and institutional control
05. Publicity for films/ Cine Ads
06. Cinema culture and educational activities
07. Screening of films
08. Local supplies-Imports and exports
09. Audit activities
10. Financial activities
11. Legal affairs
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14. Planning, statistics and training
15. Medical aids
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17. Religious affairs
18. Sports Association
19. Trade Unions
20. Expression of gratitude

01. Introduction

Annual report of the Film Corporation of Sri Lanka for year 2021 which is submitted to Dr. Bandula Gunawardana, Minister of 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 2021 is applicable for the 49th year of the Corporation from its establishment.

02. Board of Directors

The Board of Directors consisted of the following members during year 2021..

	Name	Post/ Field
1	Dr. Jayantha Dharmadasa	Chairman- National Film Corporation of Sri Lanka
2	Mr. Chandrapala Liyanage	Director General - Sri Lanka Broadcasting Corporation (Ex officio)
3	Mrs. Tharani Anoja Gamage	Director , Cultural Affairs –Department of Cultural Affairs (Ex Officio)
4	Mr. Mohan Samaranayaka	Director General – Department of Government Information (Ex Officio)
5	Dr. Ravindra Randeniya	Member of the Board of Directors
6	Mr. Dhammadith Fonseka	Member of the Board of Directors
7	Dr. Dhammadika Dissanayake	Member of the Board of Directors
8	Mr. T. N. Hettiarachchi	Member of the Board of Directors
9	Mrs. K.D.A.R.N. Jayasingha	Member of the Board of Directors
10	Mrs. D.C.Jayadeva	Member of the Board of Directors (Representative of the General Treasury)
11	Mrs. Wasanthi Chaturani	Member of the Board of Directors (Observer)

03. Production of local films

Tasks performed during year 2021 and their progress

	Description	Progress (Rs/ cts)
01.	<p><u>Registration of local films</u></p> <p>Number of films - 26 (Rs. 5000 is charged as the fee for registration of each film) Fees for the change of names of a film - 02 films (Rs. 3000 per film)</p>	<p>130,000.00</p> <p>6,000.00</p>
02.	<p>Trust of the Corporation for film artists and technicians</p> <p>• <u>Payment of pension.</u> (Rs. 5,000.00 per person)</p> <p>January - for 160 persons, 800,000.00 February - For 159 persons, 795,000.00 March - For 156 persons, 780,000.00 April - For 155 persons, 775,000.00 May - For 154 persons, 770,000.00 June - For 153 persons, 765,000.00 July - 146 persons, 730,000.00 August - For 145 persons, 725,000.00 September - For 144 persons, 720,000.00 October - For 143 persons, 715,000.00 November and December - For 141 persons, 1,410,000.00</p>	<p>8,985,000.00</p>
03.	<p>For special artist :</p> <p><u>Provision of medical aids.</u></p> <ul style="list-style-type: none"> ➢ Mr. Ananda Wickramage ➢ Mr. Saman Weeraman ➢ Mr. Wilson Karunaratna ➢ Mr. M.M. Sumith Mudannayaka ➢ Mrs. Rupa Indrawathi (Providing Rs. 50,000 for each artist) <p><u>Provision of funeral aids.</u></p> <ul style="list-style-type: none"> ➢ Mr. Jayalal Rohana - Providing Rs. 25,000.00 ➢ Mrs. Vishaka Siriwardana - Providing Rs. 50,000.00 	<p>250,000.00</p> <p>75,000.00</p>
04.	<p><u>Importation of films</u></p> <p>Issuing applications for registration of film suppliers for the year 2021. (Rs.. 25,000.00 per each application) Accordingly number of suppliers registered for year 2021 - 17. Number of films in Tamil/ Hindi/ and other languages during this year is 82. (Rs. 5000.00 per each film)</p>	<p>425,000.00</p> <p>410,000.00</p>

	<u>Granting approval for filming foreign movies</u>	
05.	Documentaries - 08 - Rs. 50,000.00 for 01 - For 02 foreign members (Rs. 5000.00 per one person) - 07 programmers -Rs. 25,000.00 per each programme - For 21 foreign members (Rs. 2000.00 per person)	50,000.00 10,000.00 175,000.00 42,000.00 277,000.00
	Foreign films - 02 Rs. 150,000 for 02 films each - For 92 foreign members (Rs. 2000.00 per person)	300,000.00 184,000.00 484,000.00
	Short films - 01 Rs. 75,000 for one film - For 01 foreign members (Rs. 2000.00 per person)	75,000.00 2,000.00 77,000.00
	T.V Drama – 01 T.V Drama- for one programme - For 40 foreign members (Rs. 2000.00 per person) -	75,000.00 80,000.00 155,000.00
	Reality Series- 01 For 01 programme - For 58 foreign members (Rs. 2000.00 per person) -	75,000.00 116,000.00 191,000.00

06. Other (Special Services)

- I. Issuing letters of certifying the identity of film artists and old movies
- II. Taking action to issue identity cards to film artists and technicians.
- III. Issuing letters of clearance to the Department of Customs
- IV. Issuing letters of confirmation to the Department of Inland revenue for granting tax concessions to Movie Theaters
- V. Issuing letters of clearance to Department of Customs after obtaining security for customs for technical equipment including cameras imported for other countries for local and foreign films, which are filmed in the country and for other programmes.
- VI. Providing assistance to the welfare measures of film artists
- VII. Providing information on cinema to the undergraduates who study the field of cinema and conducting lectures for their benefits

- VIII. Appearing before the Courts with necessary information on legal matters on behalf of the Corporation regarding the production and importation of films
- IX. Making required measures to prepare agreements for local and foreign films, which are distributed under Corporation Circuit (Rithma) for screening
- X. Issuance passes to media personals for watching films.

04. Personal and institutional control

Staff as at 01.01.2021	
Approved cadre	186
Permanent cadre	129
Number of employees who left service during year 2021	
Number of employees who retired	02
Number of employees who resigned from posts	07
Permanent as at 31.12.2021	120
Other staff	
Chairman	01
Total cadre as at 31.12.2021	121

Institutional control and fulfillment of the necessities of employees of the institute

Applying further the processes, which are applied for administration of the employees of the Corporation, the responsibility for the services has been fulfilled.

Publicity for films/ Cine Ads

Month	Film	For newspaper advertisements Income - 2021			Income from displaying hoardings	Total
		15% Commission	10% Special Commission	10% Service Commission		
January	Miss Jennis	13,632.00	7,724.80	9,644.18	18,000.00	110,500.98
	Shelina	-	-	-	19,500.00	
	Rukada Panchi	-	-	-	30,000.00	
	Hathara Waram	-	-	-	12,000.00	
Feb	Miss Jennis	5,208.00	2,951.20	3,684.49	-	49,588.32
	Apata Saduna Ape Lokaya	12,798.00	5,416.20	7,530.43	12,000.00	
March	Apata Saduna Ape Lokaya	4,488.20	2,543.20	3,175.11		34,206.51
	Colombo	-	-	-	12,000.00	
	Hathara Waram	-	-	-	12,000.00	
April	Kabadi	10,090.50	5,717.95	7,138.69	12,000.00	52,947.14
	Nimhim	-	-	-	6,000.00	
	Colombo	-	-	-	6,000.00	
	Uthuru Sulanga	-	-	-	6,000.00	
Oct	Uthuru Sulanga	-	-	-	6,000.00	6,000.00
Nov.	Nihanda Sevaneli	-	-	-	12,000.00	12,000.00
Dec.	Bhava	15876.00	8996.40	3820.32	12,000.00	87,059.06
	Tharana	1920.00	1088.00	1358.34	12,000.00	
	Kavuruwath	-	-	-	12,000.00	
	Danne Na	-	-	-	6,000.00	
	Ginimal Pokuru	-	-	-	12,000.00	
	Nihanda Sevaneli					
	Jangi Hora					
Total		64,012.70	34,437.75	36.351.56	217,500.00	352,302.01

- ❖ No publicity campaign has been launched during the period of 05 months from May to September due to COVID 19 pandemic.

Expenses for the publicity for films from 01.01.2021 up to 31.12.2021

Serial No	Institution to which payment was made	Amount Rs.
01	Wijaya News Paper Ltd	71,912.43
02	Ceylon News Paper (Pvt) Ltd	19,828.80
03	Wijaya News Paper Ltd	88,469.48
04	Wijaya News Paper Ltd	80,298.37
05	Wijaya News Paper Ltd	98,020.38
Total		358,529.46

Expenses for the notifications of Corporation from 01.01.2021 up to 31.12.2021

Serial No	Institution to which payment was made	Amount Rs.
01	The Associated News Papers of Ceylon Limited	92,947.50
02		128,542.95
03		125,398.80
04		74,358.00
Total		421,247.25

Directory of film artists- 2020 – Receipts for sponsorships

Institute	No. of the receipt	Amount Rs.
Dialog Asiata Company	16240	18,700.00
Sathi Advertising	15570	18,700.00
The Film Tem Institute	16686	30,250.00
Weeraman Brothers	16815	30,250.00
Film Location Institute	16852	35,750.00
Total		133,650.00

Directory of film artists- 2020 Sales

Month	No of copies	Amount Rs.
Jan- Dec	99	24,750.00

Price of a copy-.250/-

05. Educational promotion and Culture

‘Jeewothiyata Cinamawa’ Programme for enhancing the taste

Two programmers have been conducted for enhancing the taste for films in year 2021

- 17.11.2021.- Urban Development Authority

Programmers have been temporarily suspended due to COVID 19 pandemic.

Conduction dialogue for the enhancement of cinema culture

Two dialogues have been conducted in year 2021.

- 19 March 2021–**Nanthara, Cine aesthetic in politics**
Delivered by Mr. Jakson Anthony -
- 09 April 2021 - **Address Ne- Political discourse in revelation**
Delivered by Mr. Dhamma Dissanayake, Senior Lecturer of University of Colombo

Due to Covid -19 other programmers were suspended.

Diploma in Cinema 2021

Commencement of diploma of 2021

43 student's are following the course

Issuing cine publications

Chithrapata magazine

First and second issues of 2021 have been published.

The income collected from the sale of cine publications –Rs. **.44,039.00**

06. Distributions of films

1. Screening of films

- ❖ During year 2021 44 cinema theaters were operated under Rithma Circuit.

2. Releasing of films

- ❖ Rithma circuit has released films to 44 cinema theaters.
- ❖ During year 2021 action has been taken by Rithma circuit to release films joining with other circuits with.
- ❖ Rithma circuit has taken action to release 04 Sinhala films.
- ❖ Action has been taken by Rithma circuit joining with other circuits during year 2021 to release by 01 Tamil film, 04 Hindi films, 02 English films and 01 film in other languages imported by suppliers.(Further action has been taken to release films by Rithma circuits obtaining films from the quota allowed to the circuit of the Corporation.)
- ❖ Cinema theaters had to be closed for several months during year 2021 at two occasions due to the third wave of COVID 19 pandemic.

3. Film rental

Money has not been received as per cash book for the films supplied by the Rithma circuit to other circuits.

Charges have been paid in the following manner to the films obtained by our Circuit from other circuits.

- ❖ Lanka Film Distributors Company Pvt Ltd = Rs. 189,457.51
- ❖ E A P Films and importers pvt Ltd = Rs. 2,009,559.09
- ❖ Cinema Entertainment Pvt Ltd =Rs. 516,116.65

07. Local supplies imports and exports

01. Establishment of color mixing system of editing division in relation to the post productions of Sarasavi studio.
02. Enhancing make up room and office facilities of Sarasavi studio partitioning the color mixing room.
03. Purchasing sounds equipment for dubbing recording studio and recording room of additional sounds at Sarasavi studio.
04. Enhancing sanitary facilities and carrying out other repairs of Tharangani Theater.
05. Establishment of public address system at Tharangani Cinema Theater.
06. Servicing and repairing 7.1 sounds system of Tharangani Cinema Theater.
07. Supply of DSLR camera and camera equipment to Education Cultural Promotion Division (Camera and lighting equipment)
08. Purchasing and supplying technical equipment, stationary and other equipment to owners of cinema theaters and the Corporation following proper procedures.
09. Maintaining service agreements with agencies relevant to goods and services with necessary updating.
10. Carrying out activities pertaining to vehicles repairs and insurance.
11. Repairing the technical equipment and buildings of the Corporation as per the requirements.

08. Internal Audit Affairs

This Division is dedicated to minimize the gap and mismatches in financial, administration and development structures in order to provide assistance to minimize the difference between expected and actual results in the performance of objectives connected to the vision and mission of the National Film Corporation of Sri Lanka.

Number of the meetings held by Audit and Management Committee during the year is 03.

Date of the meeting - 01/06/ 2021

05/04/ 2021

27/07/2021

Composition of the Audit and Management Committee

06.01. 2021.

Name	Post
Mrs. D. C. Jayadeva	Chairman of Committee (Representative of General Treasury)
Mr. Nalaka Kaluwewa	Member of the Committee
Dr. Ravindra Randeniya	Member of the Committee
Mr. Dammith Fonseka	Member of the Committee
Mr. Wimal R. Gamage	Chief Internal Auditor- Ministry of Buddhasasana Religious and Cultural Affairs
Mrs. Chaturani Silva	Superintend of Audit - National Audit Office

05.04.2021

Name	Post
Mrs. D. C. Jayadeva	Chairman of Committee (Representative of General Treasury)
Dr. Ravindra Randeniya	Member of the Committee
Mr. Dammith Fonseka	Member of the Committee
Mr. Wimal R. Gamage	Chief Internal Auditor- Ministry of Buddhasasana Religious and Cultural Affairs
Mr. M. K. Jayasekara	Superintend of Audit - National Audit Office

27.07.2021

Name	Post
Mrs. N. P. Anuja Roshini Jayawardana	Chairman of Committee (Representative of General Treasury)
Dr. Ravindra Randeniya	Member of the Committee
Mr. Dammith Fonseka	Member of the Committee
Mrs. Ajitha Kumari Lakshman	Chief Accountant - Ministry of Buddhasasana Religious and Cultural Affairs (Cultural Division)
Mr. M. K. Jayasekara	Superintend of Audit - National Audit Office

09. Financial Affairs

01. Income Sources

Particulars of the actual income of year 2020-2021 and budgeted income of 2021 are as follows.

Income	2020 Actual Rs. M.	2021 Actual Rs. M.	Increase/ decrease (%)	2021 Budget Rs. M.
Commission for distribution- Local Foreign	4.1	1.8	(56.1)	38.5
	7.3	12.0	64.4	
Increase (Trust of the Corporation)	1.3	2.1	61.5	8.5
Surcharges, fines on inspections, and other	2.5	1.1	(56)	6.0
Cine Ad Commission	0.3	0.1	(66.7)	1.1
Income from studio	1.3	0.5	(61.5)	3.0
Trade affairs	0.8	0.7	(12.5)	2.3
Income from operations	17.6	18.3	3.9	59.4
Other income	49.7	48.7	(2.0)	75.6
General Treasury – For President's Film Awards-				
	0	0	0	0
For recurrent expenditure	90	100	11.1	100
Total receipts	157.3	167	6.2	235.0

When considering comparatively to year 2020, the income from operations has shown an increase by 3.9% in 2021 than 2020. Main reason for the increase in the income from operations is the increase of commission from foreign distributions by 64.4% comparatively to the decrease in commission from local distributions by 56.1%.

02. Source of expenditure

Particulars of actual expenditure of year 2020 and 2021 and budgeted expenditure of 2021 are as follows.

Expenditure	2020 (%) Actual	2021 2021	Increase/ decrease	
Employees Remunerations	91.7	89.5	(2.4)	115.1
Travelling and subsistence allowance	0.5	0.4	(20.0)	3.2
Supply and equipment	5.1	5.6	9.8	12.3
Repairs, and maintenance depreciations	22.8	25.3	10.9	40.2
National Film Festivals	0	0	0	33.2
Cost of sales	0.06	0.7	1066	4.2
Transport links requirements and other	22.9	21.6	(5.6)	35.1
Provisions for bad debts	0.1	1.6	1500	0.5
Provisions for gratuity	12.5	2.4	(80.8)	4.5
Film Artists and Technicians' Fund	0.5	10.5	2000	15.7
Total expenditure	156.2	157.6	0.9	264.0

The expenditure shows an increase by 0.9% in year 2021 comparatively to 2020.

	<u>2020</u> Rs. M.	<u>2021</u> Rs. M	<u>%</u>
Income from operations	17.6	18.3	(3.9)
<u>Less</u>			
Expenditure for operations	<u>156.2</u>	<u>157.6</u>	<u>0.9</u>
Profit/ loss from operation	(138.6)	(139.3)	0.5
<u>Add</u>			
Other income	<u>49.7</u>	<u>48.7</u>	<u>(2.0)</u>
Profit/ loss of the year	(88.9)	(90.6)	1.91
<u>Add</u>			
General Treasury – For President's Film Awards- For recurrent expenditure	<u>90</u>	<u>100</u>	<u>11.1</u>
<u>Surplus</u>	<u>1.19.4</u>	<u>754.5</u>	

The loss from operations has shown an increase by 0.5% in year 2021 comparatively to 2020. However, a surplus of 11.1% is shown after adjusting the receipts from General Treasury for recurrent expenditure.

03. Fixed Assets

Rs. 0.37 million has been spent to purchase office equipment and air conditioners in year 2021. In the meantime Rs. 11.2 million and Rs. 4.6 million have been spent for the BAW room and to purchase mechanical equipment to the studio. Further, Rs. 7.3 million, Rs. 2.5 million have been spent for Studio building and Cinema Complex and Rs. 6.3 million and Rs. 0.6 million have been spent to purchase intangible assets and office equipment respectively and they have been shown as works unfinished.

04. Current Assets

When considering with the previous year, current assets shows a decline by Rs. 87 million. Further fixed deposits, which are under current assets, are shown under non-current assets as long term investments.

05. Current Liabilities

Current liabilities have shown an increase by 9.2% as a result of increasing film rental debtors in 2021 comparatively to year 2020.

10. Legal Division

The role played by the Legal Division during the year 2021

- Appearing before the courts for the Corporation and filing proxies for the Corporation in respect of the cases of which the Corporation becomes a party.
- Appearing before the Department of Labor for the Corporation on labor disputes.
- Appearing for the Corporation for the complains inquired by the Human Rights Commission.
- Preparation and signing of all the agreements, which are prepared for production and distribution of local films, distribution of imported films, provision of loans for production, studio services, printing copies, and Cinema Theaters.
- Preparation and signing required legal agreements and providing consultancy services for obtaining supportive services to the Film Corporation and other affairs.
- Providing instructions for any matter referred by any Division of the Corporation as required.

11. Provision of services from studio

Main task of the Sarasavi studio at Dalugama is the provision of technical services and other required facilities to the films at post production period.

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

1. Sounds Division (Digital)
2. Non liner editing division (Digital)
3. Conservation division (Analogue)
4. Archives of post-production equipment
5. Film archive
6. Films and rupavahini recording room

Services provided by Sarasavi studio in year 2021,

Sounds division

- 1 Ayu
- 2 Buffalo Travels
- 3 Sihina Samikarana
- 4 Diploma in Cinematoghy
- 5 Monarawila
- 6 Kadira Divya Raja
- 7 1970 Love story
- 8 Seegiri
- 9 Happy Birthday
- 10 Maria
- 11 Monkey Man
- 12 Oluwa Japan Kanda German
- 13 Suppire Sri Lanka

Editing division

- 1 Buffalo Travels
- 2 Adara Pujasane
- 3 Sumithuru Naluwa
- 4 Ella Langa Pemwathiyo
- 5 Yakada Diyaniyo
- 6 Nawa Demodara Palama
- 7 Prime Minister Mahinda Rajapaksha -Documentary

Filming

- 1 Dady Music Band
- 2 OPPO F19 Phone Launch
- 3 Documentary programmes
- 4 Mobile - commercial
- 5 Derana - champion star
- 6 Product launch
- 7 Programms on Poya Day
- 8 SLT Mobitel no dream to big

Archives

1. Nearly 150 films out of the films, which are kept at old archive, have been selected for conservation.
2. Nearly 125 films out of the films selected during the last year have been deposited at archive packing them in plastic bags after cleaning those using chemicals and preparing quality reports.

Other tasks

1. Concurrently to the 74th celebration of Sri Lankan Cinema and 49th celebration of National Film Corporation, which have fallen on 21 January 2021, the editing room at Sarasavi studio has been updated and its functions were started naming it as Titus Thotawaththa Editing Room.
2. On the same day, editing of the pre publicity movie of the film Buffalo Traveler directed by Mr. Dhammith Fonseka.
3. Survey and examination works were conducted for establishing a make-up room at studio and partitioning of color mixing division, and offices spaces were also commenced in December 2021.
4. Mr. Priyantha Waiyadyasekara, Engineer of Sri Lanka Broad casting Corporation of Sri Lanka has prepared specifications for the curtains and floor carpets of sound room 7.1 of the sounds division on 25.03.2021.
5. The staff of the studio carried out the construction works of the dialogue recording room and other sounds recording room.
6. The commencement of the programme for planting trees, which has been launched by the Road Development Authority, has been marked at the premises of Sarasavi studio on 15 October 2021.
7. Partitioning works of office of Sarasavi studio and Construction of editing division, color mixing division and make up division have been commenced in December 2021.

Annual income of the studio - 2021

Sounds division	-	385425.00
Editing division	-	61475.00
Shooting	-	2300204.77
Total	-	2747104.77

12. Investigation activities

Tasks performed by the investigation division during the year 2021

1. Collecting information on lands and buildings for the construction of cinema theaters.
2. Opening new cinema theaters and re-opening theaters, which were closed down
3. Inspecting cinema theaters and issuing debit notices for malpractices
4. Supervising the filming of foreign movies.
5. Making recommendations for the revision of tickets examining the quality of cinema theaters.
6. Issuing clearance letters for applying for liquor permits for cinema theaters

01. Collecting information on lands and buildings for the construction of cinema theaters.

Collecting information on the cinema theaters, which were constructed during year 2021 and the cinema theaters, which were being constructed:-

- ✓ Letters were sent to all local government institutions and pradeshiya sabhas calling information on the construction of cinema theaters in such areas and site inspections are to be carried out based on the information provided by the replies made to above letters.

Cinema theaters, which are being constructed

- ✓ Havelock cinema complex (06 cinema theaters)

02. Opening new cinema theaters and re-opening closed down theaters

Re- opening closed down theaters

- ✓ New Nanda Cinema -Nikaweratiya

New Cinema Theaters opened during the year 2021

- ✓ K.C.C Cinema Complex - Kandy (Cinema Theaters- 03)

03. Inspections of cinema theaters and issuance of debit notices.

Main task of the Investigation Division is to carry out inspections at cinema theaters.

- ✓ Number of inspections carried out in 2021 - 760

Issuing debt notices for the malpractices found at cinema theaters

- ✓ Various malpractices have been identified by the Investigation Officers during the inspections carried out at cinema theaters. Accordingly 26 debit notices have been issued to the value of Rs. 323,700.00 following the procedure in circulars issued by the Corporation. As a result of this measure, Rs. 202,500.00 has been recovered.

04. Supervision on the foreign films, of which shooting is scheduled in the country

- ✓ Shooting of foreign advertisements and documentaries within Sri Lanka has been supervised. Accordingly,
- ✓ 11 occasions where foreign film shooting took place have been supervised in year 2021.

05. Making recommendations for the revision of tickets examining the quality of cinema theaters.

- ✓ Recommendations have been given to 09 cinema theaters to increase their ticket price.

06. Issuance of clearance letters which are required for applying for liquor permit.

- ✓ 28 clearance letters have been issued during year 2021 for applying for liquor permits to cinema theaters.

13. Planning, statistics and training

Main tasks of this Division are as follows.

- Providing guidance for the preparation of the plans of the institute..
- Preparation of corporate plan and action plan and supervision of their progress
- Preparation of annual reports
- Submission of quarterly and monthly progress to the Line Ministry and relevant institutions.
- Identification of annual training needs and preparation of annual training plans.
- Collection of gazettes, circulars and other statistical data of the Corporation and maintaining a computer data system

14. Medical Aids Scheme

Medical Aids Scheme , which is maintained by the grants of Corporation and membership fees, was implemented during this year also and the Governing Body of it is as follows.

- Mrs. Gayani Munaweera - Actg. Deputy General Manager- Finance (Chairman of the Committee)
- Mr. Asanka Gunathilaka - Administrative Officer – Admin and Human Resources (Covering up duties)
- Mr. K. R. Winson - Committee Member
- Mr. Sukhitha Ilangakoon - Committee Member

15. Welfare Society

The Co-operative Thrift and Credit Society of the Corporation carried its functions during the year. .

16. Buddhist Association

During the year action has been taken mainly to provide books required by the school going children of the employees of the Corporation.

17. Sports Association

During the year, Sports Association carried out its activities but they were hindered by the COVID 19 pandemic.

18. Trade Unions

During this year trade Unions such as National Workers' Union, Sri Lanka Nidahas Sevaka Sangamaya, Employees' Association of Film Corporation and, Commercial Industries and Services Progressive Workers' Union have worked in collaboration with the administrative authority.

19. Expression of gratitude

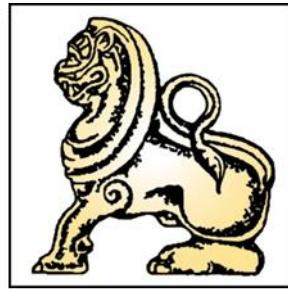
The staff of the Corporation has performed their duties and responsibilities displaying courage and commitment to achieve the success in year 2021.

Therefore, the Board of Directors takes this opportunity to appreciate their dedication and expresses their gratitude for their service.

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

Sgd.- Deepal Chandrarathna,
Chairman
National Film Corporation of Sri Lanka

National Film Corporation of Sri Lanka



Financial Statements

2021

National Film Corporation of Sri Lanka
Comprehensive statement of income
for the year ended 31.12.2021

Description	Note	2021 Rs.	2020 Rs.
Sales	03	18,380,381	17,653,672
<u>Less- cost of sales</u>	<u>04</u>	(689,481)	(57,863)
Gross profit		17,690,900	17,595,809
<u>Less- expenses</u>			
Employees remunerations	05	(89,509,572)	(91,742,352)
Travelling and subsistence allowances	06	(428,361)	(471,632)
Supplies and equipment	07	(5,637,331)	(5,103,699)
Repairs, maintenance and depreciations	08	(25,275,202)	(22,835,028)
Transport, links, requirements and other services	09	(21,555,276)	(22,937,991)
Impairment adjustment for bad debts	16-A	(1,627,943)	(113,490)
Allocations for gratuity	20	(2,443,174)	(12,457,075)
Contribution to the fund of film artists and technicians		(10,500,000)	(500,000)
		(156,976,860)	(156,161,265)
Operational profit/ loss		(139,285,960)	(138,565,456)
<u>Add</u>			
Other income	10	9,620,540	
Interest for fixed deposits and treasury bills		17,388,383	
Identifying receipts from treasury to the income		11,757,590	
224 Building rental		9,937,000	
		48,703,513	49,704,892
Profit/ loss of the year		(90,582,447)	(88,860,564)
<u>Add- receipts from General Treasury</u>		100,000,000	90,000,000
Profit before tax		9,417,553	1,139,436
<u>Less- provisions for taxes</u>			
Deficit/ surplus		9,417,553	1,139,436

National Film Corporation of Sri Lanka
Statement of financial position
for the year ended 31.12.2021

<u>Represent</u>	<u>Note</u>	2021	2020
		Rs.	Rs.
<u>Fixed assets</u>			
Property, machinery and equipment			
	11	341,996,821	335,219,247
Intangible assets	11A	1,691,620	-
Long term investments	12	196,022,798	26,737,169
Loans of employees	16-1	16,506,775	-
		556,218,013	361,956,416
<u>Current assets</u>			
Short investments	13	106,850,577	201,875,032
Stocks	14	7,535,416	7,084,395
Debtors	15	118,441,907	111,409,083
Misce debtors	16	191,404,901	188,916,063
Deposits and payments in advance	17	3,359,152	3,418,948
Cash and bank balance	18	57,523,462	144,745,749
		485,115,415	657,449,270
Total assets		1,041,333,428	1,019,405,686
<u>Invested capital</u>			
Authorised capital		10,000,000	10,000,000
Accumulated profit		441,170,247	424,483,286
Other reserves		134,282,759	134,282,759
		585,453,006	568,766,045
<u>Non current liabilities</u>			
Grants	19	89,894,345	90,667,934
Provisions for gratuity	20-1	48,057,987	51,335,633
		137,952,331	142,003,567
<u>Add- current liabilities</u>			
Provisions for gratuity	20-2	944,610	-
Deposits	21	3,039,499	2,949,499
Creditors- film rental	22	244,990,974	233,842,034
Financial responsibilities	23	53,565,690	51,097,862
Other creditors	24	13,018,453	15,430,814
Taxes payable	24	190,865	190,865
Provisions for allocations	24	2,178,000	5,125,000
		317,928,091	308,636,074
Total liabilities		1,041,333,428	1,019,405,686

Accounts policies from page no 05 to 24 and accounts entries from page no 25 to 39 are an essential part of financial statements. The Board of Directors holds responsibility for the preparation and submission of financial statements. The Board of Directors has signed in the following manner to the effect that these financial statements have been approved by Board of Directors.

.....
Dunil Heyiyanthuduwa
Actg Deputy G. M. Finance
2022.09.23

.....
P M Deepal Chandrarathna
Chairman
Director

National Film Corporation
Statement of the Change in equity
for the year ended 31.12.2021

	<u>Equity Capital</u> Rs.	<u>Accumulated Profit</u> Rs.	<u>Capital Reserve</u> Rs.	<u>Revaluation Reserve</u> Rs.	<u>Other Reserve</u> Rs.	<u>Total</u> Rs.
Balance as at 01.01.2020	10,000,000	423,343,850	499,898	125,953,399	7,829,462	567,626,609
Profit of the year	-	1,139,436	-	-	-	1,139,436
Adjustment for the last year (Note 2.15)		7,269,407				7,269,407
Balance as at 31.12.2020	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
Balance as at 31.12.2021	10,000,000	441,170,247	499,898	125,953,399	7,829,462	585,453,006

National Film Corporation of Sri Lanka
Cash Flow Statement
For the year ended 31.December 2023

	2021	2020
	Rs.	Rs.
<u>Cash derived from operational activities</u>		
Net profit before taxes	(90,582,447)	(88,860,564)
(Less)		
Interest on production loan	-	-
Interest on treasury bills and fixed deposits	(17,388,383)	(20,402,037)
	<hr/>	<hr/>
	(107,970,829)	(109,262,601)
<u>Adjustment for subjects not effected for cash flow</u>		
Depreciations	18,510,514	17,179,605
Provisions for gratuity	667,863	12,457,075
Identifying government grants to the income	(11,757,590)	(11,492,198)
	<hr/>	<hr/>
	(100,550,042)	(91,118,119)
<u>Subjects of the previous periods</u>		
Adjustment for subjects of previous periods	9,919,744	3,603,107
Adjustment for subjects of previous periods	7,269,407	7,674,309
Profit from operations before the changes in working capital subjects	<hr/>	<hr/>
	(83,360,891)	(79,840,703)
<u>Changes in working capital</u>		
Stocks (Increase)	(451,020)	(780,839)
Debtors (Increase)	(7,032,825)	5,678,439
Deposits and advances (Increase)	(18,935,816)	650,041
Responsibility on deposits (Decrease)	90,000	(307,027)
Creditors (Increase)	11,148,940	(17,304,769)
Other creditors (Decrease)	(2,891,533)	6,982,916
	<hr/>	<hr/>
Less	(101,433,145)	(84,921,941)
Payment of gratuity	<hr/>	<hr/>
	(3,000,900)	(3,486,995)
	<hr/>	<hr/>
	(104,434,045)	(88,408,936)
<u>Cash flow derived from investment activities</u>		
Interest on production loans	-	-
Interest on treasury bills and fixed deposits	17,388,383	20,402,037
Acquisition of fixed assets	(36,899,452)	(25,998,090)
Interest on treasury bills and fixed deposits	(74,261,174)	110,209,135
	<hr/>	<hr/>
	(198,206,288)	16,204,147
<u>Cash flow from financial activities</u>		
Receipts from General Treasury	110,984,000	105,000,000
Net increase in cash and cash equivalent (Decrease)	<hr/>	<hr/>
Balance of cash and cash equivalent at the beginning of the year	(87,222,288)	121,204,146.74
RIPO/ treasury bills matured in 03 months	26,003,911	144,745,749
Balance of the cash and cash equivalent at the end of the year	31,519,551	23,541,601
	<hr/>	<hr/>
	57,523,462	144,745,748.94
	<hr/>	<hr/>

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2021

Declaration of Responsibility of the Management on 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, 2021

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 23.12.2022 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, 2021

1.2.3. Basis for accounting

Financial Statements have been prepared based on the historical cost except where any appropriate revelation has been made on 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.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2021

Estimates and Assumptions

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

(a) Fair Value of Financial Instruments

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

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

(b) Fair Value

Fair Value is the transferable value of an asset in a transaction happened at arm's length between two parties with knowledge and discretion. At first, the fair value of a financial instrument is generally its received or paid value. Later, the fair value of a financial instrument will be the bid value in an active market. It is the demanding price of financial responsibilities. The current value for the purpose of cash equivalents and short term 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.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2021

2.2 Financial Instruments

2.2.1 Financial Assets (Non-derivative)

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

2.2.2 Classification, Identification and Measurement

The management classifies its financial assets as follows,

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

a. Debts and Receivables

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

b. Financial Assets for Trading Purposes

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2021

2.2.3 Determination of Fair Value

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

2.2.4 Re-classification

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

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

2.2.5 Impairment

(a) Financial Assets Maintained at Amortized Cost

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2021

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2021

adjusting the amount of allowances. If a future writing off is later recovered, such recovery will be adjusted in the Allowance Account in the income statement.

(b) Impairment of Other Non-financial Assets

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

2.2.6 Giving-up of Identification

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

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

- (a) Transferring of all benefits and risks by the Corporation
- (b) Transferring of controlling right without retaining or transferring all benefits or risks

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

2.2.8. Investment in shares

An investment has been made in 20,000 shares of the Associated Newspapers of Ceylon Ltd, of which the vale is Rs. 6.35 per each.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2021

2.3 Property, Plant and Machinery

2.3.1 Identification and Measurement

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

2.3.2 Post-construction Cost

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

2.3.3 Depreciation

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

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2021

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

2.3.4 Removal of Identification

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

2.3.5 Impairment of Tangible Assets

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

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.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2021

- The assets at studio, which have been indicated in assets schedule and depreciated at the value of Rs. 1, are maintained further as artifacts.

2.3.6. Identification of intangible assets

The intangible assets, which have been purchased in year 2020, have been accounted as expenditure and his value and the intangible assets purchased in year 2021 have been depreciated by 20% in year 2021.

	Rs.
Sound mixing fsoftware for sound studio-5.1	1,207,350.00
Computer Software	480,000.00
Editing System -Studio	<u>799,600.00</u>
	<u>2,486,950.00</u>

2.4. Works, which have not been concluded

Buildings

- Lester James Peris Museum- The works are expected to be completed under three phases and a part of the first phase has now been completed.
- Establishment of a colour preparation room at the studio-It is expected to complete in year 2022.
- Improvements of Tharangani movie theater- It is expected to complete in year 2022.
- The studio building, of which the works have not been completed but shown as completed building in previous year, has been shown under unfinished buildings.

Office Equipment

- Purchase of cameras and equipment
- Purchase of sound recording equipment and a microphone

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2021

Air Conditioners

- Air Conditioners are now being fixed in the divisions of the new building of the Corporation.

Intangible Assets

- Establishment of a colour preparation room at the studio-It is expected to complete in year 2022.
- Establishment of a public address system
- Obtaining web hosting solutions
- Enhancing the 7.1 sound system of Tharangani Movie Theater
- Establishment of an online Meeting system (Zoom)

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.

2.7 Other Assets

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2021

(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 of resold items are accounted, the investments of which the period is less than 03 months have been shown as liquidity asset equivalent to cash and cash equivalents in the statement of cash flow.

Loans given to employees

The loans to be recovered from employees within 12 months have been caterogised as current assets and the amounts to be recovered after the lapse of 12 months have been categorized as non current assets and they have been shown in the satatement of financial position as per Sri Lanka ccounting Standards no 01.

	Rs.
The loans to be recovered from employees within 12 months-	321,250.00
The loans to be recovered after the lapse of 12 months-	16,506,775.00
	16,825,025.00

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2021

2.9 Financial Liabilities

2.8.1 Initial Recognition and Measurement

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

Financial liabilities of the Corporation include sales and other payables.

2.9.2 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.

Accrued Expenses	Rs.
Salary Payable	2,768,123.17
Other expenditure	49,440,567.06
Provision of internet facilities	1,357,000.00
	53,565,690.23

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2021

2.11 Other Liabilities

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

- The amount to be paid to the fund for the purchase of the movie ‘Wekanda Walawwa’ by the Corporation, which has been produced by Film Development Fund, has been shown under other creditoes.

Provisions for gratuities

When provisions are made for gratuities for employees as per Sri Lanka Accounting Standards no 01, gratuities to be paid within the coming 12 months are shown as current assets and the remaining gratuities are shown as non current assets in the statement of financial position.

	Rs.
Gratuities to be paid within the coming 12 months-	944,610.00
Value of remaining gratuities-	48,057,987.00
	49,002,597.00

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

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2021

Incomes recognized in year 2021 are as follows.

	<u>R. Cts</u>
New Building	- 1,308,864.04
New 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 m m projector-	135,600.78
Sounds Equipment-	43,114.42
Cameras and equipmane-	68,500.00
4K colour mixing equipment-	191,887.50
	<u>11,757,589.83</u>

Amount received for recurrent expenditure of the institution - **Rs100,000,000.00**

Amount received for capital expenditure of the institution - Rs. 10,984,000.00

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.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2021

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 Commission for the distribution of local and foreign movies

This is the commision recovered by the Corporation in the distribution of local and foreign movies as per relevant circulars.

02. Increase- Surcharge

Rs. 6 is recovered per each ticket in the screening of mpies. Rs. 3.10 out of the above should be paid to the Corporation and from foreign movie the total amount of Rs. 3.10 is recoverdd. For local movie 40% from the Rs. 3.10 is recovered.

03. Surcharge

Only an amount of 25% has been taken into the income on the assumption that 75% from the surcharge will not be received for the rental of movies from Movie theaters. However that amount has been revised from 2.5% to 1% since October 2020.

04. Fines on inspections

This is the fines revovered on the malpractices reported from movie theaters.

05. Commission for publicity and commission for services

These are the commission and charges recovered by the Corporation from agents on fulfilling publicity works of movies and movie theaters.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2021

06. Income from studio

This is the income earned for the provision of studio services for post production works of movies (Sounds and editing).

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 granted during year 2021 for production of movies.

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.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2021

2.14.5 224 Income from building rental

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

		<u>Monthly Rental</u>	<u>Annually</u>
01	SELASINE institute (up to Nov)	527,000.00	5,797,000.00
02	SAARC cultural center	345,000.00	4,140,000.00
		872,000.00	10,464,000.00

Public Performance Board

When the valuation of monthly buiding rental is received, the monthly rental to be recovered for year 2021 should be recovered as per the agreement subject to the decision of the Board of Directors.

- Suspense Account

The balance of the suspense account represents the following amounts, which were brought forward as unidentified credits as at 31.12.2021 in the preparation of bank reconciliation statements.

01. Rs. 10,000.00- Has been shown as unidentified credits in bank reconciliation statement of November 2021 in account of Bank of Ceylon no. 0002323272

02. Rs. 42,680.00- Has been shown as unidentified credits in bank reconciliation statement of December 2021 in account of Peoples Bank no. 055-1-001-5-0667533

These deposits have been identified in January 2022 and accordingly receipts have been issued.

National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31st December, 2021

- **Compensation for employees**

Rs. 5,536,866.00, which has been deposited in year 2021 at Labour Tribunal for the appeal made against the verdict No. 13/41/2013 has been shown under remuneruneration for employees (Note 05).

- **Legal matters**

Corporation is now taken action for 15 cases at the court, of which the Corporation is a party and 10 complaints made at Labour Office.

2.15. Adjustments to the profit of previous year

Nature of the transaction	Debit	Credit	Balance
Entering the daily reports, which were delayed in year 2021 (RJ 01-RJ 19, RJ 26,RJ 27, RJ 30, RJ 31)	-	3,321.12	(3,321.12)
Making rectifications of gratuities, audit fees and wages not claimed accounts (GL 63,GL 64,GL 67, GL 68,GL 69,GL 74,GL 75,GL 91,GL 92)	887,052.08	2,302,640.73	(1,415,588.65)
Making rectification in income and expenditure accounts of previous years	178,303.35	4,341,450.91	(4,163,147.56)
Making entries relevant to previous years in the identification of fixed assets of 2020.	-	1,687,350.00	(1,687,350.00)
	1,065,355.43	8,334,762.76	(7,269,407.33)

National Film Corporation of Sri Lanka
Notes to the statements of income
for the year ended 31. December 2021

		2021	2020
		Rs.	Rs.
(03) Sales			
(Note 2.14.1)			
Income from distribution of movies අභ්‍යන්තරී	3.1	17,073,689	15,290,403
Income from publicity	3.2	136,440	261,727
Studio	3.3	446,900	1,284,972
Trade affairs	3.4	723,353	816,570
		18,380,381	17,653,672
3.1 Income from distribution of movies			
Commission for local movies		1,787,816	4,111,913
Commission for foreign movies		12,048,742	7,316,881
Increase- Corporation trust		2,125,971	1,278,847
Surcharge		787,461	2,311,291
Fines from investigations		323,700	271,470
		17,073,689	15,290,403
3.2 Income from publicity			
Commission fro publicity- Cine ads		99,578	193,859
Commission for services		36,861	67,868
		136,440	261,727
3.3 Studio			
Souunds		385,425	1,282,772
Editing		61,475	2,200
		446,900	1,284,972
3.4 Trade Affairs			
Cinema Carbon		127,200	70,300
Sare parts		50,244	87,160
Stationary and publications		491,489	598,160
<i>internal usage</i>			
Spare parts		-	-
Cost of stationary		54,420	60,950
		723,353	816,570

National Film Corporation
Notes to the statements of income
for the year ended 31. December 2021

<u>Screening</u>	<u>Studio</u>	<u>Production</u>	<u>Gebekal</u> <u>administration</u> <u>expenses</u>	<u>2021</u> <u>Total</u>	<u>2020</u> <u>Total</u>
			Rs.	Rs.	Rs.
5,253,887	1,409,412	-	5,214,684	11,877,983	11,301,233
			286,610	286,610	634,613
			5,501,294	12,164,593	11,935,846
			-	-	-
5,253,887	1,409,412	-	4,811,813	11,475,112	11,877,983
			689,481	689,481	57,863
			-	-	-

For long notes see (4-a), (4-2) and (4-c)

National Film Corporation of Sri Lanka
Notes to the statements of income
for the year ended 31. December 2021

(04 - A) Cost of sales
Screening

	Stock	Purchases	Total	Stock	
	01.01.2021	Rs.	Rs.	31.12.2021	Rs.
<u>Lighted films</u>					
Local	3	-	3		3
Western	244	-	244		244
Eastern	471	-	471		471
	718	-	718		718
<u>Films not released</u>					
Local	3,043,931	-	3,043,931		3,043,931
Western	982,492	-	982,492		982,492
Eastern	8	-	8		8
Total	4,026,431	-	4,026,431		4,026,431
	4,027,149	-	4,027,149		4,027,149
Stock 01.01.2021					
<u>Add</u>	Purchases	-	-		-
	Publicity	-	-		-
	-	-	-		-
<u>Less</u>	Stock				
	31.12.2021	-	-		-
	Cost	-	-		-
<u>Add</u>	Other films				
Stock 01.01.2021					
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	-	-		-
		1,226,738			1,226,738
<u>Less</u>	Transfers				
Stock 31.12.2021					
I. On percentage basis	259,890	-	259,890		-
II. Cine siththam	966,848	1,226,738	966,848		1,226,738
Total cost		-	-		-

National Film Corporation of Sri Lanka
Notes to the statements of income
for the year ended 31. December 2021(General Administration)

(04 - B) Cost of sales

National Film Corporation of Sri Lanka
Notes to the statements of income
for the year ended 31. December 2021 (Studio)

(04 - C) Cost of sales

	<u>Negatives</u> Rs.	<u>Cinema Carbon</u> Rs.	<u>Spare parts</u> Rs.	<u>Chemicals</u> Rs.	<u>Total</u> <u>2021</u> Rs.	<u>Total</u> <u>2020</u> Rs.
Opening stock- 01.01.2021	816,569	-	538,753	54,090	1,409,412	1,409,412
Purchases	-	-	-	-	-	-
	<u>816,569</u>	<u>-</u>	<u>538,753</u>	<u>54,090</u>	<u>1,409,412</u>	<u>1,409,412</u>
<u>Less</u>						
Damages to stocks	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Stock as at 31.12.2021	<u>816,569</u>	<u>-</u>	<u>538,753</u>	<u>54,090</u>	<u>1,409,412</u>	<u>1,409,412</u>
Internal usage during the year	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

National Film Corporation
Notes to the statement of income
for the year ended 31.12.2021

Note- 05

	2021	2020
	Rs.	Rs.
<u>Employees Remunerations</u>		
Salaries and wages	51,807,354	56,582,591
Overtime, Holoday Pay and Compensation	8,521,229	3,195,671
Contributions to Widows and orphans pensoons fund	11,342,867	11,484,865
Othe allowances	17,838,122	20,479,225
	<u>89,509,572</u>	<u>91,742,352</u>

Note -06

Travelling and subsistence allowance

Travelling allowances	(Local)	49,453	62,254
	(Foreign)	-	-
Subsistence alllowance		378,908	409,378
		<u>428,361</u>	<u>471,632</u>

National Film Corporation of Sri Lanka
Notes to the statement of income
for the year ended 31.12.2021

Note 07

	2021	2020
	Rs.	Rs.
<u>Supplies and equipment</u>		
Stationary and office equipment	1,563,315	756,815
Electricity	3,766,120	4,071,635
Refreshments	134,240	211,101
Electrical appliances	173,656	64,148
	<u>5,637,331</u>	<u>5,103,699</u>

Note 08

Rapairs, maintenance and depreciations

Fuel, lubricant and maintenance of vehicles

Insurance- Motor vehicles	129,880	336,033
Fuel charges	1,093,643	1,784,462
Repairs and maintenance of vehicles	2,044,896	1,224,367
Vehicle permits	46,730	57,120
Purchasing- spare parts for motor vehicles	173,356	189,792
Maintenance	3,276,184	2,063,649
Depreciation (Note 11)	18,510,514	17,179,605
	<u>25,275,202</u>	<u>22,835,028</u>

National Film Corporation
Notes to the statement of income
for the year ended 31.12.2021

Note 09

	2021	2020
	Rs.	Rs.
<u>Transport, links, requirements and other services</u>		
Transport	160,761	103,271
Links	1,419,122	1,365,084
<u>Requirements</u>		
Internal usage	54,420	60,950
Welfare expenses	2,236,902	2,055,483
Recruitment of employees and training	81,043	21,370
Water bills	144,595	178,238
Discussions and seminars	78,970	118,600
Film archiving	165,239	651,527
Rates	829,313	829,313
<u>Other services</u>		
Espenses of Board of Directors and Audit Committees	793,906	783,746
Publicity	421,247	462,235
Special agencies	186,971	303,529
Charges for disciplinary inquiries	372,205	199,900
Legal charges	213,106	1,440,916
Festivals of the Corporation	133,587	608,860
Foreign film festivals	37,742	-
Audit fees	1,200,000	1,104,000
Security services	7,945,830	6,131,460
Bank charges	60,665	65,698
Diploma on cinema education	697,965	472,579
Funeral aids of ouside persons and expenses of technicians	340,000	668,000
Expenses of new theater	371,577	353,155
Reading scripts	138,000	34,500
Delay charges	1,423	22,451
Sanitary services	2,945,688	3,363,377
Expenses for classification of films	-	345,500
Investigation Officers- payments	375,000	337,200
Technical consultancy services	150,000	-
Establishment of 5.1 sound system -Studio	-	857,050
	<u>21,555,276</u>	<u>22,937,991</u>

National Film Corporation
Notes to the statement of income
for the year ended 31.12.2021

<u>Note- 10</u>	2021	2020
<u>Other income</u>	Rs.	Rs.
Income from dividends	-	-
Production loan interest	-	-
Employees' loan interest	679,011	878,888
Miscellenous	446,800	90,510
Outside filming	2,300,205	3,577,857
Quality inspections	-	4,000
Interest on fixed deposits and treasury bills	17,388,383	20,402,037
Film registration charges- local and foreign	545,000	480,000
Income of N F C movie theater	610,000	1,448,375
Receipts from film watching	-	-
Approval for scripts	183,500	53,000
Income from building no 224 (2.14.5)	9,937,000	8,880,000
Receipts for courses	2,580,000	115,000
Identifying receipts from treasury to the income	11,757,590	11,492,198
Adjustment of exchange rates	62,900	4,103
Income from rental from lecture hall	43,625	41,000
Compensation from Insurance Corporation	-	50,050
Publicity boards	217,500	216,375
Annual registration fees- importers of foreign films	500,000	425,000
Approval for documentaries	1,104,000	1,308,000
Receipts - Investigation Officer	348,000	238,500
	<u>48,703,513</u>	<u>49,704,892</u>

National Film Corporation
Notes to the statement of income
for the year ended 31.12.2021

Notes-11 - Fixed Assets

Property, machinery, and equipment	Cost	Adjustment for the cost of previous year	Adding during year	Cost	Accumulated depreciations	Adjustments for the depreciations of the	Payments for the year	Accumulated depreciations	Net value
01.01.2021									
				31.12.2021	01.01.2021				31.12.2021
				Rs.	Rs.				Rs.
01. Free hold lands	174,343,458			174,343,458					174,34,458
02. Freehold buildings	147,054,219	(13,591,245)	11,124,043	144,587,017	72,416,505	6,322,738	78,739,243	65,84,774	
03. Cinema complex	122,837,432		45,500	122,882,932	83,842,684	5,072,029	88,914,712	33,96,8220	
04. Minis cinema equipment	331,451			331,451	331,449			331,449	
05. Furniture, fixing and fittings	23,308,180		170,532	23,478,712	18,051,710	762,056	18,813,766	4,664,946	
06. Office equipment	28,900,114		196,090	29,096,204	20,317,727	1,338,303	21,656,030	7,440,175	
07. Motor vehicles	18,182,879			18,182,879	15,482,876	2,699,995	18,182,871	8	
08. Film archiving	2,104,455			2,104,455	1,550,242	210,446	1,760,688	343,767	
09. Oush cycles	18,281			18,281	18,277		18,277	4	
10. Film equipment	910,689			910,689	861,390	49,279	910,669	20	
11. Projectors and equipment	1,158,152			1,158,152	725,996	67,795	793,791	364,361	
12. Machinary of studio	99,038,972		4,640,677	103,679,649	92,521,699	1,500,307	94,022,006	9,657,642	
13. Equipment for cinema education	1,241,350			1,241,350	1,112,152	124,135	1,236,287	5,063	
14. Welfare equipment	210,677			210,677	201,246	1,572	202,818	7859	
	619,640,309	(13,591,245)	16,176,842	622,225,906	307,434,954	-	18,148,654	325,582,607	296,643,299
11A Intangible									
Intangible assets			1,687,350	799,600	2,486,950	433,470	361,860	795,330	1,691,620
			1,687,350	799,600	2,486,950	-	433,470	361,860	1,691,620
Works not completed (2.4)									
1 Buildings	15,863,681		2,417,621	12,980,019	31,261,321				31,261,321
2 Office equipment			-	634,700	634,700				634,700
3 Air conditioners	7,149,211		-		7,149,211				7,149,211
4 Intangible assets			-	6,308,291	6,308,291				6,308,291
	23,012,892	2,417,621	19,923,010	45,353,522	-	-	-	-	45,353,522
Total assets	642,653,201	(9,486,274)	36,899,452	670,066,378	307,433,954	433,470	18,510,514	326,377,938	343,684,441

National Film Corporation
Notes to the financial position
for the year ended 31.12.2021

	2021	2020
	Rs.	Rs.
<u>Note 12</u>		
<u>Long term investments</u>		
Fixed deposits	195,895,798	26,610,169
Investment on shares-ANCL (Associated Newspapers Ltd)	127,000	127,000
(Note 2.2.8)		
	<u>196,022,798</u>	<u>26,737,169</u>
<u>Note 13</u>		
<u>Short term investments</u>		
Deposits at National Savings Bank- Employees	5,000	5,000
RIPO deposits	106,845,577	93,345,868
Treasury bills	-	108,524,164
	<u>106,850,577</u>	<u>201,875,032</u>
<u>Note 14</u>		
<u>Stocks</u>		
Films	5,253,887	5,253,887
Trade affairs	4,523,862	4,926,733
Studio	1,697,363	1,697,363
Maintenance of studio- spare parts	1,472,575	1,472,575
Stationary and other	3,184,904	2,331,013
Provisions for slow moving and stocks and stocks which are not sold	16,132,591	15,681,571
	<u>(8,597,176)</u>	<u>(8,597,176)</u>
	<u>7,535,416</u>	<u>7,084,395</u>
<u>Note 15</u>		
<u>Debtors</u>		
Movie Theaters	375,003,940.22	
(-) Provisions for surcharges	(157,817,044)	
(-) Impairement adjustments for debtors	<u>(112,250,315.16)</u>	104,936,581
		95,645,707
Producers	81,499,905	
(-) Provisions for production loan interests	(4,618,806)	
(-) Impairement adjustments for debtors (16a)	<u>(63,375,772.70)</u>	13,505,327
		15,763,375
	<u>118,441,907</u>	<u>111,409,083</u>
<u>Note 16</u>		
<u>Miscellaneous debtors</u>		
Other		177,054,722
Commission receivable	158,256,916	
Commission receivable (Fixed/ RIPO)	6,837,861	
Receivable Trust of Corporation	22,191,472	
Receivable cash account 224	12,437,643	
Impairement adjustment for miscellaeous debtors (16 a)	(9,986,195)	(8,852,736)
Advance for employees	1,345,954	20,714,077
Loans of employees to be recovered within 12 months	321,250	-
	<u>191,404,901</u>	<u>188,916,063</u>
<u>Note 16.1</u>		
Loans of employees to be rrecovered over 12 months	<u>16,506,775</u>	-
	<u>16,506,775</u>	<u>-</u>

National Film Corporation
Notes to the financial position
for the year ended 31.12.2021

Schedule for provisions for doubtful debts

Note 16 a Debtors	Total 2020		Recoverable	Allocation of 5%	Total allocations
	Rs.	Rs.			
Movie theaters	375,003,940	98,421,177	276,582,763	13,829,138	112,250,315
Producers	81,499,905	62,421,871	19,078,034	953,902	63,375,773
Other	199,723,892	-	199,723,892	9,986,195	9,986,195
Employees' loans	18,173,979	-	18,173,979	-	-
	674,401,716	160,843,048	513,558,668	24,769,234	185,612,282

	Movie theaters	Producers	Others
Balance b/f	183,984,339	111,636,986	63,494,617
Transferred to profit and loss account	1,627,943	613,329	(118,845)
	185,612,282	112,250,315.16	63,375,772.70
			9,986,194.58

<u>Impairment losses for debtors</u>	
As at 01.01.2021	183,984,339
Transferred to profit and loss account	1,627,943
Balance brought down 31.12.2021	185,612,282

National Film Corporation
Notes to the financial position
for the year ended 31.12.2021

	2021	2020
	Rs.	Rs.
<u>Note- 17</u>		
<u>Deposits and payment in advance</u>		
Deposit	3,925,436	3,851,112
Advance payments	87,443	204,407
Advance of funeral aids for welfaresociety	-	17,158
	<u>4,012,880</u>	<u>4,072,676</u>
Impairment adjustment for doubtful debts	(653,728)	(653,728)
	<u>3,359,152</u>	<u>3,418,948</u>
<u>Note 18</u>		
<u>Cash and bank balances</u>		
People's bank- C A No. 004-1-001-1-0208647	373,994	188,442
People's bank- C A No. 055-1-001-5-0667533	1,046,786	756,913
People's bank- C A No. 004-1-001-6-0208664	2,080,681	917,929
Bank of Ceylon C A No- 0002323272	2,218,557	4,362,273
Bank of Ceylon C A No- 0002323131	712,999	786,200
Bank of Ceylon C A No- 0002323354	19,438,606	6,085,060
Bank of Ceylon C A No- 0002323363	3,456,070	1,334,998
Bank of Ceylon C A No- 0005002189	2,191,823	8,598,724
Bank of Ceylon C A No- 5152460	-	-
	<u>31,519,517</u>	<u>23,030,540</u>
<u>Cash in hand</u>		
Petty cash Head Office	-	-
Petty cash studio	-	25,000
Petty cash Film store	34	34
	<u>34</u>	<u>25,034</u>
<u>Deposit at maturity after 3 months</u>		
RIPO deposits	21,935,375	112,074,307
Treasury bills	4,068,536	9,615,868
	<u>26,003,911</u>	<u>121,690,175</u>
Total	<u>57,523,462</u>	<u>144,745,749</u>
<u>Note 19</u>		
<u>Grants</u>		
Treasury grants	101,651,934	102,160,132
(-) Amortization	(11,757,590)	(11,492,198)
	<u>89,894,345</u>	<u>90,667,934</u>

National Film Corporation
Notes to the financial position
for the year ended 31.12.2021

	2021	2020
	Rs.	Rs.
<u>Note 20</u>		
<u>Provisions for gratuity</u>		
Balance brought forward- 01.01.2020	51,335,634	42,365,554
Provisions in excess in year 2020	(1,775,311)	-
Provisions for the year	2,443,174	12,457,075
Cash payments	(3,000,900)	(3,486,995)
	49,002,597	51,335,634

<u>Note 20.1</u>
Payments after next 12 months

<u>Note 20.2</u>
Payments in next 12 months (Up to 31.12.2022)

<u>Note 21</u>
<u>Deposits</u>
Security deposits for N F C movie theater
Deposit for canteen
Deposits for security services Movie theaters
Employees
Film importation
Film project
Sanitary services

<u>Note 22</u>
<u>Film rental creditors</u>
Film rental creditors
(-) Impairment adjustment for creditors

National Film Corporation
Notes to the financial position
for the year ended 31.12.2021

	2021	2020
	Rs.	Rs.
Note 23		
Financial liabilities		
Accrued expenses (2.10)	53,565,690	51,097,862
	<hr/>	<hr/>
	53,565,690	51,097,862

Note 24

Other creditors

WAT payable	152,612	152,612
Provision for audit fees	2,178,000	5,125,000
Commissioner of Inland Revenue (Stamps)	41,648	47,723
Salaries not claimed	539,152	946,911
Employees Provident Fund	656,759	656,759
Employees Trust Fund	72,955	72,955
Miscellaneous Creditors	857,755	853,954
(-) Provisions for liabilities which should not be paid	(644,840)	(644,840)
National Film Development Fund (2.11)	3,525,795	3,525,795
Rithma circuit control account	5,220,133	4,656,588
Payment of Paye tax	38,253	38,253
Account for provisions for salaries and wages	577,190	577,190
Provisions for production loan interest	1,028,122	1,028,122
Public Performance Board	114,801	114,801
Film Artists and Technicians Fund Control account	-	2,618,552
Film resotoration	-	-
Ceyon biscuit Ltd	976,303	976,303
Suspense account	52,680	-
	<hr/>	<hr/>
	15,387,318	20,746,679

Board of Directors - Year 2021

Serial No	Name	Post	Address
1	Dr. Jayantha Dharmadasa	Chairman	National Film Corporation of Sri Lanka, No 303, Baudhhaloka Mawatha, Colombo 07
2	Mr. Nalaka Kaluwew (up to 23.02.2021) Mr. Mohan Samaranayaka (from 16.07.2021)	Director General of Government Information, Department of Government Information	Department of Government Information, Colombo 05
3	Mr. Chandrapala Liyanage	Director General	Sri Lanka Broadcasting Corporation Colombo 07
4	Mrs. Tharani Anoja	Director Cultural Affairs, Department of Cultural Affairs	Department of Cultural Affairs, 8 th floor, Sethsiripaya, Battaramulla
5	Dr. Dhamma Dissanayaka	Lecturer, University of Visual and Performing Arts	No.2/2, Town Hall Housinh Complex, Nawaya , Weyangoda
6	Prof Kolith Bhanu Dissanayaka(From 07.04.2021)	Dean - Faculty of Postgraduate Studies , University of Visual and 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	Mr. S.T.Kodikara	Secretary,Ministry of National Heritage, Performing Arts and Rural Arts Promotion	No.083B20, No. 265, Oval View Houses, Pelengastuduwa Road Borella.
10	Mrs. D.C.Jayadeva (Representative of the General Treasury) (up to 20.04.2021) Mrs. N.P.A.R.Jayawardana (from 28.06.2021)	Director - Department of trade and Investment Policies	Department of trade and Investment Policies Ministry of Finance, Economic and Policy Development, Secretariat, Colombo 01
11	Mrs. Wasanthi Chathurani (Member of the Board of Directors- Observer)	Director - Department of Public Accounts, Ministry of Finance, Colombo 01	Department of Public Accounts, General Treasury, Ministry of Finance, Colombo 01
		Veteran Actress	No. 26/2, School Lane, Nawala Rajagiriya

Board of Directors- year 2022

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, No 303, Baudhaloka Mawatha, Colombo 07
2	සුද්ධී Mr. Dinith Chinthaka Karunaratna (From 15.09.2022)	Director General of Government Information, Department of Government Information	Department of Government Information, Colombo 05
3	Mrs. Tharani Anoja (From 10.08.2022)	Director Cultural Affairs, Department of Cultural Affairs	Department of Cultural Affairs, 8 th floor, Sethsiripaya, Battaramulla
4	Mr. Nalin Kumara Nishshanka (From 10.08.2022)	Director General	Sri Lanka Broadcasting Corporation Colombo 07
5	Mr. Jagath Wickramanayaka, President Counsellor (From 14.10.2022)	President Counsellor	1174, Dhammodaya Mawatha, Battaramulla
6	Mr. Ashly Rathnavibhushana (From 08.08.2022)	Representing movie field	118, Dehiwala Boralesgamuwa
7	Mrs. Sandhya Darshani Gunasekara (Nadeeka Gunasekara) (From 08.08.2022)	Representing movie field	No 552 B,Westbury Pary, Wijesingha Mawatha, Pelawaththa, Battaramulla
8	Mr. P.P.S.R.De Silva (From 31.10.2022)	Director, (Representative of General Treasury) (3rd floor)	Department of External Resources, Secretariat (3rd floor) Colombo 01

Chairman,
National Film Corporation of Sri Lanka

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 2021 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 2021 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 2021, 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

Following observations are made in this regard.

- (a) Unidentified direct credits to the value of Rs. 52,680, which have been identified in the months of January and February 2022 and included in the bank reconciliation statement as at 31 December 2021 in relation to 02 bank accounts, have been included in a suspense account without adjusting them in financial statements of year 2021 as per para 03 and 08 of Sri Lanka Accounting Standards no 10.
- (b) Even though the assets of the Corporation should be verified once in 03 or 05 years depending on the change of the fair value of the property, plants and equipment of the Corporation as per para 34 of Sri Lanka Accounting Standards No. 16, no such verification has been done by the Corporation on the assets.

- (c) Even though the fixed assets to the total value of Rs. 171,764,741 have been fully depreciated due to not reviewing annually the productive life time for non-current assets as per para 51 of Sri Lanka Accounting Standards No. 16, they were still in use and no revelation has been made in financial statements on such assets as per para 79 (b) of standard. Accordingly, action has not been taken to revise the estimated defect on productive life time of these assets as per Sri Lanka Accounting Standard No. 08.
- (d) The total value of slow moving and non-moving stock of the Corporation as at 31 December 2021 is Rs. 8,597,176. Even though the unusable assets should be revealed in financial statements on net book values as per para 79 (a) of Sri Lanka Accounting Standard No 16, no adequate revelation has been made on unusable and out-dated assets belonging to the Corporation and found within and outside the premises of Corporation.
- (e) The rental for the new building of the Public Performance Board, which was to be recovered for year 2021, has not been accounted in the financial statements of the year under review estimating the building rent as per the decision of the Board of Directors no. 2019/03/March/1175.2.1.9 (6427).
- (f) Even though the value of total assets is Rs. 902,469,609 as per the statement of financial position obtained through the quick book software, the accounting software of the Corporation, for the year under review, it has been shown in the statement of financial position submitted for the audit as Rs. 1,041,333,428 and further even though there was a deficit of Rs. 6,715,038 as per the statement of comprehensive income obtained from computer software it has been shown in the statement of comprehensive income submitted for the audit as an excess of Rs. 9,417,553. Therefore there was a difference of Rs. 154,996,410 among balances.
- (g) Even though the balance of the film rental debtors was Rs. 395,060,050 as per the comprehensive schedule submitted for the audit on 31 December 2021, the same was Rs. 375,003,940 on the aforesaid date as per the ledger. Therefore a difference of Rs. 20,056,110 has been observed.
- (h) As per the schedules, which have been submitted for the audit as at 31 December 2021, the balance of creditors was Rs. 294,809,272 but the same balance as per the ledger as at the same date was Rs. 263,037,778. Therefore a difference of Rs. 31,771,494 has been observed.

Since the income of the Corporation was not sufficient to cover the expenses, since year 2001 the General Treasury has provided provisions for salaries of employees and capital expenses. Further the Corporation was running continuously at a loss in operations during the year under review and previous 05 years before receiving grants from Treasury and therefore it was observed at the audit that the continuity of the functioning of the Corporation is doubtful for at present without having the support of the Government and the interest from short term deposits.

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 2021 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 the annual report when the annual report 2021 of the Corporation is read, I should communicate them with the parties hold responsible for control for rectifying them. If there are misstatements further, which were not rectified, I would include them in the report, which is tabled at the Parliament in due course as per article 154 (6) of the Constitution.

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) Para 16 (2) of part III of National Audit Act No. 19 of 2018 and section 877 (2) (d) of Financial Regulations included by para 15.1 of Public Finance Circular No. 01/2020 dated 28 August 2020.	Even though the financial statements and drafts should be submitted to the Auditor General for the audit within 60 days from the end of the financial year, the financial statements of the Corporation for year 2021 have been submitted for the audit on 21 February 2023 after the delay of one year.
(b) Financial regulations 756 (6) revised by para II of the Public Finance Circular No. 01/2020 dated 28 August 2020.	Even though the reports of the board of surveys relevant to the relevant financial year should be submitted to the Auditor General before 15 March of the coming year, the reports of the board of

	survey of the Corporation for year 2021 have been submitted for the audit in March 2023 after a delay of one year.
Para 2 (a) and (b) of the Asset Management Circular No. 05/2020 dated 02 October 2020	There were 14 motor vehicles and 06 motor vehicles have removed from running since year 2020. By the year 2022 only one motor vehicle was in use. However no action has been taken either to use vehicles making necessary repairs or to dispose vehicles which are not used, as per the provisions of this circular.

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) The average value of opening and closing balances between 08 bank current accounts of Corporation in year 2021 is Rs. 26,410,717 as per the cash books and the same value is Rs. 31,636,323 as per bank reconciliation statements. No attention has been paid to earn an additional income by way of investing at least a part of such money and it was observed that such money was retaining in current accounts with a view to make payments.
- (b) As per the financial statement, which were not submitted for the audit, the accrued expenses to the value of Rs. 2,262,126 out of the accrued expenses to the value of Rs. 53,565,690as at 3 December 2021 are for making payments for the transactions occurred before 05 years. Accordingly, action has not been taken to settle accrued expenses promptly.
- (c) Action has not been taken by the internal control system of the Corporation or to re pay the relevant persons or to identify with the income the non-paid salaries, of which the value is Rs. 923,683 and remaining for more than 05 years.
- (d) The Corporation has applied quick book software from year 2020 to maintain accounting process through computer technology. Proper internal control systems and system control strategies have not been introduced for this system, which has been used without an information technology division and an officer responsible for the supervision and control of the software. However maintaining the books has been stopped in year 2020 concurrently to

the application of this software for computerised accounting and issues have arisen on the credibility of the financial statistics and data submitted for the audit as the system has a speciality to include and remove data and information so as to be effective to the past. No action has been taken to minimize the risk arisen in this computerised accounting system due to non- keeping backups safely, the inability to enter them again in the system and the unavailability of efficient hardware for the system and the restrictions applied to external auditor to have access to the system, which have been pointed out by the audit reports of previous years.

- (e) The Corporation has used three computer software, such as quick book, seefa and neither visual basis, which have nor links with each other, for keeping accounts and records on income of film rental, and payment of salaries and contributions to employees' provident fund and employees' trust fund. Since data and information are not exchanged among this software automatically, there was a risk of incurring defects and frauds and further the computerised accounting statistics and reports were not credible as the internal audit was completely paralysed during year 2022 and the internal computerised control systems and control strategies were at the minimum level. Therefore they could not be reconciled.
- (f) Letters of confirmation for debtor balances have been called from 69 movie theatres to the total value of Rs. 68,456,027 as at 31 December 2021 and 27 letters have been returned due to closing down, demolishing of theatres and no such theatre was at the given address. Accordingly, the arrears which cannot be collected from 27 theatres by the Corporation is Rs. 23,380,463.
- (g) Letters of confirmation for debtor balances have been called from 105 film production debtors to the total value of Rs. 71,334,541 as at 31 December 2021 and 22 letters out of the above have been returned as they could not be delivered due to various situations. Accordingly, the amount of non-recoverable production loans, of which the balances could not be verified, from 27 theatres by the Corporation is Rs. 20,401,950.
- (h) The total of the loans to the value of Rs. 81,499,905 from the loans given for film production and modification of theatres and the arrears to be paid to Corporation from theatres to the value of Rs. 375,003,940 should be received by the Corporation as at 31 December 2021. The total of both amounts is Rs. 456,503,845. Since an amount of Rs. 333,443,132 out of the total outstanding amount has been allocated as surcharges and doubtful debts, the balance of the recoverable loans is Rs. 123,060,713 as at 31 December 2021. It is 27% from total debtors. No action has been taken to recover this amount.
- (i) A committee has been appointed in year 2021 to recover the arrears to the Corporation. Further instructions have been given also by the Department of Public Enterprises to recover

the loans and other amounts in arrears for the past 10 years immediately preceding 31 December 2021 following a proper methodology. But the recommendations of the Committee have not been issued for recovery of arrears by the date of audit in year 2022 and further no action has been taken to recover the arrears of loans as per the instructions of the Department of Public Enterprises.

- (j) Head Office of the Corporation is located in the land in extent of 1,1235 hectares depicted in lot no 01 of Plan No. 9848 situated in the Grama Niladhari Division belonging to Divisional Secretary's Division, Thimbirigasyaya. The Head Office of the Corporation has been maintained in the said land constructing several buildings including Head Office of the Corporation without transferring the legal ownership of the land to the Corporation.
- (k) The Corporation has provided the first floor of the two storied building at no 224 and belonging to the Corporation, by the Lease agreement no 4660 up to 14 January 2019 at a monthly lease rent of Rs. 315,000 to SALACINE institute. The building has been used by the relevant institute without renewing the lease agreement and without paying arrears of lease rent of Rs. 12,111,000 and then it has been returned to the Corporation on 28 March 2022. No action has been taken to recover these arrears up to October 2022 and further this building has not been used for a productive purpose after 28 March 2022.
- (l) The single storied building belonging to the Corporation and situated at No 224 has been provided to the Public Performance Board on lease rent from year 2007. The agreement no. 4711 signed for the last time by both parties on 23 January 2017 has expired on 31 December 2018. The Public Performance Board, violating the conditions of the lease agreement, new two storied building of 2576 sqft has constructed demolishing the existed building. Even though more than three years have lapsed after the expiry of lease agreement, action has not been taken to enter in to a new lease agreement properly obtaining a valuation report for this new building paying attention to the observations made by the report of the Auditor General in previous year. Further no action has been taken to value the lease rent in arrears for year 2021 and to recover relevant amount.
- (m) The Construction works of the Museum and library has been commenced on 05 April 2019, which has been proposed to be constructed within the premises of the Corporation in the name of Dr. Lester James Peris to the estimated value of Rs. 99,965,061 assigning construction and consultancy service to State Engineering Corporation by way of signing bilateral agreement. An amount of Rs. 3,134,107 has been paid for this construction by 3 December 2021, which has been commenced without obtaining approval of Urban Development Authority and Cabinet of Ministers. The construction works have been stopped for more than 03 years and it has been pointed out by the report of the Auditor

General of previous year and the iron bars used for the constructions gravely rusted and under such situation the building is facing destruction.

- (o) 15 cases, of which Corporation named as the defendant, were being heard at various courts by 31 December 2021 and further, 05 complains made at Labour Tribunal and 09 complains made by producers and directors of teledramas and films at Human Rights Commission were being heard without giving a final decision. As a result of such situation, a situation has arisen where permanent officers were not attached to several higher posts and further officers of the Corporation had to spend their time for court purposes and it has caused adverse effects for the functioning of the Corporation.
- (p) A film preservation unit has been maintained at Sarasavi Studio, Dalugama, Kelaniya for the preservation of negatives of old movies. At the physical audit conducted at the unit, written proofs have not been submitted for the audit to prove the negatives kept for preservation. Further, negatives of certain movies stored after preservation have been misplaced totally or partly. Since an updated list has not been maintained for the preserved negatives of movies it has become unable to observe the particulars pertaining to quantity of the misplaced negatives. Further Management has not taken action to protect such negatives.
- (Q) With a view to establish an academic, conceptual and technological base for the creation of a Sri Lankan Cinema Culture at higher level, a diploma course of one year has been commenced on cinematography. However students were not enrolled in year 2020 in the face of COVID 19 pandemic and the course has been commenced on 27 March 2021 enrolling 43 students in year 2021 and it has been concluded on 27 March 2022. Even though project has been prepared to develop this diploma course up to a cinema school and the syllabus has also been prepared, it has become unable to commence such works by October 2022.
- (r) The methodology for the distribution and screening of movies has been prepared and further the approval for the implementation of this methodology has been granted by the Cabinet through the Cabinet Decision No. CP/21/1024/305/022. Even though this methodology should have to be published in a gazette notification in order to bring this process under the Corporation as per the Cabinet approval, relevant gazette has not been issued until October 2022.
- (s) No action has been taken to clean the ponds situated within the premises of Sarasavi Studio, Dalugama, Kelaniya to keep the environment of the studio pleasantly and further to clean the canal flowing through the premises. Further there was a dilapidated single storied building within the premises of studio, which should be demolished. Attention has not been paid by the management to fix a name board at the entrance of the studio and to protect the attractive

environment of the premises to suit to a studio. It has been kept as an idle asset without taking action to use it for a purpose, by which economic advantages can be gained.

- (t) 4K DCP projector has been purchased spending Rs. 11,460,155 for the purposes of Tharangani movie theatre belonging to the Corporation. However, the Corporation has failed by year 2022 to purchase spare parts required to convert this to running condition. Since the projector could not be brought to running condition, the money spent for the purchase and Tharangani theatre have become idle assets.
- (u) The monopoly enjoyed by the Corporation for the distribution of movies has been cancelled in year 1999 and as a result of this measure the Corporation has to face a loss in the collection of commission, which is the main income of the Corporation. Further the Corporation lost its income sources due to closing down of movie theatres in the face of COVID 19 pandemic. It was observed the weakness of the cash flow of the Corporation as it has failed to recover the loan balances in arrears.

W.P.C. Wickramaratne
Auditor General