

# FUTURE WITH PROSPERITY

Development Lotteries Board

Annual Report 2012





## For Enriching Tomorrow

The Development Lotteries Board (DLB) has been enriching the lives of Sri Lankan public through its innovative lottery strategy for the nation since its establishment on January 19, 1983.

### Enriching Education

We have enriched the country's education sector through our Mahapola Scholarships scheme by awarding scholarships to underprivileged university students to carry out their studies throughout their university lives. Bringing your education to life, DLB makes vital funds for Mahapola Higher Education Trust Fund. Each year we provide more than 10,000 scholarships to higher education students. DLB is dedicated to guide you to a better future through advancement of knowledge and education.

### Enriching Health

"Aarogya Parama Labha" ("The Greatest Wealth is Health"). The enrichment of health is a supreme aspect of life. During bad times when your health was so poor and was having a major impact on your well-being, DLB stood by your side with the President's Fund to provide you with much needed funds to undergo heart surgeries, kidney transplantations, Cancer treatment, Hip and Knee cap replacement, Scoliosis (correction of spinal cord deformity) and certain other life threatening illnesses. DLB submits its profits to the President's Fund primarily to provide for your health needs. Furthermore, The President's Fund contributes to a series of poverty alleviation programs under way by the government.

We are proud to announce as the Premier fortune making public entity in Sri Lanka, we have opened doors for the advancement of a nation. With our mission we are committed to make "everyone in the country a winner."

## Our Vision

*To be a Premier fortune making public entity in Sri Lanka.*

## Our Mission

*"Conducting innovative and attractive lotteries using state of the art technology, upholding trust and being excellent in fulfilling the aspirations of stakeholders at all times.*

### Our Goals

*Increase the market share.*

*Maximize the contribution made to the President's Fund.*

*Acquire and utilize modern technology effectively.*

*Fulfill the expectations of Stakeholders.*

## Our Core Values

### **Integrity**

*The lotteries that we offer and the way we conduct business, is fair, honest and trustworthy*

### **Positive Attitude**

*The DLB employees hold an optimistic approach to every challenge they are to face carrying out lottery business.*

### **Result orientation**

*The DLB employees are confident in their roles and focus on achieving the given targets in an effective manner.*

### **Innovation**

*The employees of DLB are encouraged to seek ideas that will improve the business and to decide and act quickly in response to strategic and competitive market changes.*

### **Team Work**

*The DLB employees work together to achieve organizational goals while fostering openness, mutual respect and individual development.*

### **Orientation**

### **Toward Excellence**

*The employees strive to maximize the quality of service continuously.*

# Corporate Information

<b>Name of the Board</b>	Development Lotteries Board
<b>Legal Form</b>	The Board was Incorporated under the Act of Parliament No. 20 of 1997 Development Lotteries Board Act.
<b>Date of Commencement</b>	19 <sup>th</sup> January 1983
<b>Registered Office</b>	No. 356, Dr Colvin R De Silva Mawatha, Union Place, Colombo 02.
<b>Telephone</b>	011 2 333 546-7, 011 4 824 824
<b>Fax</b>	011 2 333 545
<b>Web</b>	www.dlb.lk
<b>TIN</b>	409089844
<b>Board of Directors (2012)</b>	<ol style="list-style-type: none"> <li>1. Dr. Chandrawansa Pathiraja - Chairman / CEO</li> <li>2. Mr. Gamini Ekanayake - Working Director</li> <li>3. Mr. D N Nanayakkara - Director</li> <li>4. Mr. Ranjith Thenuwara - Director</li> <li>5. Mr. R K Jayalath - Director</li> </ol>
<b>Auditor</b>	Auditor General
<b>Internal Auditor</b>	M/S Sudarshana Pushpakumara & Co, Chartered Accountants
<b>Bankers</b>	Peoples Bank, Bank of Ceylon, Sampath Bank PLC.
<b>Branch Offices</b>	<p>Kurunegala No. 121, Kandy Road, Kurunegala. Tel / Fax: 037 2233560, 037 4641002</p> <p>Matara No. 42/1, Dharmapala Mawatha, Matara. Tel / Fax: 041 2234664</p> <p>Monaragala New Bus Stand, Monaragala. Tel / Fax: 055 4498028</p>

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# History of Development Lotteries Board

The Development Lotteries Board, known as the Development Lottery Centre at the inception, was established on January 19, 1983. The main objective of the Centre was to assist the Government to raise finances.

Subsequently in 1993 the Development Lottery Centre was transformed to a Trust known as the "Development Lottery Trust". On 12th August 1997 the Trust was converted to the "Development Lotteries Board" by the Development Lotteries Board Act. 20 of 1997.

The Development Lotteries Board entered into the lottery market by introducing instant lottery tickets in the year 1983 and was the first Lottery Organization to introduce Television lottery draws to the lottery market with the launch of "Shanida Wasanawa" in the year 1987. Initially "Shanida Wasanawa" was drawn only on Saturdays and later on extended to Wednesdays.

The second phase of 'Wasana Chakraya' Television draw commenced on 25th January 1998 drawing every Sunday. This was tailor made for non-winning instant scratch lottery tickets. The response to this programme from the public was very favorable. The second television draw lottery known as "Sanwardhana Wasanawa" was launched on 9th October 1998. This was drawn on Tuesdays and Fridays. The unique feature of this ticket is the introduction of 'Zodiac' symbols along with numbers to identify winnings.

On 26th January 2004 we were able to launch "Jayoda" to be drawn on Mondays and Thursdays. This ticket offers a Super Jackpot in addition to the standard jackpot and regular cash prizes. The Super Jackpot starts with an initial amount of Rs. 10 million. The regular jackpot winners are entitled to opt for the cash prize of Rs. 1 million or a house worth over Rs. 1 million, which is the first in the history of lotteries in the Sri Lanka.

On 10th April 2009 the Development Lotteries Board was able to launch "Jana Jaya" to be drawn on Thursdays and Sundays. To win the Super Prize the lucky person should match 04 numbers out of the 64 numbers and super number from among 12 numbers from another machine. The super Jackpot starts with an initial amount of Rs. 2.5 million.

The introduction of "Super Ball" lottery on 11th July 2012 marked a great turning point in the history of lottery industry. This particular lottery starting with the largest ever lottery jackpot of Rs 30 million has been successful in attracting the general public.

The income generated by the Development Lotteries Board is credited to the President's Fund for the prime purpose of bringing prosperity to the entire Nation. 50 % out of which is contributed to the Mahapola Higher Education Scholarship Trust Fund overwhelmingly supporting the country's education. Measures are taken to contribute the rest of the amount to uplift the living standard of poor people, health needs, maintenance of religious institutions, to welfare associations and the fields of sports and arts with the idea of creating a better future for the entire public.

# Milestones

We at DLB came across the following steps in a stone with our Development Ladder

## 1983

The birth and introduction of Instant Lottery Tickets to Sri Lanka for the first time in the history, as pioneers in the Lottery industry.

## 1987



Introduction of the first Television Lottery Draw "Shanida Wasanawa"

## 1993

Conversion from "Development Lottery Centre" to "Development Lottery Trust".

## 1997



- Conversion as "Development Lotteries Trust" to "Development Lotteries Board" with a Government owned corporate body under the "Development Lotteries Board Act No 20 of 1997".
- Achieved a turnover level of Two Billion.

## 1998



Introducing "Wasana Chakraya" Television Draw. This was for non winning instant scratch lottery tickets.

The "Sanwardhana Wasanawa" lottery was launched, together with "Windows" Instant Lottery and "UREKA" Instant lottery for Rs. 100/= with a Super Luxury Motor Car as winning prize.

## 1999

Updating of Computer System in line to cope with Y2K issue with the assistance of World Bank.

2004



- "JAYODA" was launched with Pioneering feature of option for cash prize or a house
- Achieved a turnover level of Three Billion.



2008

- Sheltered in DLB's own House at No. 356, Dr. Colvin R De Silva Mawatha, Colombo 02.
- Achieved a Turnover level of Five Billion.

"Jana Jaya" Lottery with a Super Jack Pot prize was introduced.

2010



2011

"Niyatha Jaya" Lottery was launched.



2012

"Super Ball" Lottery with the largest ever lottery jackpot of Rs. 30 million was introduced.





## Chairman's Review

With much pleasure I place before you our Annual Report for year 2012 supported by the Audited Financial Statements of the Development Lotteries Board.

Development Lotteries Board has completed 29 years since its incorporation in 1983. The statutory objective of Development Lotteries Board is to generate funds for the President's Fund. Development Lotteries Board provides scholarships for the university students through Mahapola Trust Fund. Similarly, the health sector is also supported by the funds generated by DLB.

DLB has been built on many strong treasured values based on the 'Mahinda Chinthana' where main focus has been to treat people of our Nation on equal terms irrespective of any segregation, at the same time ensuring and safeguarding our stakeholders interests benefitted financially at all times.

It is with great pride we announce that DLB achieved it's highest earnings/revenue during this financial year 2012. During this year DLB has been able to post a profit to our equity holders amounting to Rs. 1.9 Billion, this is a 32% increase over the profit attributable to equity holders in the previous year. Our total Revenue was increased to Rs. 8.6 Billion from Rs. 6.8 Billion the previous year thus recording a growth of 25% achieved in terms of Revenue to DLB. It should be further stated that during this financial year DLB has been able to contribute Rs. 1.6 Billion which is the highest contribution ever made to the presidential Fund in history of DLB.

The growth increase in prize money payout has also increased to our valued Customers amounting to Rs. 5.1 Billion during this year thus

an increase from Rs. 4.1 Billion payout reported over the previous year which is well worth noting.

DLB is not just driven & focused only on Profit margins but equally concentrates on the responsibility that rests in terms of Corporate Social Responsibility (CSR) by the Society as a whole. This responsibility is well worth noting & mentioning at this stage. Most of the CSR Projects handled through DLB were directed at building community relationships and well deserved Humanitarian causes were supported in this instance and also to protect our Cultural Heritage which are too numerous to mention. Having diversified into many CSR programs, DLB could report that we have provided over 20,000 direct and indirect livelihoods to our people. Plans are underway to stretch our CSR Projects to cover more deserving areas in the coming years.

On behalf of the Board of Directors, I wish to conclude by thanking all our stake holders for the support extended to me and the Board of Management throughout the year. I would also like to thank and place on record all our distributors, dealers, and their assistants and staff for all their dedicated efforts and commitment to achieve our target and more over the objectives of the DLB and helping us to make our presence at DLB meaningful and a reality. My sincere appreciation is extended to our esteemed Customers and Stakeholders who placed enormous loyalty and trust in our Products which gave us the support to move to the following year with much strength and with a new vision for DLB.



**Dr. Chandrawansa Pathiraja**

Chairman/CEO

Development Lotteries Board

## The Present Board of Directors



1



2



3



4



5

1. Dr. Chandrawansa Pathiraja  
Chairman / CEO
2. Mr. Gamini Ekanayake  
Working Director,
3. Mr. D N Nanayakkara  
Director, Development Lotteries Board  
Senior Assistant Secretary to the President
4. Mr. Ranjith Thenuwara  
Director, Development Lotteries Board  
Director - Mahapola Higher Education Scholarship Trust Fund
5. Mr. R K Jayalath  
Director, Development Lotteries Board  
Assistant Director - Ministry of Finance & Planning

## Review of the Board of Directors

It is for me a great pleasure to put forward the Review of the Board of Directors for the Annual Report of the Development Lotteries Board. The Development Lotteries Board has been established with the prime objective of providing the excess amount earned from the conduct of lotteries to the Presidential Fund. Through this, contributions are made to the Mahapola Higher Education Scholarship Trust Fund. The significant sales income earned during the year 2012, awarding a large amount of cash prizes to the customers and providing a considerable sum of Rs. 1648.5 billion - the highest contribution ever made to the Presidential Fund stand in evidence of the remarkable progress made by the Development Lotteries Board.

Actions have been taken to introduce to the market new lottery tickets which can satisfy our esteemed customers and to launch a sales promotion by way of introducing an attractive lottery scheme in the year 2012.

We are proud to state that the Development Lotteries Board being a key government body has provided an excellent service by enhancing economic strength of the customers with the prime purpose of contributing to the economic development of Sri Lanka, providing benefits to the members of the staff and also by remitting financial aid to the field of Higher Education and Health.

The Development Lotteries Board which was initiated in 1983 handled instant lottery tickets during its early years of initiation and later the 05 lottery tickets namely Saturday Fortune, Development Fortune, Jayoda, Janajaya and Niyatha Jaya were introduced. Apart from those lottery tickets, the introduction of the Super Ball lottery ticket in this year with a super jackpot of Rs. 30 million has brought the Development Lotteries Board to an exceptional level in the Lottery Field.

As the country now experiences a peaceful situation after the conflict situation came to an end, there exists a favourable condition in which sale of lotteries is possible within all the 25 Districts.

The year 2012 became a year of higher productivity attributable to the proper policy decisions made by the Board of Directors within the year under review, efficiency of the entire staff, dedication and commitment of the sales agents and the firm guidance received from our Auditors.

**D.N. Nanayakkara**

Director

## The Present Management Team



### 1 Row

Miss. Vijitha Somarathne  
Deputy General Manager – Finance

Mr. Madawa Dewasurendra  
General Manager

Dr. Chandrawansa Pathiraja  
Chairman / CEO

Mr. Gamini Ekanayake  
Working Director  
Attorney-at-law, Unofficial Magistrate

Mr. Anura Jayarathne  
Deputy General Manager - Marketing

### 2 Row

Mr. D D C Damminda  
Assistant General Manager - Marketing

Mr. Kapila Bulathsinhala  
Assistant General Manager - Marketing

Mrs. Rishini Rupasinghe  
Assistant General Manager - Marketing

Mr. Sunil Jayarathne  
Assistant General Manager - Finance

Mr. Kasun Jayasuriya  
Assistant General Manager - Finance

Major J M D A Krishantha  
Chief Security Officer

# Review of Operations

DLB achieved unprecedented growth in Revenue and profitability in the year under review. Revenue of Rs. 8.6 billion was recorded in the year 2012, the highest in the DLB 30 year history. Growth in Revenue improved the profit before tax strongly by remarkable 32%.

## Principal Activities

The principal activity of the Board is to generate funds for the President's Funds to grant Mohapola Higher Education Scholarships for the University Students and grant medical assistant for the needy public in the country through operating and managing Lottery products. The DLB is governed by the Development Lotteries Board Act No 20 of 1997.

Currently DLB is operating the following Lotteries to achieve the above key objectives.

1. Saturday Fortune
2. Development Fortune
3. Jayoda
4. Jana Jaya
5. Niyata Jaya
6. Super Ball
7. Instant Lottery Tickets

## Operational Highlights

DLB currently operates with 2,226 active dealers and approximately 20,000 retail sales assistants all over the Island. Around 25,000 direct and indirect employment opportunities has been created under DLB umbrella.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Turnover	1,519	2,267	2,996	3,730	4,103	3,762	3,947	4,498	5,221	5,688	6,884	8,624
Prize Payout	816	1,299	1,718	2,301	2,582	2,286	2,416	2,686	3,161	3,406	4,120	5,113
President's Fund	421	379	734	832	843	942	845	626	685	800	1,354	1,648
Dayata Kirula	-	-	-	-	-	-	-	30	50	89	92	101

## Number of High Tier Winners Made

Cash Prize category (Rs.)	Number of Winners	Amount (Rs.)
Above 10,000,000	17	293,347,905
1,000,000 – 10,000,000	389	502,212,655
100,000 - 1,000,000	1374	203,350,060
10,000 - 100,000	2719	108,456,500

## New product Launches

### Super Ball

The development Lotteries Board has been a highly popular lottery operator in Sri Lanka since its inception in January 1983, introducing a wide range of ground breaking lottery systems and tickets to lottery customers throughout the Island with a multifarious approach.

The board introduced another and exiting lottery called "Super Ball" to local lottery consumers. "Super Ball" provides lottery buyers across the country to experience a new set of lottery features while enabling them to participate in a superior lottery as Super Ball offers the biggest ever starting Jackpot of Rs. 30 million.

### Instant Tickets

Instant Lottery has been introduced to the market with an enhanced prize pattern and with colorful and eye-catching look, aimed at further attracting ticket buyers.

During the year 2012 Development Lotteries Board introduced 21 games of Rs.20/- Instant tickets and 32 Games of Rs. 10/ Instant tickets to the market.

Change the instant lottery brand name and re-launched as the "Development Instant" to differentiate from the competitors. Further, DLB launched special Instant Lottery promotion to targeting various niche markets.

## Product wise report on modification and improvements

### Product modifications

#### Saturday Fortune

"Raththaran Waranma" special promotion which was started in 2011 continued in 2012. This is a special non-winning draw conducted to non-winning ticket of each Saturday Fortune main draw.

This carried forward a special gold coins jackpot in addition to the main jackpot. This promotion gave a more attractiveness to the brand image and also gave a positive effect to the sales growth.

## Development Fortune

As per the new modification, increased the prize of Rs. 200,000 /- to Rs. 500,000 /- which is given for all four numbers matching and change the visuals of the face of the ticket. In addition to draws on Tuesdays and Fridays new Development Fortune draw was introduced to the market on Sundays from 17th December 2012.

## Jayoda

Lottery agents and distributors were making repeated request to modify the existing Jayoda prize structure. There fore, DLB introduced Rs. 1,000,000 /- for 4 numbers instead of Rs.400,000 /- and also change the visuals of the face of the ticket. DLB introduced the new modification to the market on 29th September 2012.

## Super Ball

The Development Lotteries Board with a view to increase the popularity of the lottery and to offer more chances of winnings to its consumers, have built up a new prize structure for Super Ball with additional prizes to be given away to the buyers of the lottery. The new Super Ball prize structure becomes operative from 3rd September 2012. Also Development Lotteries Board has made arrangements to introduce 5 in 1 Super Ball lottery tickets to the market. The Super Ball 5 in 1 ticket that contains five Ball Lottery tickets in a single Super Ball ticket at Rs. 100/-.

## Improvements

The year 2012 was very important year not only for DLB , but also for the lottery market of the country since DLB was able to introduce a new lottery called "Super Ball" with a starting super jackpot Rs. 30/- million.

## Activities conducted for distributors and sales agents

Distributors and Dealer meetings were organized to outlook the sales force and direct them in the right direction.

2 Distributor meetings were held in Colombo on 17th February 2012 and 13 July 2012 respectively. DLB also conducted 6 dealer meetings at Colombo, Kalutara ,Gampaha ,Kurunegala , Polonnaruwa and Matara during the year 2012.

## Dealer Incentive

This incentive scheme has become very popular among dealers and distributors. This is a group incentive scheme and each distributor and dealer under them must work as a team to get the benefit of it. We have given them a benchmark sales target that has to be exceeded to earn the incentives. This year most of the dealers and distributors exceeded sales targets and earned incentives successfully.

# Sustainability Report

DLB essentially being a sustainable business entity nearly last three decades formulating competitive business strategies fundamentally do not become conflicting with the long term needs and values of the society at large while taking more than just the interest of the immediate stakeholders into account. DLB has been continuously concerned about the concept of ethical corporate citizenship and attracted socially conscious business partners and customers. DLB has been dealing with strong relationship with government and other regulatory bodies and always paid attention beyond the fundamental regulation and corporate governance.

DLB has been maintaining the feeling that ethical corporate citizenship and social responsibility are not limited to the parties solely external to the organization and understand that the management and the staff too are members of the society and have similar values and highly focused on employees morale and work life balance and encourage employees towards life time employment at DLB.

## Human Resources

HR practices already in place to ensure that our capacity of the staff is in line pursuant to corporate objectives. This mainly involves conducting of staff training and developments targeting areas including staff knowledge, skills, and attitude etc. the programs include the following,

PROGRAM NAME	NUMBER OF STAFF	MONTH	TIME ALLOCATION	TARGET GROUP
Driving workshop	10	March	1 day	Drivers
Marketing work Shop	1	June	4 months	Management Assistants
Workshop on energy conservation	1	September	1 day	Management Assistants
IT training program	2	September	4 days	Management Assistants
Skills development program	5	October	1 day	Office assistant
Effective relationship workshop	8	November	1 day	Management Assistants
Public procurement training program	1	November	2 days	Management Assistants
Personal grooming workshop	1	November	1 day	Receptionist
Selling and marketing skills development program	13	December	1 day	Sales Promotion Officers
Skills development program	10	December	1 day	Office assistant
Skills development program	2	September	1 day	Security
Announcing skills development program	1	August	3 months	Office assistant

As a responsible corporate citizen we take proactive role in promoting the wellbeing of our staff and society at large. Various programs activities were conducted in the year 2012 covering wide range of areas including following.

### Religious program



Pirith and arms giving program was held with participation of DLB staff.

### DLB talent show



Staff showcased their artistic skills at this event.

### Sinhala and Hindu New Year Celebration



### Vesak Bakti Gee Program



### Wesak Dasala



## Social Service



DLB involved renovation works of Hospital wards throughout the Island.

## Deyata Kirula National Development Program



DLB was the main finance sponsor for the Deyata Kirula National Exhibition.

# Corporate Governance

Corporate Governance is generally agreed as the system by which companies are directed and controlled. DLB and its Board of Directors are dedicated to the uppermost standards of governance intended to safeguard the interests of all stakeholders while upholding integrity, transparency and accountability. Responsibilities to Equity holders, distributors, dealers, sales assistance, customers, employees suppliers, creditors and others, as well as wider social responsibilities to the communities are of paramount importance. DLB maintains required compliance with applicable legal and regulatory framework and all other applicable laws.

The following explains the DLB's corporate governance structure and practices that were in place during the year under review.

## The Board of Directors

The Board is headed by the Chairman and he leads the organizations as the Chief Executive Officer as well. The Board is the highest body and carries the responsibility of directing the DLB.

The Board consists of Chairman and 4 Directors appointed as follows.

- I. Representing the President's Fund
- II. Representing the Mahapola Trust Fund
- III. Representing the Ministry of Finance & Planning
- IV. Two members appointed by the Minister in charge (One must be Chairman)

## Responsibilities of Chairman / CEO

- The Chairman should ensure the prevalence of corporate governance.
- Chair Board Meetings and ensure that proper proceedings are followed.
- All Directors should be treated equally and they should be encouraged to play a productive role, rendering maximum input in their specialized areas of knowledge.
- Unless the Chairman is the Chief Executive Officer he must play a supervisory role and refrain from engaging in operating activities.
- The Chairman must ensure that the Board has total overall decision making power over activities of the enterprise.
- The Chairman must ensure a clear division of responsibilities and facilitate balance of power and authority.

## Role of the Board of Directors

The Board of Directors are responsible to ensure that the Enterprise is managed efficiently, in line with Government Policies. This should be achieved whilst protecting resources, maintaining proper accounts, ensuring that accurate reports are compiled and all statutory and other regulatory requirements relating to management are complied with.

The Board should ensure the following:

- Strategic aims of the Enterprise are in place.
- Leadership is given for the achievement of strategic aims.
- The CEO and the management team possess the required Skills, knowledge and competencies.
- An effective system of internal – control and risk management's in place.
- Management functions of the enterprise are effectively supervised.
- Sufficient reporting is made to shareholders on financial aspects and disclosures necessary on a regular basis.
- Recourses and assets are utilized responsibly.
- The Board should appoint an Audit Committee and such other Committees; introduce a Code of Conduct and Ethics and a Corporate Governance Strategy.
- The Board should be accountable for all their actions in conformity with relevant statutes, guidelines and circulars etc.
- The Performance of the CEO and Senior Management Staff should be assessed at least annually.

## The Board Meetings

The Operations and results are closely and regular monitored against the Budgets and relevant standards at Board meetings. A Standard agenda is followed together with any other matters attended that require Board's attention in detail. Generally the Board meets once a month and wherever necessary Special Board meetings are held.

During the year ended 31st December 2012 Twelve meetings were held and attendance are given below.

Name of the Director	Capacity	Number of meetings
Dr Chandrawansa Pathiraja	Chairman	12/12
Mr Gamini Ekanayake	Working Director	11/12
Mr. Ranjith Thenuwara	Director	12/12
Mr.D N Nanayakkara	Director	11/12
Mr R K Jayalath	Director	11/12

## Committees of the DLB

- a) Management Committee
- b) Audit and Management Committee
- c) Tender Board Committee
- d) Staff Welfare Committee
- e) Advertising Committee
- f) DLB's Cultural & Art Society

## Compliance Officer

The head of Finance Division, DGM Finance represents the Compliance officer to ensure compliance with the Regulatory and statutory Requirements and the laws and regulations governing the Board.

## The Management

The day to day operations of the Board are entrusted with top management and senior management headed by Chairman and CEO. They ensure that risks and opportunities are identified and steps are taken to achieve targets within defined time and budgets.

# Development Lotteries Board

## Financial Statements for the year ended 31.12.2012

### Audit and Management Committee Report

#### Role of the Audit Committee

The role of the Committee is defined in the Public Enterprise's guide lines for Good governance and thereby Development Lotteries Board is required to maintain a sound system of Internal Controls to safeguard stakeholder's interest and assets of the Board as basic requirement. The guide lines issued by the Ministry of Finance and Planning and other relevant authorities are also applicable.

#### Composition of the Audit Committee

The Audit Committee comprises by following three Independent Non Executive Directors.

1. Mr. Ranjith Tenuwara - Chairman of Audit & Management Committee
2. Mr. D N Nanayakkara - Member of Audit & Management Committee
3. Mr. R.K. Jayalath - Membe of Audit & Management Committee

The General Manager, DGM Marketing, DGM Finance, Administration Manager, and Chief Internal Auditor are attending the meeting and Audit Superintendent of Auditor General Department participates as observer to the committee.

Whenever necessary, rests of Senior Managers or officers were present at the meetings in order to obtain required clarifications.

#### Number of Meeting of Audit Committee

There were Twelve (12) meetings conducted on monthly basis and attendances are given below.

Name of Director	Attendance	Excused
Mr. Ranjith Tenuwara	12/12	Nil
Mr. D N Nanayakkara	12/12	Nil
Mr. R. K. Jayalath	12/12	Nil

## Tasks of the Audit Committee

The Committee reviewed the process to assess the effectiveness of the internal controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and objectives of DLB are achieved. The Committee focused on the financial reporting system adopted to ensure the reliability of the processes, and consistency in applications. The Committee reviews its reports to recognize quality of routine management information frequently. Follow up procedures are adopted to ascertain that the recommendations are being accepted upon.

During the year under review the Committee focused on employee's performance, effective utilization of resources, Corporate Planning and recommendations of marketing strategies for enhanced the operational performance. Further the Committee advice for developing Integrated Information System and Enterprise Resource Planning software in line with accomplishment of set objectives.

The Committee shared all available information with management on monthly meetings.

**Ranjith Thenuwara**

Chairman – Audit & Management Committee

# Corporate Social Responsibility - CSR

DLB always appreciates continuing commitment in doing business and behave ethically and contribute to economic development while improving the quality of life of the employees, lottery distributors, dealers and sales assistants scattered Island wide and think beyond the interest of the immediate parties of the lottery business. DLB is setting objectives base mainly on the aspirations of the society at large in line with national and cultural expectations.

DLB has been taking the challenge that develops the strategies that brings all the developments together, to integrate thinking about social and environmental accountability for nearly three decades and formulating business processes and framework of practices that makes good business sense. DLB has been believing in achieving sustainable growth by being socially responsible and acting as a good corporate citizen as one of the leading state business enterprise.

DLB has been able to launch several social investment programmes focusing on encouraging self entrepreneurship related to the business by various ways of providing assistance to the entire chain of lottery sellers.

Following are some of the events that are organized by DLB for the benefit of the distributors, dealers and the rest of the society.

1. While contributing to the higher education trough the Presidents fund DLB has a scheme of helping lottery dealers' children who have got selected to the national universities to do their higher education. Presently 42 students get monthly financial benefits under this scheme.
2. DLB distributed 30 Scooty motor bikes among lottery dealers in Northern Province fulfilling the expectations of the dealers in the North.
3. DLB has provided an Insurance Coverage for the benefit of island wide dealers. 45 sales agents received insurance benefits during the year 2012.
4. For the benefit of health sector, DLB renovated 25 hospital wards throughout the Island.

# Risk Management Report

Risk management is an integral part of managing a Lottery organization. Risk management discusses to activities that are undertaken to reduce an entity's exposure to loss. DLB is highly focused on managing all aspects of risks attached to it. The purpose of DLB's risk management strategy is to identify and address those risks carefully and establish organizational commitment in managing the risks.

## Prize Pay Out Risk

A standard prize pay-out ratio must be maintained at all levels of Lottery consignments. The risk may be that due to probability of occurrences there would have been increased prize ratio which might affect cash flow. Also there is an Insurance coverage taken from the printers to cover above risk.

## Economic Risk

The socio economic and political environment has an impact over buying pattern of customers.

## Liquidity Risk

Liquidity risk may arise due to early win of high tier prizes. The DLB assures that high liquid assets are been maintained to face such instances.

## Operational Risk

Operational risk may arise with technology, human activities and natural incidents. Fraudulent alteration of tickets, staff negligence, Computer system errors or failures, natural disasters like flood, continuous raining, tsunami, droughts etc will have an impact. Segregation of duties, internal controls, internal checks, sophisticated computer validation processes, internal audits have been in line to cover such risks.

## Reputation Risk

Reputation risk is the risk of loosing public confidence. As highly dependent on visual media, public interest and seeking assistance for souvenirs etc there might be a quantum of risk involved. These are also closely monitored and we try to satisfy every request and all concern of media products are ensured with quality, wording and presence before release.

## Legal Risk

Legal risk may arises due to un-forcible transactions in a court of law or the failure to successfully defend legal actions instituted against the Board. Necessary precautions have been taken with advice from legal and other professionals and actions are in place to minimize instances that may occur.



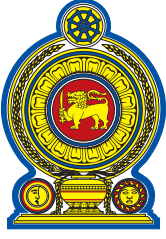
## IT Risk

DLB depends on accurate, timely information from key computer systems. Plans are in place to modernize and update IT infrastructures.



# Financial Reports

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## විගණකාධිපති දෙපාර්තමේන්තුව கணக்காய்வாளர் தலைமை அபிபதி திணைக்களம் AUDITOR-GENERAL'S DEPARTMENT



මගේ අංකය  
எனது இல.  
My No.

FB/A/DLB/12

ඔබේ අංකය  
உமது இல.  
Your No.

දිනය  
திகதி  
Date

10<sup>th</sup> October 2013

The Chairman,  
Development Lotteries Board

### Report of the Auditor General on the Financial Statements of the Development Lotteries Board for the year ended 31st December 2012 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the Development Lotteries Board for the year ended 31st December 2012 including financial statement of the Development Lotteries Board as at 31st December 2012 and comprehensive income statement, statement of changes in equity and cash flow statement and accounting policies and the summary of the information of other clarifications was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971 and Section 14(3) of the Development Lotteries Board Act No. 20 of 1997. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act, was forwarded to the Chairman on 14th August 2013.

#### 1.2 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and the internal control decided as required by the Management in order to enable the preparation financial statements that are free from material misstatements due to fraud or error.

#### 1.3 Responsibility of the Auditor

It is my responsibility to express an opinion regarding these financial statements, based on my audit. I carried out my audit in accordance with Sri Lanka Accounting Standards. These standards expect me to plan and implement the audit in order to obtain a reasonable assurance as to whether I have complied with the required ethics and financial statements are free of material misstatements.

Audit includes the implementation of procedures for obtaining of audit evidence supportive of amounts and disclosures given in the financial statements. Selected procedures, assessment of risks of material misstatements which may cause due to fraud or errors, is also based on the Judgment of the auditor. In the assessments of such risks, although the auditor takes into consideration internal controls which are relevant to the planning of appropriate audit procedures and for the preparation and fair presentation of financial statements of the Board, it is not intended to express an opinion with regard to the productivity of the internal controls of the Board.

Audit includes the evaluation of the suitability of accounting procedures followed by the Management and the fairness of accounting estimates used as well as the evaluation of the overall presentation of financial statements. By Sub sections (3) and (4) of Section 13 of the Finance Act No. 38 of 1971 , the Auditor General is vested with discretionary powers to decide the scope and extent of audit.

I believe that in order to provide a basis for my qualified audit opinion , the audit evidence obtained by me is adequate and appropriate.

#### **1.4 The Basis for Qualified Audit Opinion**

My opinion is being qualified , based on the matters mentioned in para 2.2 of this report.

## **2. Financial Statement**

### **2.1 Qualified Opinion**

In my opinion , except for the effects of the matters described in paragraph 2.2 of this report , the financial statements give a true and fair view of the financial position of the Development Lotteries Board as at 31st December 2012 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### **2.2 Comments on Financial Statements**

#### **2.2.1 Sri Lanka Accounting Standards**

The following observations were made

- (a) According to Sri Lanka Accounting Standards No. 01 , dates of submission of comparative information in the financial statements had not been mentioned properly.
- (b) According to Sri Lanka Accounting Standards No. 16, assets (Brand stall) of Rs.43,826,514 after re-recognitions in terms of the above standard had not been written off formally from accounts.
- (c) According to Sri Lanka Accounting Standards No. 36, an Impairment Test of property , plant and equipment of Rs. 43,714,734 had not been carried-out and the actual value of assets had not been shown in the financial statements.

- (d) According to Sri Lanka Accounting Standards No. 37, contingencies liability of about Rs. 04 billion relevant to expenditure on income tax of the Board had not been disclosed in the financial statements.
- (e) According to Sri Lanka Accounting Standards No. 37, although contingencies assets should not be recognized as assets in the financial statements, the Board had mentioned a contingencies asset of Rs. 2,520,000 as a balance receivable, in the financial statements.

### 2.2.2 Accounting Deficiencies

Due to inappropriate depreciation policy, amount of Rs. 2,348,972 relevant to the removed assets of Rs.43,826,514 had been over depreciated in the year under review.

### 2.2.3 Accounts Receivable and Payable

The following observations are made.

- (a) Although the Board had paid rent in advance of Rs.8,685,360 to the Ministry of Commerce on 1st November 2003 for obtaining a building on rent , thereafter , the Board had decided not to obtain the same and therefore, Rs. 4,976,220 due to be received by the Board had not been received.
- (b) An amount of Rs. 857,985 which had been brought forward from the year 2007, had been shown further as payments to be made in the future , without taking action to carry-out the activities relevant to that amount or taking action to recover the relevant future payment.

### 2.2.4 Lack of Evidence for Audit

The accuracy of Distress Loan balance of Rs. 20,720,986 as at 31st December 2012 could not be proved due to the fact that a proper Distress Loan Register in which opening credit balance, the amount paid as Distress Loan during the year, loan installment and interest received during the year of each employee are separately mentioned, has not been maintained.

### 2.2.5 Non- Compliance with Laws, Rules, Regulations and Management Decisions

The following non – compliances were observed

Reference to Laws, Rules, Regulations and Management Deficiencies	Non-compliance
(a) Development Lotteries Board Act, No. 20 of 1997	
(i) Section 9(1),(2) and (3)	This Act has given power to formulate or enact rules regarding all matters prescribed or given power by an Act and such rules should be formulated and approved by the Minister and published in the Gazette but regarding the

	lotteries held according to the provisions of the relevant Section and financial and operational activities, the Board had not enacted rules and published in the Gazette.
(ii) Section 18 (2)	An amount of Rs. 362,200 had been paid to the Welfare Fund of the Board in four occasions without obtaining the approval according to the provisions of the Section.
(b) Public Enterprises Department Circular No.95 of 14 <sup>th</sup> June 1994 and Code of Guidelines for Good Governance in Public Enterprises No 12 of 02 <sup>nd</sup> June 2003	As in the previous years, in the year under review , an amount of Rs. 18,711,004 had been paid as incentives without obtaining the approval according to Circulars as well.
(c) Public Enterprises Circular No. 12 of 02 <sup>nd</sup> June 2003	
(i) Section 8.3.5(g)	In the year under review , official vehicles had been allocated for officers who are not covered by this paragraph and an amount of Rs. 1,273,865 had been spend for fuel expenditure.
(ii) Section 9.7	As in the previous years , in the year under review, an amount of Rs.1,680,750 had been paid as allowances for participation in drawing lotteries only with the approval of the Board of Directors and without obtaining the approval of General Treasury.
(d) Management Services Circular, No. 34(1) of 01 <sup>st</sup> June 2009	In the year under review, an amount of Rs. 1,824,677 had paid as ' composite allowances ' based on various rates and contrary to the Circular.
(e) Budget Circular, No. 142 of 31 <sup>st</sup> December 2008	In the year under review, an amount of Rs. 1,980,000 had been over paid as ' Festival Advance '
(f) Code of Government Procurement Guidelines	
(i) Guideline 4.2	A procurement plan had not been prepared so as to cover all procurements by the Procurement entity.
(ii) Guideline 9.3.1	Instances, where approval of the Secretary to the Ministry had not been obtained according to the provisions of the Paragraph, for the repair of vehicles, exceeding the amount of Rs. 200,000 had been observed.

### 3. Financial Review

#### 3.1 Financial Results

According to the financial statements presented the operations of the Board for the year under review had resulted in a surplus after taxation in the provision for the Presidential Fund amounting to Rs.1,983 million as compared with the corresponding surplus after taxation of the provision for the Presidential Fund for the preceding year amounting to Rs. 1,468 million , thus indicating an increase of the provision for the Presidential Fund, as compared with the preceding year by a sum of Rs. 470 million or 32 per cent. An analysis of the improvement in the financial results is given below.

In the year under review, as the advantage variation of income was Rs.1,811 million compared to the disadvantage expenditure variation of Rs. 1,341 million , the increase of Rs. 470 million of income has mainly influence on the growth of the financial result.

#### 3.2 Ratios and Percentages

Important ratios and percentages of the year under review and the last year are mentioned below.

	Year	
	2012	2011
(a) Profitability Ratio		
(i) Gross Profit Ratio (Percentage )	28	27
(ii) Net Profit Ratio ( Percentage )	22.5	21.3
(iii) Return on Equity	154	159
(iv) Return on Average Assets	109	100.3
(b) Capital		
(i) Equity / Total Assets (Ratio)	0.64	0.58
(ii) Equity / Non – current Assets (Ratio)	0.77	0.75
(c) Liquid Assets		
(i) Current Ratio	0.62	0.75
(ii) Quick (Liquid) Assets Ratio	0.55	0.67

Although Profitability Ratio of the Board had shown a growth compared to the last year, Current Ratio and Quick Assets Ratio were not existing at standards levels, it was observed that considerable shortcomings of Asset Management existed.

## 4. Operating Review

### 4.1 Management Inefficiencies

A comparative description of the cost of introduction of 'Super Ball' lottery in the year under review and of the 'Niyatha Jaya' lottery in the previous year by the Board and the contribution of each lottery remitted to the Presidential Fund from one draw during the first six months, is given below.

Description	Niyatha Jaya 2011	Super Ball 2012	Difference as the Niyatha Jaya %
Expenditure of introduction and launching of the lottery (including media expenses)	Rs.10,028,650	Rs.42,004,850	318.85
No. of draws held during the first six months	45	24	
Average contribution remitted to the Presidential Fund from one draw during the first six months	Rs. 1,114,511	Rs. 1,153,041	3.5

Accordingly, although high expenditure had been incurred on the introduction of 'Super Ball' lottery compared with the 'Niyatha Jaya' lottery, a comparative increase in the contribution to the Presidential Fund from the new lottery had not occurred.

### 4.2 Operating Inefficiencies

The following matters were observed.

- Without a formal approval 'Super Ball' tickets had been sold on credit basis.
- While an amount of Rs.25,190,941 had been spent for sponsorship under the publicity expenses from the souvenirs and banners account, out of this amount Rs. 8,468,000 had been incurred for six occasions between the range of Rs. 968,000 to Rs. 2,500,000. This amount was 34% of the total expenditure. In addition to this, an amount of Rs. 2,619,399 had been spent as publicity expenses and all these expenses were in the forms of donations and sponsorships.

### 4.3 Transactions of Contentious Nature

The following observations are made.

- In the year under review, an amount of Rs. 1,200,000 had been paid to a website for the display of Brand Name of the Board, without approval of the Board of Directors and without entering into an agreement.

- (b) The advertising service had been obtained from a bidder , having a permit , paying Rs. 1,592,000 more than the other bidders for the display of two advertising boards without a permit of Road Development Authority. Also, the Board had been entered into an agreement to fix advertising boards which were in large size than the approved size by the Road Development Authority.
- (c) In the selection of a supplier for the printing of the new lottery introduced in the year of review, the bids of low rates than those of the selected supplier according to the bid conditions had been rejected and the Board had given the reasons relevant to this as not having the experience of lottery printing for these organizations. Calling for quotations had been limited because the experience in lottery printing had been specified as a qualification instead of variable data printing.
- (d) For the operation of computer system relevant to the draws of the Board, the service of an outside organization had been obtained and for this Rs. 9,366,787 had been paid in the year under review. In the selection of this organization for the above service ' Codes of Procurement Guidelines ' had not been observed in 2009. In the year of 2009, the Board had entered into an agreement with the relevant organization under monthly service rental of Rs. 933,356 but this monthly service rental had been reduced as Rs.700,000 without entering into a new agreement by the Board. Moreover, when getting other tasks done by the above organization, in addition to obtaining normal services, an amount of Rs. 4,608,072 had been paid in 03 occasions during the period from 2009 to 2012, the board had not entered into an agreement according to the guideline 8.9.1 of the Code of Procurement Guidelines.

#### 4.4 Idle and Underutilized Assets

In 2010, a studio which had been constructed spending Rs. 42,965,051 had not been used for the expected purpose.

#### 4.5 Identified Losses

A sum of 56 cents per ticket had been paid for the printing of the lottery tickets -Saturday Fortune, Development Fortune, JanaJaya and Deyata Kirula and the service had been performed by a private company without calling for quotations, while a sum of 48 cents per ticket had been paid for printing of the ' Jayoda ' Lottery tickets for which the cost had been decided by calling for quotations. As such the Board had incurred a loss of Rs. 23,342,760 in the year under review due to getting the tickets printed without calling for quotations.

#### 4.6 Staff Administration

The approved Cadre was only 215, but the actual staff of 224 had been employed. While there were 27 vacancies in the approved Cadre as at 31st December 2012, eleven (11) employees had been recruited on contract basis outside the approved Cadre.

## 5. Accountability and Good Governance

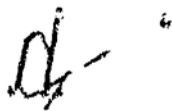
### 5.1 Budgetary Control

Significant variances were observed between the budgeted expenditure and the actual expenditure, thus indicating that the budget had not been made use of as an effective instrument of financial management control.

## 6. Systems and Controls

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

- (a) Accounting
- (b) Human Resources Management
- (c) Assets Management
- (d) Expenditure Management



Sgd./  
H.A.S. Samaraweera  
Auditor General

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2012

		2012	2011
	Notes	Rs.	Rs.
<b>Revenue</b>	01	8,624,166,662	6,884,267,246
Taxes	02	530,101,540	424,287,435
Cost of Tickets	03	359,844,241	313,956,332
Prize payout	04	5,113,981,816	4,120,098,980
Draw Cost	05	194,710,449	145,675,427
<b>Gross Profit</b>		<b>2,425,528,615</b>	<b>1,880,249,072</b>
Other Income	06	111,296,823	46,349,003
Distribution Cost	07	497,755,992	325,886,332
Administrative Expenses	08	280,682,321	281,397,261
Finance Cost	09	635,028	1,262,786
<b>Surplus after Operation Expenses</b>		<b>1,757,752,098</b>	<b>1,318,051,695</b>
Prize Write back		180,215,100	174,301,005
Prior year Adjustment			(24,645,840)
<b>Profit for the Year</b>	10	<b>1,937,967,198</b>	<b>1,467,706,861</b>



**W.A.V.C. Somarathne**

Deputy General Manager - Finance  
Development Lotteries Board



**Dr. Chandrawansa Pathiraja**

Chairman/CEO  
Development Lotteries Board

## STATEMENT OF FINANCIAL POSITION

AS AT 31<sup>ST</sup> DECEMBER, 2012

		2012	2011	2010
	Notes	Rs.	Rs.	Rs.
<b>Assets</b>				
<b><u>Non Current Assets</u></b>				
Property Plant & Equipment	11	633,406,303	621,993,518	642,910,660
		<b>633,406,303</b>	<b>621,993,518</b>	<b>642,910,660</b>
Investments		990,962,910	601,976,220	453,521,247
		<b>990,962,910</b>	<b>601,976,220</b>	<b>453,521,247</b>
<b>Total Non Current Assets</b>		<b>1,624,369,214</b>	<b>1,223,969,738</b>	<b>1,096,431,907</b>
<b><u>Current Assets</u></b>				
Inventories	12	33,232,541	37,952,976	55,871,417
Trade Debtors & Other receivable	13	30,513,621	24,461,849	26,432,688
Prepayment & Deposits	14	6,666,148	10,487,225	9,973,423
Cash in hand & at Bank	15	246,910,887	288,437,388	150,088,806
<b>Total Current Assets</b>		<b>317,323,197</b>	<b>361,339,439</b>	<b>242,366,334</b>
<b>Total Assets</b>		<b>1,941,692,410</b>	<b>1,585,309,177</b>	<b>1,338,798,241</b>
<b><u>Equity &amp; Liabilities</u></b>				
<b><u>Contributed Capital</u></b>				
President Fund		2,200,000	2,200,000	2,200,000
Mohapola Trust Fund		2,200,000	2,200,000	2,200,000
P/F & Deyata Kirula Exhibition Payable		493,970,843	219,657,060	143,600,565
Building Maintenance & F/A Reserve Fund		-	51,500,601	
Prize Reserve Account		753,236,501	645,678,987	626,994,042
<b>Total Equity</b>		<b>1,251,607,344</b>	<b>921,236,649</b>	<b>774,994,607</b>

## STATEMENT OF FINANCIAL POSITION

AS AT 31<sup>ST</sup> DECEMBER, 2012

		2012	2011	2010
	Notes	Rs.	Rs.	Rs.
<b><u>Non Current Liabilities</u></b>				
Employee Benefit Liabilities		8,548,279	15,044,830	12,264,247
Dealer & Distributor Deposit Payable	16	26,586,381	25,243,881	23,862,881
Total Non Current Liabilities		<b>35,134,660</b>	<b>40,288,711</b>	<b>36,127,128</b>
Credit Vouchers Payable		<b>142,374,030</b>	<b>144,061,320</b>	<b>107,205,650</b>
<b><u>Current Liabilities</u></b>				
Trade & Other Payable	17	278,838,105	236,544,842	148,666,930
Prize Payable	18	233,738,271	243,177,655	271,803,925
Total Current Liabilities		<b>512,576,377</b>	<b>479,722,497</b>	<b>420,470,855</b>
<b>Total Equity &amp; Liabilities</b>		<b>1,941,692,410</b>	<b>1,585,309,177</b>	<b>1,338,798,241</b>



**W.A.V.C. Somarathne**

Deputy General Manager - Finance  
Development Lotteries Board



**Dr. Chandrawansa Pathiraja**

Chairman/CEO  
Development Lotteries Board

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2012

	President's Fund and Ministry of Trade & Shipping	Prize Reserve Account	Building Maintenance & F/A reserve Fund	Revenue Reserve	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 01.01.2011</b>	4,400,000	626,994,042		143,600,565	774,994,607
Additions during the year		18,684,945	51,500,601	76,056,495	146,242,041
President Fund Contribution					0
Prior year adjustments					0
<b>Balance as at 31.12.2011</b>	4,400,000	645,678,987	51,500,601	219,657,060	921,236,648
Additions during the year		107,557,514	(51,500,601)	1,937,967,198	1,994,024,111
PF & Ministry Contribution(including prior year surplus B/F)				(1,720,934,704)	(1,720,934,704)
Prior year adjustments				57,281,288	57,281,288
<b>Balance as at 31.12.2012</b>	4,400,000	753,236,501	0	493,970,843	1,251,607,344

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2012

	2012	2011
	Rs.	Rs.
<b>Net Profit</b>	1,937,967,198	1,616,652,076
Adjustments for		
Depreciation on Fixed Assets	30,580,549	48,779,355
Prize Reserve A/C	107,557,514	18,684,945
Prior Year Adjustments	57,281,288	21,763,730
Provision for Gratuity	(6,496,551)	3,928,367
Surplus President Fund B/F		(148,477,905)
Building Maintenance & Reserve Fund	(51,500,601)	(25,391,714)
Prize Write Back		(174,301,005)
President Fund & Deyata Kirula	(1,720,934,704)	(1,387,198,905)
<b>Operating Profit before Working Capital changes</b>	<b>354,454,693</b>	<b>(25,561,056)</b>
Increase/Decrease in Operating Assets		
Decrease in Inventories	4,720,435	17,918,441
Increase/Decrease in Debtors	(6,051,772)	2,805,149
Increase in Deposit and Prepayments	3,821,078	(1,302,145)
Increase/Decrease in Operating Liabilities		
Increase in Creditors	42,293,264	26,979,223
Decrease in Prize Payable	(9,439,384)	(28,626,270)
Increase in Accruals		60,898,689
Increase in Credit Vouchers	(1,687,290)	36,855,670
Increase in Dealer Distributor Deposits	1,342,500	1,381,000
Increase in other president fund payable		220,124,372
<b>Net Cash flow from Operating Activities</b>	<b>389,453,524</b>	<b>311,473,073</b>
Fixed Assets Additions	41,870,779	(27,631,716)
Profit/loss on Disposal/Revaluation	(83,864,114)	(254,079)
Investments in Fixed Deposits	(388,986,690)	(145,238,696)
<b>Net cash from Investing Activities</b>	<b>(430,980,025)</b>	<b>(173,124,491)</b>
	(41,526,501)	138,348,582
<b>Net Cash Increase/Decrease in cash &amp; cash Equivalents</b>	<b>(41,526,501)</b>	<b>138,348,582</b>
<b>Cash &amp; Cash Equivalents at the beginning of the Year</b>	<b>288,437,388</b>	<b>150,088,806</b>
<b>Cash &amp; Cash Equivalents at the end of the Year</b>	<b>246,910,887</b>	<b>288,437,388</b>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2012

#### 1. REPORTING ENTITY

Development Lotteries Board incorporated under an act of parliament named Development Lotteries Board act of 20 of 1997. The address of the Board's registered office is No. 356, Dr. Colvin R De Silva Mawatha Union Place, Colombo 02. During the year, the principal activity of the Board was sale of Lotteries.

#### 2. BASIS OF PREPARATION

##### 2.1. Statement of compliance

The financial statements have been prepared in accordance with new Sri Lanka Accounting Standards hereinafter referred to as SLFRS / LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Finance Regulations and Administrative Regulations of the Government of Sri Lanka.

These are the Board's first financial statements prepared in accordance with Sri Lanka Accounting Standards - SLFRSs and LKASs and Sri Lanka Accounting Standard - SLFRS 1 First - time adoption of Sri Lanka Accounting Standards has been complied.

##### 2.2. Basis of measurement

The financial statements have been prepared on historical cost basis, except as indicated below.

Investments on Fixed Deposits	- Fair Value
Land & Building	- Revalued amounts
Gratuity Provision	- gratuity formula and recognized at present value of the defined benefit obligation.

##### 2.3. Functional & presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the Board's functional currency. All financial information presented in Sri Lanka Rupees has been rounded to the nearest rupee.

##### 2.4. Use of estimates & judgments

The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates

## NOTES TO THE FINANCIAL STATEMENTS CONTD...

are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and any future period affected.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The Accounting policies set out below have been applied consistently applied to all period presented in these financial statements. The changes to accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SLFRS / LKASs statement of financial position as at 1 January 2011 for the purpose of transition to SLFRS / LKASs.

#### 3.1. Property, Plant and Equipment

##### 3.1.1. Recognition and measurement

Property, plant & equipment are tangible items that are held for servicing, or for administrative purposes and are expected to be used during more than one period.

##### a. Recognition

Property, plant & equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Board and cost of the asset can be reliably measured.

##### b. Measurement

Items of property, plant and equipment are stated at cost or valuation less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Expenditure on repairs or maintenance of property, plant and equipment made to restore or maintain future economic benefits expected from the assets has been recognized as an expense when incurred.

## NOTES TO THE FINANCIAL STATEMENTS CONTD...

### c. Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. The cost of replacing part of an item of Property, Plant & Equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

### d. Revaluation

The Board's property, plant & equipment revalued during the year. As a result of revaluation if the carrying amount is increased, the increased amount is credited to equity under the heading of Capital Reserve on Revaluation of Property, Plant & Equipment. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus in respect of that same asset. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

### e. Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives of the assets are as follows.

Buildings	10%
Furniture & Fittings	25%
Office Equipment	25%
Machinery	12.50%
Motor Vehicles	20%
Computers & Accessories	33.33%
Branded Stalls	16.66%
Motor Bicycles	25%
Application Software	33.33%

## NOTES TO THE FINANCIAL STATEMENTS CONTD...

Depreciation on Fixed Assets had been proportionately provided for the year of purchase and no depreciation has been provided for the year of disposal.

### 3.2. Inventories

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Accordingly, the costs of inventories are accounted as follows:

Development Fortune	Average Cost
Saturday Fortune	Average Cost
Jayoda	Average Cost
Jana Jaya	Average Cost
Niyatha Jaya	Average Cost
Instant	FIFO
Double chance/Dewara/Deyata Kirula	FIFO
Super Ball	Average Cost

### 3.3. Liabilities and Provisions

#### 3.3.1. Liabilities

Liabilities classified as current liabilities on the balance sheet are those, which fall due for payment on demand or within one year from the balance sheet date.

Noncurrent liabilities are those balances that fall due for payment after one year from the balance sheet date.

#### 3.3.2. Provisions

A provision is recognized if, as a result of a past event, the Board has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

### 3.4. Employee Benefits

#### a. Defined contribution plans

A defined contribution plan is a post-employment plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognized as

## NOTES TO THE FINANCIAL STATEMENTS CONTD...

expense in the profit and loss in the period during which related services are rendered by employees.

### ***Employees' Provident Fund***

The Board and Employees' contribute 15% & 10% respectively on the salary of each employee respectively. Said provident fund is being managed by the Central Bank of Sri Lanka.

### ***Employees Trust Fund***

The Board contributes 3% of the salary of each employee to the Employees' Trust Fund contributions to defined contribution plans are recognized as an expense in the income statement as incurred.

## **b. Defined benefit plans**

### **Retiring Gratuity**

A defined benefit plan is a post employment benefit plan other than a defined contribution plan.

According to the paragraph 57 of LKAS 19 the Public Corporations engaged in the sale of goods or the provision of services may opt to use a qualified actuary or use the Gratuity formula method.

Therefore, the Board uses a gratuity formula method to calculate the gratuity liability.

However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continues service.

Any gains or losses arising are recognized immediately in the income statement.

## **3.5. Capital Commitments & Contingencies**

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitment and contingent liabilities of the Group are disclosed in the respective notes to the financial statements.

## **3.6. Events after the Balance Sheet Date**

The materiality of the events after the balance sheet date has been considered and appropriate adjustments and provisions have been made in the financial statements wherever necessary.

## NOTES TO THE FINANCIAL STATEMENTS CONTD...

**4. INCOME STATEMENTS****4.1. Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Board and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of agency commissions.

**4.2. Expenditure**

All expenditure incurred in running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year. For the purpose of presentation of Income Statement, the Board is of the opinion that function of expense method present fairly the elements of the board's performance, hence such presentation method is adopted.

Expenditure incurred for the purpose of acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Repairs and renewals are charged to revenue in the year in which the expenditure is incurred.

**4.3. Income Tax**

Provision has not been made for Income Tax and ESC (0.75%) as contingent liability since the board made a submission to His Excellency the President to grant exemption from Income Tax considering the fact the surplus of the DLB is transferred to Mahapola Trust Fund and President's Fund which are exempted from Income Tax.

## NOTES TO THE FINAL ACCOUNTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2012

	2012	2011
	Rs.	Rs.
<b>Note 01 – Revenue</b>		
S. Fortune	2,191,388,925	1,853,745,300
Development Fortune	1,844,549,850	1,871,616,450
Jayoda	1,558,746,750	1,589,795,625
Instant	588,492,968	355,904,123
Jana Jaya	995,595,975	786,899,850
Double Chance/Deyata Kirula/Dewara	120,203,200	319,809,800
Niyatha Jaya	871,947,450	106,634,550
Super Ball	453,857,250	
Anniversary Draw	9,075	
Total Sales	<b>8,624,791,443</b>	<b>6,884,405,698</b>
Less: Sales return	624,781	138,452
<i>Net Total Sales</i>	<b>8,624,166,662</b>	<b>6,884,267,246</b>
<b>Note 02 – Taxes</b>		
VAT 12%	350,629,091	280,707,332
NBT 2%	159,531,066	127,626,758
ESC .25%	19,941,383	15,953,345
Total Taxes	<b>530,101,540</b>	<b>424,287,435</b>
<b>Note 03 – Cost of Tickets</b>		
<i>Opening Stocks</i>		
Saturday Fortune	1,070,446	3,316,785
Development Fortune	1,051,979	3,219,577
Jayoda	2,863,690	1,163,206
Instant	22,423,875	11,930,218
Jana Jaya	1,090,023	1,416,896
Double Chance	168,973	8,486,491
Niyatha Jaya	564,832	
Total Opening Stock	<b>29,233,818</b>	<b>29,533,172</b>

## NOTES TO THE FINAL ACCOUNTS

### FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2012

	2012	2011
	Rs.	Rs.
<i>Add Purchases</i>		
Saturday Fortune	79,528,176	67,496,774
Development Fortune	71,652,470	69,145,397
Jayoda	55,436,680	52,627,103
Instant	51,437,105	31,832,720
Deyata Kirula	3,305,300	9,503,795
Jana jaya	39,272,646	29,608,507
Double Chance		49,422,965
Niyatha Jaya	32,254,963	4,019,718
Super Ball	20,161,091	
Anniversary Draw	632,400	
Total Purchases	<b>353,680,830</b>	<b>313,656,978</b>
<i>Less - Closing Stocks</i>		
S. Fortune	1,674,399	1,070,446
Development Fortune	1,470,977	1,051,979
Jayoda	2,388,783	2,863,690
Instant	15,077,674	22,423,875
Jana jaya	482,651	1,090,023
Double Chance	48,747	168,973
Niyatha Jaya	646,635	564,832
Super Ball	648,253	
Anniversary Draw	632,288	
Total Closing Stocks	23,070,407	29,233,818
Cost of Tickets	<b>359,844,241</b>	<b>313,956,332</b>
<b>Note 04 – Prize Payout</b>		
Prize Expenses-SF	1,328,114,500	1,123,482,000
Prize Expenses-DF	1,117,909,000	1,134,313,000
Prize Expenses-Instant	283,710,920	222,360,320
Prize Expenses-JF	944,695,000	963,512,500
Prize Expenses-JJ	603,391,500	476,909,500
Prize Expenses-NJ	528,453,000	64,627,000
Prize Expenses-DC/DK/Dewara	32,642,896	134,894,660
Prize Expenses-SB	275,065,000	
	<b>5,113,981,816</b>	<b>4,120,098,980</b>

## NOTES TO THE FINAL ACCOUNTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2012

	2012	2011
	Rs.	Rs.
<b>Note 05 – Draw Cost</b>		
S.Fortune	34,246,851	34,943,006
D.Fortune	37,120,134	35,702,359
Jayoda	35,350,707	35,604,602
Dayata Kirula		
Jana Jaya	35,139,899	35,189,532
Niyatha Jaya	35,499,023	4,235,925
Super Ball	17,353,834	
	<b>194,710,448</b>	<b>145,675,427</b>
<b>Note 06 – Other Income</b>		
Sampath Repo Interest	331,266	284,065
Registration Fees	35,260	45,000
Sales of Receipt Books	28,925	36,660
Staff Loan Interest	1,903,138	2,430,019
Miscellaneous Receipt	5,621,402	4,514,240
Investment interest income	66,413,475	36,515,922
Non Refundable Deposit	234,000	174,300
Fine On Cancel tickets not return	7,500	15,000
Interest Sweep Account	6,077,674	2,324,271
7 Day Call Interest Income	4,583,313	1,046,479
Ticket Destroy Income		798,809
Circuit Bungalow Income	31,300	42,320
Disposal Items	21,100	-
Disposal Motor Vehicle		50,000
Profit on write off items in Accrued Expenses	9,616,449	-
Mega Fiesta Winning car		58,129
JanaJaya Winning Car		58,129
Instant Winning Car	235,714	
Instant Winning items	151,180	
Rent Income-Bus	164,383	
Profit on Sale on Motor Bicycle		35,313
Cancel Cheque		20,000
IFRS Fair Value Adjustment	15,840,744	(2,099,651)
Total Other Income	<b>111,296,823</b>	<b>46,349,003</b>

## NOTES TO THE FINAL ACCOUNTS

### FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2012

	2012	2011
	Rs.	Rs.
<b>Note 07 – Distribution Expenses</b>		
<b>Note 07-1 – Advertising</b>		
Saturday Fortune	35,444,468	29,082,066
Development Fortune	29,309,360	20,840,620
Jayoda	41,105,071	29,544,968
Instant	7,812,942	1,432,381
Deyata Kirula	12,510,853	8,934,068
Jana Jaya	21,194,290	27,388,949
Niyatha Jaya	32,885,492	12,185,191
Super Ball	33,179,473	
Super Ball - New Tickets Promotion	36,539,448	
Double Chance Instant		126,000
Corporate & Others	26,807,738	25,516,493
Seasonal Promotion	2,387,280	
	<b>279,176,414</b>	<b>155,050,736</b>
<b>Note 07- II – General Advertising</b>		
General Advertising	32,302,320	9,457,808
	<b>32,302,320</b>	<b>9,457,808</b>
<b>Note 07- III – Selling &amp; Distribution Expenses</b>		
Deyata Kirula Promotion Items	2,533,500	
Promotional items		2,935,575
Selling Expenses	18,778,197	17,535,242
Other Selling & Distribution(Scanning / Validation)	5,480,001	4,357,194
Transportation	5,121,528	3,922,030
Vehicle Branding	533,750	
Dealer & Distributor Target	28,174,765	30,120,680
	<b>60,621,740</b>	<b>58,870,721</b>

## NOTES TO THE FINAL ACCOUNTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2012

	2012	2011
	Rs.	Rs.
<b>Note 07- IV - Commission</b>		
Saturday Fortune	32,897,200	27,824,525
Development Fortune	27,704,388	28,117,775
Jayoda	23,380,588	23,847,498
Instant	6,850,538	9,282,770
Jana Jaya	14,925,243	11,833,175
Niyatha Jaya	13,126,900	1,601,325
Super Ball	6,770,663	
	125,655,518	102,507,068
	<b>497,755,992</b>	<b>325,886,332</b>
<b>Note 08 - Administrative Expenses</b>		
Salaries & Wages	45,120,680	37,512,769
Daily Allowance-SPO	2,136,000	2,157,600
Cost of Living Allowance	14,531,901	13,217,643
Other Allowances	14,459,138	9,822,522
Incentive	18,711,004	12,505,158
Over time & holiday pay	17,378,740	13,386,479
Gratuity	(4,650,055)	4,620,513
E.P.F 15%	8,537,557	7,266,694
E.T.F 3%	1,701,080	1,453,338
Pension	144,855	18,202
Bonus	7,230,134	7,066,033
Housing loan interest	2,046,448	1,717,822
Depreciation- Mobile Phone	113,797	
Depreciation-Studio	585,267	
Depreciation-Three Wheel	159,704	159,704
Depreciation-Regional office Computer & Accessories	148,292	189,187
Depreciation-Regional office office Equipment	78,756	53,856
Depreciation-Building Improvement	82,906	21,743
Depreciation-Motor Vehicles	10,027,963	7,731,639
Depreciation-Equipment	4,789,950	4,643,872
Depreciation-Computers & Accessories	3,147,887	4,600,831
Depreciation-Furniture & Fittings	1,642,036	908,484

## NOTES TO THE FINAL ACCOUNTS

### FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2012

	2012	2011
	Rs.	Rs.
Depreciation-Computer software	1,101,253	4,929,731
Depreciation-Motor cycles	370,642	273,046
Depreciation- Building	5,623,500	18,437,739
Depreciation-Regional office Furniture & Fittings	96,297	75,795
Board Members Fees	282,300	181,000
Payments for Tender Boards	62,500	81,200
Printing & Stationery	13,167,517	10,294,257
News Papers & Periodicals	405,128	294,673
Postage/Mail delivery/collection counter	777,483	896,786
Fuel	9,907,536	6,361,373
Telephone	8,937,961	5,973,825
Electricity	8,412,033	6,581,155
Water charges	447,635	329,537
Cleaning charges	1,963,280	1,689,429
External audit fees	-	200,000
Internal audit fees	600,000	575,000
Other Office Equipment Maintenance	33,631	41,457
Training & Human Resource Development	302,400	1,010,730
Building Maintenance	4,637,204	925,448
Vehicle Maintenance	6,984,731	5,645,577
Office Equipment Repairs	1,060,973	641,984
Building Rent	1,610,000	1,620,750
Computer Maintenance	976,424	11,275
Service Agreements	2,278,005	2,400,755
Other Office Expenses		357,303
Entertainment & Welfare	3,552,308	618,205
Identity Cards	10,970	32,745
Software Maintenance - Lottery Management system LMS	8,931,197	8,569,150
Foreign Travelling	2,752,534	2,285,225
Lunch/Tea/Drinking water/Draw Meals	5,433,516	4,398,035
Legal Expenses	197,057	304,022
Uniform & Tailoring Charges	2,399,306	2,358,232

## NOTES TO THE FINAL ACCOUNTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2012

	2012	2011
	Rs.	Rs.
Sundry Expenses	1,309,467	1,126,443
Insurance-Premium	2,696,331	2,267,760
Paper Advertisements	911,099	581,798
Chairman's vote	2,619,399	2,203,180
Allowance for Medical Expenses & Hospital Payments	19,374,174	18,464,075
Vehicle License	251,155	175,132
Assessment Tax	1,317,440	1,272,040
Compensation	-	435,300
Trade mark registration fees	10,317	32,910
Audit & Management Meetings	378,000	166,500
Software Modification	487,688	1,504,500
Doctor fees for medical panels		40,000
Local travelling	167,999	181,419
Removal of Debris	42,840	16,180
Rent on House		60,000
Building Maintenance & F/A Replacement A/C	-	35,218,000
Web Site Development		202,500
29 Anniversary & Pirith	1,001,828	
Deyata Kirula Other Expenses	7,708,900	
Consultation Fees / Professional Charges	966,322	
<b>Total Administrative Expenses</b>	<b>280,682,321</b>	<b>281,397,261</b>
<b>Note 09 – Finance Expenses</b>		
Debit tax-General	0	733,265
Bank Charges-General	261,024.60	217,372
W.H.T on 7 Day call	366,452.93	89,126
Debit tax-Prize		210,823
Bank Charges-Prize	7,550.00	12,200
<b>Total Finance Expenses</b>	<b>635,028</b>	<b>1,262,786</b>

## NOTES TO THE FINAL ACCOUNTS

### FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2012

	2012	2011
	Rs.	Rs.
<b>Note 10 – Profit for the Year</b>		
<b>Profit for the Year</b>	1,937,967,198	1,467,706,861
Prior Year adjustments	57,281,288	
<b>Less</b>		
30 <sup>th</sup> Annuisary ticket income for the Year	8,963	
Jana Jaya Surplus to Deyata Kirula Exhibition	100,860,880	92,139,120
<b>Surplus Attributable to P/F</b>	<b>1,894,378,643</b>	<b>1,375,567,741</b>
<b>Appropriation to the President Fund for the year</b>	1,648,471,000	1,354,089,880
<b>Balance P'ble to P/F</b>	<b>245,907,643</b>	<b>21,477,861</b>
<b>Note 10-I</b>		
<b>30<sup>th</sup> Annuisary ticket income for the Year</b>		
Sales	9,075	
Cost of Sales	112	
<b>Profit</b>	<b>8,962</b>	

## NOTES TO THE FINAL ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2012

Description of Assets	Balance as at 01.01.2012	Additions during the year	Revaluation	Disposal during the year	Balance as at 31.12.2011
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>(11) Fixed Assets</b>					
Land	421,199,200	-	84,800,800	-	506,000,000
Land Tissamaharamaya		508,592	-	-	508,592
Motor Vehicles	74,157,549	15,877,750	-	-	90,035,299
Office Equipment	41,286,796	1,374,710	-	-	42,661,506
Computers & Accessories	43,170,903	2,302,775	-	-	45,563,678
Furniture & Fittings	11,453,019	785,014	-	-	12,238,033
Machinery	13,928,479	210,794	-	-	14,139,273
Branded Stalls	43,826,514	-	-	43,826,514	-
Interior	240,569	-	-	240,569	-
Computer Software	17,985,598	678,300	-	-	18,663,898
Building	172,769,548	-	(116,534,548)	-	56,235,000
Studio	11,622,007	6,948,070	-	-	18,570,077
Motor Bicycle	2,063,226	1,679,103	-	-	3,742,330
Mobile Phone		477,250	-	-	477,250
T'Wheel	798,518	-	-	-	798,518
Building Improvement	750,185	7,113,875	-	-	7,864,060
<b>Total</b>	<b>855,252,110</b>	<b>38,046,234</b>		<b>44,067,083</b>	<b>817,497,513</b>

Depreciation	Balance as at 01.01.2012	Depreciation for the year	Total	Depreciation for the Disposal	Net Book Balance as at 31.12.2012
	Rs.	Rs.	Rs.	Rs.	Rs.
Land	-	-	-	-	506,000,000
Land Tissamaharamaya	-	-	-	-	508,592
Motor Vehicles	41,303,768	10,027,963	-	51,331,731	38,703,569
Office Equipment	31,584,893	4,868,706	-	36,453,599	6,207,907
Computers & Accessories	37,363,417	3,296,180	-	40,659,597	4,904,082
Furniture & Fittings	6,451,158	1,738,333	-	8,189,492	4,048,541
Machinery	12,925,163	263,327	-	13,188,490	950,783
Branded Stalls	32,376,074	2,348,972	34,725,046	-	-
Interior		-	-	-	-
Computer Software	16,500,579	1,101,253	-	17,601,832	1,062,066
Building	52,770,617	5,623,500	(47,147,117)	11,247,000	44,988,000
Studio	2,421,251	58,267		3,006,518	15,563,558
Motor Bicycle	1,398,264	370,642		1,768,906	1,973,423
Mobile Phone		113,797		113,797	363,454
T'Wheel	265,897	159,704		425,601	373,917
Building Improvement	21,743	82,906		104,649	7,759,411
<b>Total</b>	<b>235,361,080</b>	<b>30,580,549</b>	<b>(12,422,071)</b>	<b>184,091,210</b>	<b>633,406,303</b>

## NOTES TO THE FINAL ACCOUNTS

### FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2012

	2012	2011
	Rs.	Rs.
<b>Note 12 - Inventories</b>		
<b>12.1 - Ticket Stock</b>		
Saturday Fortune	1,674,399	1,070,446
Development Fortune	1,470,977	1,051,979
Jayoda	2,388,783	2,863,690
Instant	15,077,674	22,423,875
Janajaya	482,651	1,090,023
Double Chance	48,747	168,973
Niyatha Jaya	646,635	564,832
Super Ball	648,253	
Anniversary Draw	632,288	
Total Ticket Stocks	<b>23,070,407</b>	<b>29,233,818</b>
<b>12.2 - Other Stocks</b>		
Stationery stock	1,480,978	1,217,756
Promotional items stock	8,145,752	6,965,999
Other Items Stock	535,403	535,403
Total Other Stocks	<b>10,162,134</b>	<b>8,719,158</b>
Total Stocks	<b>33,232,541</b>	<b>37,952,976</b>
<b>Note 13 - Trade Debtors &amp; Other Receivable</b>		
<u>Receivable</u>		
Other Receivables - M.A.M Ammen	2,520,000	2,520,000
Other Receivables - SF & DF	5,000	5,000
Other Receivables - Distributor computer receivable	83,000	-
Other Receivables - Distributor Printer receivable		270,000
Other Receivables - Building Rent Receivables	4,976,220	4,976,220
Other Receivables - Distributor Note counting Machine receivable		7,821
Other Receivables - Dealers Motor bike	1,760,209	
Other Receivables - Vehicle Insurance Receivable		3,208

## NOTES TO THE FINAL ACCOUNTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2012

	2012	2011
	Rs.	Rs.
Motor Bicycle Loan Receivable Investigation Officer	119,160	119,160
Receivable for Motor Bicycle		20,000
Employees Contribution A/C		21,095
Recoverable Losses	1,481	6,897
	<b>9,465,070</b>	<b>7,949,403</b>
<u>Other Debtors</u>		
Festival Advance	438,000	429,500
Loan to Staff	19,208,037	14,790,832
Refundable Deposit	1,402,513	1,292,113
	21,048,550	16,512,446
	<b>30,513,621</b>	<b>24,461,849</b>
<b>Note 14 – Prepayment &amp; Deposits</b>		
Prepayments	1,987,903	3,468,420
Prepaid Staff Cost	1,512,949	3,402,329
Advance - Internal	1,481,523	45,718
Advance - External	1,683,772	3,570,756
	<b>6,666,147</b>	<b>10,487,225</b>

## NOTES TO THE FINAL ACCOUNTS

### FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2012

	2012	2011
	Rs.	Rs.
<b>Note 15 – Cash in hand &amp; at Bank</b>		
<i>Bank Balances</i>		
BOC- General	77,428,190	119,396,240
BOC General 7 day Call	23,536,238	101,474,077
BOC -Prize	(4,025,327)	(25,968,598)
Sampath Bank	11,514,507	11,640,960
Peoples Bank	975,282	3,237,412
Sweep account	127,313,591	74,892,892
Repo-Sampath	10,133,000	3,730,000
	<b>246,875,483</b>	<b>288,402,984</b>
Petty cash for Transport office	5,000	5,000
Petty cash-Regional Office	21,000	16,000
Imprest for Lawtner Prizes	-	4,000
D.L.B Disaster Relief Fund	9,404	9,404
	<b>35,404</b>	<b>34,404</b>
	<b>246,910,887</b>	<b>288,437,388</b>
<b>Note 16 - Dealer &amp; Distributor Deposit Payable</b>		
Dealer Deposit Payable	25,036,381	23,943,881
Distributor Deposit Payable	1,550,000	1,300,000
Total Dealer & Distributor Deposit Payable	<b>26,586,381</b>	<b>25,243,881</b>
<b>Note 17 -Trade &amp; Other P'ble</b>		
Accruals	120,976,083	111,571,291
Interest P'able to dealers on dealer deposits	26,698,045	23,034,232
Unpresent Cheques		8,498
Unpresent Cheques-Dealer Incentive	1,034,570	285,635
Provision for Doubtful Debts	7,496,220	7,496,220
Provision for Incentive Payments	225,554	225,555
Special Deductions-Chairs	17,806	31,556
Payable dealer deposit		1,322,000
Dealer Advance	155,979	157,550
Distributor Advance	34,701,948	22,445,256

## NOTES TO THE FINAL ACCOUNTS

FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2012

	2012	2011
	Rs.	Rs.
NBT P'able	13,612,339	13,025,351
VAT P'able	24,407,801	29,327,042
Esc P'able	5,177,772	4,515,939
Payee Tax	19,022	19,022
Distributor Commission & Validation P'able	11,024,718	10,834,691
WHT P'able	4,870,134	11,845,003
Provision for External Audit Fees	400,000	400,000
Dealer & Distributor Target p'able	13,438,425	
Un ented Cash Received (Salary deducted)	29,650	
Payable for Studio	6,448,070	
30 th Annuvisary ticket income	8,962	
Provision for Motor Vehicles	8,095,000	
Total Creditors	<b>278,838,105</b>	<b>236,544,842</b>
<b>Note 18 – Prize Payable</b>		
Prizes Payable	208,038,271	215,915,655
<i>Provision for Prize Payable - Non Winning-Draw Tickets</i>		
Saturday Fortune (Second Chance)		5,668,500
Jayoda	10,800,000	10,193,500
Development Fortune (100000/=)	14,900,000	11,400,000
Total Prize Payable	<b>25,700,000</b>	<b>27,262,000</b>
	<b>233,738,271</b>	<b>243,177,655</b>

## TEN YEAR SUMMARY

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>OPERATIONAL RESULTS</b>										
Income	8,624,166	6,884,267	5,667,809	5,220,418	4,498,179	3,947,214	3,761,749	4,102,829	3,729,539	2,995,514
Cost of Tickets	359,844	313,956	259,210	249,256	220,820	202,040	168,389	181,661	161,428	156,865
Prize payout	5,113,981	4,120,099	3,406,143	3,160,780	2,667,237	2,337,607	2,212,964	2,582,296	2,300,756	1,718,239
Administrative Expenses	280,682	281,397	244,214	261,700	219,833	168,486	108,288	80,615	77,007	67,636
Advertising & Distribution Expenses	497,755	325,886	350,813	581,835	563,333	277,034	243,925	225,827	262,380	280,606
Surplus after Operating Expenses	1,757,752	1,318,519	937,913	551,708	622,527	733,409	796,113	841,325	750,511	549,921
<b>RESERVES</b>										
President's Fund	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Mahapola Trust Fund	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Surplus	493,970	220,124	148,478	63,675	84,263	19,838	78,095	184,758	45,216	123,691
Prize Reserve Account	753,236	645,679	626,994	555,674	498,883	471,057	465,046	419,455	322,922	242,084
<b>LIABILITIES</b>										
Non Current Liabilities	35,134	38,506	33,197	30,540	118,326	18,825	17,991	17,111	15,389	21,600
Current Liabilities	512,576	479,722	420,471	545,961	494,752	334,347	327,117	396,406	676,823	260,195
<b>ASSETS</b>										
Non Current Assets	1,624,369	1,202,917	1,078,595	1,020,421	940,357	707,689	771,935	738,283	570,695	27,131
Current Assets	317,323	381,078	262,150	274,625	260,267	140,778	120,714	283,848	466,058	603,239

## SUMMARY FINANCIALS BALANCE SHEET

	2012	2011	Change
	Rs.'000	Rs.'000	%
<b>Assets</b>			
<b><u>Non-Current Assets</u></b>			
Property Plant & Equipment	633,406	621,994	2%
Investments	990,963	601,976	65%
<b>Total Non Current Assets</b>	<b>1,624,369</b>	<b>1,223,970</b>	<b>33%</b>
<b><u>Current Assets</u></b>			
Inventories	33,233	37,953	-12%
Trade Debtors & Other receivable	30,514	24,462	25%
Prepayment & Deposits	6,666	10,487	-36%
Cash in hand & at Bank	246,911	288,437	-14%
<b>Total Current Assets</b>	<b>317,323</b>	<b>361,339</b>	<b>-12%</b>
<b>Total Assets</b>	<b>1,941,692</b>	<b>1,585,309</b>	<b>22%</b>
<b><u>Equity &amp; Liabilities Contributed Capital</u></b>			
President Fund	2,200	2,200	0%
Mohapola Trust Fund	2,200	2,200	0%
P/F & Deyata Kirula Exhibition Payable	493,971	219,657	125%
Building Maintenance & F/A Reserve Fund	-	51,501	-100%
Prize Reserve Account	753,237	645,679	17%
<b>Total Equity</b>	<b>1,251,607</b>	<b>921,237</b>	<b>36%</b>
<b><u>Non Current Liabilities</u></b>			
Employee Benefit Liabilities	8,548	15,045	-43%
Dealer & Distributor Deposit Payable	26,586	25,244	5%
<b>Total Non Current Liabilities</b>	<b>35,135</b>	<b>40,289</b>	<b>-13%</b>
Credit Vouchers Payable	<b>142,374</b>	<b>144,061</b>	<b>-1%</b>
<b><u>Current Liabilities</u></b>			
Trade & Other Payable	278,838	236,545	18%
Prize Payable	233,738	243,178	-4%
<b>Total Current Liabilities</b>	<b>512,576</b>	<b>479,722</b>	<b>7%</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,941,692</b>	<b>1,585,309</b>	<b>22%</b>

## SUMMARY FINANCIALS INCOME STATEMENT

	2012	2011	Change
	Rs.'000	Rs.'000	%
Revenue	8,624,167	6,884,267	25%
Taxes	530,102	424,287	25%
Cost of Tickets	359,844	313,956	15%
Prize payout	5,113,982	4,120,099	24%
Draw Cost	194,710	145,675	34%
<b>Gross Profit</b>	<b>2,425,529</b>	<b>1,880,249</b>	<b>29%</b>
Other Income	111,297	46,349	140%
Distribution Cost	497,756	325,886	53%
Administrative Expenses	280,682	281,397	0%
Finance Cost	635	1,263	-50%
<b>Surplus after operating Expenses</b>	<b>1,757,752</b>	<b>1,318,052</b>	<b>33%</b>
Prize Write back	180,215	174,301	3%
Prior year Adjustment	-	(24,646)	-100%
Profit for the Year	1,937,967	1,467,707	32%