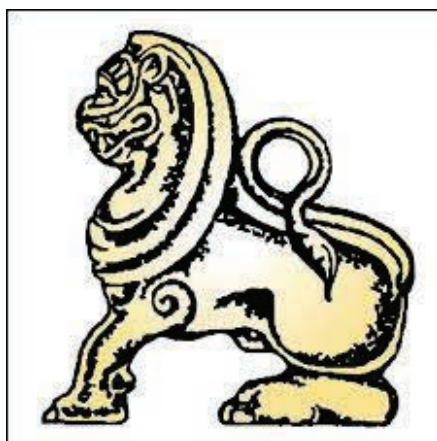


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ஆண்டறிக்கை  
ANNUAL REPORT  
2020



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இலங்கை தேசிய திரைப்படக் கூட்டுத்தாபனம்  
NATIONAL FILM CORPORATION OF SRI LANKA

# **National Film Corporation of Sri Lanka**



**Annual Report  
2020**

## Presentation

Date -06. 08.2021

My No NFC/119/02/01/01

Hon. Mahinda Rajapaksha,  
Prime Minister and Minister of Buddha Shahana,  
Religious and Cultural Affairs,  
8th Floor,  
Sethsiripaya,  
Battaramulla.

Through,  
Secretary ,  
Secretary, Ministry of Buddha Shahana,  
Religious and Cultural Affairs

### National Film Corporation of Sri Lanka- Annual Report - 2020

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 National Film Corporation is hereby submitted along with the following documents for the year ended 31 December 2020.

1. The tasks performed by the Corporation during year 2020 and relevant statements
2. Profit and Loss Account for the year ended 31 December 2020, related notes and the Balance Sheet as at 31 December 2020.
3. Report of the Auditor General for the year ended 31 December 2020.

Yours Faithfully,

Ravi Prasad Kalupahana  
General Manager  
National Film Corporation of Sri Lanka

Sgd. Jayantha Dharmadasa  
Chairman  
National Film Corporation

## **Administration Report**

1. Introduction
2. Board of Directors
3. Production of Local Movies
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8. Screening movies
9. Local Supplies- Imports and Exports
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14. Planning, Statistics and Training
15. Medical Aids
16. Welfare
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18. Sports Association
19. Trade Unions
20. Acknowledgement

## 01. Introduction

Annual Report of the National Film Corporation of Sri Lanka for the year 2020, which is submitted to Hon. Mahinda Rajapaksha, Prime Minister and the Minister of Buddha Shasana, Religious and Cultural Affairs and the Auditor General under Section 32 (1) of the National Film Corporation Act No 47 of 1971 amended by the Act No 45 of 1980.

This report, which is submitted for the year of 2020, is in relation to 49th year of the National Film Corporation.

## 02. Board of Directors

The Board of Directors , who held office for the year 2020, consists of the members mentioned below.

	<b>Name</b>	<b>Post/ Field</b>	<b>Composition</b>
1	Dr. Jayantha Dharmadasa	Chairman, National Film Corporation of Sri Lanka	Section 7 (1) (b), and 19 (1) of the National Film Corporation of Sri Lanka amended by the Act No. 45 of 1980.
2	Mr. Nalaka Kaluwewa	Director General of Information, Department of Government Information.	Section 7 (1) (b) of the National Film Corporation of Sri Lanka amended by the Act No. 45 of 1980
3	Mrs. Tharani Anoja Gamage	Director of Cultural Affairs, Department of Cultural Affairs	
4	Mr. Chandrapala Liyanage	Director General, Sri Lanka Broadcasting Corporation	
5	Mr. Rohan Weliwita	Working Director, National Film Corporation of Sri Lanka (From 01.01.2020 up to 12.05.2020)	Section 7 (1) (b) of the National Film Corporation of Sri Lanka amended by the Act No. 45 of 1980  Appointed by the Minister in Charge of the subject
	Mr. S.T Kodikara	From 15.10.2020	
6	Dr. Dhammika Dissanayaka	Lecturer , University of Aesthetic Studies	
7	Dr. Ravindra Randeniya	Movie Industry	
8	Mr. Dhammith Fonseka	Movie Industry	
9	Mrs. Wasanthi Chathurani	Member of the Board of Directors (Observer)	
10	Mrs. D. C. Jayadewa	Representative of the General Treasury- Director- Department of Trade, and Investment Policies	



03.	<p>For prominent artists in the industry :</p> <ul style="list-style-type: none"> <li>• <b>Payment for medical aids</b></li> <li>i. Mr. Thissa Surendra</li> <li>ii. Anjala Senevirathna</li> <li>iii. Miss. Sureni Senerath</li> <li>iv. Mr. Priyankara Perera</li> <li>v. Mrs. Muri Samarasingha</li> </ul> <p style="text-align: right;">} Payment has been made at the rate of Rs. 50,000 per person</p> <ul style="list-style-type: none"> <li>• <b>Payments of funeral aids</b></li> <li>i. Mr. Jayalath Manorathna</li> <li>ii. Mr. Daya Thennakoon</li> <li>iii. Mr. Alexander Fernando</li> <li>iv. Mr. Tenyson Cooray</li> </ul> <p style="text-align: right;">} Payment has been made at the rate of Rs. 100,000 per person</p>	<p style="text-align: right;"><b>250,000.00</b></p> <p style="text-align: right;"><b>400,000.00</b></p> <hr/> <p style="text-align: right;"><b>650,000.00</b></p>
04.	<p><b><u>Importation of movies</u></b></p> <p>Issuance of applications for the registration of movie suppliers for year 2020.  <b>(Rs. 25,000 per application)</b>  Accordingly, the number of the registered suppliers for year 2020 is 19.</p> <p>The number of Tamil/English/Hindi/and other languages imported during this year is 78.  <b>(Rs. 5000.00 per movie)</b></p>	<p style="text-align: right;"><b>475,000.00</b></p> <p style="text-align: right;"><b>390,000.00</b></p>
05.	<p><b><u>Granting approval for shooting foreign movies</u></b></p> <ul style="list-style-type: none"> <li>• For 01 short movie 04 foreign members <b>(Rs. 2000.00 per person - After 01.03.2020)</b></li> <li>• Documentaries - 12 - Rs. 50,000.00 each for 08 programmes - Rs. 25,000.00 each for 04 programmes - For 31 foreign members (Rs. 5000.00 per person - Before 01.03.2020) For one foreign member (Rs. 2000.00 per person - After 01.03.2020) The Word Heritage</li> <li>• Foreign movies – 01 (01 Movie- per Rs. 150,000) For 64 foreign members (Rs. 2000.00 per person – After 01.03.2020)</li> </ul>	<p style="text-align: right;"><b>75,000.00</b></p> <p style="text-align: right;"><b>8,000.00</b></p> <hr/> <p style="text-align: right;"><b>83,000.00</b></p> <p style="text-align: right;"><b>400,000.00</b></p> <p style="text-align: right;"><b>100,000.00</b></p> <p style="text-align: right;"><b>155,000.00</b></p> <p style="text-align: right;"><b>2,000.00</b></p> <p style="text-align: right;"><b>11,000.00</b></p> <hr/> <p style="text-align: right;"><b>668,000.00</b></p> <p style="text-align: right;"><b>150,000.00</b></p> <p style="text-align: right;"><b>128,000.00</b></p> <hr/> <p style="text-align: right;"><b>278,000.00</b></p>

	<ul style="list-style-type: none"> <li>Photo Shoot - 04 (50,000.00 x 03 -Before 01.03.2020) (25,000.00 x 01 After 02.03.2020)</li> </ul>	<b>150,000.00</b> <b>25,000.00</b>
	For 08 foreign members (Rs. 5000.00 per person - Before 01.03.2020)	<b>40,000.00</b>
	For 02 foreign members (Rs. 2000.00 per person - After 01.03.2020)	<b>4,000.00</b>
		<b>219,000.00</b>

#### **06. Other (Special services)**

- I. Issuance of the certificates for the identity to movie artists and old movies.
- II. Making arrangements for the issuance of identity cards to artists in movie industry.
- III. Issuance of letters of clearance to Sri Lanka Customs.
- IV. Issuance of the letter of confirmation to the Department of Inland Revenue in order to provide tax relief for movie theatres.
- V. Issuance of letter of clearance to Sri Lanka Customs after obtaining guarantees for technological tools including cameras , which are imported for the local and foreign movies filmed within the country and other programmers.
- VI. Granting concessions for the welfare activities of movie artists.
- VII. Provision of information in relation to the cinema to the undergraduates, who study on cinema and conducting lectures. .
- VIII. Issuance of passes to media personals to watch movies.

#### 04. Personal and institutional management

Staff as at 01.01.2020	
Approved cadre	186
Permanent staff	136
Number of employees who left during year 2020	
Number of employees , who retired	04
Number of employees , who resigned	03
Permanent staff as at 31.12.2020	129
Other staff	
Chairman	01
Total staff as at 31.12.2020	130

#### Administration of the institution and fulfilling the requirements of the institutions

Service delivery has been ensured whilst performing all functions taken in relation to the administration of the employees of the institution.

#### 05. Publicity for movies / Cine Ads

	Description	Progress (Rs. Cts)
01	<b>Newspaper publicity on movies released for screening in Lanka Films circuit and Rithma circuit .</b> Suparna Seda Mawatha Shelina Panshu Miss Jenings	<b>259,000.00</b>
02	Taking action to display hoardings of the size 10x10 and 10x20 for 12 movies in the iron frames fixed in the premises of Film Corporation in front of the main road.	<b>232,125.00</b>

## 06. Internal Audit Activities

This Division takes measures in order to minimize the incompatibilities and gaps in the financial, administration and development structures for ensuring assistance required to minimize the expected and actual results in the achievement of objectives connected to the mission and vision of National Film Corporation of Sri Lanka.

The number of the meeting of Audit and Management Committee, which were held during the year is 02

Dates on which meetings were conducted 10/02/2020

17/06/2020

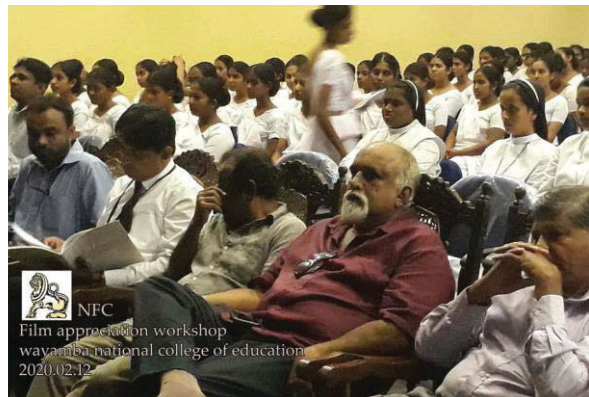
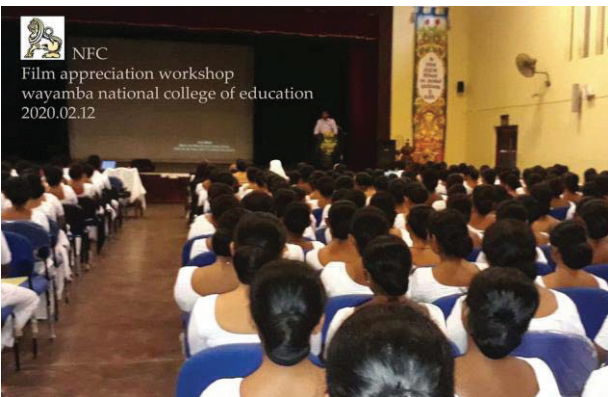
Composition of the Audit and Management Committee

<b>Name</b>	<b>Post</b>
Mrs. D.C Jayadewa	Chairman of the Committee (Representative of General Treasury )
Mr. Nalaka Kaluwewa	Member of the Committee
Dr. Ravindra Randeniya	Member of the Committee
Mr. Dhammith Fonseka	Member of the Committee
Mrs. W. Shriyani Hanwella	Internal Auditor (Convener of the Committee )

## 07. Educational Promotion and Cultural

Programme to enhance the taste on cinema ' *Jeewithayata Cinamawa* ' (Cinema for life)

Programme	District	Date	Venue	Physical progress (Audience)
Workshops on cinema	Monaragala	17.01.2020	National Youth Council	Trainees 250
			Technical Collage	Trainees 300
	Kurunegala	11.02.2020	Saripuththa Collage of Education- Dambadeniya	Trainees 400
			12.02.2020	North Western Collage of Education, Bingiriya -
	Colombo	28.02.2020	Prof. Ediriweera Sarachchandra drama school	Students 400
	Matale	04.03.2020	Moragahakanda Conference Hall	Students 2000
Colombo	27.08.2020	Nalanda Vidyalaya	Students 800	



### Conducting *Cinema Kathika* Programmes for the enhancement of cinema culture

Title	Date	Venue	Physical Progress (Audience)
Aesthetics of the cinema	30.01.2020	Tharangani Cinema Hall	Participation 200
Cinema education and audience	27.02.2020		Participation 250



## 08. Distribution of movies

### Screening of movies

- ❖ During year 2020, 65 movie theaters have been operated in Rithma Circuit..

### Realising of movies

- ❖ Movies have been relased by Rithma Circuit for 65 movie theaters.
- ❖ During year 2020, Rithma Circuit has taken action to distribute movies joining with other circuits..
- ❖ Further Rithma Circuit has taken action to release 03 Sinhala movies..
- ❖ Action has been taken to release 05 Tamil movies, 04 Hindi movies and 03 English movies by Rithma Circuit , which were imported in January of this year by suppluiers, joining with the movie theaters owned by Rithma Circuit and other circuits.  
(Action has been taken to release movies through Rithma Circuit obtaining movies from the quota allowed to the circuit of National Film Corporatin.)
- ❖ Movie theaters have been closed for several months due to first and second waves of COVID 19 pandemic in year 2020.

## 09. Importation and Exportation of Local Supplies

- ❖ Purchasing and supplying technical equipment , stationeries and other equipment following proper procedures based on the requirement of the owners of movie theaters and the Corporation. .
- ❖ Fixing the 7.1 playback system at Sarasavi Studio, purchasing CP 950 processor and establishing editing system.
- ❖ Repairing the electricity system of Black and White and Color Lab of Sarasavi Studio.
- ❖ Maintaining the agreements making necessary updating with relevant agents pertaining to service agreements on goods and services.

## 10. Financial Activities

### 01. Sources of Income

Particulars on the actual income of year 2019-2020 and the budgeted income of year 2020 are given below.

Income	2019 Actual Rs. M.	2020 Actual Rs. M.	Increase/ Decrease	2020 Budgeted Rs. M.
Commission for distribution -Local	12.6	4.1	(67.5)	35
Foreign	20.6	7.3	(64.6)	
Increase (Trust of the Corporation)	7.9	1.3	(83.5)	8
Surcharge investigation Fines and other	5.7	2.5	(56.1)	6.1
Cine Ads Commission	0.5	0.3	(40.0)	0.7
Income from studio	1.7	1.3	(23.5)	0.5
Commercial activities	1.7	0.8	(52.9)	1.9
<b>Income from operations</b>	<b>50.7</b>	<b>17.6</b>	<b>(65.2)</b>	<b>52.7</b>
<b>Other income</b>	<b>68.6</b>	<b>49.7</b>	<b>(27.6)</b>	<b>65.4</b>
<b>From General Treasury for President's Awards Ceremony</b>	<b>25</b>	<b>0</b>	<b>(100.0)</b>	<b>0</b>
<b>Receipts for recurrent expenditure</b>	<b>80.8</b>	<b>90</b>	<b>11.4</b>	<b>125</b>
<b>Total receipts</b>	<b>225.1</b>	<b>157.3</b>	<b>(30.1)</b>	<b>243.1</b>

When considering comparatively to year 2019, the income from operation shows a decrease by 65.2% in year 2020 than year 2019. Main reason for the decrease in the income from operation is the decrease in the commission for local distribution and foreign distribution by 67.5% and 64.6% respectively. Due the COVID 19 pandemic situation, which is prevailing from March 2020 up to date, movie theaters had to be closed and the audience recorder during the limited period, where movie theaters were operating, also at the minimum level/

## 02. Source of Expenditure

Particulars on the actual expenditure of year 2019-2020 and the budgeted expenditure of year 2020 are given below.

<b>Expenditure</b>	<b>2019 Actual Rs. M.</b>	<b>2020 Actual Rs. M.</b>	<b>Increase/ Decrease</b>	<b>2020 Budgeted</b>
Remunerations of employees	90	91.7	1.9	123.2
Travelling and subsistence allowances	1.4	0.5	(64.3)	4
Supplies and equipment	9.1	5.1	(44.0)	10.7
Repairs, maintenance and depreciations	30.5	22.8	(25.2)	38.4
National Film Festivals	26.2	0	(100.0)	2
Cost of sales	4.4	0.06	(98.6)	2.1
Transport links, requisites and other	28.2	22.9	(18.8)	60.8
Allocations for bad debts	0.2	0.1	(50.0)	5
Allocations for gratuities	3.5	12.5	257.1	7.9
Movie Artists and Technical Staff Fund	0.5	0.5	-	10.5
<b>Total expenditure</b>	<b>194</b>	<b>156.2</b>	<b>(19.5)</b>	<b>264.6</b>

When considering comparatively to year 2019, the expenditure shows a decrease by 19.3% in year 2020 than year 2019. Main reason for such decrease in year 2020 comparatively to year 2019 is the closing down of service station for several months and the inability to achieve the targets of the Corporation due to VOVID 19 pandemic situation.

	<u>2019</u> Rs. M.	<u>2020</u> Rs. M	%
Income from operation	50.7	17.6	(65.2)
<b><u>Less</u></b>			
Expenditure for operations	<u>194</u>	<u>156.2</u>	(19.5)
Profit/ loss from operation	(143.3)	(138.6)	(3.3)
<b><u>Add</u></b>			
Other income	<u>68.6</u>	<u>49.7</u>	(27.6)
Profit/ loss of the year	(74.7)	(88.9)	(19.2)
<b><u>Add</u></b>			
From General Treasury - Receipts for recurrent expenditure for President' Awards Ceremony	<u>105.8</u>	<u>90</u>	(14.9)
<b>Surplus</b>	<u><u>30.9</u></u>	<u><u>1.1</u></u>	<u>(96.4)</u>

Even though the loss from operation in year 2019 has shown a decrease by 3.3% comparatively to year 2019 and the other income has also shown a decrease by 27.6%, the loss of year 2020 has shown an increase by 19.2% comparatively to year 2109. The surplus has marked a decrease by 96.4% in year 2020 comparatively to year 2019 after adjusting the receipts for recurrent expenditure. Main reason for such situation is the decrease in the expenditure in year 2020 comparatively to year 2019 and the decrease in the surplus due to decrease in the income in year 2020.

### **03. Fixed Assets**

During Rs. 1.7 million, Rs. 0.2 million, and Rs. 01 million have been spent respectively for the purchase of office equipment and air conditioners, purchase of a projector for the lecture hall and purchase of technical equipment for the studio. Further Rs. 4.7 million, Rs. 9 million and Rs. 5.7 million have been spent for the building of Lester James Peries Museum, for the B.A.W.Jayamanna Hall and for air conditioning the new building respectively and they have been shown as works in progress.

#### **04. Current Assets**

When comparing with the previous year, the current assets have marked an increased by Rs. 2.3. Million. However the total balance of debtors has decreased by Rs. 06 million as a result of showing the old debts, which could not be recovered from the debtor's balance, deducting them as bad debts and recovery of the balances of present debtors.

As a result of re investing the interest received on maturity of the investments in year 2020, the investments of the year under review has marked an increase by Rs. 11 million.

#### **05. Current Liabilities**

The balance of the creditors on the movie rent has marked a decrease by Rs. 1.7 million when comparing with the previous year.

## **11. Legal Division**

### **The role, which has been performed by the Legal Division during the year 2020**

- Filing Proxies on the cases, of which the Corporation is a party, on behalf of the Corporation and appearing before the relevant court defending the Corporation.
- Appearing before the Department of Labour on behalf of the Corporation for the industrial disputes.
- Appearing on behalf of the Corporation for the complaints inquired by the Human Rights Commission.
- Preparation of all legal agreements and signing them, which are prepared on the production and distribution of local movies, distribution of imported movies, provision of services to the movie productions/ studio services/ printing copies/ granting loans to movie theaters and provision of other services.
- Preparation and signing all legal agreements in respect of obtaining support services to the National Film Corporation and other related matters.
- Providing advice to the legal issues referred from any division of the Corporation depending on the daily requirements.

## **Court Cases**

1. Supreme Court Case No. : HCCA/LA 329/2019 (up to 30.09.2020)
2. Appeal Court Case No : 239/2019 ( up to 07.02.2020)
3. Appeal Court Case No: 308/2019, 309/2019, 329/2019
4. Appeal Court Case No: 870/99 Prisca Movie Theater, Kalutara
5. Civil Appeal Court Case No: 114/2019LA
6. District Court, Matara :Pro-318 New Cinema ,Matara
7. District Court, Colombo: DMR 2306/13 'Walapatala' movie
8. District Court, Colombo: DSP 140/2015 (up to 29.06 2020)
9. District Court, Colombo: DMR 1126/12- The Corporation has filed a case against 4 Cine City Movie theaters for neglecting the trust of the Corporation, which was to be paid.
10. District Court, Colombo: DSP 00166/17 The movie 'Kaala'
11. Commercial High Court : 23/2019 The movie 'Sangili' (Up to 03.07.2020)
12. Magistrate Court : B-27340/05/20 (Labour Case No: CO 8/29/18) 111 employees of the Corporation including Mr. Samith Dissanayaka.

## **Inquiries, which were and are now conducted at the Department of Labor.**

1. Labor Tribunal: A/11/2019 Mrs. D. R.S Perera
2. Labor Tribunal : A/70/2020 Group of employees including M.A.W.Kumarasiri
3. District Labor Office, Central Colombo: CC/C/EPF/2/513/2020 Mr. W.S. Fonseka
4. District Labor Office, Central Colombo :CC/C/EPF/2/323/2020 R.P.J.Rajapaksha (up to 10.09. 2020)
5. Labor Tribunal Case No : 13/41/2013

## **Inquiries conducted by Human Rights Commission**

1. HRC/566/20 - Mr. Victor Manage
2. HRC/1334/20 -Mrs. W.K .Wickramarachchi
3. HRC/2804/19 - Mr. Keerthi Bandara
4. HRC/2571/19 - Mr. J. Marasingha
5. HRC/695/20 - The group including P. Wickramasuriya
6. HRC/614/20 - Mrs. .G.K.C.Perera
7. HRC/2754/19 - Mr. P.H.C.U.Bandara
8. HRC/704/20 - Dr. Mrs. Dilusha De Silva
9. HRC/172/20 - Mr. Dinesh Priyasad

## 12. Provision of studio services

Sound division, sound composition, dialogue recording, track laying.

	<b>Movie/ programme</b>
1.	Aayu
2.	Rajadahana
3.	Age nama rathi
4.	Bullet Proof Children
5.	KadiraDivyaRja
6.	Flying Fish
7.	Monarawila
8.	Tikiri Mari - Commercial trailer
9.	Foundation Institute - Practical Lesson Series
10.	My Father is a Dog - Short Films
11.	Tsunami
12.	Buffalo Travelers

Annual income of Sounds Division – **Rs. 832,772.00**

### Studio and studio premises

	<b>Movies/ Institution</b>
01.	Derana – Little Star
02.	Derana – 60 Plus
02.	Wing Music–Music Program
04.	X 10 – Singer – TV Commercial Singer
05.	The Game - Film
06.	X 10 – Pears Baby – TV Commercial
07.	Derana– MaNowana Mama
08.	X 10 – Lux– TV Commercial
09.	Daddy Music – Musical program

Annual income-studio and studio premises – **Rs. 3,577,856.82**

## **Editing Division**

Editing system was not functioning since May 2018. However the functions of editing division have been commenced from 21 January 2021 making necessary updates.

## **Repositories**

- Nearly 250 old movies have been selected for conservation.
- Nearly 150 old reels have been cleaned applying chemicals and they have been kept in the AC room in new plastic containers.

## **Other tasks**

- A number of proposals for the development of studio were discussed at the meeting held on 12.06.2020 by the Members of the Board of Directors including Chairman with the staff of the studio. Accordingly necessary measurements and information have been obtained by Urban Development Authority on Gardening Plans and the designing the sets at the premises of the studio.
- The works of the sounds division and folly sound recording room were at the final phase by the end of the year.
- Establishment of 5.1 room of sounds division with 5.1 sound mixing facility and dialogue recording facility in the middle of year 2020 with the contribution of the staff of the studio.
- At the end of year 2020, 7.1. Sounds room has been opened enhancing 5.1.technology in the division.
- Renovation design and the estimate of Makeup Room of the studio has been made by Sri Lanka Engineering Corporation.
- A number of programmes, for which the services of studio have been reserved, have to be cancelled due to the COVID 19 pandemic spread all over the Island from March 2020.

## 13. Investigation Activities

### Tasks performed by the Investigation Division during year 2020

1. Collection of information on lands and buildings for the construction of Movie Theaters.
2. Re opening closed down movie theaters and opening new movie theaters.
3. Inspection of movie theaters and issuance of debit notices for malpractices.
4. Supervision of foreign film shooting.

#### 01. Collection of information on lands and buildings for the construction of Movie Theaters.

Collection of information pertaining to the construction of movie theaters during year 2020.

- ❖ Weligepola
- ❖ Minuwangoda
- ❖ Bandaragama

#### 02. New movie theaters constructed during year 2020

1. K.C.C Cinema Complex - 03 Movie Theaters
2. K.M.C Cinema Complex - 04 Movie Theaters
3. Amutha Cinema - Vavuniya
4. City Cinama - Kochchikade

#### 03. Inspection of movie theaters

❖ Main duty of the inspection Division is to carry out inspections at movie theaters. Accordingly 1107 inspections have been conducted during year 2020.

❖ Issuance of debit notices for malpractices reported at movie theaters.

Inspection Officers have identified various malpractices at the inspections conducted at movie theaters. Accordingly 50 debit notices to the value of Rs. 271,470.00 have been issued during year 2020.

#### 04. Supervision of foreign film shooting

This Division supervises the filming of commercial trailers, movies and documentaries produced by foreigners, who come to Sri Lanka for the purpose Accordingly,

- 15 foreign Shooting schedules have been supervised during year 2020.

#### 06. Liquor permits have been issued to 32 movie theaters for year 2020.

#### 07. 13 revisions have been made for tickets during year 2020.

## 14. Planning, Statistics and Training Division

Main role of this division is as follows.

- Provision of guidelines which are required for the preparation of institutional plans.
- Preparation of corporate plans and action plans and supervision of their progress
- Preparation of annual reports
- Submission of monthly and quarterly progress reports to the Line Ministry and relevant Institutions. .
- Identification of the training requirements of the staff and preparation of annual training plans.
- Maintaining a data system collecting the Gazettes, Circulars and other statistical data relevant to the Corporation.

## 15. Medical Aids system

Medical aids system, which is maintained by the membership fees and the money granted by the Corporation, has been maintained during this year also and the governing body of the Medical Aids System is as follows. .

- |                           |   |
|---------------------------|---|
| ❖ Mrs. Gayani Munaweera   | - Actg. Deputy General Manager - Finance<br>(Chairmen of the Committee)               |
| ❖ Mr. Asanka Gunathilaka  | - Administrative Officer - Administration and<br>Human Resources (Covering up duties) |
| ❖ Mr. K.R. Vincent        | - Member of the Committee   |
| ❖ Mr. Sukhitha Ilangakoon | - Member of the Committee   |

## 16. Welfare Association

The Cooperative Credit and Thrift Society of the Corporation was functioning also during this year. .

## 17. Buddhists' Society

Books required by the children of the employees of the Corporation, who are studying, have been provided during the year.

## **18. Sports Association**

During this year also the Sports Association was functioning but a decline in the activities is observed due to COVID 19 pandemic situation.

## **19. Trade Unions**

Trade Unions such as Jathika Sevaka Sangamaya, Sri Lanka Nidahas Sevaka Sangamaya, Employees Association of the Corporation and Commercial Industries and Progressive Employees Association have worked in collaboration with the Administrative Authority.

## **20. Acknowledgement**

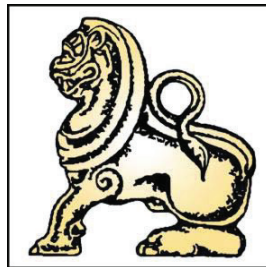
The staff of the Corporation has performed their duties with much responsibility, determination and commitment during year 2020 to achieve the goals successfully.

Their service is highly appreciated by the Board of Directors. I take this opportunity to extend gratitude to them for their tremendous service.

Ravi Prasad Kalupahana  
General Manager  
National Film Corporation of Sri Lanka

Sgd. - Jayantha Dharmadasa  
Chairman  
National Film Corporation of Sri Lanka

**National Film Corporation of Sri  
Lanka**



**Financial Statements**  
2020

**National Film Corporation of Sri Lanka**  
**Comprehensive statement of income**  
**for the year ended 31 December 2020**

Description	Note	<u>2020</u> Rs.	<u>2019</u> Rs.
<b>Sales</b>	<b>03</b>	17,653,672	50,800,475
<u>Less - Cost of sales</u>	<b>04</b>	(57,863)	(4,424,231)
Gross profit		17,595,809	46,376,244
<u>Less- Expenses</u>			
Employees' Remunerations	<b>05</b>	(91,742,352)	(89,929,560)
Travelling and subsistence allowance	<b>06</b>	(471,632)	(1,386,049)
Supplies and equipment	<b>07</b>	(5,103,699)	(9,142,609)
Repairs, maintenance and depreciations	<b>08</b>	(22,835,028)	(30,475,643)
Transport, links, requisits and other services	<b>09</b>	(22,937,991)	(29,373,187)
Impairment adjustments for bad debits	<b>16-A</b>	(113,490)	(210,041)
Allocations for gratuity	<b>20</b>	(12,457,075)	(3,486,140)
Contributions for the fund of cine artists and technicians		(500,000)	(500,000)
		(156,161,265)	(164,503,230)
Operational profit/ loss		(138,565,456)	(118,126,986)
<u>Add:</u>			
Other income	<b>10</b>	8,930,658	
Interest for fixed deposits and treasury bills		20,402,037	
Identifying receipts from General Treasury to the income		11,492,198	
224 Building rent		8,880,000	
		49,704,892	68,612,595
Profit/loss of the year		(88,860,564)	(49,514,391)
<u>Add: receipts from General Treasury</u>		90,000,000	80,750,000
Profit before tax		1,139,436	31,235,609
<u>Less- allocation for taxes</u>			
Deficit/ surplus		1,139,436	31,235,609

**National Film Corporation of Sri Lanka**  
**Statement of Financial Position**  
**as at 31 December 2020**

	Note	2020 Rs	2019 RS
<u>Reprented by</u>			
<u>Fixed Assets</u>			
Property Machinery and equipment	11	335,219,247	330,003,870
Long term investments	12	26,737,169	23,590,724
		361,956,417	353,594,595
<u>Current assets</u>			
Short term investments	13	201,875,032	315,230,612
Stocks	14	7,084,395	6,303,556
Debtors	15	111,409,083	117,087,522
Miscellaneous debtros	16	188,916,063	189,353,380
Deposits and payments in advance	17	3,418,948	3,631,673
Cash and bank balance	18	144,745,749	23,541,601
		657,449,270	655,148,343
Approved capital		1,019,405,687	1,008,742,937
<u>Utilized capital</u>			
Approvaed capital		10,000,000	10,000,000
Accumulated profit		424,483,286	415,669,539
Other reserves		134,282,759	134,282,759
		568,766,045	559,952,299
<u>Non current liabilities</u>			
Grants	19	90,667,934	87,160,132
Allocations fro gratuity	20	51,335,633	42,365,554
		142,003,567	129,525,686
<u>Add- current liabilities</u>			
Deposits	21	2,949,499	3,256,525
Creditors- Rental for films	22	233,842,034	251,146,803
Other creditors	23	71,844,541	64,861,624
		308,636,074	319,264,953
Total liabilities		1,019,405,686	1,008,742,937

Accounting policies from page number 05 to 24 and notes to accounts from oage number 25 to 39 are an essential part of financial statements. The Board of Directors holds responsibility for preperation and submission of financial statements. On behalf of the Board of Directors, follwong signatures have been plced to the effect these financial statements have been approved by the Board of Directors.

.....  
P.N.Munaweera  
Act. Deputy G. M. Finance

.....  
Dr Jayantha Dharmadasa  
Chairman

.....  
Director

National Film Corporation of Sri Lanka  
303, Baudhdhaloka Mawatha  
Colombo 07  
2021.07.

**National Film Corporation of Sri Lanka**  
**Statement for the change of equity**  
**for the year ended 31 December 2020**

	<u>Equity</u> <u>Capital</u> Rs.	<u>Accumulated</u> <u>Profit</u> Rs.	<u>Capital</u> <u>Reserves</u> Rs.	<u>Revaluation</u> <u>Reserves</u> Rs.	<u>Other</u> <u>Reserves</u> Rs.	<u>Total</u>  Rs.
<b>Balance as at 31 December 2019</b>	10,000,000	384,433,931	499,898	125,953,399	7,829,462	528,716,690
Profit of the year	-	31,235,610	-	-	-	31,235,610
Adjustments for previous year (Note 2.15)		7,674,309				7,674,309
<b>Balance as at 31 December 2019</b>	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
<b>Balance as at 31 December 2020</b>	<b>10,000,000</b>	<b>424,483,286</b>	<b>499,898</b>	<b>125,953,399</b>	<b>7,829,462</b>	<b>568,766,045</b>

**National Film Corporation of Sri Lanka**  
**Cash Flow Statement**  
**for the year ended 31 December 2020**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>Rs.</b>	<b>Rs.</b>
<b><u>Cash received from operational activities</u></b>		
Net profit before deduction of taxes	(88,860,564)	(49,514,391)
(less)		
Interest on production loans	-	(5,761)
Interest on fixed deposits and treasury bills	(20,402,037)	(27,615,541)
	<u>(109,262,601)</u>	<u>(77,135,693)</u>
<b><u>Adjustments for subjects which do not affect for the cash flow</u></b>		
Depreciations	17,179,605	22,293,932
Allocations for gratuity	12,457,075	3,983,291
Identifying government grants to the income	(11,492,198)	(17,021,778)
Receipts from General Treasury- President's Awards Ceremony	-	(20,000,000)
	<u>(91,118,119)</u>	<u>(87,880,247)</u>
<b><u>Subjects of previous periods</u></b>		
Adjustments for subjects of previous periods	3,603,107	
Adjustments for subjects of previous periods	7,674,309	5,268,690
Profit from operations before making changes to working capital subjects	<u>79,840,703</u>	<u>(82,611,557)</u>
<b><u>Changes in the working capital subjects</u></b>		
Stock (Increase)	(780,839)	(253,225)
Debtors (Decrease)	5,678,439	11,669,524
Deposits and payments in advance (Decrease)	650,041	245,761
Liabilities on deposits (Decrease)	(307,027)	287,027
Creditors (Decrease)	(17,304,769)	(1,951,663)
Other creditors (Decrease)	6,982,916	(23,432,778)
	<u>(84,921,941)</u>	<u>(96,046,911)</u>
<b>Less-</b>		
Payment of gratuity	(3,486,995)	(4,768,794)
	<u>(88,408,936)</u>	<u>(100,815,704)</u>
<b><u>Cash flow incurred from investment activities)</u></b>		
Interest on production loans	-	5,761
Interest on fixed deposits and treasury bills	20,402,037	27,615,541
Acquiring fixed assets	(25,998,090)	(18,549,939)
Investment of fixed deposits and treasury bills	110,209,135	(21,412,105)
Receipts from General Treasury	105,000,000	100,750,000
Net increase in cash and cash equivalent (Decrease)	<u>121,204,147</u>	<u>(12,406,446)</u>
Balance of subject of cash and cash equivalent at the beginning of the year	23,541,601	35,948,047
Balance of subject of cash and cash equivalent at the end of the year	<u><u>144,745,749</u></u>	<u><u>23,541,601</u></u>

# **National Film Corporation of Sri Lanka**

Notes on Financial Statements

**Year ended 31<sup>st</sup> December, 2020**

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## **Declaration of Management Responsibility in Financial Reporting**

Management of the Corporation is responsible for,

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

# **National Film Corporation of Sri Lanka**

Notes on Financial Statements

**Year ended 31<sup>st</sup> December, 2020**

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## **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, Baudhaloka Mawatha, Colombo 07.

### **1.1.2 Nature of Basic Functions and Operations**

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

### **1.1.3 Date Approved for Issuance**

Approval has been granted by the Board of Directors on 30.07.2020 for these financial statements to be distributed.

## **1.2 Basis of Preparing Accounts**

### **1.2.1 Declaration of Compliancy**

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

## **National Film Corporation of Sri Lanka**

Notes on Financial Statements

**Year ended 31<sup>st</sup> December, 2020**

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### **1.2.2 Responsibility of Financial Statements**

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

### **1.2.3. Baisi for accounting**

Financial statements have been prepared based on the historical cost except where appropriate disclosures have 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

## **National Film Corporation of Sri Lanka**

Notes on Financial Statements

**Year ended 31<sup>st</sup> December, 2020**

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may occur due to uncertainty of these assumption and estimates. Judgments, estimates and assumptions may include in them.

### **Estimates and Assumptions**

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

#### **(a) Fair Value of Financial Instruments**

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

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

#### **(b) Fair Value**

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

# **National Film Corporation of Sri Lanka**

Notes on Financial Statements

Year ended 31<sup>st</sup> December, 2020

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## **2. Specialized Accounting Principles**

### **2.1 Assets and the Basis of Evaluation**

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

### **2.2 Financial Instruments**

#### **2.2.1 Financial Assets (Non-derivative)**

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

#### **2.2.2 Classification, Identification and Measurement**

The management classifies its financial assets as follows,

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

##### **a. Debts and Receivables**

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

## **National Film Corporation of Sri Lanka**

Notes on Financial Statements

**Year ended 31<sup>st</sup> December, 2020**

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### **b. Financial Assets for Trading Purposes**

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

#### **2.2.3 Determination of Fair Value**

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

#### **2.2.4 Re-classification**

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

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

#### **2.2.5 Impairment**

##### **(a) Financial Assets Maintained at Amortized Cost**

As at each reporting date, the evidence for reduction of value of a financial asset or a group of financial assets will be evaluated by the Corporation. The value of a financial asset or a group of financial assets is considered to be reduced only if ultimate evidence of a reduction of value is available as a result of one or several occasions of losses after

## **National Film Corporation of Sri Lanka**

### Notes on Financial Statements

**Year ended 31<sup>st</sup> December, 2020**

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the initial identification of an asset and such loss creates an impact on the estimated future cash flow or credibly estimated group of financial assets. Evidence of the reduction of value may include that a debtor or a group of debtors facing considerable financial difficulties, negligence of the payment of interest or capital payments, possibility of bankruptcy or any other financial reorganization, economic situations correlated with negligence of payments or data, which could be observed as an evaluated reduction of estimated future financial flows such as differences in arrears.

For financial assets at amortized cost, the Corporation evaluates significant financial assets separately for evidence of reduction and the financial assets separately insignificant are evaluated as a whole. Irrespective of significance, if separately evaluated financial assets are collaboratively defined to be devoid of ultimate evidence of reduction of value, such assets will be included in a group of assets with similar liability risks and they will be collaboratively evaluated for reduction of value. Assets, which were separately evaluated for reduction of value, and assets with a reduction in value or assets to be continuously recognized will not be included in collaborative evaluation.

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

## **National Film Corporation of Sri Lanka**

Notes on Financial Statements

**Year ended 31<sup>st</sup> December, 2020**

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

### **(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

## **National Film Corporation of Sri Lanka**

Notes on Financial Statements

**Year ended 31<sup>st</sup> December, 2020**

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**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**

Investments have been made for 20,000 shares of Associated Newspapers of Ceylon Limited at the rate of Rs. 6.35 per share.

## **2.3 Property, Plant and Machinery**

### **2.3.1 Identification and Measurement**

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

### **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

## National Film Corporation of Sri Lanka

### Notes on Financial Statements

Year ended 31<sup>st</sup> December, 2020

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

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

#### **2.3.4 Removal of Identification**

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

#### **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

## National Film Corporation of Sri Lanka

### Notes on Financial Statements

Year ended 31<sup>st</sup> December, 2020

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an asset or a finance sourcing unit exceeds its estimated recoverable value, a loss in reduction of value will be identified. The recoverable value of an asset or a finance sourcing unit will be the highest among its value in use and the difference between its fair value and its sales cost. In evaluation of value in use, it will be discounted at the pre-tax discount rate, which reflects the present market evaluation of the current rupee and the present value of future financial flows estimated using risks unique to the asset or the financial sourcing unit.

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

- The assets at the studio and indicates in the register of assets, which have been depreciated at the value of Rs. 1/=, are maintained further as antiques.

#### **2.3.6. Identification of intangible assets**

During year 2020 following items have been identified and accounted as an expenditure.

Sound mixing 5.1. for the audio lab	Rs. 1,207,350.00
Computer Software	<u>Rs. 480,000.00</u>
	<u>Rs. 1,687,350.00</u>

- Vedio Editing System, which has been purchased to the value of Rs. 4.9 million in year 2005 and installed at Sarasavi Studio has been identified as an intangible asset in year 2020 and therefore it has been included in the expenditutre in year 2005.

# **National Film Corporation of Sri Lanka**

Notes on Financial Statements

**Year ended 31<sup>st</sup> December, 2020**

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## **2.4. Capital in progress**

### Buildings

- BAW Jayamanna Studio -Modifications of BAW Jayamanna Studio are now being concluded.
- Lester James Peries Museum -It is expected to complete by three phases and a part of phase one has now been concluded.

### Air Conditioners

Works for fixing air conditioners in the divisions of the new building of the Film Corporation have not yet been concluded.

## **2.5 Stock**

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

## **2.6 Income Tax**

Allocations are made by the Treasury for salaries and other allowances of Corporation employees as well as to cover part of expenditure. Allocations are not made for tax on the basis of tax should not be paid for Treasury allocations.

We are of the view that 24% should be allocated for tax out of the profit after payment of income tax upon the annual profit of the Corporation and we believe that it should be out of the net profit after adjustments for income tax.

# **National Film Corporation of Sri Lanka**

Notes on Financial Statements

**Year ended 31<sup>st</sup> December, 2020**

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## **2.7 Other Assets**

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

### **(a) Advances, Deposits, Expenditure-in advance**

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

### **(b) Other Debtors**

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

## **2.8 Cash and Cash Equivalents**

Cash and cash equivalents contain cash balances and demand deposits used for short term liability management with 03 months or less maturity from the date of acquisition and subject to inconsiderable risk at the change of their fair value. When treasury bills and bills of resales are accounted the investments of three months or less are shown as liquid asset equivalent to cash in the cash flow statement.

# **National Film Corporation of Sri Lanka**

Notes on Financial Statements

**Year ended 31<sup>st</sup> December, 2020**

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## **2.9 Financial Liabilities**

### **2.9.1 Initial Recognition and Measurement**

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

Financial liabilities of the Corporation include sales and other payables.

### **2.9.2 Post Measurement**

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

### **2.9.3 Financial Liabilities at Fair Value through Profit or Loss**

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

## National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31<sup>st</sup> December, 2020

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### 2.10 Other Financial Liabilities

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

<u>Accrued Expenses</u>	Rs.
Salary payable	4,293,407.75
Other expenses	12,977,018.08
Cinema Museum	1,605,531.14
BAW Jayamanna Studio	9,064,035.20
Air Conditioners	5,773,067.60
EPF/ETF in arrears	16,027,801.81
Provision of internet facility	<u>1,357,000.00</u>
	<u>51,097,861.58</u>

### 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 National Film Development Fund for the purchase of the movie 'Wekanda Walawwa' by Film Corporation has been shown by the Fund under other creditors.

## National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31<sup>st</sup> December, 2020

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### 2.12 Government Grants

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

#### **Recognizing treasury grants properly with the income according to the utilization**

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

Incomes recognized in year 2019 are as follows.

	<b><u>R. Cts</u></b>
Sound equipment	425,4337.56
Sound equipment	43,114.42
Projector 35 mm	135,600.78
New buliding	1,308,864.03
Building Head Office	4,226,511.50
Cinema Complex	5,067,024.04
Internet Facilities	135,700.00
Work groups	<u>149,945.28</u>
	<u>11,492,197.61</u>

Amount received for recurrent expenditure of the institution - Rs.90,000,000.00

Amount receiver for capital expenditure of the institution - Rs. 15,000,000.00

# **National Film Corporation of Sri Lanka**

Notes on Financial Statements

**Year ended 31<sup>st</sup> December, 2020**

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## **2.13 Employee Benefits**

### **Determined Contributory Plan**

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

### **Determined Beneficiary Plan**

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

## **2.14 Income**

### **2.14.1 Production Loan Interest and Surcharge**

#### **01. Commission on the distribution of local and foreign movies**

The commission recovered by National Film Corporation as per the Circulations for distributions in the distribution of local and foreign films.

#### **02. Increase- Trust of the Corporation**

Rs. 6 is recovered from each ticket in the screening of movies. Rs.3.10 out of the above should be paid to the Corporation and in caes of a foreign film, the total Rs. 3.10 mentioned above is recovered and in case of a local movie 40 cts is recovered from that Rs. 3.10.

# **National Film Corporation of Sri Lanka**

Notes on Financial Statements

**Year ended 31<sup>st</sup> December, 2020**

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## **03. Surcharge**

On the basis of that 100% of the surcharge to be recovered for the rental for movies from Cinema Halls is not received, only 25% has been brought in to the income. However that amount has been revised from October 2020 from 2.5% to 1%.

## **04. Fines on inspections**

This is the fine imposed on the malpractices occurred at Minema Theaters.

## **05. Commission for publicity and provision of services**

The commission recovered from agents by the Corporation performing the publicity of movies and cinema halls included under this section.

## **06. Income from studios**

Income earned from the provision of services of studios for post production activities of the movies (Sounds and editing) is included under this section.

### **2.14.2. Interest of production loans and surcharge**

The interest for the loans provided to producers has been accounted for the period up to one year from the date of screening. If the recovery of the loan is completed at a certain occasion, action will be taken to calculate and recover relevant interest.

The surcharge for the amounts to be recovered from cinema halls has been calculated and recovered as per the Gazette Notification.

No loan has been granted during the year 2020 for production of movies.

## National Film Corporation of Sri Lanka

Notes on Financial Statements

Year ended 31<sup>st</sup> December, 2020

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### 2.14.3 Films released for Screening

Interests for loans will not be accounted after one year of the release of film due to non-recovery of loan as a result of decrease in income during the screening of the film.

### 2.14.4 Unscreened Films

(a) Interests in relation to films, which have obtained film production loans and yet services have not been obtained for the past two years, have not been accounted.

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

Even though the annual interest has not been calculated as per two matters mentioned above, steps will be taken to recover the interest as and when the loan is recovered.

### 2.14.5. 224 Rental from buildings

Rental is recovered from following institutions providing the 224, building belonging to the Corporation on temporary basis.

	Monthly Rental	Annually
01. SALACINE institute	315,000.00	3,780,000.00
02. Public Performance Board	80,000.00	960,000.00
03. SAARC Cultural Center	345,000.00	8,880,000.00

Comparatively to year 2019, the income on monthly rental from 224 building< SALACINE institute and SAARC Cultural Center has marked an increase by Rs. 23,500.00 and Rs. 30,000.00 respectively.

## **National Film Corporation of Sri Lanka**

Notes on Financial Statements

**Year ended 31<sup>st</sup> December, 2020**

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### **2.14.6. Projects not included in the account of the Corporation.**

#### **01. Film Education for children**

Current account No 5152460 at Bank of Ceylon.

Since the amount of Rs. 976,303.16, which has been donated by Ceylon Biscuits Limited for the project under Film Education for Children, has not been utilized for any project, it has been invested in Bank of Ceylon, which gave the highest interest of 5.25% after comparing interest rates of several state banks with a view to obtain maximum benefit. If those projects are commenced in year 2021, action will be taken to utilize these money for the purpose again.

**National Film Corporation**  
**Notes to statements of income**  
**for the year ended 31 December 2020**

		<u>2020</u>	<u>2019</u>
		Rs.	Rs.
<b>(03) Sales</b>			
(Notes 2.14.1.)			
Income from the distribution of films	3.1	15,290,403	46,907,845
Income from publicity	3.2	261,727	477,596
Studio	3.3	1,284,972	1,687,900
Trade affairs	3.4	816,570	1,727,133
		<u>17,653,672</u>	<u>50,800,475</u>
<b>3.1 Income from the distribution of film</b>			
Commission for local movies		4,111,913	12,550,578
Commission for foreign movies		7,316,881	20,609,406
Increase -trust of the Corporation		1,278,847	7,915,187
Surcharge		2,311,291	4,894,982
Fines from inspection		271,470	756,840
		<u>15,290,403</u>	<u>46,907,845</u>
<b>3.2 Income from publicity</b>			
Commission for publicity- Cine ads		193,859	477,596
Commission for services		67,868	
		<u>261,727</u>	<u>477,596</u>
<b>3.3 Studio</b>			
Sounds		1,282,772	1,687,900
Editing		2,200	-
		<u>1,284,972</u>	<u>1,687,900</u>
<b>3.4 Trade affairs</b>			
Cinema carb n		70,300	160,675
Spare parts		87,160	5,696
Sstationary and publishing		598,160	1,465,421
<u>Internal usage</u>			
Spare parts		-	9,469
Cost for stationary		60,950	85,872
		<u>816,570</u>	<u>1,727,133</u>

**National Film Corporation**  
**Notes to statements of income**  
**for the year ended 31 December 2020**

(04) <u>Cost of sales</u>	<u>Screening</u>			<u>Studios</u>			<u>Productions</u>			<u>General administration expenses</u>			<u>2020</u>		<u>2019</u>		
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	<u>Total</u>	<u>Total</u>	<u>Rs.</u>	<u>Rs.</u>	
Stock 01.01.2020	5,253,887	1,409,412	-	-	4,637,934	11,301,233	11,819,532										
<u>Add -</u>																	
Purchases and transfers	-	-	-	-	634,613	634,613	3,905,932										
	5,253,887	1,409,412	-	-	5,272,547	11,935,846	15,725,464										
<u>Less</u>																	
Losses from stocks	-	-	-	-	-	-	-										
Transfers	-	-	-	-	-	-	-										
Ending balance 31.12.2020 2020.	5,253,887	1,409,412	-	-	5,214,684	11,877,983	11,301,233										
	-	-	-	-	57,863	57,863	4,424,231										

For extensive notes see (4-a) (4-b) and (4-c)

**National Film Corporation**  
**Notes to statements of income**  
**for the year ended 31 December 2020**

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

<b><u>Screening</u></b>	<b><u>Stock</u></b> <b><u>01.01.2020</u></b>	<b><u>Purchases</u></b> <b><u>01.01.2020</u></b>	<b><u>Total</u></b>	<b><u>Stock</u></b> <b><u>31.12.2020</u></b>
	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>
<b><u>Lit movies</u></b>				
Light fed movies	3	-	3	3
Western	244	-	244	244
Eastern	471	-	471	471
	<u>718</u>	<u>-</u>	<u>718</u>	<u>718</u>
<b><u>Movies not released</u></b>				
Local	3,043,931	-	3,043,931	3,043,931
Western	982,492	-	982,492	982,492
Eastern	8	-	8	8
Total	<u>4,026,431</u>	<u>-</u>	<u>4,026,431</u>	<u>4,026,431</u>
	<u>4,027,149</u>	<u>-</u>	<u>4,027,149</u>	<u>4,027,149</u>
		<b><u>2020</u></b>		<b><u>2019</u></b>
		<b><u>Rs.</u></b>		<b><u>Rs.</u></b>
<b>Stock 01.01.2020</b>		-		-
<b><u>Add</u></b>		-		-
	purchases	<u>-</u>		<u>-</u>
		-		-
Less	Stock			
	Publicity	<u>-</u>		<u>-</u>
	Cost	-		-
<b><u>Add</u></b>	Other movies			
<b>Stock 01.01.2020</b>				
I. On percentage basis	259,890	-	259,890	
II. Cine siththam	966,848	1,226,738	966,848	1,226,738
<b><u>Add</u></b>	Expenses	<u>-</u>		<u>-</u>
		1,226,738		1,226,738
less	Transfers			
<b>Stock 31.12.2020</b>				
I. On percentage basis	259,890	-	259,890	-
II. Cine siththam	966,848	1,226,738	966,848	1,226,738
<b>Total cost</b>		<u>-</u>	<u>-</u>	<u>-</u>

**National Film Corporation**  
**Notes to statements of income (General Administration)**  
**for the year ended 31 December 2020**

**(04 - B) Cost of SALES**

	<b><u>Negatives</u></b>	<b><u>Cinema carbon</u></b>	<b><u>Spare parts</u></b>	<b><u>Chemicals</u></b>	<b><u>Stationary</u></b>	<b><u>Total</u></b>	<b><u>Total</u></b>
	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>	<b><u>2019</u></b>
							<b><u>Rs.</u></b>
Opening stock 01.01.2020	287,951	1,018,492	267,748	-	3,063,743	4,637,934	5,156,233
<u>Add/</u> Purchases And transferts	-	-	-	-	634,613	634,613	3,905,932
<u>Lesss/</u> Loss of stocks	287,951	1,018,492	267,748	-	3,698,356	5,272,547	9,062,165
Ending balance 31.12.2020	287,951	991,233	266,683	-	3,668,817	5,214,684	4,637,934
	-	<b>27,259</b>	<b>1,065</b>	-	<b>29,539</b>	<b>57,863</b>	<b>4,424,231</b>

**National Film Corporation**

**Notes to statements of income (Studio)**  
**for the year ended 31 December 2020**

**(04 - C) Cost of sales**

	<u>Negatives</u>	<u>Cinema carbon</u>	<u>Spare parts</u>	<u>Chemicals</u>	<u>Total</u> <u>2020</u> <u>Rs.</u>	<u>Total</u> <u>2019</u> <u>Rs.</u>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Opening stock 01.01.2020	816,569	-	538,753	54,090	1,409,412	1,409,412
Purchases	-	-	-	-	-	-
	816,569	-	538,753	54,090	1,409,412	1,488,344
<u>Less/</u>						
Damaged stock	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Ending stock 31.12.2020	816,569	-	538,753	54,090	1,409,412	1,409,412
Internal usage during the year	-	-	-	-	-	-

**National Film Corporation of Sri Lanka**  
**Notes to the statements of income**  
**for the year ended 31.12.2020**

**Note- 05**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	Rs	Rs
<b><u>Employees' remuneration</u></b>		
Salaries and wages	56,582,591	53,681,072
Overtime, holiday pay and compensation	3,195,671	9,307,207
Contributions to E P F and E T F	11,484,865	10,238,526
Other allowances	20,479,225	16,702,755
	91,742,352	89,929,560
	91,742,352	89,929,560

**Note- 06**

**Travelling and subsistence allowance**

Travelling expenses	(Local)	62,254	61,439
	(Foreign)	-	524,890
Subsistence allowance		409,378	799,720
		471,632	1,386,049
		471,632	1,386,049

**National Film Corporation of Sri Lanka**  
**Notes to the statements of income**  
**for the year ended 31 December 2020**

**Note-07**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>Rs.</b>	<b>Rs.</b>
<b><u>Supplies and equipment</u></b>		
Stationary and office equipment	756,815	2,732,085
Electricity	4,071,635	5,888,347
Refreshments	211,101	478,310
Electrical appliances	64,148	43,867
	<u>5,103,699</u>	<u>9,142,609</u>

**Notes- 08**

**Repairs, maintenance and depreciation**

<u>Fuel/lubricants and maintenance of vehicles</u>		5,251,490
Insurance- motor vehicles	336,033	
Fuel charges	1,784,462	
Vehicle repairs and maintenance	1,224,367	
Vehicle permits	57,120	
Purchases- motor vehicle spare parts	189,792	
Maintenance	2,063,649	2,930,222
Depreciation (Notes 11)	17,179,605	22,293,932
	<u>22,835,028</u>	<u>30,475,643</u>

**National Film Corporation of Sri Lanka**

**Notes to the statements of income**

**for the year ended 31.12.2020**

**Note- 09**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>Rs.</b>	<b>Rs.</b>
<b><u>Transport, links, requists and other services</u></b>		
<b>Transport</b>	103,271	119,719
<b>Links</b>	1,365,084	2,196,781
<b><u>Requists</u></b>		
Internal usage	60,950	67,061
Welfare expenses	2,055,483	2,856,366
Recruitment of employees and training	21,370	2,689,691
Water bills	178,238	280,267
Discussions and conferences	118,600	567,036
Conservation of movies	651,527	285,085
Rates	829,313	829,313
Cinema museum account	-	16,463
<b><u>Other services</u></b>		
Expenses of Board of Directors and audit committees	783,746	1,249,804
Publicity	462,235	443,757
Special Agencies	303,529	182,644
Charges for disciplinary inquiries	199,900	-
Legal charges	1,440,916	895,762
Ceremonies of the Corporation	608,860	1,372,811
Audit fees	1,104,000	700,000
Ssecurity services	6,131,460	4,982,550
Bank charges	65,698	139,028
Diploma on Cinema Education	472,579	774,110
Funeral aids for outside parties and expenses for cine technicians	668,000	968,050
Expenses of new movie theatre	353,155	192,515
Scripts reading	34,500	21,000
Delay charges	22,451	16,034
Sanitary services	3,363,377	5,555,388
Cost of the interests for loans granted to employees	-	1,552,869
^-& Income from the interest of loans granted to employees	-	(1,552,869)
Movie categorization expenses	345,500	608,519
President's Cinema Awards ceremony	-	26,172,934
Investigation Officer- payments	337,200	190,500
5.1 Installation of sound system - Studio (2.3.6.)	857,050	
	<b><u>22,937,991</u></b>	<b><u>54,373,187</u></b>
Reimbursement of the expenses for President's Awards Ceremnoy	-	(20,000,000)
Setting off expenses of President's Awards Ceremony from the loans from General Treasury	-	(5,000,000)
	<b><u>22,937,991</u></b>	<b><u>29,373,187</u></b>

**National Film Corporation**  
**Notes to the statements of income**  
**for the year ended 31 December 2020**

<b><u>Notes - 10</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
<b><u>Other income</u></b>	<b><u>Rs.</u></b>	<b><u>Rs.</u></b>
Income from dividends	-	39,697
Interest for production loans	-	5,761
Interest for loans granted to employees	878,888	499,137
Miscellaneous income	90,510	867,346
Outside shooting	3,577,857	3,772,713
Quality inspections	4,000	85,039
Interests for fixed deposits and treasury bills	20,402,036.85	27,615,541
Movie registration fees- local and foreign	480,000	1,165,930
Income of NFC movie theater	1,448,375	6,613,699
Receipts for watching movies	-	30,000
Approval for scripts	53,000	35,000
224 income from building rental (2.14.15)	8,880,000	8,238,000
Receipts for courses	115,000	1,082,500
Identifying receipts from treasury to the income	11,492,198	17,021,778
Adjusting exchange rates	4,103	(29,613)
Income from rental of lecture hall	41,000	67,500
Compensation received from Insurance Corporation	50,050	-
Boards for publicity	216,375	386,567
Annual registration fees- Importers of foreign movies	425,000	475,000
Approval for documentaries	1,308,000	-
Receipts - investigation officers	238,500	641,000
	<b><u>49,704,892</u></b>	<b><u>68,612,595</u></b>

**National Film Corporation**  
**Notes to financial position**  
**for the year as at 31. December 29020**

**Note- 11 – Fixed assets**

<b>Property machinery and equipment</b>	<b>Cost</b>		<b>Adjustment for the cost of previous year</b>		<b>Additions during the year</b>		<b>Cost</b>		<b>Accumulated depreciation</b>		<b>Adjustments for the depreciations of the previous year</b>		<b>Depreciations for the year</b>		<b>Accumulated depreciation</b>		<b>Net value</b>		
	<b>01.01.2020</b>	<b>Rs.</b>	<b>01.01.2020</b>	<b>Rs.</b>	<b>31.12.2020</b>	<b>Rs.</b>	<b>01.01.2020</b>	<b>Rs.</b>	<b>01.01.2020</b>	<b>Rs.</b>	<b>31.12.2020</b>	<b>Rs.</b>	<b>01.01.2020</b>	<b>Rs.</b>	<b>2020.12.31</b>	<b>Rs.</b>	<b>2020.12.31</b>	<b>Rs.</b>	<b>Rs.</b>
01. Free hold lands	174,343,458	-	174,343,458	-	-	-	174,343,458	-	-	-	-	-	-	-	174,343,458	-	174,343,458	-	-
02. Free hold buildings	149,114,227	(2,060,008)	147,054,219	66,789,650	(127,429)	5,754,286	66,789,650	18,952,805	18,051,710	72,416,506	74,637,713	(137,614)	856,396	18,051,710	72,416,506	5,256,470	74,637,713	8,582,388	8,582,388
03. Cinema complex	122,837,432	-	122,837,432	78,775,659	(48,000)	71,848	78,775,659	12,782,877	20,317,727	83,842,683	38,994,749	(48,000)	5,067,024	15,482,877	83,842,683	2,700,002	38,994,749	8,582,388	8,582,388
04. Mini cinema equipment	331,451	-	331,451	331,449	-	-	331,449	1,403,583	1,550,242	331,449	2	-	-	1,550,242	331,449	554,213	2	331,449	2
05. Furniture, Installation & Fixatic	24,520,077	(1,376,143)	23,308,180	17,332,928	(137,614)	856,396	17,332,928	1,403,583	18,051,710	23,308,180	5,256,470	(137,614)	856,396	18,051,710	5,256,470	18,051,710	5,256,470	8,582,388	8,582,388
06. Office equipment	27,835,408	(480,000)	28,900,114	18,952,805	(48,000)	1,412,922	18,952,805	12,782,877	20,317,727	28,900,114	8,582,388	(48,000)	1,412,922	20,317,727	8,582,388	2,700,002	20,317,727	8,582,388	8,582,388
07. Motor vehicles	18,182,879	-	18,182,879	12,782,877	-	-	12,782,877	1,403,583	1,550,242	18,182,879	2,700,002	-	2,700,000	15,482,877	2,700,002	2,700,002	2,700,002	2,700,002	2,700,002
08. Movie archiving	2,104,455	-	2,104,455	1,403,583	-	-	1,403,583	1,403,583	1,550,242	2,104,455	554,213	-	146,659	1,550,242	554,213	554,213	554,213	554,213	554,213
09. Push bicycles	18,281	-	18,281	18,277	-	-	18,277	18,277	18,277	18,281	4	-	-	18,277	4	4	4	4	4
10. Movie equipment	910,689	-	910,689	812,110	-	49,280	812,110	812,110	861,390	910,689	49,299	-	49,280	861,390	49,299	49,299	49,299	49,299	49,299
11. Projecting equip,ment	925,202	232,950	1,158,152	654,148	-	71,848	654,148	654,148	725,996	1,158,152	432,156	-	71,848	725,996	432,156	432,156	432,156	432,156	432,156
12. Machinery at studios	97,995,676	1,043,296	99,038,972	91,477,284	-	1,044,415	91,477,284	91,477,284	92,521,699	99,038,972	6,517,273	-	1,044,415	92,521,699	6,517,273	6,517,273	6,517,273	6,517,273	6,517,273
13. Equipment for cine education	1,241,350	-	1,241,350	1,036,948	-	75,204	1,036,948	1,036,948	1,112,152	1,241,350	129,198	-	75,204	1,112,152	129,198	129,198	129,198	129,198	129,198
14. Welfare equipmennt	210,677	-	210,677	199,675	-	1,572	199,675	199,675	201,246	210,677	9,430	-	1,572	201,246	9,430	9,430	9,430	9,430	9,430
	<b>620,571,262</b>	<b>(3,916,151)</b>	<b>619,640,309</b>	<b>290,567,392</b>	<b>(313,044)</b>	<b>17,179,605</b>	<b>290,567,392</b>	<b>290,567,392</b>	<b>307,433,953</b>	<b>619,640,309</b>	<b>312,206,356</b>	<b>(313,044)</b>	<b>17,179,605</b>	<b>307,433,953</b>	<b>312,206,356</b>	<b>312,206,356</b>	<b>312,206,356</b>	<b>312,206,356</b>	<b>312,206,356</b>
<b>Works in progress (2.4)</b>																			
Buildings	2,060,008	13,803,673	15,863,681	-	-	-	15,863,681	15,863,681	15,863,681	15,863,681	15,863,681	-	-	15,863,681	15,863,681	15,863,681	15,863,681	15,863,681	15,863,681
Air conditioners	1,376,143	5,773,068	7,149,211	-	-	-	7,149,211	7,149,211	7,149,211	7,149,211	7,149,211	-	-	7,149,211	7,149,211	7,149,211	7,149,211	7,149,211	7,149,211
	<b>3,436,151</b>	<b>-</b>	<b>23,012,892</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,012,892</b>	<b>23,012,892</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,012,892</b>	<b>23,012,892</b>	<b>23,012,892</b>	<b>23,012,892</b>	<b>23,012,892</b>
<b>Total assets</b>	<b>624,007,413</b>	<b>(3,916,151)</b>	<b>642,653,201</b>	<b>290,567,392</b>	<b>(313,044)</b>	<b>17,179,605</b>	<b>290,567,392</b>	<b>290,567,392</b>	<b>307,433,953</b>	<b>642,653,201</b>	<b>335,219,247</b>	<b>(313,044)</b>	<b>17,179,605</b>	<b>307,433,953</b>	<b>335,219,247</b>	<b>335,219,247</b>	<b>335,219,247</b>	<b>335,219,247</b>	<b>335,219,247</b>

**National Film Corporation**  
**Notes to Financial position**  
**as at 31 December 2020**

	<u>2020</u>	<u>2019</u>
	<u>Rs.</u>	<u>Rs.</u>
<u>Notes-12</u>		
<u>Long term investments</u>		
Fixed deposits= (Note 2.2.8)	26,610,169	23,463,724
Investments on shares- Associated Newspapers Ceylon Limited	127,000	127,000
	<u>26,737,169</u>	<u>23,590,724</u>
<u>Note- 13</u>		
<u>Short term investments</u>		
Deposits at National Savings Bank- employees	5,000	5,000
REPO deposits	93,345,868	201,624,456
Treasury bills	108,524,164	113,601,156
	<u>201,875,032</u>	<u>315,230,612</u>
<u>Note- 14</u>		
<u>Stocks</u>		
Movies	5,253,887	5,253,887
Trade affairs	4,926,733	4,349,983
Studio	1,697,363	1,697,363
Spare parts for studio maintenance	1,472,575	1,472,575
Stationary and other	2,331,013	2,126,924
	<u>15,681,571</u>	<u>14,900,732</u>
Allocation for slow-marketed and non-marketed stocks	(8,597,176)	(8,597,176)
	<u>7,084,395</u>	<u>6,303,556</u>
<u>Note -15</u>		
<u>Debtors</u>		
Movie theaters	362,737,356	
(-) Allocations for surcharges	(155,454,663)	
(-) impairment adjustments for debtors 16 a	<u>(111,636,986)</u>	95,645,707
		101,616,033
Producers	83,876,799	
(-) Allocations for production loans	(4,618,806)	
(-) impairment adjustments for debtors 16 a	<u>(63,494,617)</u>	15,763,376
		<u>15,471,488</u>
	<u>111,409,083</u>	<u>117,087,522</u>
<u>Note 16</u>		
<u>Miscellaneous Debtors</u>		
Other	177,054,722	175,766,202
Impairment adjustment for miscellaneous (Note 16 A)	(8,852,736)	(8,788,310)
Employee Advances	20,714,077	22,375,488
Employee Loan Asset Account	-	1,467,383
(-) Employee Loan Liability Account	-	(1,467,383)
	<u>188,916,063</u>	<u>189,353,380</u>

**National Film Corporation of Sri Lanka**  
**Notes to the financial position**  
**as at 31 December 2020**

**Schedule of Allocation for Bad Debt**

Note : 16 A

<u>Debtors</u>	<u>Total</u> <u>2020</u>	<u>Not agreed and</u> <u>Non-recoverable</u>		<u>Recoverable</u>		<u>Allocation of 5%</u>		<u>Total Allocations</u>	
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Movie theaters	362,737,356	98,421,177		264,316,179		13,215,809		111,636,986	
Producers	83,876,799	62,421,871		21,454,928		1,072,746		63,494,617	
Other	177,054,722			177,054,722		8,852,736		8,852,736	
Employee Loans	19,532,289	-		19,532,289		-		-	
	<b>643,201,165</b>	<b>160,843,048</b>		<b>482,358,117</b>		<b>23,141,291</b>		<b>183,984,339</b>	

	Film Hall	Producer	Other
Balance B/F	183,870,850	63,479,255	8,788,310
Transfer to Profit & Loss Account	113,490	15,362	64,426
	<b>183,984,339</b>	<b>63,494,617</b>	<b>8,852,736</b>

Impairment adjustments for debtors  
As at 01.01.2020

183,870,850

Transfer to Profit & Loss Account  
Balance B/D 31.12.2020

113,490  
**183,984,339**

**National Film Corporation**  
**Notes to financial position**  
**as at 31 December 2020**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b>Rs.</b>	<b>Rs.</b>
<u>Note : 17</u>		
<u>Deposits and Advance Payments</u>		
Deposits	3,851,112	3,792,893
Advance Payments	204,407	492,508
Advances for funeral aids to Welfare society	17,158	-
	4,072,676	4,285,401
Impairment adjustment for non- recoverable lons	(653,728)	(653,728)
	3,418,948	3,631,673
 <u>Note : 18</u>		
<u>Cash and Bank Balances</u>		
People's Bank - C. A. No 004-1-001-1-0208647	188,442	874,707
People's Bank - C.A. No 055-1-001-5-0667533	756,913	1,530,032
People's Bank - C. A. No 004-1-001-6-0208664	917,929	3,420,112
Bank of Ceylon - C.A. No 0002323272	4,362,273	(241,062)
Bank of Ceylon - C.A. No 0002323131	786,200	792,846
Bank of Ceylon - C.A. No 0002323354	6,085,060	4,328,874
Bank of Ceylon - C. A. No 0002323363	1,334,998	11,035,364
Bank of Ceylon - C. A. No 0005002189	8,598,724	763,288
Bank of Ceylon - C. A. No. 5152460	-	976,303
	23,030,540	23,480,463
 <u>Cash at Hand</u>		
Petty Cash - Head Office	-	36,134
Petty Cash - Studio	25,000	24,970
Petty Cash - Film Archive	34	34
	25,034	61,138
 <u>Deposits which are matured in three months</u>		
REPO deposits	112,074,307	
Treasury bills	9,615,868	
	121,690,175	-
 Total	 144,745,749	 23,541,601
 <u>Note-19</u>		
<u>Grants</u>		
Treasury grants	102,160,132	104,181,910
(-) Amortisation	(11,492,198)	(17,021,778)
	90,667,934	87,160,132

**National Film Corporation of Sri Lanka**  
**Notes to the financial position**  
**as at 31 December 2020**

	<u>2020</u>	<u>2019</u>
	Rs.	Rs.
<u>Note : 20</u>		
<u>Allocations for the gratuity</u>		
Balance brought forward 01.01.2020	42,365,554	43,151,056
Allocations deficient in year 2018	-	497,151
Allocations for the year	12,457,075	3,486,140
Cash payments	(3,486,995)	(4,768,794)
	<u>51,335,633</u>	<u>42,365,554</u>
(Invested in treasury bills)		

Note : 21

Deposits

NFC Theatre Security Deposits	375,272	430,272
Canteen Deposit	30,000	35,000
Security Deposit - Theatres	2,326,727	2,573,754
Employees	5,000	5,000
Film Importation	7,500	7,500
Cinema Project	45,000	45,000
Sanitary Services	160,000	160,000
	<u>2,949,499</u>	<u>3,256,525</u>

Note : 22

Film Rent Creditors

Film Rent Creditors	251,888,838	269,193,607
(-) Impairment adjustment for Creditors	(18,046,804)	(18,046,804)
	<u>233,842,034</u>	<u>251,146,803</u>

**National Film Corporation of Sri Lanka**  
**Notes to Financial Statements**  
**As at 31 December 2020**

<u>Note 23</u>	<u>2020</u>	<u>2019</u>
	<b>Rs.</b>	<b>Rs.</b>
<b><u>Other creditors</u></b>		
Accrued expenses (2.10)	51,097,862	46,297,558
VAT payable	152,612	152,612
Allocations for audit fees	5,125,000	3,215,795
Commissioner of Inland Revenue (Stamps)	47,723	55,848
Unclaimed Wages	946,911	947,611
E. P. F.	656,759	1,901,241
E. T. F.	72,955	242,662
Miscellaneous Creditors	853,954	1,429,773
(- Allocations for Non-payable Liabilities)	(644,840)	(644,840)
National Film Development Fund	3,525,795	3,697,545
Rithma circuit administration account	4,656,588	5,316,841
Payment of Paye tax	38,253	38,253
Account for Allocation for Salaries and Wages	577,190	577,190
AAccount for allocation for Receivable Production Loan I	1,028,122	1,028,122
Public Performance Board	114,801	114,801
Cine artists and technicians fund control account	2,618,552	-
Rehabilitation of films	-	(485,692)
Ceylon Biscuits Limited	976,303	976,303
	<u>71,844,541</u>	<u>64,861,624</u>

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 2020 in terms of Section 12 of the National Audit Act, No. 19 of 2018.**

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**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 2020 comprising the statement of financial position as at 31 December 2020 and comprehensive statement of income, statement of the change in equity, and cash flow statement for the year then ended, and notes to the 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 Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

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 Corporation as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards

**1.2 Basis for Qualified Opinion**

- (a) Even though the loans of employees, which are to be recovered within 12 months and the amounts to be recovered within a period of more than 12 months should be categorised and entered in the statement of financial position as current assets and noncurrent assets as per para 66 of the standard no 01 of Sri Lanka Accounting Standards, the loans of employees to the total value of Rs. 19,532,289 as at 12 December 2020 has been entered as current assets without categorising.

- (b) Even though the values of gratuity to be paid within the coming 12 months should be shown as current liabilities and the remaining balance of gratuities payments should be shown as noncurrent liabilities when making allocations for gratuities as per para 69 of standard no 01 of Sri Lanka Accounting Standards, the total value of the allocations of Rs. 51,335,633 has been entered as noncurrent liabilities without categorising.
- (c) Even though the trade and other values, which are payable, and financial liabilities should be shown separately in the statement of financial position as per standard no 01 of Sri Lanka Accounting Standards, the accrued expenses, which are financial liabilities, to the total value of 51,097,862 has been entered under other creditors in the statement of financial position of the year under review.
- (d) Even though the allocations and tax payable should be revealed separately under current liabilities in the statement of financial position as per para 54 of standard no 01 of Sri Lanka Accounting Standards, Rs. 152,612, which is the VAT to be paid by the Corporation and Rs. 38,253, which is pay tax, and the total of allocations for audit fees of Rs. 5,125,000 have been entered under other creditors and financial statements have also been prepared accordingly.
- (e) Even though the investments, of which the maturity period is 03 months or low and remaining as at 31 December 2020, should be shown as liquidity assets of cash and cash equivalents, when the treasury bills and resold bills are accounted as per para 07 of standard no 07 of Sri Lanka Accounting Standard, Rs. 118,997,660, which is the total values of 26 Treasury Bills to be matured within 03 months as at 31 December 2020 and Rs. 108,680,741.10, which is the total value of 11 resold Treasury Bills (REPO), have not been shown under liquidity assets of cash and cash equivalents.
- (f) When the cash flow statement of year 2020 is prepared, cash Flow Statement of the Corporation has been prepared based on the differences between the items of the statement of financial position of year 2019 and 2020 without conforming to standard no 07 of Sri Lanka Accounting Standard. Accordingly, cash flow statement have not been prepared with adjustments based on actual cash inflows and outflows. Further, even though the total cash flow of Rs. 105,000,000 generated from the receipts from General Treasury should be shown as cash flow under financial activities in the preparation of cash flow statement, it has been entered as a cash flow under investment activities.
- (g) Even though the inactive assets should be revealed to the net book value in financial statements as per para 79 (a) of standard no 16 of Sri Lanka Accounting Standards, no adequate information has been revealed in financial statements on the inactive assets and outdated assets at the buildings belonging to the Corporation and situated within and outside the premises.

- (h) Even though the contingent liabilities, which may be arisen, and the particulars of court cases should be revealed in financial statements as per standard no 37 of Sri Lanka Accounting Standards, no revelation has been made in financial statements regarding the 09 cases being herd at various courts, of which the Corporation is the defence, 05 inquiries investigated at the Department of Labour under Labour Dispute Act, 09 investigations pending at Human Rights Commission as at the last date of the year under review.
  
- (i) The cost of intangible assets should be identified as an expense as per para 68 (a) of standard no 38 of Sri Lanka Accounting Standards, and then the expense should be identified at the income statement after identifying as a long term asset under fixed assets in the statement of financial position and then assessing productive life time and making amortization annually. However, the cost of intangible assets to the total value of Rs. 6,587,305 has not been accounted as expenses.
  
- (j) Even though the balance of loans is Rs. 381,558,535 as per the comprehensive schedule of debtors on film rental, which was submitted for audit as at 31 December 2020, the balance of the same in main ledger is Rs. 362,737,356. Therefore a difference of Rs. 18,821,178 was observed.
  
- (k) Since the income of the corporation was not sufficient to cover up the expenses, General Treasury has provided provisions for the capital expenses and salaries of employees. It was observed a situation where the Corporation was running at a loss constantly during the previous 05 years and the year under review before receiving provisions from Treasury. Further it is observed that at present it is difficult to maintain Corporation without financial support of the Government or without obtaining legal authority by the Corporation for monitoring the field distribution of movies.

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 information included in the Annual Report - 2020 of the Corporation**

The other information means the information included in the Annual Report 2020 of the National Film Corporation of Sri Lanka, which I obtained before the date of this Audit Report, but not included in the Financial Statements and the my Audit Report in this regard. The Management should be responsible for these other information.

Other information 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 the financial statements is to read identified other information wherever possible and also to consider whether are not reconciled quantitatively in terms with the financial statements or other knowledge gained by me during the audit or any other way.

If I determine, based on the other information obtained by me before the date of the audit report and the tasks performed by me, that there are material misstatements, I am required to report such facts. However I have no such misstatements to report.

### **1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine 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 Corporation's 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 intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Fund 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 of 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 Company'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. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation 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 and Regulatory Requirements

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

2.1.1. I have obtained all the information and explanation that required for the audit except for the effects of the matters described in the Basis for qualified opinion and as far as appears from my examination, proper accounting records have been kept by the Fund as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2. The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3. The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2. Based on the procedures performed and evidence 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 Fund 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 Fund as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018, except the following observations;

Reference to law, rule/ order

Observations

Section 13, Chapter II, section 12.2.3. and 12.2.6 of Chapter VII of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, Section VI, VII and VIII of 9.3.1 of Public Enterprises Circular No PED/ 12 dated 02 June 2003

By the year under review, 57 posts of the Corporation have fallen vacant and 14 out of the above vacancies have been filled based on various grounds such as appointments on acting basis etc, without granting permanent appointments. Further no plan has been prepared for filling of vacancies and no employee has been appointed to such posts for a long time on permanent basis.

2.2.3. to state that the Corporation has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018

2.2.4. to state that the resources of the Corporation had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018 except for the following observations ;

- (a) The Corporation has offered a construction contract to the total value of Rs. 99,965,061 to the State Engineering Corporation with effect from 05 April 2019 without following the procurement guidelines of the Government bearing No 08 of ජනපති Circular dated 25 January 2006. Based on the bilateral agreement signed by two parties, a payment of Rs. 3,134,107 has been paid to the State Engineering Corporation, selected contractor, on 28 August 2020 deviating from the procurement process and the constructions works have been stopped up to now .
- (b) A projector has been purchased at the total cost of Rs. 11,460,155 for the Tharangani movie theatre belonging to the Corporation. The files connected to this purchase have not been maintained properly and with transparency and further the procurement process has not been followed as per the procurement guidelines of the Government bearing No 08 of ජනපති Circular dated 25 January 2006. This projector, which has been fixed at Tharangani movie theatre belonging to Corporation, has not worked properly at several occasions by 2020/2021 and at present it is not in a working condition.

### **2.3. Other matters**

- (a) As per the report of the COPE committee held on 19 July 2021, the Committee has sent 14 orders to the Corporation along with the letter of No. COPE/9/1/2020 dated 5 August 2021. However the Corporation has not taken action to complete 10 tasks entrusted prescribing specific time frames conforming to the orders and to report to the COPE committee and Auditor General.
- (b) One year diploma course on cinema has been introduced with the aim of laying foundation for academic, conceptual and technological base to create a Sri Lankan Cine Culture. Even though it has been planned to enrol 50 students in year 2020 to this course, which was planned with two stages, no enrolment has been made. The number of the applicants was at a lower level due to outdated equipment used for the course, inadequacy of technical instruments, and lack of modern auditorium facilities. Even though 94 students have been enrolled during the period from 2016 up to December 2020, the number of the students , who completed successfully the course was only 22 at the end of the year under review (22%).

- (c) The Corporation has purchased quick book software system in 2019 without following a proper procurement process in order to maintain accounts using computerized system. However the institute does not have an information technology division and further trained staff is not available at the institute. In the meantime proper internal control strategies have also not been introduced. The manual ledger system has been stopped with the introduction of computerized accounting system from 2020 and there were issues on the credibility of the data and information and further it was problematic the inclusion and removal of statistics relevant to year 2019 in the computerized system even by October 2021. Further backups were not maintained safely and therefore it was impossible to enter them to the system when necessary. In the meantime efficient hardware were not obtained for the system and there were limits for internal and external audits to access the system and under such circumstance the computerized accounting system was at risk.
- (d) The monopoly for the distribution of movies, which was with the Corporation, had been assigned to 04 private distribution circuits by the National Film Policy and guidelines dated 17 June 1999 issued by the Secretary of the Ministry of Finance by his letter of no. DMS/360/NFC/P (Nilaweera Report). Since these circuits have not distributed movies in fair manner, approval has been granted by the Cabinet of Ministers to cancel the Nilaweera Report by Cabinet decision no. 20/058/205/019 dated 18 March 2020. Since a legal action has been taken by these private circuits against this decision, 'the Methodology for distribution and screening movies' prepared by the Corporation has been referred for the approval of Cabinet and accordingly approval of the Cabinet has been granted for the above methodology by the Cabinet Decision No. CP/21/1024/305/022 dated 14 June 2021. Since no action has been taken so far to publish those matters in the said approval in a Gazette Notification, adverse effects have caused for the activities of the Corporation and the progress of the movie industry.
- (e) The one story building belonging to the Corporation and situated at the premises no 224 has been given on lease to Public Performance Board from year 2007. However the bilateral agreement no 4711 signed for the last time by two parties on 23 January 2017 has expired on 31 December 2018. The Public Performance Board has demolished the building violating the conditions of the agreement and constructed two storied building of 2576 sqft. The basic works of this new building have been commenced on 17 May 2016 but so far they have not been completed. It was observed that the Public Performance Board was using this building, which was constructed without a proper agreement, paying electricity and water bills by the Performance Board. Even though 02 years and 10 months have lapsed from the expiry of the agreement, Corporation has not taken action to obtain valuation report from the Government for new building and then to recover the arrears by way of entering in a new proper lease agreement after assessing new lease rent.
- (f) The first floor of the two storied building belonging to the Corporation and situated at the premises no 224 has been provided to the SALACINE institute by the Corporation for a monthly rent of Rs. 315,000 up to 14 January 2019 by the lease agreement no. 4660. It has been decided to remove the SALACINE institute from the building sending a letter of

demand as per the decision of the Board of Directors date 21 December 2021 with a view to establish cinema academy at the premises. The arrears for lease rent, water and electricity bills, which should be settled by SALACINE institute to the Corporation up to now is Rs. 4,111,810. However no action has so far been taken to hand over this building, where a cinema academy is to be established, to the Corporation.

- (g) According to the report on arrears of loans, the total of the outstanding amount from the loans given for movie productions and modification of movie theatres is Rs. 85,174,055. An amount of Rs. 23,983,079, which is the total of unrecoverable amounts provided for movies not released for screening, is also included in the above. Accordingly it was observed that Rs. 72,712,671 (85.4%) out of Rs. 85,174,055 provided to movie productions, modifications of movie theatres and unclassified debtors is unrecoverable arrears of loans and interests. Further the Corporation has failed to recover such amounts for a long time.
- (h) The total of the outstanding amounts to be recovered as at 31 December 2020 and remaining for more than 19 years from 137 movie theatres, which closed down without including in any circuit at the time of dividing movie theatres to circuits in year 2001, was Rs. 7,659,366. Further the amounts in arrears, which were to be recovered from the movie theatres closed down up to 31 December 2021 after dividing theatres to circuits was Rs. 138,022,871. Accordingly an amount of Rs. 145,802,930 was remaining as unrecoverable arrears.
- (i) The amount of the total of loans and the interest, which should be recovered from movie theatres operated under circuits, is Rs. 241,538,242 as at 31 December 2021. Rs. 136,881,529 out of the above is interest for loans and Rs. 104,656,713 is arrears of loans. It was observed as per the reports on loans that Rs. 142,046,109 (58%) out of the total amount of Rs. 241,538,242 was unrecoverable arrears and interests.
- (j) The balance of loan advance as at 31 December 2020, which could not be identified due to the defects of the control in the system applied for the payment and recovery of loan advances of employees, was Rs. 539,222. Further, the Management has not taken action to recover Rs. 531,420, which was the loan advances not recovered for more than five years.
- (k) Under payments to the values of Rs. 20,352,762 and Rs.2,763,752 have been made to the Employees' provident Fund and Employees' Trust Fund respectively as a result of making such payments calculating due amounts without taking into account the cost of living allowance for the period from January 2006 up to December 2015. It has to pay surcharges when settling the arrears of contributions and the concurrence of the Board of Directors has been granted at the 1193rd meeting held on 21 October 2020. Accordingly this surcharge of Rs. 34,674,771 has been settled by 28 June 2021 and as a result of this, the Corporation has to bear an uneconomic expense to the value of Rs. 11,558,257 as surcharges.

- (l) Even by 31 December 2020, the Corporation has maintained 08 current accounts and further a beneficial balance to the value of Rs. 23,030,540 has been maintained as per the cash book of those current accounts. Accordingly the Corporation has retained Rs. 23 million without using and it was observed as the inefficiency of the Management.
- (m) The Corporation has entered in to an agreement with State Engineering Corporation to an estimated value of Rs. 99,965,061 for construction works and consultancy services, when it was decided to construct a museum and a library in the name of Dr. Lester James Peries within the premises of the Corporation. Accordingly constructions have been commenced on 05 April 2019. However the Corporation didn't have a deed for the site of construction and further approval of the Urban Development Authority has also not been obtained for constructions. Rs. 3,134,107 has been paid by 31 December 2020 for this construction, which was carried out without obtaining approval of the Cabinet and the constructions have been given up nearly for two years and the building was facing destruction.
- (n) Three officers, who have not possessed required qualifications as per scheme of recruitment, have been appointed to 03 posts of senior manager of the Corporation on contract/ acting/ performing duties of the post. Rs. 3,098,046 has been paid to these officers as salaries and allowances without verifying their arrival and departure by a finger scanner.

W.P.C. Wickramaratne  
Auditor General



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இலங்கை தேசிய திரைப்படக் கூட்டுத்தாபனம்  
NATIONAL FILM CORPORATION OF SRI LANKA