



**ENRICHING  
LIVES  
EVERY STEP  
OF THE WAY**

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# **ENRICHING LIVES EVERY STEP OF THE WAY**

The Development Lotteries Board has been giving out the people of Sri Lanka for over 32 years. From Saturday Fortune, Development Fortune, Jayoda, Jana Jaya, Niyatha Jaya, Super Ball, our portfolio has been steadily growing and with it, the excellence and value creation we offer to every customer, business partner, supplier and shareholder we partner.

Today we're growing even bigger, seeking new opportunities to add value in Sri Lanka and through such value additions, to improve the lives of thousands of Sri Lankans, whom we directly or indirectly enriching lives every step of the way.

## Our Vision

To be the 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 face when 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

## **Name of the Board**

Development Lotteries Board

## **Legal Form**

The Board was incorporated under the Act of Parliament No. 20 of 1997 Development Lotteries Board Act.

## **Date of Commencement**

19th January 1983

## **Registered Office**

No. 356, Dr Colvin R De Silva Mawatha, Union Place, Colombo 02.

## **Telephone**

011 2 333 456-8, 011 4 824 824

## **Fax**

011 2 333 545

## **E-mail**

devlottr@slt.lk

## **Web**

www.dlb.lk

## **TIN**

409089844

## **Board of Directors (2014)**

1. Dr. Chandrawansa Pathiraja - Chairman / CEO
2. Mr. Gamini Ekanayake - Working Director  
- Attorney at Law
3. Mr. D N Nanayakkara - Director
4. Mr. Ranjith Thenuwara - Director
5. Mr. R K Jayalath - Director

## **Auditor**

Auditor General

## **Internal Auditor (2014)**

M/S Sudarshana Pushpakumara & Co, Chartered Accountants

## **Bankers**

Peoples Bank, Bank of Ceylon, Sampath Bank PLC.

## **Branch Offices**

Kurunegala : No. 121, Kandy Road, Kurunegala.  
Tel / Fax: 037 2233560, 037 4641002

Matara : No. 42/1, Dharmapala Mawatha, Matara.  
Tel / Fax: 041 2234664

Monaragala : New Bus Stand, Monaragala.  
Tel / Fax: 055 4498028

# 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 favourable. 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, for the first time in the history of lotteries in Sri Lanka.

On the 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 the 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, which substantially supports 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, welfare associations, improve the fields of sports and arts with the idea of creating a better future for the entire public.

# Milestones



Introduction of the first Television Lottery Draw **"Shanida Wasanawa"**

"JAYODA" was launched with pioneering feature of option for cash prize or a house



- Achieved a turnover level of Three Billion.

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



Sheltered in DLB's own House at No. 356, Dr. Colvin R De Silva Mawatha, Colombo 02.

- Achieved a Turnover level of Five Billion.



Conversion from "Development Lotteries Trust" to "Development Lotteries Board" with a Government owned corporate body under the "Development Lotteries Board Act No 20 of 1997".

"Jana Jaya" Lottery, with a Super Jackpot prize was introduced.



- Achieved a turnover level of Two Billion.

Introduction of "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 the winning prize.



**"Niyatha Jaya"** Lottery was launched.

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



Updating Computer System to cope with Y2K issues, with the assistance of The World Bank.



Launch of Highway Dream lottery with highest jackpot value.



Launch of SMS lottery selling.

# Our Lotteries





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**MANAGEMENT  
REPORTS**



# Chairman's Review

**“ I believe the DLB has continued to support social improvements, not only through its contributions to the President's Fund but also through its business operations that generate direct and indirect employment opportunities across the country.”**

Having taken over as the Chairman of the Development Lotteries Board (DLB) in February 2015, it gives me great pleasure to present the Annual Report and audited accounts of the organization for the financial year 2014. I also take this opportunity to thank the President , Prime Minister and the government for their trust in my abilities in appointing me to lead the DLB. I would also like to extend my appreciations to the outgoing Chairman for his contributions towards the DLB during his tenure.

The DLB has served the people of this country for three decades by the execution of its mandate to support national development through the channelling of funds to the President's Fund, I look forward to supporting this endeavor by ensuring greater contributions .I am happy to report a commendable performance by the DLB during the year under review, with higher overall profitability that has enhanced the DLB's contribution to the President's Fund.

The DLB closed the financial year with a revenue of Rs 9,729 Mn, which is a slight decline in revenue. This revenue drop was mainly due to the lower disposable incomes experienced by the different consumer demographics of the country. Sales were also negatively impacted by the prevailing competition in the lotteries field combined with other opportunities for games of chance and sweepstakes. However, the Sri Lankan public continues to view DLB lotteries with trust and credibility, as can be seen by the strong demand for DLB lotteries. Despite the lower revenues, I am happy to record a significant 10% increase in profit before tax (PBT) of Rs 2,422 Mn compared to the PBT of 2,195 Mn in the previous financial year. This improvement in operational profitability is indicative of the operational improvements effected during the year

# Chairman's Review

which was bought about by greater efficiencies and cost savings. I hope to continue similar improvements to the internal systems and processes while addressing Human resource development, performance enhancement and financial integrity. I believe the maintaining of operational and financial integrity, adherence to correct procedures, the improvements of internal processes will enhance the value of the DLB to the public giving a better product and more customer oriented services, thereby strengthening the DLB's mandate.

Supported by improved performances, we were able to increase our contribution to the President's Fund by 2% to Rs 2,068 Mn compared to the Rs 2,026 MN contributed in the preceding year. This is indeed a commendable achievement, fulfilling the mandate of the DLB, of funding the President's Fund, enabling the funds to be channelled towards worthy causes. In addition, the DLB distributed Rs 6,211 Mn in lottery winnings to the winners during the year, contributing directly towards economic upliftment of these families.

## Social Contribution

I believe the DLB has continued to support social improvements, not only through its contributions to the President's fund but also through its business operations that generate direct and indirect employment opportunities across the country. The prevailing distribution network of 72 distributors ,2,196 agents and 20,000 sales assistants create employment for the poorest segments of society, ensuring regular incomes to their families. In addition, the DLB contributes directly to many charitable causes aimed at public welfare and the supporting of those in need. Meanwhile, the timely and hassle free pay outs of DLB lottery winnings, have contributed towards the improvement of the quality of life of these families.

## Appreciations

I would like to call upon all stakeholders to contribute to the making of a social improvement agent. I take this opportunity to thank the former chairman Dr. Chandrawansa Pathiraja and Members of the Board, Mr. Gamini Ekanayake, Mr. D. N. Nanayakkara, Mr. Ranjith Thenuwara and Mr. R. K. Jayalath, for their contributions in the last financial year. I would like to express my gratitude to the Ministry of Finance for its guidance and I thank the President's Fund and the Mahapola Trust Fund for their cooperation and support. To employees of the DLB who are the core drivers of the organization I express my gratitude for their hard work during the year. I also express my gratitude to all other stakeholders including the distributor network and customers.

Daya Pelpola  
Chairman

# Board of Directors

## Board of Directors (2014)

1. **Dr. Chandrawansa Pathiraja** - Chairman / CEO
2. **Mr. Gamini Ekanayake** - Working Director  
Attorney at Law
3. **Mr. D. N. Nanayakkara** - Director
4. **Mr. Ranjith Thenuwara** - Director
5. **Mr. R. K. Jayalath** - Director

## Board of Directors (Present)

1. **Mr. Daya Pelpola** - Chairman/CEO
2. **Mrs. R. I. Wimalasena** - Vice Chairman
3. **Mr. Wickrama Weerasuriya** - Director
4. **Mr. D. N. Nanayakkara** - Director
5. **Mr. M. S. D. Ranasiri** - Director

02

07

# Review of the **Board of Directors**

It is with great pleasure that we produce the Review of the Director Board, for the Annual Report of the Development Lotteries Board for the year 2014. It is the primary aim of the Development Lotteries Board to funnel the excess funds earned from selling lottery tickets to the Mahapola Scholarship Fund via the President's Fund. The advancement of the Development Lotteries Board is amply proven by the successes of the year under review. In 2014, we earned a large sales profit from tickets and in turn was able to give large amounts of cash prizes to our loyal customers, in addition to having recorded the highest ever contribution of Rs. 2068 million to the President's Fund.

In the year 2014, we were able to introduce to the market lottery tickets that were preferred by the customers while also increasing sales by introducing attractive Prize Structures. Additionally, we managed to identify problems of the ticket sellers and implement policies needed to solve these problems through workshops and other policy level decision making.

By giving customers cash prizes, we managed to help increase their economic capacity. By giving benefits to our resellers and by extending financial donations to the fields of health and education, we have established the Development Lotteries Board as a government institution offering services of the highest caliber, to the general public.

It is also a significant achievement that we were able to sell lottery tickets within all 25 districts, following the establishment of a peaceful environment within the country.

Through Board Meetings and Audit & Management Meetings, we were able to make the Board's policy decision-making, management matters and sales development plans more efficient, effective and fruitful. In addition, due to the staff members' efficiency, motivation and dedication along with the guidance rendered by the auditors, 2014 was recorded as a year of high productivity. It is thereby our hope that the New Year will be an even more successful one, owing to the motivation and dedication displayed by all concerned.

D. N. Nanayakkara  
Director

# Management Team (Present)

**Mr. J. M. Saman Jayasinghe**

General Manager

**Mr. Anura Jayarathne**

Deputy General Manager - Marketing

**Miss. Vijitha Somarathne**

Deputy General Manager - Finance

**Mr. Chanaka Dodangodage**

Assistant General Manager - Marketing

**Mr. Kapila Bulathsinhala**

Assistant General Manager - Marketing

**Mr. Sunil Jayarathne**

Assistant General Manager - Finance

**Mr. Kasun Jayasuriya**

Assistant General Manager - Finance

**Mr. Nishan Perera**

Assistant General Manager - Finance

**Mr. Nuwan Abeyarathne**

Administrative Officer

**Major J. M. D. A. Krishantha**

Chief Security Officer

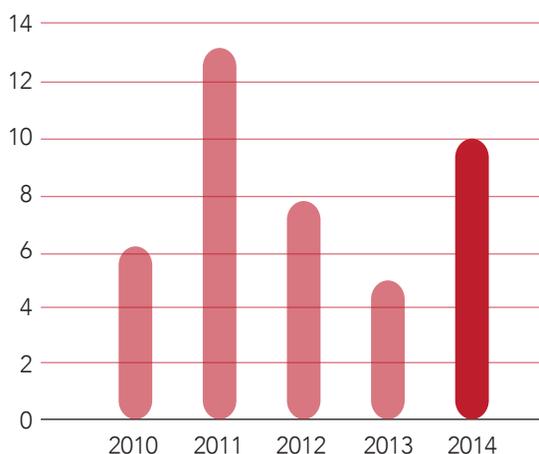
# Operational Review

The Development Lotteries Board (DLB) was incorporated on January 19, 1983 to assist the government raise funds for social welfare. In accordance with the DLB's statutory mandate, income of the DLB is credited to the President's Fund, which in turn utilizes 50% of the funds for the Mahapola Higher Education Scholarship Trust Fund. The fund remittances were reinvested in society through various financial assistance programs for the poor.

## Global Lottery Industry 2014

According to World Lottery Association in 2014, year on year global lottery sales grew 9.9%, strengthening from the 2013 growth of 4.9%. The growth in worldwide lottery sales was once again built on the foundations of strong performances from the Asia Pacific and Latin American regions, with both these locales having recorded unbroken double-digit growth in sales over the past six quarters. The robust performance of the Asia Pacific and Latin American markets were tempered, however, by the performance of the North American region, which saw full-year on full-year sales tread water in 2014. For their part, the European and African markets were recorded mild year-on-year gains for 2014. The improvement in sales globally in 2014, together with the recent upturn in the economy in the United States, paints a more promising picture for global growth than has been occasioned in the past two years.

Global Growth 2010 - 2014



The Asia Pacific region saw strong growth in lottery sales, with participating Asia Pacific lotteries witnessing an aggregate increase in sales of 15.6%. Continuing an ongoing theme, the engine of growth in the Asia Pacific region was the participating mainland Chinese lotteries. The China Sports Lottery recorded a increase in sales of 32.8%, while the China Welfare lottery reported a 12-month on 12-month increase in sales of 16.7%. With sales in excess of EUR 30 billion (USD 32.2 billion) over the past 12 months, the China Welfare lottery is now the world's largest lottery by annualized sales volume, eclipsing Italy's Lottomatica, which falls back into second place, just ahead of the China Sports Lottery. Elsewhere in the Asia Pacific region, Australia's Lottery west held steady with year on year increase in sales of 1.8%, while Japan's Takara-kuji lottery saw its sales dip slightly over the same timeframe.

## Operating Environment

The DLB is one of two State Owned Business Enterprises engaged in developing, marketing and retailing lotteries in Sri Lanka. Therefore, the business performance of our organization is dependent on the prevailing socio economic environment of the country and the government policy directives and initiatives that have been implemented from time to time in order to enhance the livelihoods and socio economic climate in Sri Lanka.

## Sri Lankan Economy in 2014

As recorded by the Ministry of Finance and Planning of Sri Lanka in its Economic Highlights for the year 2014, the economy grew by 7.4% in 2014, in comparison to a growth rate of 7.2% achieved in 2013. The growth was broad-based and contributed by strong expansion in Industry and Services sectors, particularly construction, manufacturing and retail and wholesale trade sub sectors. However, the agriculture suffered a setback owing to drought in the early part of 2014 and the heavy rains and floods in the final quarter of the year. The growth was benefited from post-conflict peaceful environment,

enhanced domestic demand, new capacity in terms of economic and social infrastructure, enhanced private investments, stable macroeconomic conditions and expansion of the global demand. With this growth, the per capita income increased to US\$ 3,625 in 2014 in comparison to US\$ 3,280 in 2013.

On another positive trend, the economic growth was higher than the inflation, which remained at single digit level for the sixth consecutive year. The year on year inflation, as measured by the Colombo Consumer Price Index (CCPI-2006/07 base year) was 2.1% by end 2014 in comparison to 4.7% in the previous year.

### **Economic Outlook for 2015**

The favourable macroeconomic conditions, coupled with the expected improvement in the global economy, improved external relations, higher investments, and the expected enhancement in the domestic consumption are expected to facilitate to sustain a rapid pace of GDP growth in the medium term.

### **Revenue of Government and SOBEs**

The Treasury has collected non tax revenue amounting to Rs 35.31 Bn by way of levies and dividends during 2014, while contributing Rs 323.9 Bn as capital and recurrent financial support, which is an increase of 152% over 2013. It is noted that only 31 SOBEs contributed to this non tax revenue where majority of large strategic enterprises have not been able to contribute to the consolidated fund. During the year, 44 SOBEs were operated at profits in their commercial operations while 11 SOBEs have incurred losses. The SOBEs contributed 15.37% of GDP in 2014.

### **Performance of State Owned Business Enterprises (SOBEs) in 2014**

At present Sri Lanka possesses 245 State Owned Enterprises (SOEs) of which 55 have been identified by the General Treasury as strategically important SOBEs under the clusters of Banking & Finance, Insurance, Energy, Ports, Water, Aviation, Commuter Transport, Construction, Livestock, Plantation, Non Renewable Resources, Lotteries, Marketing & Distribution, Health and Media. During the year, 44 SOBEs were operated

at profits in their commercial operations while 11 SOBEs have incurred losses. Commercial operations of energy, aviation, and commuter transport and plantations clusters have ended up with losses by negatively contributing to the aggregated profits of 55 major SOBEs. Total capitalization of the major 55 SOBEs recorded as at 31/12/2014 was Rs. 5603.53 Bn. It has shown a reasonable improvement of 9.95% compared to the preceding year. Cumulative operational results of those 55 SOBEs for the financial year ended 31/12/2014 shows a profit of Rs 58.35 Bn.

### **Sri Lanka's Lottery Industry in 2014**

Development Lotteries Board (DLB) and National Lotteries Board (NLB) are the only two players in the Sri Lankan lotteries market offering passive and instant lotteries. Both companies are State Owned Business Enterprises. In 2014, the market share of NLB was 55% while DLB's share was 45%. Both NLB and DLB have sold 1,396 million tickets with declared prizes amounting to Rs 13,522 million in 2014 compared to Rs. 13,565 million in 2013.

Total revenue of the industry in 2014 was recorded as Rs 25,540 Mn which is a marginal growth of 1.5% compared to previous year. NLB has made a total contribution of Rs. 1,888 Mn to the Consolidated Fund in 2014 which is an increase of 8%. DLB has contributed Rs. 2,345 Mn to the President's Fund in 2014.

### **Management Discussion and Analysis**

#### **Financial Review 2014**

DLB's product portfolio consists of 8 types of lotteries and the total revenue for the year 2014 has recorded a slight drop of 2% when compared to the previous year. During the year under review DLB recorded a revenue of Rs. 9729 Mn compared to Rs. 9,941 Mn in the previous year. Other income, brought in Rs 151Mn against Rs 143 Mn in 2013. Despite the lower revenues from ticket sales, a significant 10% increase in profit before tax was achieved at Rs 2,422 Mn compared to the PBT of Rs 2,195 Mn in the previous financial year. This improvement in operational profitability is indicative of the operational improvements effected during the year that resulted in

# Operational Review

greater efficiencies and cost savings, leading ultimately towards higher profits. Total expenditure for the period under review showed a reduction to Rs 7,306 Mn, against Rs 7,746 Mn accounted for, in the financial year 2013. Out of total expenditure, cost of tickets came to Rs 378 mn, compared to Rs 410 mn in the previous year, while the cost of lottery draws increased to Rs 272 mn from Rs 255 mn and the cost of prize payouts totalled Rs 6,211 mn compared to Rs 6,481 mn in 2013.

DLB has made a substantial contribution of Rs. 2,068 Mn to the President's Fund in 2014, compared to Rs 2,026 Mn in the previous year. This is a 2% growth on funding transferred to the President's Fund.

## Product Performance

During the year under review DLB operated 10 lotteries. Their performance is given below.

Product	Sales value 2014 Mn	Contribution to revenue %
Saturday Fortune	2,007	19
Development Fortune	2,493	24
Jayoda	1,255	12
Jana Jaya	854	08
Niyata Jaya	1,025	10
Super Ball	2,315	22
Highway Dream	154	01
Instant Lottery Tickets	285	03
Total	10,388	99

Out of the above product portfolio, four products were introduced within the previous financial year and are relatively new to the market. These products are; Sanwathsara Wasana, Avurudu Bonus, Highway Dream and Supiri Shanida.

## Distribution Network

DLB currently operates with 2,200 active dealers and approximately 22,000 retail sales assistants Island wide. Around 25,000 direct and indirect employment opportunities have been created under DLB umbrella. The wide spread network ensures maximum reach for DLB products enabling people from all walks of life with the opportunity to participate in life changing, winning opportunities. In addition, the sales efforts have also harnessed the Internet, with the DLB website providing access to marketing and promotional videos and winning information.

## Marketing and Product Development

During the current financial year, four popular products – the Highway Dream, Jayoda, Saturday Fortune and Development Fortune - were further strengthened with the introduction of new sub-brand lottery tickets under each primary brand. The new lotteries sustained the upward trajectory of sales and contributed towards maintaining public enthusiasm in DLB products through the provision of new winning opportunities.

## Jayoda Power Ball

On August 28, 2014, the Jayoda Power Ball lottery was introduced to the market. The first lottery draw was held successfully in September 29, 2014 with 1,633,000 tickets sold within the period of one month.

### Super Saturday

The extremely popular Saturday Fortune was expanded with the introduction of the Super Saturday ticket on September 30, 2014. The first draw was held on November 01, 2014 against the impressive backdrop of 2,572,650 ticket sales, supporting the popularity of this new ticket.

### Power Star

The Development Fortune lottery was enhanced with a new winning opportunity under the Power Star ticket, which was introduced to the public on November 2, 2014. The first draw of the lottery was held on December 02, 2014 against the sale of 2,186,050 tickets.

### Dealer Incentive Scheme

The DLB has introduced an incentive scheme among dealers and distributors to enhance their incomes while also increasing sales of DLB products. The scheme has become very popular due to its attractive earning possibilities. This is a group incentive scheme and each distributor and dealer under them must work as a team to get the benefit of it.

During the current financial year a new strategy was communicated to the DLB's island wide sales and distributor network from September 01, 2014, which contributed directly towards the achievement of sales targets set for the year. We are confident the new reward scheme will continue to motivate the sales and distribution network during the new financial year to sustain revenue and profit growth. Meetings were organized for agents in Colombo, Anuradhapura, Galle and Kurunegala to provide technical and other assistance in relation to enhancing sales and agent incomes.



**S**  
SUSTAINABILITY  
REPORT

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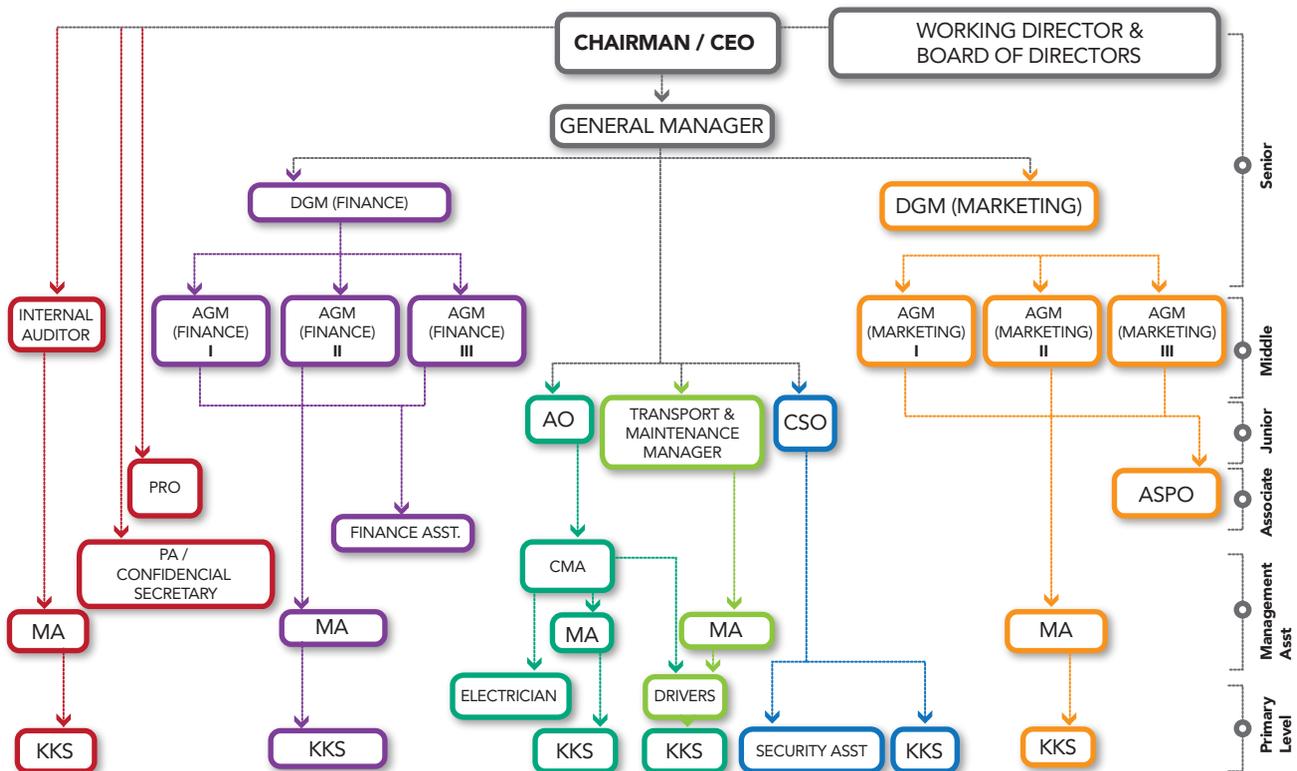
# Sustainability Report



Established to serve the welfare needs of the country, the Development Lotteries Board (DLB) has proved to be a sustainable business entity, providing a sustainable source of funding for the President's Fund for the last three decades. The Board has been successful in developing business strategies to enhance revenues and profitability over the years, ensuring a steady contribution to the President's Fund. These contributions, together with DLB business activities have provided economic sustainability to under privileged populations in the country.

As a public institution, the DLB is committed to responsible growth that creates constant and sustainable value over time to the lives of Sri Lankans. This report highlights the initiatives DLB has implemented to maintain social, environmental, and economic responsibility. DLB's social responsibility includes responsible business and consumer and lottery winner protection initiatives, as well as community outreach programmes. DLB monitors the environmental impacts of its corporate activities and makes energy-saving investments to achieve environmental responsibility. Economic responsibility translates into a transparent and balanced governance model.

**ORGANIZATION CHART – DEVELOPMENT LOTTERIES BOARD**



# Sustainability Report

## Our Values

Our sole purpose is to make life better for people across Sri Lanka and we make it possible by generating revenue provincially and through social benefits. While we aim to create excitement and fulfill dreams our commitment is to build trust by delivering lotteries responsibly and our success is demonstrated by the profit and jobs we generate.

While being accountable, we accept the responsibility of setting and attaining high standards for ourselves in servicing our customers and acting in the public interest. We act with Integrity and this means doing the right thing. We will balance what our customers and business partners ask of us with what the people of Sri Lanka expect of us.

Respect our customers, employees, partners and the people of Sri Lanka. Respect starts with listening openly and honestly to the diversity of people and ideas around us.

## Human Resources

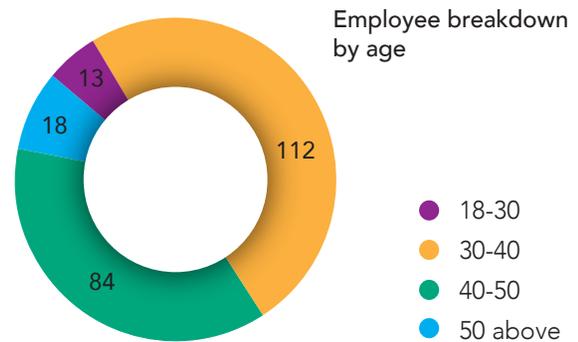
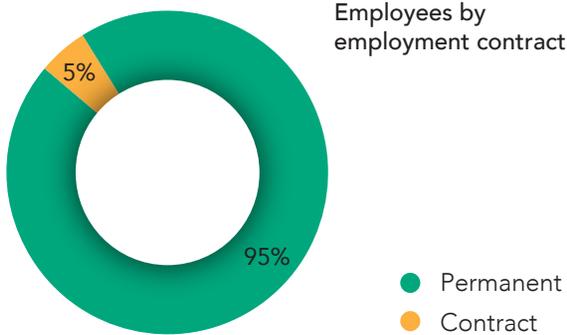
The DLB's Human Resources Management practices are aligned with corporate and national objectives. Staff are trained and encouraged to provide a high quality service in line with the DLB's public service mandate.

Our total human capital base comprised 228 personnel as at December 31st, 2014. Out of this number 11 are on contract basis while 1 staff member is on secondment.

## Development Lotteries Board Card Position As At 31.12.2014

Designation	Approved cadre	Existing cadre	Vacancies	Excess
Chairman	1	1		
Working Director	1	1		
General Manager	1	1		
Deputy General Manager (Marketing)	1	1		
Deputy General Manager (Finance)	1	1		
Asst. General Manager (Marketing)	3	3		
Asst. General Manager (Finance)	3	2	1	
Internal Auditor	1	Atcg.	1	
Transport & Maintenance Officer	1	1		
Chief Security Officer	1	1		
Confidential Secretary	1	1		
Sales Promotion Officer	14	17		3
Public Relation Officer	1	1		
Asst.IT Officer		Atcg.		
Research Assistant	0	1		1
Finance Assistant	2	0	2	
Chief Management Assistant	1	1		
Management Assistant	83	89		6
Management Assistant Tamil	2	3		1
Media Coordinator	0	1		1
Sales Coordinator *(contract)	11	2		
Driver	31	34		3
KKS/Officer Labourer	36	47		11
Electricians	1	0	1	
Security Assistant	3	16		13
Total	200	225	5	39
IT Consultant		1		
Marketing Consultant		1		
		228		

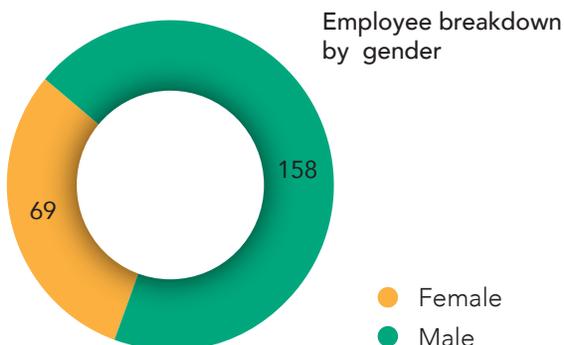
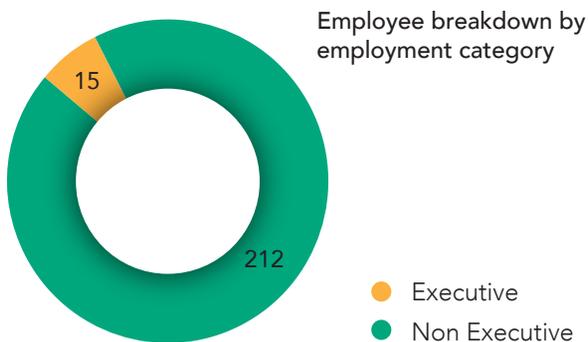
\*11 Posts approved on contract basis for one year – w.e.f 2014.10.15 to 2015.10.14



### Staff Appointments

During the year, 2 new recruitments were made to support the activities of the DLB. These recruitments are listed below.

### Employee breakdown by employment category



### Staff Benefits at DLB

DLB provides many benefits to its employees above and beyond the statutory stipulations. These include,

- Staff insurance
- Employee benefits
- Housing loans
- Distress loan
- Twice a year bonuses

### Training and Development

Training and development plays a central role in human resource management to ensure productivity and high quality services. During the year under review a number of training programs were conducted. The programs benefited a total of 65 staff members.

Training program	No of personnel trained
02 day computer training at the CAD Center. This is an ongoing training program where staff are trained in batches.	Over 75 clerical staff members trained during the year.

### Employee Social Events

Many employee social events are held annually to build team spirit and enhance cooperation among all grades of employees at the DLB. A highlight of the year is the annual sporting events in which our staff participate with great enthusiasm.

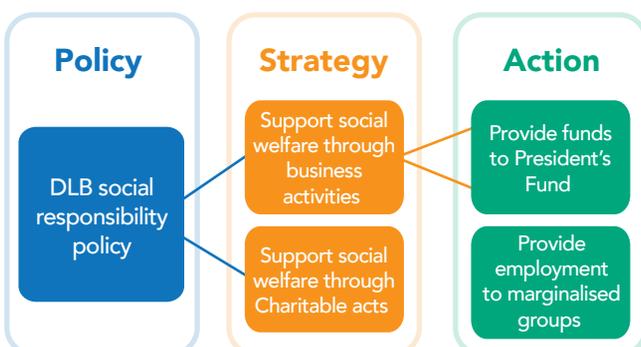
# Sustainability Report

- During the year, the DLB qualified to the Quarter Finals of the Mercantile Division 2, 20:20 cricket tournament. The netball team took part in the 'Nationalised Matches' and in athletics DLB was represented at the Singapore Veterans Athletics Open Track and Field Championship 2015, held in Thailand, where A A D C P Amarasinghe brought pride to the nation by winning Gold, Silver and Bronze medals.
- This year too, the DLB conducted its annual staff trip that saw the participation of about 400 people including families of employees. The one day family outing was held at the Bentota Beach hotel and was a highly enjoyable event that saw employees socializing and building relationships.
- DLB staff also took active part in conducting the annual 'Avurudu Uthsawaya' for all employees and their families in celebration of the traditional new year.
- A dansala was held on May 6 2014, at the DLB premises, for over 200 members of the public, in commemoration of the Vesak festival, with the participation of all staff.

## Corporate Social Responsibility Policy

In line with the DLB's mandate of facilitating social welfare, the DLB's Corporate Social Responsibility (CSR) policy is focused towards building business relations with partners and enhancing the standards of Sri Lankan lives.

Many of our distributors and dealers around the country are differently-abled individuals and people coming from grass root levels of the economically underprivileged



segments of society. Thus we take many initiatives to improve their livelihoods and eliminate poverty through our community development programs.

In 2014 DLB continued its efforts to strengthen its responsible lottery business objectives by developing the core network of business through the Corporate Social Responsibility initiatives that were implemented to enhance the lives of our distributors and dealers. DLB also supported a diverse selection of Social Responsibility Initiatives around Sri Lanka focusing on education, community and employee involvement.

## Economic Responsibility

The entire profit of DLB from 6 passive lotteries and 3 instant lotteries were remitted to the President's Fund for the benefit of health and education sectors of the nation. The Economic Value Added statement is given below describing the economic value created and distributed during the year 2014.

Economic value	2014 Rs Mn	%
<b>Direct economic value generated</b>		
Revenue	9,728	
<b>Economic value distributed</b>		
Operating costs	734	8%
Salaries & Other Benefits & training	207	2%
Payments to lottery winners	6,211	64%
Payments to distributors and agents	154	2%
Payments to the President's Fund	2068	21%
Payments to the Government	354	4%
Payments to the President's Fund	9,728	100%



In 2014, 21% of the DLB's profits were credited to the President's Fund for redistribution among the needy. In addition, DLB distributed another 2% of its economic value generated, among its business network of distributors and agents, while another 64% was given back to society through Lottery Winners. Employees benefited from another 2% of the economic value generated by the organization. Therefore, a total of Rs. 9,728 Mn of the economic value created by the organization during the year has been given back to society through various means, upholding DLB's mandate to support social welfare for the betterment of the country and people.

### CSR Programmes

During the year DLB continued to support approximately 2,000 under privileged persons who are registered as sales agents with the DLB and another 20,000 assistant sales agents, through many charitable contributions, in addition to providing them with a regular source of income. The CSR project to donate wheel chairs, tricycles and spectacles to disabled and otherwise underprivileged members of the distribution network, was continued in 2014, as a part of DLBs 30 year anniversary commemoration initiated in 2013.

District	Bicycle	Tricycle	Spectacles
Matale	38	03	630
Anuradhapura	25	13	370
Jaffna	29	-	-
Kilinochchi	10	02	469
Vavunia	17	01	-
Total	119	19	1469

### Scholarships for Children of Agents

Other benefits for DLB's agents include scholarships for children, medical assistance and meetings for sales agents. During the current year, 100 children of agents registered with the DLB, who are currently pursuing higher education in local universities, benefited from educational scholarships.

### Medical Assistance

In addition, 113 sales agents and assistant agents received grants for medical facilities.

The DLB provided 100 educational scholarships in State Universities for the children of our dealers who excelled in their Advanced Level Examinations. In addition to the above scholarships DLB offered 10 scholarships to the students of our employees who have excelled in their studies at National Examinations.

### Dealer Meetings

Followings dealer meetings were conducted during the year.

District	Date
Colombo	07 th Dec 2014
Anuradhapura	14 th Dec 2014
Galle	21 th Dec 2014
Kurunegala	28 th Dec 2014

### Environmental Responsibility

The DLB discharges its environmental responsibility by making efforts to reduce negative environmental impacts and by conserving resources.

- During the year we earned over Rs.1.8 Mn by recycling old vehicles, motor cycles and other recyclable items in our organization.
- All winning tickets are collected through our business network every six months and are sent for recycling.

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**GOVERNANCE  
REPORT**



# Corporate Governance

As a state owned enterprise the DLB has an obligation to the public and government of the country to maintain good governance and an environment of accountability and transparency in all its operations. Therefore, good governance, in ensuring procedural and regulatory compliance is a key element of the daily operations and decision making of the DLB. The Board of Directors are dedicated to uphold standards of governance intended to safeguard the interests of all stakeholders while upholding the integrity, transparency and accountability of the organization. Responsibilities to equity holders, distributors, dealers, sales assistants, customers, employees, suppliers, creditors and others, as well as wider social responsibilities to the communities are of paramount importance.

DLB maintains required compliance with the 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 organization 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 the Chairman and 4 Directors appointed as follows:

- Representing the President's Fund
- Representing the Mahapola Trust Fund
- Representing the Ministry of Finance & Planning
- 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.

- 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 is 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.

# Corporate Governance

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- The Performance of the CEO and Senior Management and staff should be assessed at least annually.

## The Board Meetings

The Operations and results are closely and regularly monitored against the Budgets and relevant standards at Board Meetings. A Standard agenda is followed together with any other matters attended that require The 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 2014, meetings were held and attendance are given below.

Director	Attended	Excused
Dr. Chandrawansa Pathiraja	12	0
Mr. Gamini Ekanayake	11	1
Mr. Ranjith Thenuwara	12	0
Mr. D. N. Nanayakkara	12	0
Mr. R. K. Jayalath	12	0

## Committees of the DLB

- Management Committee
- Audit and Management Committee
- Tender Board Committee
- Staff Welfare Committee
- Advertising Committee
- 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.

## Composition of the Audit Committee

The Audit Committee comprises the following three Non-Executive Directors.

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

## Role of the Audit Committee

The DLB is required to maintain a sound system of Internal Controls to safeguard stakeholder's interest and assets of the Board. The guidelines issued by the Ministry of Finance and Planning and other relevant authorities are also followed by the Committee.

The General Manager, DGM Marketing, DGM Finance, Administration Manager, Internal Auditor and other required officers are attending the meetings. The Superintendent of audit from Auditor General Department participates as observer to the committee.

## Number of Meetings of Audit Committee

There were meetings conducted on monthly basis and attendance given as below.

Director	Attended	Excused
Mr. Ranjith Thenuwara	11	1
Mr. D. N. Nanayakkara	12	0
Mr. R. K. Jayalath	12	0

# Risk Management Report

## Approach to Managing Risk

Risk management is the responsibility of every employee in the organization and a formal Enterprise Risk Management (“ERM”) function is in place. The ERM umbrella covers risk management, business continuity and crisis management. The ERM function is responsible for the ongoing development and execution of a corporate risk management framework that is aligned with international standards and requirements.

Results of the risk management process will be reported to the Audit and Risk Management Committee of the Board on a quarterly basis.

## Risk Management Policy

The DLB’s risk management policy is based on the international standard and framework outlined above and the following philosophy and principles:

## Risk Management Philosophy

It is important to the success of DLB that it assumes the appropriate amount of risk in the pursuit of its business objectives. ERM provides a discipline and structure to help ensure that risk is managed in a considered and responsible manner. Risk awareness is embedded in the corporate culture, and employees must take ownership for managing risk.

Incorporating risk management into DLB business practices helps ensure that employees demonstrate the corporate values of accountability, integrity and respect. This philosophy is supported by the principles that Risk Management:

- Creates and protects value
- Is an integral part of all organizational processes is a part of decision-making
- Explicitly addresses uncertainty
- Is systematic, structured and timely
- Is based on the best available information
- Is tailored
- Takes human and cultural factors into account
- Is transparent and inclusive
- Is dynamic, iterative and responsive to change
- Facilitates continual improvement of the organization

## Identified Risks and their Management

The main risks that the DLB is exposed to, have been identified as a part of the risk management. These risks and the actions were taken to lessen, and in some cases mitigate them are discussed below.

Risk	Description of Risk	Risk Management
Strategic Risk	Strategic risks include external environment factors and events that can impact the corporation’s ability to meet its strategic goals and objectives, risks impacting the effective allocation of resources, risks that major initiatives are not aligned with the corporation’s goals and objectives and are not being carried out effectively, risks of ineffective relationships with key stakeholders, as well as risks to reputation.	<p>Market research and formalized strategic planning processes for key products and functions.</p> <p>Management engages in a rigorous annual business planning process for which it has received recognition for excellence in government budgeting.</p> <p>Management has established a formal project methodology and is committed to developing and maintaining effective communication processes with its key stakeholders.</p>

# Risk Management Report

Risk	Description of Risk	Risk Management
Prize Pay-Out Risk	At DLB, a standard prize pay-out ratio is 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 the cash flow of our business.	There is also an Insurance coverage taken from the printers to cover this risk.
Economic Risk	The socio economic and political environment in Sri Lanka has an impact over buying pattern of customers.	Strategies are formulated based on research to identify changes in the socio-economic and political environment of Sri Lanka.
Financial Risks	Financial risks include risks that cash flows and financial information are not efficiently and effectively managed which can compromise the corporation's decision making ability.	Risks have been identified an actions are being taken to mitigate this risk
Liquidity Risk	Liquidity risk may arise due to early win of high tier prizes.	The DLB assures that high liquid assets are being maintained to face such instances.
Operational Risk	Operations risks include risks that the DLB's operations are not efficient, do not meet customer needs, and do not protect the organization's significant monetary assets. Operational risk may also 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	<p>Segregation of duties, internal controls, internal checks, sophisticated computer validation processes and internal audits have been implemented to cover such risks.</p> <p>DLB has established appropriate functional areas and developed processes to effectively provide, promote and deliver products and services to customers; recruit, develop and retain resources to meet current and future operational needs, manage hazards along with the management of information technology operations in order to achieve its goals and objectives.</p> <p>Management regularly reviews and assesses the amount of risk present in operating units, large scale projects, and specific business processes and develops action plans to support continuous improvement.</p>
Reputation Risk	Reputation risk is the risk of losing public confidence of the organization. Due to high dependency 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 concerns in relation to media products, to ensured with quality and accurate wording before release.
Legal Risk	Legal risk may arise due to unforeseeable 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 underway to modernize and upgrade IT infrastructure and update Software that is being used in the organization.

# Audit and Management Committee Report

We are pleased to present our Report for the financial year ended 31st December 2014.

## Composition of the Audit Committee

The Audit Committee comprises the following three Non-executive Directors.

1. Mr. Ranjith Thenuwara - Chairman / CEO
2. Mr. D N Nanayakkara - Director
3. Mr. R.K. Jayalath - Director

The General Manager, DGM Marketing, DGM Finance, Administration Officer, Internal Auditor and other required officers are attending the meetings. The Superintendent of audit from Auditor General Department participates as observer to the committee.

## Role of the Audit Committee

Maintaining sound Internal controls to safeguard stakeholder's interest and assets of the Board are continued to be the priority area of the committee. The guidelines issued by the Ministry of Finance and other relevant authorities are also followed by the committee. The activities undertaken by the audit committee in respect of its principal responsibilities during the year ended 31st December 2014 are summarized below.

1. Observe the compliance and integrity of Annual Financial statements and review significant financial reporting judgments contained in them prior to their issuance. This included a review of the accounting policies, notes and practices, major judgmental areas and compliance with , legal and regulatory requirements. The audit committee discussed these matters with the Auditor General Department as a part of the review of the findings from the audit of the financial statements.
2. The internal auditor submits periodic internal audit reports carried out in line with the approved annual audit plan. The internal audit reports highlight the gaps in the systems and procedures in place and recommend improvements to the existing systems and procedures where necessary after negotiating with the management. Internal audit follows up the implementation of recommendations

and reports progress to the management and the audit committee. The audit committee receives regular reports from internal audit, which include summaries of the key findings of each audit in the period. Management comments are also part of it and Committee reviews root causes for audit observations and preventive measures to avoid repetitions.

3. With the assistance of internal audit , government audit the committee assess the effectiveness of the Board's operational and financial controls and procedures which include authorization limits for expenditure, revenue process and capital expenditure, signing authorities, IT application controls and developments, organization structure, policies, segregation of duties and reviews by management. Liquidity status of the Board's balance sheet was regularly monitored. The gaps identified thereon will be reported to the Board with recommendation for improvement. Committee pays special attention to COPE directives issued to the Board.

## Number of Meetings of Audit Committee

There were 12 meetings conducted on monthly basis and attendance are given below.

Name of Director	Attendance	Excused
Mr. Ranjith Thenuwara	11/12	01
Mr. D N Nanayakkara	12/12	Nil
Mr. R. K. Jayalath	12/12	Nil

On behalf of the Audit Committee,

Chairman  
Audit & Management Committee



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**FINANCIAL  
REPORTS**



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**கணக்காய்வாளர் தலைமை அறிப்பதி திணைக்களம்**  
**AUDITOR GENERAL'S DEPARTMENT**



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30 September 2015

The Chairman,  
Development Lotteries Board.

**Report of the Auditor General on the Financial Statement of the Development Lotteries Board for the year ended 31 December 2014 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 31 December 2014 comprising the statement of financial position as at 31 December 2014 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information 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 issued to the Chairman of the Board on 14 July 2015.

**1.2 Management's Responsibility 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 for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.



### 1.3 Auditor's Responsibility

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements 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 Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Subsections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### 1.4 Basis for Qualified Opinion

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My opinion is qualified based on the matters described in paragraph 2.2 of this report.



**2. Financial Statements**  
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**2.1 Qualified Opinion**  
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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 31 December 2014 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**  
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**2.2.1 Sri Lanka Accounting Standards**  
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The following observations are made.

(a) Sri Lanka Accounting Standard No. 01  
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- (i) The main operation of the Board was the sale of lottery tickets and the expenditure incurred for the vehicles deployed for that purpose and the depreciations totalling Rs.19,463,884 had been considered as administration expenditure. As such, the expenditure classification was not properly depicted.
- (ii) Although the Nation Building Tax amounting to Rs.198,540,485 should have been shown as selling and distribution expenses in the statement of comprehensive income, the Board had deducted it from the sales income and shown in the financial statements.



(b) Sri Lanka Accounting Standard No. 36

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An Impairment Test on the studio the net value of which was Rs.30,013,677 as at 31 December of the year under review which was not being utilized for the expected economic objectives of the Board had not been conducted and carrying amount of the asset had not been shown in the financial statements.

**2.2.2 Accounting Deficiencies**

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The following observations are made.

- (a) Although prizes of Rs.100,168,320 allocated for draws but not owned by the winners should be adjusted to the profit of the year under review and transferred to the Prizes Reserve Account in the statement of changes in equity, without doing so, it had been adjusted through the Ledger Accounts and as such the profit of the year under review had been understated by that amount.
- (b) In accordance with the computation of the Commissioner General of Inland Revenue, the value of Income Tax defaulted by the Board from the year 2001 to 2009 was Rs.3, 320,913,232. Although the Board had submitted an assessment report to the value of Rs.284,896,813 as the Income Tax relating to that period to the Commissioner General of Inland Revenue, concurrence therefore had not been granted even by 17 March 2015. Nevertheless, the Board had not disclosed this matter in the financial statements of the year under review.
- (c) A double cab motor vehicle valued at Rs.8,095,000 ordered by the Board and registered in the name of the Board in the year 2008 had been taken over by the then Chairman from the supplier company, whereas it had not been handed over to the Board even by the end of the year under review. The value of that double cab motor vehicle, the physical existence of which had not been established at the





Contrary to that, a sum of Rs.405,000,000 out of the balance of Rs.874,670,557 existed in the Prize Reserve Account as at 31 December of the year under review had been utilized for the acquisition of the land and the building in which the office of the Board is situated on the decision of the Board of Directors. Accordingly, only a sum of Rs.469,670,557 was available with the Board relating to the Prize Reserve Account to utilize according to the provisions of the Act.

(ii) Sections 19 (1),(2) and (3)

The Board had earned a sales income of Rs.9,728,586,929 by conducting scratch-and-win lotteries and drawing lotteries even in the year under review as in the preceding years without formulating rules on lotteries in accordance with provisions, obtaining the approval of the Minister in charge of the subject and publishing in the Gazette on the decisions taken by the Board of Directors on each occasion. Out of that amount, the Board had allocated Rs.6,211,302,790 for prizes and granted sales agents commission of Rs.2,063,639,652.

(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka  
 Section 11.5.1 of Chapter XXIV

Without being complied with the Section, the Board of Directors had decided to incur 50 per cent of the interest of the employees' property loan by the Board. Accordingly,



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having done the computation, a sum of Rs.5,836,164 had been paid as interests of the property loans of the officers during the year under review.

(c) Public Enterprises Circular No.PED/12 dated 02 June 2003

(i) Section 6.5.1

A copy of the draft Annual Report of the Board pertaining to the year under review had not been furnished to the Auditor General along with the financial statements.

(ii) Section 8.3.5 (b)

Official motor vehicles had been assigned to 05 Assistant General Managers of the Board who are not entitled to the official vehicles according to the Section and fuel expenses of Rs.1,248,390 had been reimbursed in the year under review.

(iii) Sections 9.7 and 9.12

Without obtaining the approval of the Treasury, the Board had paid Medical assistance amounting to Rs.25,141,298 to the employees on the decision of the Board of Directors during the year under review and a sum of Rs.9,225,519 which had been paid in cash without obtaining any medical bills had been included in that amount.

(d) Sections 2,6 (iii) and 6 (iv) of the Public Enterprises Circular No.PED-57 dated 11 February 2011.

Having approved a sum of Rs.434,846,000 by the Annual Budget, the Board had spent Rs.306,981,876 for marketing publicity





cost of sales by Rs.284,492,622 or 3.9 per cent had given rise to increase the gross profit ratio from 28 per cent to 29 per cent.

- (b) Increase in the other income by Rs.8,188,886 and taking over of un-wined prizes amounting to Rs.62,004,480 and decrease in the distribution expenditure by Rs.93,853,621 had attributed to increase the net profit from 21 per cent to 24 per cent.
- (c) The current liabilities of the Board exceeded its current assets and the current and quick ratios were not at an optimum level. The Board had not focused attention on the working capital management during the year under review. The investment of only Rs.12,274,776 out of the provisions for gratuity of Rs.22,950,330 as at 31 December of the year under review in fixed deposits had further established the afore said matter.

**3.3 Legal Action Instituted by or Against the Board**

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A private company had field a court case against the Board claiming a compensation of Rs.8,095,000 relating to a purchasing of a motor vehicle and the Board had filed a case in a court against an outside person for the recovery of a building rental of Rs.2,520,000.

**4. Operating Review**

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**4.1 Management Inefficiencies**

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The following matters are observed.

- (a) The Board had failed to settle the issue on the arrears of Income Tax, Economic Service Charges and the Value Added Tax over Rs.3,540 million which had been stated as payable by the Board form the year 2001 to 2009 and thereupon the Department of Inland Revenue had taken action to cease all the bank accounts of the Board temporarily from 28 August to 5 September of the year under review. Having decided to obtain the service of a tax consultant under a contract charge of



Rs.4,825,000 to resolve this tax arrears issue, the Board had paid a sum of Rs.2,485,000 to the tax consultant in the year under review. Although a sum of Rs.284,896,813 had been paid to the Commissioner General of Inland Revenue as arrears in the income tax according to the computation of the tax consultant, the issue had not come to an end. Subsequently, the board had agreed to pay the balance of the tax arrears of Rs.1,807 million after eliminating the fine, in 83 installments in the year 2015.

- (b) In terms of the letter of implementation of provision 30 of the Management Services Circular No.DMS/E1/04/4/015 dated 17 November 2009, the post of Marketing Consultant had been approved as personal to the holder of that post and with the leaving of the respective officer from the service that post should be abolished. Contrary to that, an officer had been recruited to the post of Marketing Consultant on 01 July 2013 on contract basis without the approval of the Department of Management Services. Although an allowance of Rs.1,710,000 had been paid to that officer from 01 July 2013 to 28 February 2015, the objectives expected by the Board by creating that post had not been achieved.
- (c) Even though high quality and accurate tickets should be supplied in accordance with the agreement entered into with the contractor for the printing of instant lottery tickets, the contractor had not taken action accordingly even in the year under review as in the previous year. Further, it had not been possible to scratch 3,000,000 lottery tickets valued at Rs.3,135,000 even in the year under review, but the Board had not taken action against the contractor in terms of the Guideline 8.11.4(a) and (b) of the Procurement Guidelines. The instant lottery income for the year under review had decreased by Rs.153,204,680 or 37 per cent as compared with the preceding year. According to the complains of the sales agents, the absence of lottery tickets in the proper standard had been the main reason for this situation.





- (b) The Board had granted Rs.36,807,205 to District Secretariats in respect of Deyatakirula Development Project during the year under review and it had been shown under selling and distribution expenses.
- (c) Five minutes documentary programmes prepared by an institution selected by the Publicity Committee of the Board by calling for quotations from 3 institutions without following the Government Procurement Guidelines had been telecast via Government electronic media and a sum aggregating to Rs.30,498,000 comprising Rs.13,958,000 and Rs.16,540,000 had been paid in the years 2013 and 2014 respectively for that purpose.
- (d) For the use of the Working Director of the Board, motor vehicles had been obtained on hire basis on two occasions without following procurement procedure during the year under review and a sum of Rs.1,111,060 had been paid as rental for the period from January to July and November to December 2014.
- (e) For the purpose of carrying out a promotional activity on the lotteries within the internal and external premises of the Bandaranayake International Air Port using Digital Advertisement Boards for a period of one year from 01 June 2014, the Board had paid the total amount of Rs.23,986,561 to the supplier as a lump sum without following any guideline of the Government Procurement Guidelines at a request of an advertising firm and on the recommendation of the Publicity Committee of the Board. The advertising firm had not introduced an electronic mechanism to ensure that the advertisements are published as agreed manner and the Board had not taken action to ensure whether the advertisements were properly published through the examination of a Transmission Report certified by a third party.
- (f) In accordance with the Guideline 3.6.1 of the Government Procurement Guidelines, if a period of six months from the date of award of the original contract had not elapsed, the relevant goods can be procured from the same



Government supplier. Nevertheless, despite the elapse of a period of six months from the date of award of the original contract, the Board had purchased 138 bicycles valued at Rs.1,488,642 and 11 wheel-chairs valued at Rs.333,380 from the former supplier without calling for quotations contrary to the Procurement Guidelines.

- (g) In the selection of items for giving sponsorship under the sales promotion expenditure and in the determination of the amount to be paid for the selected item, the Board had not introduced an evaluation procedure for the benefits thus received by the Board through the sponsorship. As revealed at the audit test check, a sum of Rs.24,427,000 had been spent on 07 sponsorships thus given without carrying out a proper evaluation during the year under review and those had ranged between Rs.2,000,000 and Rs.5,355,000. Further, expenditure of Rs.9,331,800 incurred on sponsorships and had been brought to account as lottery publicity production charges.
- (h) In order to obtain computer operating system service for the lottery draws of the Board, a supplier had been selected in the year 2009 without following the procurement procedure and a sum of Rs.71,348,976 had been paid from the year 2009 up to 31 December 2014. Although a Consultant had been recruited on contract basis for the creation of a combined computer information system for the Board without a formal scheme of recruitment and allowances amounting to Rs.2,055,000 had been paid from December 2012 to 28 February 2015, the Board had failed to establish a combined computer information system or create a computer system for the lottery draws even up to 31 May 2015.
- (i) A driver of a Jeep owned by the Board had stated to the audit in writing that the said Jeep had been used for running for the political functions and meetings from February 2012 up to November 2014 with the outsiders of the Board and the Running Charts were got signed by the Confidential Secretary of the Board and other two officers after writing Running Charts to the effect that the vehicle was used for the promotional activities according to the instructions of the Chairman.



Further, in order to get the subsistence allowances, the driver had submitted letters including false information indicating that the vehicle was used for the promotional activities, though the vehicle was actually used for the running outside the Colombo as mentioned above. Those letters had been recommended by the Deputy General Manager (Marketing) and arrangements had been made to obtain allowances of Rs.249,750 to the driver. Accordingly, having utilized the Jeep for the extraneous activities during the above period, the Board had paid a sum of Rs.3,170,017 for the salary and allowances of the driver and for the fuel.

#### 4.4 Idle and Underutilized Assets

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The following observations are made.

- (a) Even though the Board had constructed a studio in the year 2010 at a cost of Rs.38,752,448 for filming the lottery draws, that studio had not been used for filming. Further, the Board had not taken action to implement the recommendations made by the Rupavahinee Corporation in June 2012 which was made after conducting a study on the existing deficiencies in the studio. Since the lottery draws had been filmed at the Rupavahinee Corporation without being utilized the studio owned by the Board, a sum of Rs.35,800,000 had been paid during the year under review for that purpose.
- (b) Six hundred and sixteen units of goods valued at Rs.1,801,310 relevant to 14 categories of sales promotion goods remained idle in the stores over periods ranging from 4 to 10 years.





- (b) Without obtaining the approval of the Department of Management Services in terms of the letter No DMS/E/04/04/015 dated 17 November 2009 of the Department of Management Services and Public Administration Circular No.25/2014 dated 12 November 2014, twelve employees had been recruited on contract basis.

**4.8 Resources of the Board given to other Government Institutions**

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In terms of Section 8.3.9 of the Public Enterprises Circular No.PED12 dated 02 June 2003, the resources of the Board (inclusive of human resources) cannot be deployed for the use of the Line Ministry or the other Government institution, whereas a junior security officer had been released to an external institution from 13 August 2010 contrary to the above condition. Without obtaining any service to the Board during the relevant period, the Board had paid Rs.2,228,435 as salary and allowances to the said officer from August 2010 to December 2014.

**5. Accountability and Good Governance**

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**5.1 Internal Audit**

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A separate Internal Audit Unit had not been established up to 31 December of the year under review and the Board had taken action to obtain the service of a private audit firm on a monthly payment of Rs.70,000 up to October of the year under review.

**5.2 Procurement Plan**

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Although the Procurement entity had prepared a Procurement Plan in accordance with the Guideline 4.2 of the Government Procurement Guidelines, all the procurements had not been covered by that Plan.



### 5.3 Budgetary Control

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A significant variance ranging from 6 per cent to 209 per cent was observed between 07 Objects and the other item of revenue, thus indicating that the Budget had not been made use of as an effective instrument of management control.

### 6. Systems and Controls

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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
- (e) Stores Control

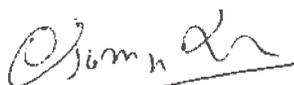
W.P.C.Wickramaratne

Acting Auditor General

# Statement of Comprehensive **Income**

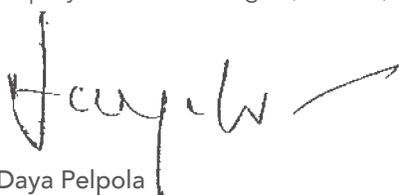
<i>for the year ended 31st December</i>		2014	2013
	Notes	Rs.	Rs.
Revenue	01	9,728,586,929	9,941,375,151
Cost of Tickets	02	378,157,596	410,016,327
Prize Payout	03	6,211,302,790	6,481,076,862
Draw Cost	04	272,501,090	255,360,909
<b>Gross Profit</b>		<b>2,866,625,453</b>	<b>2,794,921,054</b>
Other Income	05	150,665,457	143,513,256
Distribution Cost	06	524,797,737	627,574,930
Administrative Expenses	07	347,408,024	330,967,135
Finance Cost	08	647,572	561,787
<b>Surplus After Operating Expenses</b>		<b>2,144,437,576</b>	<b>1,979,330,457</b>
Prize Write Back		277,785,380	215,780,900
<b>Profit Before Tax</b>		<b>2,422,222,956</b>	<b>2,195,111,357</b>
Income Tax		68,976,618	68,673,016
<b>Profit After Income Tax</b>	09	<b>2,353,246,338</b>	<b>2,126,438,341</b>

The Accounting policies and Notes form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf.



W.A.V.C. Somarathne

Deputy General Manager (Finance)



Daya Pelpola  
Chairman/CEO

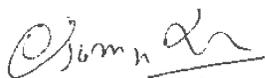


R.I. Wimalasena  
Vice Chairman

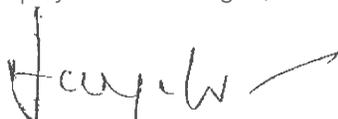
# Statement of Financial Position

As at 31st December	Notes	2014 Rs.	2013 Rs.
<b>Assets</b>			
<b>Non Current Assets</b>			
Property Plant & Equipment	10	709,275,189	716,603,670
		709,275,189	716,603,670
Investments	11	885,551,607	1,016,831,506
		885,551,607	1,016,831,506
<b>Total Non Current Assets</b>		<b>1,594,826,796</b>	<b>1,733,435,177</b>
<b>Current Assets</b>			
Inventories	12	43,580,565	137,541,092
Trade Debtors & Other Receivable	13	34,126,920	34,930,406
Prepayments & Deposits	14	14,993,931	11,231,528
Cash in hand & at Bank	15	249,562,916	457,884,949
<b>Total Current Assets</b>		<b>342,264,333</b>	<b>641,587,976</b>
<b>Total Assets</b>		<b>1,937,091,128</b>	<b>2,375,023,152</b>
<b>Equity &amp; Liabilities</b>			
<b>Contributed Capital</b>			
President's Fund		2,200,000	2,200,000
Mohapola Trust Fund		2,200,000	2,200,000
Prize Reserve Account		877,036,186	776,867,866
<b>Total Equity</b>		<b>881,436,186</b>	<b>781,267,866</b>
<b>Non Current Liabilities</b>			
Employee Benefit Liabilities		22,950,327	8,946,366
Dealer & Distributor Deposit Payable	16	27,314,881	27,859,381
<b>Total Non Current Liabilities</b>		<b>50,265,208</b>	<b>36,805,747</b>
Credit Vouchers Payable		173,022,800	195,769,660
<b>Current Liabilities</b>			
Trade & Other Payable	17	344,061,901	716,961,272
President's Fund Payable		250,598,866	132,775,541
Prize Payable	18	237,706,166	511,443,066
<b>Total Current Liabilities</b>		<b>832,366,934</b>	<b>1,361,179,879</b>
<b>Total Equity &amp; Liabilities</b>		<b>1,937,091,128</b>	<b>2,375,023,152</b>

The Accounting policies and Notes form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf.



W. A. V. C. Somarathne  
Deputy General Manager (Finance)



Daya Pelpola  
Chairman/CEO



R. I. Wimalasena  
Vice Chairman

# Cash Flow Statement

<i>for the year ended 31st December</i>	2014	2013
	Rs.	Rs.
<b>Cash Flow from Operating Activities</b>		
<b>Net Profit</b>	2,422,222,956	2,126,438,341
Adjustments for Depreciation on Fixed Assets	34,968,391.59	32,663,631
Prize Reserve A/C	100,168,320	23,631,365
Provision for Gratuity	14,003,961	398,087
Income Tax	(68,976,618)	
Prior income tax paid	(284,896,813)	
President's Fund & Deyata Kirula Paid	(1,834,814,000)	(2,107,375,000)
<b>Operating Profit before Working Capital changes</b>	<b>382,676,199</b>	<b>75,756,424</b>
<b>Increase/Decrease in Operating Assets</b>		
Decrease in Inventories	93,960,527	(104,308,551)
Increase/Decrease in Debtors	803,486	(4,416,785)
Increase in Deposit and Prepayments	(3,762,403)	(4,565,380)
Increase in Creditors	(372,899,371)	438,123,167
Decrease in Prize Payable	(273,736,900)	277,704,795
Increase in Credit Vouchers	(22,746,860)	53,395,630
Increase in Dealer Distributor Deposits	(544,500)	1,273,000
P/F & Deyata Kirula Exhibition Payable	(115,712,200)	(380,258,643)
<b>Net Cash flow from Operating Activities</b>	<b>(311,962,022)</b>	<b>352,703,656</b>
<b>Cash from Investment Activities</b>		
Fixed Assets Additions	(27,639,910)	(115,860,998)
Investments in Fixed Deposits	131,279,899	(25,868,596)
<b>Net cash from Investing Activities</b>	<b>103,639,989</b>	<b>(141,729,594)</b>
	(208,322,034)	210,974,062
<b>Net Cash Increase/Decrease in cash &amp; cash Equivalents</b>	<b>(208,322,034)</b>	<b>210,974,062</b>
Cash & Cash Equivalents at the beginning of the Year	457,884,949	246,910,887
Cash & Cash Equivalents at the end of the Year	249,562,916	457,884,949

# Statement of Changes in Equity

<i>for the year ended 31st December</i>	President's Fund & Mahapola Trust Fund Rs.	Prize Reserve Account Rs.	Revenue Reserve Rs.	Total Rs.
Balance as at 01.01.2013	4,400,000	753,236,501	-	757,636,501
Additions during the year	-	23,631,365	2,126,438,341	23,631,365
Balance as at 31.01.2013	4,400,000	776,867,866	(2,107,375,000)	781,267,866
	-		(19,063,341)	
Additions during the year	-	100,168,320	2,353,246,338	100,168,320
Prior Year Adjustments			(267,833,472)	
Appropriation to President's Fund			(2,085,412,866)	
Balance as at 31.12.2014	4,400,000	877,036,186	-	881,436,186

# Notes to the Financial Statements

## 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.

### 2.2. Basis of measurement

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

Investments on Fixed	- Fair Value
Deposits	
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 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

### 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.

**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. 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%

Board provides depreciation from the date the assets are available for use up to the date 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
Super Ball	Average Cost

**3.3. Liabilities and Provisions**

**3.3.1. Provisions**

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.

Non-current 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 expense

# Notes to the Financial Statements

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.

## **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.

<i>for the year ended 31st December</i>	2014	2013
	Rs.	Rs.
<b>NOTE 01 - REVENUE</b>		
Saturday Fortune	2,007,008,025	2,275,939,875
Development Fortune	2,492,645,100	2,407,147,050
Jayoda	1,255,317,525	1,323,445,200
Instant	262,088,570	415,293,250
Jana Jaya	854,071,350	808,684,800
Double Chance/Deyata Kirula/Dewara	22,646,760	29,324,890
Niyatha Jaya	1,025,266,275	964,564,425
Super Ball	2,314,937,625	1,933,949,325
Anniversary Draw	-	110,311,575
New Year Bonus	-	35,597,100
Highway Dream	154,133,925	307,778,625
<b>Total Sales</b>	<b>10,388,115,155</b>	<b>10,612,036,115</b>
Less: Sales return	349,871	963,443
<b>Net Total Sales</b>	<b>10,387,765,284</b>	<b>10,611,072,672</b>
VAT 12%	460,637,869	448,943,792
NBT 2%	198,540,485	203,242,578
ESC .25%	-	17,511,151
<b>Total Taxes</b>	<b>659,178,355</b>	<b>669,697,521</b>
<b>Revenue after Taxes</b>	<b>9,728,586,929</b>	<b>9,941,375,151</b>

# Notes to the Financial Statements

<i>for the year ended 31st December</i>	2014	2013
	Rs.	Rs.

## NOTE 02 - COST OF TICKETS

<b>Opening Stocks</b>		
Saturday Fortune	2,425,775	1,674,399
Development Fortune	1,739,463	1,470,977
Jayoda	2,047,746	2,388,783
Instant	14,356,370	15,077,674
Jana Jaya	1,244,717	482,651
Double Chance	48,747	48,747
Niyatha Jaya	633,078	646,635
Super Ball	1,836,126	648,253
Anniversary Draw	-	632,288
<b>Total Opening Stock</b>	<b>24,332,021</b>	<b>23,070,407</b>
<b>Add Purchases</b>		
Saturday Fortune	63,898,237	87,562,378
Development Fortune	78,685,075	92,034,208
Jayoda	44,963,795	47,731,181
Instant	22,744,700	31,475,332
Deyata Kirula	1,683,000	2,464,320
Jana jaya	33,180,143	31,391,464
Niyatha Jaya	42,362,061	35,127,940
Super Ball	81,304,796	76,507,755
Anniversary Draw	-	816,000
New Year Bonus	-	1,504,051
Highway Dream	6,211,575	4,663,313
<b>Total Purchases</b>	<b>375,033,381</b>	<b>411,277,941</b>
<b>Less - Closing Stocks</b>		
Saturday Fortune	1,394,392	2,425,775
Development Fortune	1,973,735	1,739,463
Jayoda	1,281,834	2,047,746
Instant	13,245,549	14,356,370
Jana Jaya	642,604	1,244,717
Double Chance	48,747	48,747
Niyatha Jaya	787,292	633,078
Super Ball	1,833,652	1,836,126
<b>Total Closing Stocks</b>	<b>21,207,806</b>	<b>24,332,021</b>
<b>Cost of tickets</b>	<b>378,157,596</b>	<b>410,016,327</b>

<i>for the year ended 31st December</i>	2014	2013
	Rs.	Rs.

**NOTE 03 - PRIZE PAYOUT**

Prize Expenses- SF	1,216,368,500	1,379,357,500
Prize Expenses- DF	1,488,872,500	1,458,877,000
Prize Expenses- Instant	149,726,550	257,722,670
Prize Expenses- JF	760,798,500	801,088,000
Prize Expenses- JJ	517,619,000	490,112,000
Prize Expenses- NJ	621,373,500	584,584,500
Prize Expenses- DC/DK/Dewara	3,954,333	5,867,870
Prize Expenses- SB	1,402,992,500	1,171,090,500
Prize Expenses- Anniversary Draw	-	61,899,521
Prize Expenses- New Year Bonus	-	20,282,000
Prize Expenses- Highway Dream	49,597,407	250,195,300
	<b>6,211,302,790</b>	<b>6,481,076,862</b>

**NOTE 04 - DRAW COST**

Saturday Fortune	36,902,299	36,274,083
Development Fortune	54,254,263	54,334,240
Jayoda	36,910,136	37,158,053
Jana Jaya	35,985,203	36,590,801
Niyatha Jaya	36,741,633	37,070,293
Super Ball	71,707,556	53,933,438
	<b>272,501,090</b>	<b>255,360,909</b>

# Notes to the Financial Statements

<i>for the year ended 31st December</i>	2014	2013
	Rs.	Rs.

## **NOTE 05 - OTHER INCOME**

Anniversary ticket income 2013	-	8,963
Sampath Repo Interest	246,874	378,724
Registration Fees	42,750	35,250
Sales of Receipt Books	25,025	20,790
Staff Loan Interest	953,996	901,401
Miscellaneous Receipt	9,881,662	6,171,848
Investment interest income	125,558,443	115,902,843
Non Refundable Deposit	171,000	312,150
Fine on canceled/ returned	25,000	5,000
Interest Sweep Account	7,012,166	8,197,569
7 Day Call Interest Income	3,420,852	4,745,569
Ticket Destroy Income	627,878	279,136
Circuit Bungalow Income	20,000	20,000
Disposal Items	91,943	232,260
Rent Income-Bus	437,094	439,244
Profit on Sale of Motor Vehicle	1,700,000	5,421,000
Profit on sale of Office Equipment	12,100	88,000
Profit on Sale of Motor Bike	-	353,840
Profit on Sale of Computers	36,000	
Supplier Deduction	402,675	
<b>Total Other Income</b>	<b>150,665,457</b>	<b>143,513,256</b>

<i>for the year ended 31st December</i>	2014	2013
	Rs.	Rs.

## **NOTE 06 -DISTRIBUTION EXPENSES**

### **Note '06 - I - Advertising**

Saturday Fortune	6,304,723	32,113,927
Development Fortune	26,249,594	33,013,374
Jayoda	25,075,543	24,402,645
Instant	1,266,775	914,650
Deyata Kirula	25,494,604	27,505,967
Jana Jaya	9,308,383	25,680,173
Niyatha Jaya	23,014,983	38,988,634
Super Ball	37,799,137	42,697,170
Anniversary Draw	-	10,967,877
New year Bonus- New Tickets Promotion	-	8,468,481
Highway Dream - New Tickets Promotion	30,148,807	23,358,432
Jayoda Power Ball - New Tickets Promotion	4,032,344	14,735,373
Niyatha Jaya-New Ticket Promotion	4,916,283	
Supiri Shanida -New Ticket Promotion	3,199,964	
DF Power Star-New Ticket Promotion	2,690,000	
Marketing Related Activities	100,000	
Corporate & Others	45,099,908	69,064,164
Seasonal Promotion	746,000	5,255,000
	<b>245,447,049</b>	<b>357,165,867</b>

### **Note '06-II - General Advertising**

General Advertising	49,718,945	64,773,026
Chairman's vote	2,892,310	2,572,225
	<b>52,611,255</b>	<b>67,345,250</b>

### **Note '06-III - Selling & Distribution Expenses**

Deyata Kirula Promotion Items	1,683,122	1,791,265
Selling Expenses	15,886,880	10,867,991
Other Selling & Distribution(Scanning / Validation)	7,058,455	6,758,880
Transportation	5,604,950	5,344,146
Vehicle Branding	19,415	
Dealer & Distributor Target	4,263,545	21,704,075
Deyata Kirula Development Project	36,807,205	
Atha Hitha-Prizes to Dealers/Distributors	1,417,569	
	<b>72,741,140</b>	<b>46,466,358</b>

# Notes to the Financial Statements

<i>for the year ended 31st December</i>	2014	2013
	Rs.	Rs.

## **NOTE 06 -DISTRIBUTION EXPENSES (CONTD.)**

### **Note '06-IV - Commission**

Saturday Fortune	30,168,213	34,206,100
Development Fortune	37,466,450	36,188,100
Jayoda	18,866,813	19,894,350
Instant	2,210,355	3,514,363
Deyata Kirula	-	397,380
Jana Jaya	12,831,100	12,152,075
Niyatha Jaya	15,399,938	14,511,863
Super Ball	34,801,275	29,002,713
Sanwathsara Wasana	-	1,648,925
New Year Bonus	-	535,938
Highway Dream	2,254,150	4,545,650
	153,998,293	156,597,455
	524,797,737	627,574,930

<i>for the year ended 31st December</i>	2014	2013
	Rs.	Rs.

**NOTE 07 - ADMINISTRATIVE EXPENSES**

Salaries & Wages	51,603,233	47,616,086
Daily Allowance-SPO	2,870,400	2,379,000
Cost of Living Allowance	20,232,226	16,796,890
Other Allowances	16,780,279	16,370,392
Incentive	29,288,667	40,022,082
Over time & holiday pay	18,035,359	19,553,967
Gratuity	14,502,770	398,087
E.P.F 15%	9,943,493	9,069,858
E.T.F 3%	1,988,701	1,813,973
Pension	261,781	276,743
Bonus	8,635,849	8,089,440
Housing loan interest	5,836,164	3,503,881
Depreciation- Mobile Phone	573,017	371,592
Depreciation- Studio	3,875,245	1,857,008
Depreciation- Three Wheel	141,404	159,704
Depreciation- Regional office Computer & Accessories	116,142	143,344
Depreciation- Regional office office Equipment	87,375	90,765
Depreciation- Building Improvement	697,517	628,243
Depreciation- Motor Vehicles	12,311,614	12,302,551
Depreciation- Equipment	1,824,226	3,923,798
Depreciation- Computers & Accessories	3,956,277	2,487,103
Depreciation- Furniture & Fittings	1,512,970	1,487,911
Depreciation- Computer software	1,448,180	805,176
Depreciation- Motor cycles	726,959	726,231
Depreciation- Building	5,623,500	5,623,500
Depreciation- Regional office Furniture & Fittings	62,988	59,553
Board Members Fees	277,500	289,000
Payments for Tender Boards	351,325	397,050
Printing & Stationery	14,644,424	15,920,900
News Papers & Periodicals	440,412	418,027
Postage/Mail delivery/collection counter	901,443	791,763
Fuel	12,624,172	12,393,940
Telephone	8,697,031	9,060,438
Electricity	9,621,661	9,002,499
Water charges	933,367	950,729
Cleaning charges	2,365,225	2,172,279
Audit Fees	790,000	794,500

# Notes to the Financial Statements

<i>for the year ended 31st December</i>	2014	2013
	Rs.	Rs.

## **NOTE 07 - ADMINISTRATIVE EXPENSES (CONTD.)**

Rent on vehicles	1,609,668	554,945
Training & Human Resource Development	62,000	603,125
Building Maintenance	2,594,649	1,696,110
Vehicle Maintenance	7,152,270	5,782,404
Office Equipment Repairs	544,146	1,263,500
Building Rent	1,533,000	1,830,000
Computer Maintenance	816,704	392,117
Service Agreements	1,739,995	2,027,200
Entertainment & Welfare	3,198,424	2,441,795
Identity Cards	66,150	1,725
Software Maintenance - Lottery Management System LMS	9,108,034	8,712,100
Foreign Travelling	3,117,803	3,874,228
Lunch/Tea/Drinking water/Draw Meals	6,959,559	5,635,481
Legal Expenses	227,500	376,140
Uniform & Tailoring Charges	1,826,863	2,406,380
Sundry Expenses	848,485	1,205,076
Insurance-Premium	2,844,867	2,699,523
Paper Advertisements	944,500	724,272
Allowance for Medical Expenses & Hospital Payments	25,141,298	22,298,162
Vehicle License	367,833	229,820
Assessment Tax	1,327,440	1,307,380
Trade mark registration fees	52,024	3,000
Audit & Management Meetings	370,500	339,000
Software Modification	2,181,975	1,224,825
Local travelling	213,976	228,343
Removal of Debris	189,600	183,600
Anniversary	542,464	11,027,334
Consultation Fees / Professional Charges	4,870,052	3,151,549
AC Repairs & Maintenance	1,157,422	
ISO 9001	1,215,930	
<b>Total Administrative Expenses</b>	<b>347,408,024</b>	<b>330,967,135</b>

<i>for the year ended 31st December</i>	2014	2013
	Rs.	Rs.

**NOTE 08- FINANCE EXPENSES**

Bank Charges-General	352,280	175,641
W.H.T on 7 Day call	273,413	379,446
Bank Charges-Prize	21,880	6,700
<b>Total Finance Expenses</b>	<b>647,572</b>	<b>561,787</b>

<i>for the year ended 31st December</i>	Notes	2014	2013
		Rs.	Rs.

**NOTE 09 - PRESIDENT'S FUND CONTRIBUTION**

Profit for the Year	2,353,246,338	2,126,438,341
Prior Year adjustments	(284,896,813)	
<b>Less</b>		
Jana Jaya Surplus to Deyata Kirula Exhibition	-	100,000,000
<b>Surplus Attributable to P/F</b>	<b>2,068,349,525</b>	<b>2,026,438,341</b>
Appropriation to the President's Fund for the year	1,834,814,000	2,007,375,000
Balance	233,535,525	19,063,341
President's Fund Pable	17,063,341	113,712,200
<b>Total President's Fund Payable</b>	<b>250,598,866</b>	<b>132,775,541</b>

# Notes to the Financial Statements

## NOTE 10- FIXED ASSETS

	Capital work in progress Stores	Land	Land Tissamaha ramaya	Motor Vehicles	Office Equipment	Computers & Accessories	Furniture & Fittings	Machinery	
				20%	25%	331/3%	25%	12.50%	
<b>Cost</b>									
Balance as at 01.01.2014	-	506,000,000	492,392	90,450,924	43,879,417	51,891,727	13,168,437	57,226,377	
Additions during the year	246,918.38			17,276,786	8,473,375	6,008,068	1,035,599	-	
Disposals during the year			-	(4,500,000)	(18,000)	(301,259)	(105,500)		
	246,918.38	506,000,000	492,392	103,227,709	52,334,792	57,598,536	14,098,536	57,226,377	
<b>Depreciation</b>									
Balance as at 01.01.2014				58,574,906	40,192,287	43,290,044	9,736,956	14,569,644	
Depreciation for the year				12,311,614	1,911,601	4,072,419	1,575,958	5,666,781	
Depreciation for the disposals				(4,500,000)		(301,259)	(62,500)		
				66,386,519	42,103,888	47,061,204	11,250,414	20,236,425	
Net book balance as at 31.12.2014	246,918.38	506,000,000	492,392	36,841,190	10,230,904	10,537,333	2,848,122	36,989,952	

	Branded Stalls	Capital work in progress -canteen	Computer Software	Building	Studio	Motor Bicycle	Mobile Phone	T'Wheel	Building Improvement	Capital Working Progress	Total
	16.66%		33.33%	10%	10%	25%	50%	20%	10%		
	8,735,946	-	21,267,580	56,235,000	38,752,448	3,399,446	876,150	798,518	7,052,667	33,131,482	933,358,511
		1,336,676	3,895,195		-	899,184	949,250	-	25,575,099	(33,131,482)	32,564,669
											(4,924,759)
	8,735,946	1,336,676	25,162,775	56,235,000	38,752,448	4,298,630	1,825,400	798,518	32,627,766	-	960,998,421
	6,963,749		18,407,007	16,870,500	4,863,526	1,482,637	485,389	585,305	732,892		216,754,840
	1,207,958		1,448,180	5,623,500	3,875,245	726,959	573,017	141,404	697,517	-	39,832,150
											(4,863,759)
	8,171,706		19,855,187	22,494,000	8,738,771	2,209,596	1,058,405	726,708	1,430,408	-	251,723,232
	564,240	1,336,676	5,307,588	33,741,000	30,013,677	2,089,034	766,995	71,810	31,197,358	-	709,275,189

# Notes to the Financial Statements

<i>for the year ended 31st December</i>	2014	2013
	Rs.	Rs.

## NOTE 11 - INVESTMENTS

Fixed Deposit -BOC/People's Bank	823,716,700	959,052,516
Investment in-NSB	35,625,527	35,569,609
Dealer Deposits-NSB	26,209,381	26,209,380
<b>Total Fixed Deposits</b>	<b>885,551,607</b>	<b>1,016,831,506</b>

<i>for the year ended 31st December</i>	2014	2013
	Rs.	Rs.

## NOTE 12 - INVENTORIES

### 12.1 - Ticket Stock

Saturday Fortune	1,394,392	2,425,775
Development Fortune	1,973,735	1,739,463
Jayoda	1,281,834	2,047,746
Instant	13,245,549	14,356,370
Janajaya	642,604	1,244,717
Double Chance	48,747	48,747
Niyatha Jaya	787,292	633,078
Super Ball	1,833,652	1,836,126
<b>Total Ticket Stocks</b>	<b>21,207,806</b>	<b>24,332,021</b>

### 12.2 - Other Stocks

Stationery stock	1,834,709	1,635,689
Promotional items stock	20,002,648	111,037,979
Other Items Stock	535,403	535,403
<b>Total Other Stocks</b>	<b>22,372,760</b>	<b>113,209,071</b>
<b>Total Stocks</b>	<b>43,580,565</b>	<b>137,541,092</b>

<i>for the year ended 31st December</i>	2014	2013
	Rs.	Rs.

**NOTE 13 - TRADE DEBTORS & OTHER RECEIVABLE****Receivable**

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	-	13,000
Other Receivables - Building Rent Receivables	4,976,220	4,976,220
Other Receivables -Dealers Motor bike	757,203	1,661,209
Employees Contribution A/C	206,000	237,000
Recoverable Losses	1,481	1,481
Vauniya Dealer Rent Receivable	336,086	391,248
DK Sales Outlet Receivable	2,992	-
Vehicle Insurance Receivable	19,142	-
Sales Outlets Receivable - Gampaha & Colombo	235,000	-
Push Bicycle - CSR - Dealer Recoveries	25,000	-
Hospital Bill-Recovery from Staff - Medical Bill	20,566	-
	<b>9,104,692</b>	<b>9,805,158</b>

**Other Debtors**

Staff loans	23,157,713	23,195,554
Festival Advance	413,000	430,180
Refundable Deposit	1,451,513	1,499,513
	<b>25,022,227</b>	<b>25,125,247</b>
	<b>34,126,920</b>	<b>34,930,406</b>

# Notes to the Financial Statements

<i>for the year ended 31st December</i>	2014	2013
	Rs.	Rs.

## NOTE 14 - PREPAYMENTS & DEPOSITS

Prepayments	10,375,230	1,930,340
Advance - Internal	687,922	333,742
Advance - External	3,930,777	8,967,444
	14,993,930	11,231,528

## NOTE 15 - CASH IN HAND & AT BANK

Bank Balances		
BOC- General	177,647,241	227,249,606
BOC General 7 day Call	179,616,372	138,547,793
BOC Prize 7 day Call	165,426	
BOC -Prize	(47,261,695)	(3,677,199)
Sampath Bank	8,099,219	42,096,176
Peoples Bank	(24,719,203)	(116,267,584)
Sweep account	45,925,321	245,466,330
Repo-Sampath	-	12,285,000
BOC- General New	(89,959,170)	(87,854,578)
	249,513,512	457,845,545
Petty cash for Transport office	5,000	5,000
Petty cash-Regional Office	21,000	21,000
Imprest for Lawtier Prizes	4,000	4,000
D.L.B Disaster Relief Fund	9,404	9,404
Petty Cash for Admin	10,000	-
	49,404	39,404
	249,562,916	457,884,949

<i>for the year ended 31st December</i>	2014	2013
	Rs.	Rs.

**NOTE 16 - DEALER & DISTRIBUTOR DEPOSIT PAYABLE**

Dealer Deposit Payable	25,714,881	26,209,381
Distributor Deposit Payable	1,600,000	1,650,000
<b>Total Dealer &amp; Distributor Deposit Payable</b>	<b>27,314,881</b>	<b>27,859,381</b>

**NOTE 17 - TRADE & OTHER PAYABLE**

Accruals	121,590,408	249,868,593
Interest on dealer deposits	-	26,698,045
Provision for Doubtful Debts	7,496,220	7,496,220
Provision for Incentive Payments	225,554	225,554
Dealer Advance	199,333	157,487
Distributor Advance	34,722,052	41,959,597
NBT Payable	19,257,767	28,393,834
VAT Payable	39,891,290	59,930,200
Payee Tax	-	19,022
Distributor Commission & Validation Payable	13,208,071	18,046,427
WHT Payable	12,536,959	20,102,793
Provision for External Audit Fees	400,000	400,000
Dealer & Distributor Target Payable	1,644,275	18,542,420
Payable for Studio	-	26,630,441
Payable for United Motors	8,095,000	8,095,000
Refundable Security Deposit	900,000	900,000
Provision for VAT Payable	14,918,350	32,248,153
Provision for Income TAX Payable	68,976,618	177,226,426
Vender Payable from staff salary deductions	-	21,055
<b>Total Creditors</b>	<b>344,061,901</b>	<b>716,961,272</b>

# Notes to the Financial Statements

<i>for the year ended 31st December</i>	2014	2013
	Rs.	Rs.

## **NOTE 18 - PRIZE PAYABLE**

Prizes Payable	231,543,776	229,769,766
Prizes Payable Highway Dream	-	241,397,300
<b>Provision for Prize Payable - Non Winning-Draw Tickets</b>		
<b>Saturday Fortune (Second Chance)</b>		
Jayoda	2,026,390	11,150,000
Development Fortune	2,136,000	21,800,000
Super Ball	-	7,326,000
Saturday Fortune	2,000,000	
<b>Total Prize Payable</b>	<b>6,162,390</b>	<b>40,276,000</b>
	<b>237,706,166</b>	<b>511,443,066</b>

# Ten Year Summery

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	(Rs. '000)									
<b>Operational Results</b>										
Income(Tax inclusive)	10,388,115	10,611,073	8,624,166	6,884,267	5,667,809	5,220,418	4,498,179	3,947,214	3,761,749	4,102,829
Cost of Tickets	378,157	410,016	359,844	313,956	259,210	249,256	220,820	202,040	168,389	181,661
Prize payout	6,211,302	6,481,076	5,113,981	4,120,099	3,406,143	3,160,780	2,667,237	2,337,607	2,212,964	2,582,296
Administrative Expenses	347,408	330,967	280,682	281,397	244,214	261,700	219,833	168,486	108,288	80,615
Advertising & Distribution Expenses	524,797	627,574	497,755	325,886	350,813	581,835	563,333	277,034	243,925	225,827
Surplus after operating Expenses	2,144,437	1,979,330	1,757,752	1,318,519	937,913	551,708	622,527	733,409	796,113	841,325
Equity										
President's Fund	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Ministry of trade & Shipping	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
P/F & Deyata Kirula Payable	250,598	132,775	493,970	220,124	148,478	63,675	84,263	19,838	78,095	184,758
Prize Reserve Account	877,036	776,867	753,236	645,679	626,994	555,674	498,883	471,057	465,046	419,455
Liabilities										
Non Current Liabilities	50,265	36,806	35,134	38,506	33,197	30,540	118,326	18,825	17,991	17,111
Current Liabilities	581,768	1,228,404	512,576	479,722	420,471	545,961	494,752	334,347	327,117	396,406
Assets										
Non Current Assets	1,594,826	1,733,435	1,624,369	1,202,917	1,078,595	1,020,421	940,357	707,689	771,935	738,283
Current Assets	342,264	641,588	317,323	381,078	262,150	274,625	260,267	140,778	120,714	283,848

