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ஆண்டு அறிக்கை  
Annual Report

2016



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தேசிய லொத்தர் சபை  
NATIONAL LOTTERIES BOARD

[www.nlb.lk](http://www.nlb.lk)

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# 01. OVERVIEW





# CORPORATE PROFILE & GUIDING PRINCIPLES

## CORPORATE PROFILE

### NAME OF THE INSTITUTION

National Lotteries Board

### LEGAL FORM

The National Lotteries Board (NLB) was established after abolishing Hospital Lotteries under the Finance Act.No.11 of 1963. The certain sections of the above act were repealed and amended in 1997 under the (amendment) Act.No. 35 of 1997 and in 1998 under the (amendment) Act no.22 of 1998.

### YEAR OF ESTABLISHMENT

1963

### ACCOUNTING YEAR END

31<sup>st</sup> December

### REGISTERED OFFICE

**ADDRESS** : No. 234/2, Galle Road, Colombo 03.

**TELEPHONE** : 2470662, 2470663, 4607000,

**FAX** : 2329576, 2421897, 2326528, 2433631, 2470661,

**EMAIL** : [nlbgen@sltnet.lk](mailto:nlbgen@sltnet.lk)

**WEB SITE** : [www.nlb.lk](http://www.nlb.lk)

### AUDITORS

Auditor General  
Auditor General's Department,  
No.306/72, Polduwa Road,  
Battaramulla.

### BANKERS

Peoples Bank

# GUIDING PRINCIPLES

## VISION

The leader creating state investment through the contribution of all communities aimed at socio-economic development of the country.

## MISSION

A socially responsible esteemed organization marching towards a wonderful country with a competent and committed staff whilst earning the customer trust ensuring achievement of their aspirations through the introduction of innovative lotteries using modern technology.



## ORGANIZATIONAL GOALS

- ★ To generate funds to meet the development needs of the Government
- ★ To function as the best income generating institution to the Government among other Institutions
- ★ To uplift the living condition of the people
- ★ To Contribute to the employment of the Country



## OBJECTIVES OF THE BOARD

- ★ To increase the contribution to the Government by increasing present level of revenue and profitability
- ★ To maintain the market leadership position
- ★ To improve the operational efficiency
- ★ To improve the infrastructure facilities of the institute
- ★ To improve the efficiency and effectiveness among staff
- ★ To achieve the customer satisfaction

## CORE VALUES

- ★ We are responsible and accountable
- ★ We are honest and transparent
- ★ We trust team efforts and competence
- ★ We use modern technology and desire change
- ★ We believe in superior customer service



# CHAIRPERSON AND BOARD OF DIRECTORS



Observer - Treasury  
Representative  
Mr.A.M.P.M.B.  
Atapattu

Working  
Director  
Mr.Mohamed Kamil  
Hassan

Chairperson  
Mrs.Shyamila  
Perera

Director  
Mr.Gamini  
Saparamadu

Director  
Mr.Chamindra de  
Silva



# SENIOR MANAGEMENT



**Mr.A.H.Sunil Gunawardena**

B.A.Econ.(Colombo)  
PG Dip.Econ.Dev(Colombo)  
MA Econ. (Colombo)  
S.L.A.S (Class I)  
General Manager



**Mr.Prabath Sandya Theja**

B.Sc. (Peradeniya)  
Additional General Manager

**Mr.Harsha Bandara**

FCMA (UK), FCCA (UK),  
MBA (USA), AMSLIM,  
FCMA (SL), FCPM, FCAA,  
CGMA.  
Chief Financial Officer



**Mr.V.Sundareshwaran**

Deputy General Manager  
(Revenue Finance)  
(Up to April )

**Mrs.Geetha Perera**

Deputy General Manager  
(Operational & Finance)



**Mr.Rohana Wijewickrema**

(FCA)  
Deputy General Manager  
(Corporate Finance)

**Mr.Ravindra Fernando**

Deputy General Manager  
(supplies)  
(Up to September)



**Mr.Asantha Kalyananda**

B.Sc.(Sp) Peradeniya  
Chief Marketing Officer

**Mrs.Shyamini Balasuriya**

Attorney-at- law,  
Notary public & commissioner- for oaths,  
Deputy General Manager  
Legal & Secretary to the Board



## History

Originally the lottery was set up in Sri Lanka by the Government to finance the health services of the country. In 1949 the Minister of Local Government, proposed to the Government to set up a lottery in order to improve and expand the health services of the country. As a result of this proposal Hospital Lotteries Board was established under the Act. No. 04 of 1955.

In 1960s, the government felt the need to widen the scope of activities of organized lottery in Sri Lanka. Funds were needed for development projects apart from the health services.

As a result of this, the National Lotteries Board was established after abolishing the hospital lotteries under the Finance Act.No.11 of 1963 to generate funds for the development of the country.

# MILESTONES

## 1st Decade (1963- 1972)

- 1963 - Establishment of NLB under Finance Act no.11 of 1963
- 1964 - First draw of the Jathika Lottery at Torington Square (20/02/1964)
- 1965 - First Benz car offer.
- 1967 - Opened the first Branch office – Ratnapura
- 1968 - Introduction of Jathika Sampatha Lottery
- 1970 - Converted Jathika Sampatha lottery to Mahajana Sampatha lottery (28/07/1970)

## 2nd Decade (1973- 1982)

- 1975 - Shifted to new Building at No.111/1, Sir Chiththampalam A Gardiner Mawatha
- 1977 - Increased the price of Jathika Lottery from 50 cts. to Rs.1/-

## 3rd Decade (1983- 1992 )

- 1987 - Introduction of Supiri Jathika lottery (11/04/1987)
- 1988 - Increased the price of Mahajana Sampatha from Rs.1/- to Rs.8/-.
  - Introduction of Lotto lottery (Sep 1988)
  - First draw of the Mahajana Sampatha over the Rupavahini (10/05/1988)
- 1989 - Increased the prize of Mahajana Sampatha from Rs.8/- to Rs.10/-
- 1992 - Introduction of Airport Super Draw Lottery

## 4th Decade (1993- 2002 )

- 1994 - Introduction of Vasana Sampatha lottery.
- 1995 - Introduction of Govisetha lottery.
- 1996 - Introduction of Samurdhi lottery.
- 1997 - Introduction of Shrama Vasana lottery.
  - Amalgamation of the Sevana lottery with NLB.
- 1999 - Introduction of Supiri Vasana lottery.
- 2000 - Introduction of Jayaviru lottery.

## 5th Decade (2003 -2012)

- 2004 - Introduced Sarana lottery to generate financial assistance for Tsunami Victims.  
Established Welfare & Thrift funds to provide benefits to employees.
- 2005 - Mahajana Samapatha was awarded most preferred brand for 2005 under banking, financial services category conducted by SLIM.
- 2006 - Introduced the Suwasetha lottery after abolishing the Lotto lottery.
  - Offered the highest ever Super Prize from the Mahajana Samapatha lottery (Rs.61.3mn).
- 2007 - Introduced New Airport lottery
  - The price of the Airport Super Draw lottery was increased from US \$ 25 to US \$ 50.
- 2008 - The price of the passive lottery tickets were increased from Rs.10/- to Rs.20/- (02/09/08).
- 2010 - Introduced the Jathika Sampatha Lottery in place of Shrama Vasana and Suwasetha Lotteries.
  - Mahajana Samapatha lottery was introduced to Sundays too.
- 2011 - Passed the Rs.10 billion marks in sales for the year (1st time in the history)
  - Supiri Vasana Sampatha Lottery was introduced to Wednesdays in place of Jayaviru lottery which was abolished.
  - New Airport lottery was drawn. Offered five super prizes over Rs.10 mn within a 3 week period which included 4 back to back super prizes in a row.
- 2012 - Introduced a new lottery named Sampath Rekha
  - Govisetha Lottery was introduced to Thursdays too.
  - Vasana Sampatha lottery was introduced to Mondays too.

## Current Decade (2013-2022)

- 2013 - Super Prize of Govisetha lottery was increased from Rs.10 Mn to Rs.40 Mn.
  - Super Prize of Sampath Rekha lottery was increased from Rs.5 Mn to Rs.10 MnIntroduced Mega 50 lottery on behalf of 50th Anniversary of NLB.
- 2014 - Introduced a new lottery named Power Lotto.
- 2015 - Implemented "Divisarana " Insurance scheme for lottery sellers (June 2015)
  - Introduced a new lottery named Neeroga (25.07.2015)
  - 31st Airport Superdraw draw was held (31.08.2015) Commenced drawing three passive lottery draws in a single day (from 01.09.2015)
  - Held Dealer convention award ceremony for the 1st time named "Mahathma" (December 2015).
- 2016 - Achieved Rs.20.0 Billion Sales target.
  - Introduced Dollar Fortune Lottery (30.03.2016)
  - Abolished "Power lotto" lottery and introduced "Mega Power" lottery(11.05.2016)
  - Introduced Supiri Delakshapathi lottery (27.05.2016) Started selling lotteries through SMS.
  - Manusath Mehewara lottery has been introduced in order to assist to the flood affected people.(04.08.2016)
  - Kept Foundation stone to construct Head office building at Vauxall lane land (01.12.2016)
  - National Business Excellence award state sector service - Runner up.

# PRODUCT PORTFOLIO

## PASSIVE TYPE LOTTERIES

### MAHAJANA SAMPATHA



#### Description

Oldest Lottery in the Lottery market. Price of this ticket is Rs.20/-.

#### Draw Days

Tuesday, Thursday, Friday, Sunday

#### Prizes

A super prize of Rs.10 mn or more, a first prize of Rs.2 mn and other attractive prizes.

#### Contribution

16.5% of the turnover is contributed to Consolidated Fund

### VASANA SAMPATHA



#### Description

Introduced to the Market in 1994. Price of this ticket is Rs.20/-.

#### Draw Days

Monday, Thursday

#### Prizes

A super of Rs. 10 or more a first prize of Rs. 2mn and other attractive prizes To achieve the higher sales the super print of this lottery was increased due to poor performance of this lottery, prize structure was changed in oct 2016. Three super prizes were introduced as follows with 1mn first prize and other attractive prizes.

star super price - 20mn or more

colour - 2.5mn or more

Lagna - 2.5mn or more

#### Contribution

16.5% of the turnover is contributed to Consolidated Fund

### GOVISETHA

#### Description

Introduced to the Market In 1995 on behalf of the Ministry of Agriculture and land with the objective of generating funds for the " Farmers Trust Fund ". To achieve the higher sales the super prize of this lottery was increased from Rs.10 mn to 40 Mn in November 2013. Price of this ticket is Rs.20/-.

#### Draw Days

Monday, Wednesday, Thursday, Saturday

#### Prizes

A super prize of Rs.40 mn or more, a first prize of Rs.1 mn and other attractive prizes

#### Contribution

10% of the turnover is contributed to Agriculture Ministry



## SUPIRI VASANA

### Description

Supiri Vasana Sampatha lottery was introduced in 1999. Price of this ticket is Rs.20/-.

### Draw Days

Wednesday, Saturday

### Prizes

A super prize of Rs.10 mn or more, a first prize of Rs.1 mn and other attractive prizes

### Contribution

10% of the turnover of the Wednesdays draw is sent to Ranaviru Sava Authority and 10% of the turnover of the Saturday draw is equally distributed between the Ministry of Sports and Social Service.



## JATHIKA SAMPATHA

### Description

The Board introduced this lottery in place of Suwasetha and Shrama Vasana lottery from March 2010. Price of this ticket is Rs.20/-.

### Draw Days

Wednesday, Saturday

### Prizes

A super prize of Rs.5 mn or more, a first prize of Rs.2 mn and other attractive prizes.

### Contribution

10% of the turnover of the Wednesdays draw is sent to Ministry of health and 10% of the turnover of the Saturday draw is sent to the Ministry of Labour.



## SAMPATH REKHA

### Description

This Lottery was introduced in March 2012. Price of this ticket is Rs.20/-

### Draw Days

Tuesday, Friday, Sunday

### Prizes

A super prize of Rs.10 mn or more, a first prize of Rs.1 mn and other attractive prizes

### Contribution

10 % of the turnover is contributed to Consolidated Fund



## NEEROGA



### Description

This Lottery was introduced in 25th July 2015.  
Price of this ticket is Rs.20/-.

### Draw Days

Tuesday, Friday, Sunday

### Prizes

A super prize of Rs.2.5 mn or more, a first prize of Rs.1 mn and other attractive prizes

### Contribution

10 % of the turnover is contributed to National Kidney Fund.

## MEGA POWER



### Description

This Lottery was introduced in 11th May 2016.  
Price of this ticket is Rs.20/-.

### Draw Days

Monday, Wednesday

### Prizes

Three major Prizes as follows and also one million first prizes and other attractive prizes.

Mega Super Prize - 50.0 mn or more

Power Super Prize - 10.0 mn or more

Grand Super Prize - 10.0 mn or more

### Contribution

10 % of the turnover is contributed to Consolidated Fund

## SUPIRI DELAKSHAPATHI



### Description

This Lottery was introduced in 27th May 2016.  
Price of this ticket is Rs.20/-.

### Draw Days

Friday

### Prizes

Rs.200,000 Prizes

### Contribution

10 % of the turnover is contributed to Consolidated Fund

## COLOMBO AIRPORT SUPER DRAW



### Description

This lottery was introduced in 1992 to generate funds for the Airport Aviation Authority. Every ticket is presently sold at 30 US\$ or its equivalent in any convertible currency. The draw of this lottery is held once the specified number of tickets are sold (Presently 15,000 tickets)

### Prize

A Super Luxury Mercedes Benz car.

### Contribution

Net Surplus to Airport & Aviation Authority

## DOLLAR FORTUNE

### Description

This lottery was introduced in 30th March 2016. Every ticket is presently sold at 10 US\$ or its equivalent in any convertible currency. The draw shall be held upon the sale of 30,000 dollar fortune lottery tickets.

### Prize

100,000 US Dollars

### Contribution

Net Surplus to Consolidated Fund



## INSTANT LOTTERIES

### SEVANA LOTTERY

### Description

This was introduced in 1985 to generate funds for the construction of houses. This is the most popular Scratch type lottery in the market which adopts the internationally accepted scratch and match technology. This lottery was conducted by Sevana, a separate institution and was subsequently amalgamated with NLB in the late 1990's.

### Contribution

10 % of the turnover is contributed to Ministry of Housing.



## SAMURDHI



### Description

Introduced to the market in August 1996 to generate funds for the Samurdhi Authority. This was the first scratch type instant lottery introduced by NLB to the market. This lottery also adopts the internationally accepted scratch & match technology to determine the winners.

### Contribution

10 % of the turnover is contributed to Ministry of Samurdhi & Youth Affairs





## 02. EXECUTIVE STATEMENTS

## CHAIRPERSON'S MESSAGE



It is with pleasure that I submit a message to the Annual Report of National Lotteries Board for the year 2016. It was a fruitful year for the Board with trailblazing results as it achieved many milestones in its history.

### Overall Performance

Year 2016 commenced with a lot of ambitions. In the business field it is believed that the performance is mainly gauged by the amount of profits earned. We were driven by the passion to succeed. Out of overall successes, the most noteworthy achievement was crossing the Rs.20 billion mark in sales revenue.

NLB recorded a lottery sales income of Rs. 20,170 million in 2016 in comparison to Rs. 17,394 million in the year before, an increase of Rs. 2,776 million which amounted to a 16 percent increase over the previous year. A similar increase was achieved in 2015 too. This shows that from 2014, NLB expanded its sales by Rs. 5,017 million (Rs.5 billion) which was one fourth of total sales income in 2016, an overall increase of 33 percent during last two years. This was the highest sales income ever recorded in the history of NLB.

Prizes declared in 2016 was Rs.9,723 million as against Rs. 8,367 million year before which was an increase of Rs. 1,356 million and in percentage terms 16.2 percent expansion. Commission paid to agency network, both dealers and agents showed an improvement of Rs. 527 million in 2016 sRs.3,771 million in 2016 verses Rs. 3,244 million in 2015.

While the Board's direct contribution to consolidated fund was Rs. 3,360 million in the year under review (Rs. 2,437 million in year 2015), an increase of Rs. 923 million (38 percent increase over the previous year), the total contribution to state inclusive of taxes in 2016 amounted to Rs. 4,835 million by contrast with Rs. 3,935 million in 2015. This was an increase of Rs.900 million.

The Board recorded a gross profit of Rs.2,627 million as against Rs. 2,330 million in the previous year, an increase of Rs. 297 million.

Other Income mainly derived from interest income rose to Rs. 249 million in the current year from Rs. 92 million recorded year before which showed an increase of Rs. 157 million (170 percent increase). This was due to higher interest rates available in the market in addition to managing surpluses in a prudent manner and also adopting wise treasury management techniques which were highly commendable.

Operating expenses increased to Rs.1,979 million in 2016 from Rs.1,511 million in 2015 which showed an increase of Rs. 468 million. In an effort to increase sales, new brand promotional advertising had to be carried out. This expenditure line saw an increase of Rs. 170 million over the previous year thus resulting in overall Sales, Marketing & Distribution Costs increasing by Rs. 374 million to Rs.1,246 million in 2016.

Further, increase of administration expenses by Rs.91 million mainly due to increase in personnel emoluments as a result of salary increases etc contributed towards increased operating expenses.

The Board recorded a net profit after tax of Rs. 414 million in the year under review as against Rs. 241 million recorded in the previous year, a very commendable bottom line improvement of Rs. 173 million.

The Board produced 39 super prize winners in year 2016 totaling to Rs. 1,047 million as against 34 such prize winners totaling to Rs. 860 million in the previous year.

## Activity Snapshot

NLB re-launched its logo on 27 Jan 2016 in order to give a better identity with a commercial outlook while retaining its Government status.

Divisarana insurance scheme launched in June 2015 to provide relief measures to the sellers' network was continued with more benefits such as increasing hospitalization cover from 14 days to 21 days at the rate of Rs. 1,000/-. Here, the Sellers were covered up to Rs.250,000/- in case of accidental death and Rs.75,000/- for normal death.

A special promotional program was carried out in North culminating with a musical show at Killinochchi in March 2016 to make tamil community more aware of lotteries. At the same time we commenced to print lotteries in tamil for Northern province commencing with Govi setha lottery and later Mahajana Sampatha lottery.

A few sections of the head office building were moved out in March 2016 to another rented building in Galle Face to provide better shelter to ease out the congestion.

Two foreign exchange earning lotteries were launched at Nelum Pokuna on 30 March 2016 viz, Airport Super Draw lottery at a reduced ticket price of USD 30.00 with 15,000 tickets and a new lottery called Dollar Fortune at a ticket price of USD 10.00 with 30,000 tickets. The prizes were a Grand Benz and USD 100,000/- respectively. The draws would be held once all tickets were sold.

Power Lotto lottery was re-launched as Mega Power lottery in May 2016 with three snowballing super prizes viz, Rs. 50 million Mega super prize, Rs.10 million Power super prize and Rs.10 million Grand super prize. This was another first in the lottery business having three super prizes in a single lottery.

Supiri Delakshapathi lottery was commenced on 27 May 2016 with Rs. 200,000/- as the first prize to cater a different market segment. The first draw of this lottery produced 113 first prize winners.

A lottery called Manusath Mehewara with many first prizes of Rs.500,000/- was held on 4 August 2016 with a view to provide funds as a disaster relief for flood victims in May 2016.

Under Vasana Sampatha lottery, a sub lottery was created viz, Vasana Sampatha Super 50 with many first prizes of Rs.50,000/-. The first draw of this lottery conducted on 25 July 2016 produced 155 first prizes.

NLB was able to tap another market segment when the tickets were made available to the public for purchase via SMS facility using mobile phones from October 2016. This seemed to be gaining popularity towards end of the year.

NLB introduced a three in one winning concept in a single lottery (3 in 1) drawn on 30 December 2016 where winning opportunities were available under normal Mahajana Sampatha, Raja Dinuma lottery – Rs.1,000,000/- first prize (produced 32 winners alone here) plus several other prizes and thirteen additional prizes viz, – Honda Grace Car, KDH Toyota Van, Suzuki Alto Car, five motor scooters plus five motor bykes for another special number.

NLB commenced drawing four passive lotteries on Wednesdays and Fridays to offer more opportunities to public in 2016. On all other days, three lotteries were drawn. 103 lottery draws were conducted in December 2016 – highest number of draws in a single month. The sales revenue figure of Rs. 2,220 million in December 2016 was the highest in a single month going past Rs. 2,015 million achieved in December 2015.

Amidst the above achievements, Setbacks too were experienced due to severe floods and landslides especially in the Western area as a result of a tropical Storm called Ronu in May 2016 which affected the lives of around 300,000 people with over 100 dead. Further, a massive fire that was broken out in Salawa Army camp in Kosgama area which affected over 1,700 families in June 2016 also had an impact.

Foundation stone was laid in NLB Vauxhall street land on 1 December 2016 to construct a new building for NLB. The construction work is expected to commence in the near future.

“Mahathma” award ceremony commenced to recognize the high achievers in Dealer category in Dec 2015 was extended to the employees too with a view to encourage them and the 2016 award ceremony was held in Jan 2017 at Eagles Lakeside at Ratmalana.

As usual NLB conducted dealer meetings in 2016 as well. Further, the Board also conducted adequate Audit and Management Committee meetings headed by a non executive Director namely Mr. Chamindra de Silva.

The financial highlights are presented in the Working Director’s report. The product portfolio and the graphical review of comparative performance with past results are separately presented in the subsequent pages.

## **National recognition**

NLB was recognized nationally by awarding the runners up (Silver) in State Sector at the National Business Excellence Awards ceremony conducted by the National Chamber of Commerce of Sri Lanka in December 2016 for its achievements in 2015.

## **Coming year**

Having achieved Rs. 20 billion revenue, it is a gigantic task to maintain it and is foremost in our mind set. We will focus our attention to sustainability in a challenging business environment next year too. Reaching Mount Everest was so difficult and it is more difficult to be there as it is very cold surrounded by heavy breeze.

We are planning to set up at least minimum five regional branches to serve the customers better. Special lotteries with additional prizes will be continued to offer extra prizes with a view to meet the expectations of our loyal customer base and also to attract new clientele. SMS lottery selling system commenced in 2016 will be strengthened to tap new market segments. North East sales promotional drive with more priority to Mannar, Mullaitivu and Killinochchi will be conducted to increase awareness in those areas. For the first time, it is planned to brand a train to increase NLB brand identity. We will not hesitate to re launch any brand as the time demands considering the nature of our products which have a shelf life of only one day as we have lottery draws every day. As our brands have reached a high level, further expansion though not impossible, may be slow in years to come and hence we should consider new avenues such as e’ lottery concepts available in other countries in time to come.

Dealer and employee motivation schemes will be continued to recognize their efforts. It is also planned to introduce a Pension scheme for the seller network who is the last link in our distribution network. Sellers are the least looked after category mainly due to the fact that they are not directly linked to NLB. The dealers and the agents are immensely benefitted by the incentive schemes, insurance schemes and other welfare schemes in operation. We will continue to conduct dealer meetings in districts to discuss the issues faced, review achievement of targets and to initiate speedy action as and when needed.

## Acknowledgement

Finally, the year 2016 has ended with expectations fulfilled. In a highly competitive business environment, it is not simply possible to achieve such high results without the proper guidance, team work and dedication.

Firstly, I wish to thank the Minister of Finance Hon Ravi Karunanayake for the valuable direction given, the Secretary to the Ministry of Finance and other officials for the support extended throughout.

I thank all the dealers, the agents and the sellers which comprise our distribution network totaling around 15,000 for their sheer dedication to achieve the ambitious targets set by the Board.

This historic result would not have been possible if not for the precious guidance given by the members of the Board, all the members of the management team and the staff members of all ranks who tirelessly worked throughout to achieve the set targets for which I am grateful to all of them.

My thanks are due to our main banker Peoples Bank for the outstanding services, the lottery printers, advertising partners, officials of the Auditor General's department and other audit firms for the support given and officials of the Examiner of Questioned Documents (EQD) for their valuable service with regard to confirming the authenticity of high prizes.

I also thank all our valued customers for their faithfulness in our product range which resulted in recording so far the highest ever sales revenue. I hope the attractive prize structures offered by NLB helped realize their long cherished dreams.

## Conclusion

I wish to conclude having satisfied all the stakeholders whose contribution and help enabled everybody to realize most of, if not all ambitions.

As we are stepping into Journey 2017, let us look forward with renewed hope that NLB would march forward creating yet another winning mindset with fresh ideas and innovative thinking among all concerned to achieve sustainability through the collective efforts of everybody.



Shyamila Perera,  
Chairperson,  
National Lotteries Board,  
27th February, 2017,  
Colombo.

# WORKING DIRECTOR'S REPORT



The Directors of National Lotteries Board have pleasure in presenting their report with the Financial Statements for the year ended 31st December 2016.

## Principal Activities

The National Lotteries Board is engaged in selling of lotteries around the Island and it has strong product portfolio in the lottery industry.

The Principal activity of the National Lotteries Board is conducting of both Draw and Scratch lotteries. During the year, there has been no change in the nature of such activities.

## Going Concern

The Board is satisfied that the National Lotteries Board has adequate resources to continue its operations in the foreseeable future thus adopting the "Going concern basis" in the preparation of the Financial Statements.

## Review of Operations

A review of the Board's business performance during the year, is contained in the Chairperson's message and individual product performances are shown under performance analysis in operating and financing review.

The Board intends to continue to pursue a strategy of focusing on its core business activities. In order to achieve this, the National Lotteries Board will concentrate on enhancing the performance of existing market and looking out for opportunities to introduce web and E lotteries focusing differentiate.

## Statutory Payments

The Directors confirm that to the best of their knowledge all taxes and levies payable by the Board and all other known statutory obligations as were due as at the balance sheet date have been either duly paid or appropriately provided for in the financial statements.

## Customer Satisfaction

The Board firmly believes in investing time and effort in discovering exactly what the customer wants and then giving it to them at the best price in order to strengthen relationship and loyalty in the best possible manner.

Considering this, product portfolio was amended to fulfill the customer attitudes.

## Human Resource Development

The Board continued various benefits granted to employees with a view to keep a contented workforce who would thus be motivated to contribute positively for the achievement of set targets by the management. Incentive schemes on lottery sales, Medical facilities, Uniform allowance and transport allowance were some of the benefits given to the employees.

Various training programmes were conducted from time to time to improve subject knowledge and financial assistance were given to follow the courses under the staff training scheme.

## Contribution to State

The Board remittances to state by way of direct remittances to consolidated fund and indirect remittances in the form of taxes was Rs. 4,835.4 mn in 2016 as against Rs.3,934.9 mn in 2015 which showed a 22.8% increase.

## Property Plant and Equipment

During the year under review the Board invested Rs.59.6 mn in property, plant and equipment compared to Rs. 163.5 mn in 2015.

## Expenses

The total expenses in respect of the year under review was Rs. 1,979.8 mn compared to Rs.1,511.3 mn in the previous year which is a 31% increase and this represents 9.8% of the total turnover compared to 8.6% last year.

## Conclusion

I wish to sign off my review of the business for 2016 by placing my appreciation to the entire staff, the management team and the members of the Board for their hard work to achieve improved results. I also wish to extend sincere thanks to the District dealers, agents, the main banker – Peoples Bank, Suppliers, printers and auditors for their continued support.



M.K. Hassan,  
Working Director,  
National Lotteries Board,  
27th February 2017,  
Colombo .

# REPORT OF THE AUDIT & MANAGEMENT COMMITTEE

The role and terms of reference of the Audit committee is to assist the Board in fulfilling their oversight responsibilities regarding the integrity of Board's financial statements, risk management and internal control, compliance with legal and regulatory requirements and provide suitable advise to the management.

vThe Board's Audit Committee comprises of the following members, who conduct committee preceding in accordance with the terms of reference approved by the relevant authorities.

Mr.Chamindra de Silva	- Chairman (Non Executive Director)
Mr. A.,M.P.M.B. Atapattu	- Member (Observer –Treasury Representative)
Mr.Gamini Saparamadu	- Member ( Non Executive Director)
Mr.Sunil Gunawardene	- General Manager
Mr.Harsha Bandara	- Chief Financial Officer
Mrs.S.Balasuriya	- Secretary (DGM – Legal / Secretary to Board)

## Observers

Mrs. Thanuja Sammani – Internal Auditor  
Representative from Auditor General's Dept.

Management personal were called for clarifications as and when needed.  
During the year 2016 the Committee met four times.

The Audit committee helps the Board to achieve a balance between conformance and performance. The purpose of the committee is to assist the Board in discharging its responsibilities to the integrity of the Board's financial statements, the assessment of the effectiveness of the control environment and ensuring the objectivity and independence external and internal auditors.

The committee reviews the financial statements and various other reports and makes recommendations wherever necessary. It focuses on their fair presentation and significant accounting policies adopted in preparation of financial statements.

The committee also reviews the internal audit reports, outstanding issues and make necessary recommendations. The minutes of each meeting is submitted to the Board for further review at the Board level.

Progress on implementation of internal audit recommendations is regularly followed up by the committee to ensure operating of effective internal controls and enhancement of the overall control environment.

Internal Audit functions is outsourced to a leading audit firm to have more independence. Follow up reviews are scheduled to ascertain that audit recommendations are being acted upon.

The committee reviewed information and support from the management during the year to enable it to carry out its duties and responsibilities effectively.

## Compliance

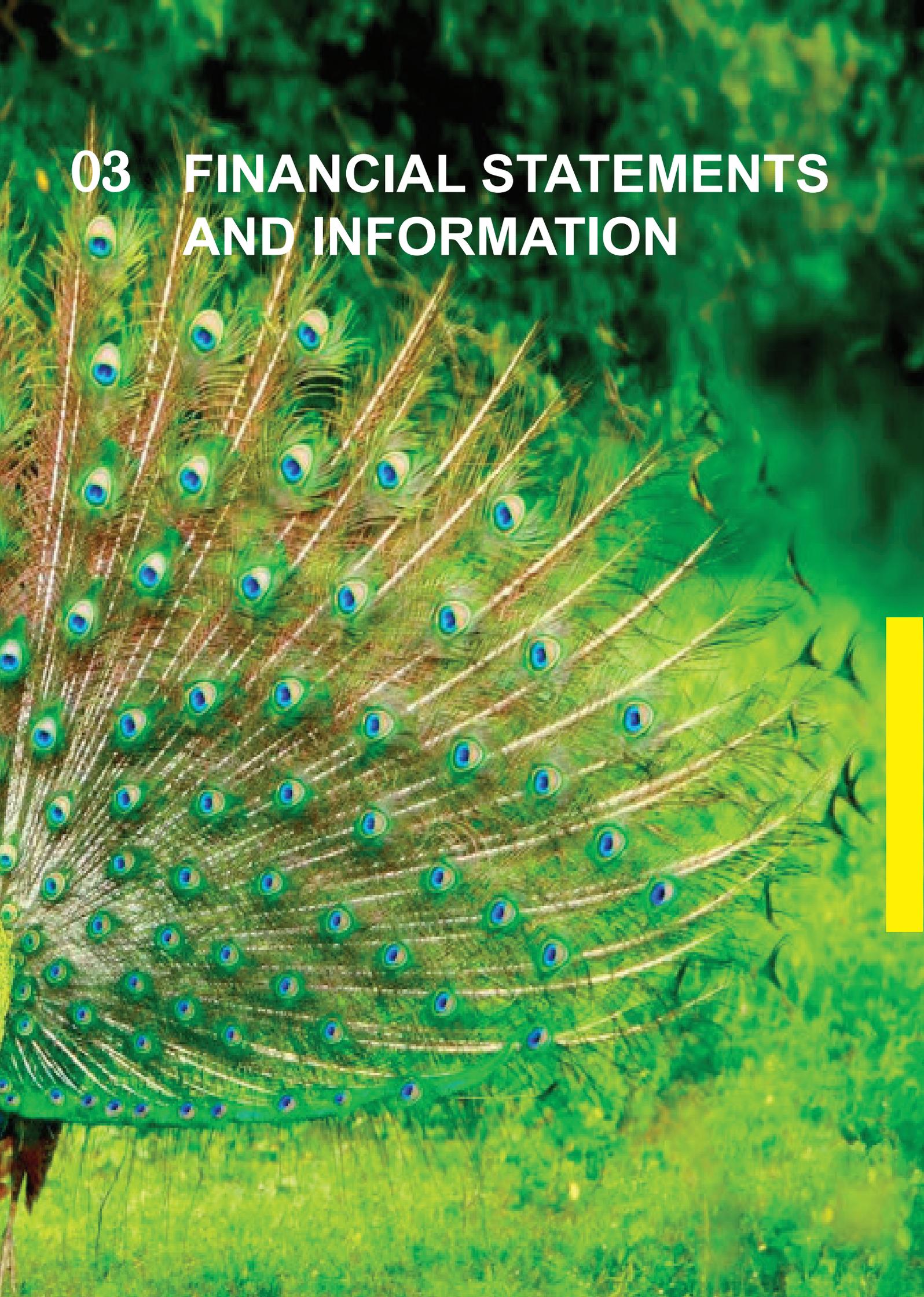
The audit committee is satisfied that the Board's operational controls and accounting policies provide reasonable assurance that the affairs are conducted satisfactorily and in accordance with the accepted policies.



Chamindra de Silva  
Chairman,  
Audit & Management Committee,  
National Lotteries Board.  
27<sup>TH</sup> February 2017  
Colombo.



# 03 FINANCIAL STATEMENTS AND INFORMATION



# AUDITOR GENERAL'S REPORT



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



මගේ අංකය  
எனது இல.  
My No.

PUR/G/NLB/1/16/4

ඔබේ අංකය  
உமது இல.  
Your No.



31 October 2017

The Chairman,  
National Lotteries Board.

### Report of the Auditor General on the Financial Statements of the National Lotteries Board for the year ended 31 December 2016 in terms of the Section 14(2)(c) of the Finance Act, No.38 of 1971

The audit of financial statements of the National Lotteries Board for the year ended 31 December 2016 comprising the statement of financial position as at 31 December 2016 and the statement of 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 11(b) of the Finance Act, No.11 of 1963. 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 furnished to the Chairman of the Board on 29 September 2017.

#### 1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair preparation 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**

My responsibility is to express an opinion on these statements based in my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing 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 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 misstatement of the financial statements, whether due to fraud or error. In making those risk 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. Sub-sections (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**

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

**2. Financial Statements**

**2.1 Qualified Opinion**

In my opinion, except for the effects of the matters described in 2.2 of this report, the financial statements give of a true and fair view of the financial position of the National Lotteries Board as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

**2.2 Comments on Financial Statements**

**2.2.1 Sri Lanka Accounting Standards**

The following observations are made.

(a.) Sri Lanka Accounting Standard 01

The Particulars of the nature and the objectives of each reserve in the equity had not been presented in terms of paragraph 79(b) of the Standard.

(b.) Sri Lanka Accounting Standard 07

(i.) Instead of adjusting the loss of Rs.1,522,862 sustained by the Board in connection of foreign currencies into local currency to the statement of changes in equity and adjusting to the opening balance of the cash and cash equivalents in the cash flow statements in terms of paragraph 18(b) and (c) of the Standard that had been shown as a cash flow generated from the operating activities.

(ii.) The following items which should not be adjusted to the pre-tax profit in the cash flow statement as stipulated in paragraph 20 of the Standard, had been adjusted to the pre-tax profit.

Particulars	Value
-----	-----
	Rs.
Transfers to the Unusable Stock	81,000
Changes in the Prizes Reserve	99,346,909
Decrease in the balance of Housing Loans	272,963

(c.) Sri Lanka Accounting Standard 08

As the expenditure relating to the estimated total of Rs.64,766,800 of accrued expenditure in the preceding years had not emerged that amount should have been adjusted to the profit of the current years as an estimated change. Nevertheless, that amount had been adjusted to the retained profit in the statement of changes in equity and as such the favourable profit of the year under review had been understated by that amount.

(d.) Sri Lanka Accounting Standard 12

An expenditure of the relationship between the tax expense (income) and accounting profit in either or both of the following forms had not been disclosed in the financial statements as stipulated in paragraph 81(c) of the Standard.

- (i.) A numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the applicable tax, disclosing also the basis on which the applicable rate is computed, or
- (ii.) A numerical reconciliation between the average effective tax rate and the applicable tax rate, disclosing also the basis on which the applicable tax rate is computed.

(e.) Sri Lanka Accounting Standard 19

Even though provision of Rs.29,270,262 had been made for the future commitment for the employees' gratuity, suitable investment plan had not been prepared and implemented.

(f.) Sri Lanka Accounting Standard 20

- (i.) It was observed that the alternative methods introduced in paragraph 25 of the Standard for receipts as Government Grants had not been followed. Even though the cost of the motor vehicle valued at Rs.5,795,000 received from the Treasury during the year under review had been brought to account under the non-current assets, action had not been taken to account for the amortization relating to that.

- (ii.) The following disclosures as well had not been made in terms of Paragraph 39(a) of the Standard.
- The accounting policy adopted for Government Grants including the method of presentation adopted for disclosure information on Government Grants in the financial statements.
  - The nature and the extent of such grants.
- (g.) Sri Lanka Accounting Standard 21
- Even though the profit of the conversion of foreign exchange relevant to the year under review amounted to Rs.5,046,090, that had been shown in the financial statements as a loss of Rs.1,522,862 due to the failure to apply the correct exchange rate for the conversion of the balance of the Foreign Currency Account of the Board to Local Money.
- In addition, even the above loss disclosed in the financial statements had been valued in excess by a sum of Rs.547,132 due to the above error. Instead of accounting for such loss for the year under review in terms of paragraph 28 of the Standard that had been adjusted to the realized profit. As such it was observed that even the taxable profit is not correct.
- (h.) Sri Lanka Accounting Standard 24
- The totals of the following categories of employees benefits had not been shown separately disclosed in the financial statements as stipulated in paragraph 17 of the Standard.
- (i.) Short Term Employee Benefits
  - (ii.) Post-employment Benefits
  - (iii.) Other Long Term Benefits
  - (iv.) Terminal Benefits
- (i.) Sri Lanka Accounting Standard 36
- Actions in terms of paragraphs 59 and 60 of the Standard had not been taken for the identification and accounting for of the impairment loss that could arise from two assets of net value of Rs.558,310 eliminated from use.

### 2.2.2 Accounting Deficiencies

The following observations are made.

- (a.) The contribution to the Consolidated Fund amounting to Rs.2,445,594,544 had been adjusted to the financial statements as sales costs instead of being identified as a change of equity .
- (b.) An expenditure relating to the year under review amounting to Rs.99,354 had been brought to account as a prepayment and as such the current assets and the profit for the year under review had been overstated by that amount.
- (c.) A sum of Rs.1,043,160 being the value of 52,158 Lottery Tickets not returned by the Lottery Distribution Agents during the year under review had been omitted in the accounts.
- (d.) A sum of Rs.1,000,000 received from a Lottery Sales Agent, on a Court Order had been Credited to the Lottery Income Account of the year under review instead of being credited to the Creditors Account.
- (e.) Instead of carrying out inquiries in terms of the Financial Regulation 396 and making the necessary adjustments on cheques totaling Rs.4,382,409 issued by the Board but not presented for payment within 06 months, that amount had been shown as a deduction from the expenditure for the year.
- (f.) The depreciation of 03 non-current assets for the year under review had been overstated by a sum of Rs.21,153.
- (g.) A sum of Rs.982,320 receivable by the Board for sale of Lottery Tickets older than 06 months to the National Paper Corporation had not been brought to account.
- (h.) The receipts amounting to Rs.3,142,147 of a Bank Current Account of the Board not identified over a period exceeding one year had not been identified and brought to account.
- (i.) The prizes amounting to Rs.99,346,909 allocated to the winners of the Lottery Draws of the year under review but not claimed had been adjusted to the retained profit instead of being adjusted again to the profit and as such the profit for the year under review had been understated by that amount.

- (j.) Even though a sum of Rs.5,000,000 invested by the Board in a private Bank had been taken over by the Government under a Notification published in the Gazette Extraordinary No.1546/18 of 23 April 2008, that had been shown further under the investments without making adjustments for that in the accounts.

### **2.3 Transactions Not Supported by Adequate Authority**

Even though payments in the ranges from Rs.1,200 to Rs.4,500 had been made to the Officers of the Board participating in the Lottery Draws, the Treasury approval for that had not been obtained. The sums so paid in the year under review amounted to Rs.39,990,200.

### **2.4 Accounts Receivable and Payable**

The following observations are made.

- (a.) Action had not been taken even in the year under review for the settlement of the sum of Rs.1,866,015 relating to the year 2013 included in the sum of Rs.7,716,731 receivable by the end of the year under review on account of the Lottery Sales Booths issued by the Board on credit basis.
- (b.) Action had not been taken for the recovery of installments totaling Rs.1,011,338 remaining recoverable from the year 2014 and prior years on account of the motor cycles and push cycles given by the Board to the Sales Agents.
- (c.) The trade debtors balance as at the end of the year under review totaling Rs.523,965,797 included balances totaling Rs.8,549,003 recoverable from Lottery Sales Agents over periods ranging from 01 year to 05 years and a sum of Rs.560,000 receivable on account of the Lottery Tickets issued to the members of the staff and a formal course of action had not been taken for the recovery of those balances.
- (d.) Action had not been taken for the settlement of a sum of Rs.467,600 included in the above debtors receivable from a Sales Agent who had died in the year 2014.



- (e.) No steps whatsoever had been taken for the recovery of the debtors balances totaling Rs.1,535,740 comprising the balances older than 05 years totaling Rs.975,774 receivable from three District Sales Agents and the balances older than 02 years totaling Rs.559,966 receivable from 04 Agents as at 31 March 2017.
- (f.) No courses of action whatsoever had been taken for the settlement of a sum of Rs.21,462,363 payable to 06 creditors remaining over a period exceeding 06 years.
- (g.) Action had not been taken to examine formally and settle a sum of Rs.255,017 payable to 117 Sales Agents who had functioned as Sales Agents but remaining inactive over periods exceeding 06 years.
- (h.) Incentive allowances amounting to Rs.240,983 payable to two Officers of the Board who had died in the year 2003 while in service and interdicted in the same year had been shown in the accounts as a balance payable without being settled.
- (i.) A sum of Rs.149,000 remaining payable to the District Sales Agents over a number of years had been brought forward in the accounts as an over recovery of computer installments without being settled.
- (j.) A sum of Rs.168,560 out of the advance paid to an external party in the year 2013 for the purchase of furniture to the Board had been brought forward in the accounts even by the end of the year under review without being settled.
- (k.) A sum of Rs.202,500 deposited with two external institutions for the supply of water and fuel for the Board had not been recovered over a period exceeding 12 years and it was observed that those institutions do not make any more supplies to the Board.
- (l.) An advance of Rs.15,000 granted to an officer in April 2012 had not been recovery even by June 2017.

## 2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

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Non-compliances with the following Laws, Rules, Regulations and Management Decisions were observed.

### Reference to Laws, Rules, Regulations, etc.

### Non-compliance

(a.) Finance Act, No.11 of 1963 as amended by the Finance (Amendment) Act, No.35 of 1997

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(i.) Sections 14(2) and 17(1)

- A sum of Rs.30,000,000 out of the Prize Reserve Accounts of the Supiri Wasana Sampatha and the Jathika Sampatha had been used Contrary to the provisions in the Act for the payment of prizes of other Lotteries of the Board.

(ii.) Section 14(2), 16(1) and 16(4)

- When the Board conducts Lotteries for other Ministries, Departments and Authorities agreements should be entered into with the relevant institutions. Nevertheless, without entering into agreements with the relevant institutions in connection with the Govi Setha, Supiri Wasana Sampatha, Jathika Wasana Sampatha and Niroga Lotteries, Prizes amounting to Rs.4,792,887,453 had been awarded during the year under review. Further, the prizes older than 06 months without being claimed amounting to Rs.365,393,530 had been transferred to the Consolidated Fund.

- (iii.) Section 17(2)
- Even though the balance remaining after the deduction of the expenditure from the income of the Lotteries should be credited to the Consolidated Fund, a sum of Rs.522,548,543 had been retained without being credited.
- (iv.) Section 20(2)(1)
- Even though the Board should make rules in connection with the conduct of Lotteries, obtain the approval of the Minister in Charge of the Subject and publish in the Gazette, it had not been so done in connection with the Sampath Rekha, Power Lotto, Mega Power, Niroga, Supiri Delakshapathi, Manusath Mehewara and Super Fifty Lotteries introduced since the year 2012. A sales income of RS.4,692,245,550 had been earned from those whilst a sum of Rs.2,309,431,338 had been allocated for the prizes and a sum of Rs.848,111,451 had been paid as the commission of the Sales Agents.
- (b.) Inland Revenue Act, No.10 of 2006 - The Pay As You Earn Tax of Rs.5,270 recovered from an officer in the year 2002 had not been remitted to the Commissioner General of Inland Revenue.  
Section 114
- (c.) Establishments Code of the Democratic Socialist Republic of Sri Lanka
- 
- (i.) Section 2.10 of Chapter VI
- Even though the Board should report to the Auditor General all appointments, promotions, payments of salary increments, suspension of service, retirements, etc. it had not been so done.

(ii.) Section 10(1) of Chapter VIII

- Even though 1/20 of the Salary can be paid as an allowance for being on duty for not less than 08 hours during the week ends or public holidays, contrary to that provision, the Board had considered being on duty for 12 hours on a day as two days and made payments accordingly. The payments made during the year under review in 86 instances so considered as two days amounted to Rs.206,889. Further, 04 instances of payments of holiday pay by considering the working days of the week as public holidays were observed and the payments so made amounted to Rs.18,038.

(iii.) Section 11 of Chapter XXIV

- Even though the grant of property loans with effect from 01 January 2005 should be made through Banks Property Loans amounting to Rs.8,333,758 had been granted from the Board funds to officers during the year under review. Further, the interest recoverable from the officers in accordance with the provisions relating to the Property loans had been ignored and every officer had been granted Loans at the minimum 4 per cent rate.

1.) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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(i.) Financial Regulations 396(d)

- Action in terms of the Financial Regulation had not been taken on 65 cheques totaling Rs.388,509 which had not been presented for payment for more than 06 months.

(ii.) Financial Regulation 702(3)

- Even though the copies of contract agreements should be forwarded to the Auditor General action in compliance with that had not been taken.



- (e.) Public Administration Circular - Payments exceeding the monthly fuel limit by  
No.13/2008(iv) of 9 January 2011 Rs.2,783,900 had been overpaid to 09 officers  
entitled to official motor vehicles.
- (f.) Management Services Circular No.25/2014 - Nine Officers had been recruited to 04 posts without  
of 12 November 2014 and No.07/2014 of the approval of the Department of Management  
26 August 2016 and the Letter Services.  
No.DMS/E1/04/4/06 of 26 August 2010
- (g.) Public Enterprises Circulars  
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(i.) Circular No.PED/12 of 02 June 2003
- Section 6.5.1 - A draft of the Annual Report for the year under  
review had not been presented to the Auditor General  
along with the financial statements.
  - Section 9.12 - Even though a Welfare Allowances of Rs.12,855,777  
had been paid to the staff during the year under  
review on the approval of the Chairman of the Board,  
the approval for that from the Treasury had not been  
obtained.
- (ii.) Circular No.95 of 14 June 1994 and - An Incentive Allowances Scheme had been  
Circular No.PED/12 of 02 June 2003 implemented for the staff of the Board without  
obtaining the approval of the Treasury and the  
payment made as Incentive Allowances in the year  
under review amounted to Rs.99,864,317.  
Even though provision had been formulated for the  
payment of a Special Promotional Allowances not  
exceeding Rs.2,500 per day to the staff in place of  
the Combined Allowance approved by the  
Government, specific approval for that had not been  
obtained. The sum so paid during the year under  
review amounted to Rs.3,096,500.

- (iii.) Paragraph 2.5 of the Circular - The Board had paid Incentive Allowances amounting to Rs.315,294 during the year under review contrary to the provisions in the circulars.  
No.PED/03/2015 of 17 June 2015
- (iv.) Circular No.57 of 11 February 2011 - Instead of preparing an Annual Publicity Plan and obtain the approval of the Department of Public Enterprises, a sum of Rs.1,013,545,562 had been paid whilst a sum of Rs.753,535,738 had been spent in the preceding year.
- (h.) Government Procurement Guidelines 2006  
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- (i.) Guidelines 1.3.2 - Out of 14 Lotteries conducted by the Board during the year under review, the Printers for 10 Lotteries had been selected without following the formal Procurement Process.
- (ii.) Guidelines 7.8.6 and 7.8.7 - In the evaluation of the quotations invited for 05 categories of Lotteries, the quotations of two Printing Companies which had reportedly made substantially responsible quotation had been estimated from evaluation by the Technical Evaluation Committee. The printing work of 02 Lotteries had been awarded to a printing company which had not proven to have made responsible bids.
- (iii.) Guidelines 7.12.4 - The records of matters agreed with the bidder during negotiations had not been maintained whilst Memorandum of Understanding with the bidders had not been signed.

### 3. Financial Review

#### 3.1 Financial Results

According to Financial Statements presented the financial result of the Board for the year under review had been a surplus of Rs.414,761,431 as compared with the corresponding surplus amounting to Rs.241,016,039 for the preceding year thus indicating an improvement of Rs.173,745,392 in the financial result as compared with the preceding year. The increase of other income by a sum of Rs.157,348,155 and the decrease of income tax by a sum of Rs.187,656,992 had been main reasons for the above improvement.

An analysis of the financial results for the year under review and 04 preceding years, indicated that, except the years 2013 and 2014, net profits had been earned in the other years and the profit of Rs.241,016,039 in the year 2015 had improved to Rs.414,761,431 in the year under review. Nevertheless, in the adjustment of the employees' remuneration, the non-current taxes and the depreciation on the non-current assets to the financial result, the contribution from the year 2012 to the year under review had been a favourable amount and the contribution of Rs.3,014,201,011 in the year 2012 had improved to Rs.4,830,885,902 by the end of the year under review and that had fluctuated annually.

#### 3.2 Analytical Financial Review

##### 3.2.1 Ratio Analysis

An analysis of the profitability and the working capital ratios of the Board for the year under review and the preceding year is given below.

<u>Ratio</u>	<u>Year</u>	
	<u>2016</u>	<u>2015</u>
(i.) Gross Profit (Percentage)	13.02	13.39
(ii.) Net Profit /(loss) (Percentage)	2.05	1.38
(iii.) Current Assets Ratio	1.34:1	1.26:1
(iv.) Quick Assets Ratio	1.31:1	1.24:1

The following observations are made in this connection.

- (a.) Even though the Lottery sales income of the year under review, as compared with this preceding year had decreased by Rs.2,775,954,070 or 15.95 per cent the gross profit ratio had decreased by 0.37 per cent. The increase of the cost of sales for the year under review, as compared with the preceding and the increase of the Value Added Tax rates as compared with the preceding year had been the reasons for that.
- (b.) The attention of the Board should be further paid for the working capital management in order to the maintenance of the current and quick ratios of the Board at the optimum level.

#### **4. Operating Review**

##### **4.1 Performances**

The objectives and functions of the National Lotteries Board established under the Finance Act, No.11 of 1963 are given below.

- (a.) Increase of the contributions made to the Government through increasing the existing income level and the profitability.
- (b.) Maintain the Market Leadership
- (c.) Improvement of operating efficiency
- (d.) Improvement of infrastructure facilities of the Institution.
- (e.) Improvement of the efficiency and productivity of the staff.
- (e) Increasing the consumer satisfaction.

The following observations are made in connection will the achievement of the above objectives.

- (a.) Even though a number of years have lapsed since the establishment of the institution, the management had not paid its attention for the improvement of the infrastructure facilities of the institution.
- (b.) The Lottery Ticket income and the publicity cost of the Board for the years 2015 and 2016 are given below.

<u>Name of Lottery</u>	<u>Sales Income</u>				<u>Cost of Publicity</u>			
	<u>2016</u> Rs.millions	<u>2015</u> Rs.millions	<u>Variance</u> Rs.millions	<u>Percentage</u> %	<u>2016</u> Rs.millions	<u>2015</u> Rs.millions	<u>Variance</u> Rs.millions	<u>Percentage</u> %
Mahajana Sampatha	5,342	4,734	608	12.8	132	107	25	23
Wasana Sampatha	1,143	1,350	(207)	(15.3)	93	61	32	52
Govi Setha	4,011	4,511	(500)	(11.1)	121	81	40	49
Supiri Wasana	1,683	1,747	(64)	(3.66)	83	70	13	19
Jathika Sampatha	1,355	1,319	36	2.73	83	67	16	24
Sampath Rekha	1,632	1,629	3	0.18	102	80	22	28
Wasana Sampatha Super Ball	154	-	154	0	-	-	-	-
Mega Power	1,135	-	1,135	0	79	12	67	558
Power Lotto	72	305	(233)	(76.4)	-	41	(41)	(100)
Niroga	1,308	432	8.76	203	90	81	9	11
Manusath Mehewara	30	-	30	0	-	-	-	-
Supiri Delakshapathi	517	-	517	0	66	-	66	-
Raja Dinuma	140	-	140	0	-	-	-	-
Samurdhi	176	206	(30)	(14.6)	3	3	-	-
Sewana	1,475	944	531	56.3	4	2	2	100

- (i.) In addition to the 10 categories of Lotteries sold in the preceding year, five categories of Lotteries had been introduced during the year under review. Even though the income 05 categories of Lotteries in the year under review had increased as compared with the preceding year, the income of Wasana Sampatha, Govi Setha, Supiri Wasana Sampatha, Power Lotto and Samurdhi Lotteries had decreased. The publicity expenses incurred on the sale of Lottery Tickets of the Lotteries had increased as compared with the preceding year.
- (ii.) Publicity expenses had not been incurred in the year under review for 04 categories of Lotteries as compared with the preceding year. Even through the income of the Govi Setha Lottery had decreased by Rs.500 million or 11 per cent, the publicity expenses thereof, as compared with the preceding year, had incurred by 49 per cent in the year under review.



- (iii.) According to the above data, the publicity cost of the Mahajana Sampatha Lottery which had earned the highest income of Rs.5,342 million amounted to a very low 2.5 per cent of the sales income whilst the publicity cost of the Wasana Sampatha Lottery which had earned an income of Rs.1,143 million amounted 8.14 per cent approximately of the sales income.
- (iv.) The number of Lottery draws conducted by the Board in the year under review, as compared with the preceding year, had increased by 247 draws. The introduction of the 04 new lotteries had been the main reason for that, and the net increase of the number of Lottery draws had been only 33 per cent.
- (c.) The additional cost incurred up to the year 2016, on the Power Lotto introduced to the market in the year 2014 without conducting a market study amounted to Rs.55,259,129. Nevertheless, that Lottery had been ceased in the year 2016 due to incurring losses over and over again.
- (d.) The Wasana Sampatha Super Fifty introduced to the market in June 2016 had been ceased in the year 2016 itself after conducting 12 Lottery draws due mainly to the weak level of the market demand.
- (e.) It was observed that an advance plan had not been made with regard to the number of Agents required by the Board and the number of Agents enrolled from the year 2012 up to the year under review had been 52. The attention had not been paid to the difficult areas in the appointment of Sales Agents. Action had not been taken during this period for the appointment of any Sales Agents to 13 Zones.
- (f.) Even though the sale of 1,004,000 Lottery Tickets at Rs.100 per ticket of the Manusath Mehewara Lottery introduced by the Board in the year under review had been planned, the actual sales had been only 297,564 Lottery Tickets. Even

though it had been decided to credit 39.63 per cent from the income of Lottery to the Consolidated Fund, instead of so doing, action had been taken to treat the entire income as the income of the Board.

- (g.) The prizes of a motor cycle and Rs.1,000,000 relating to a Lottery draw of the year under review had not been awarded at the request made by an Agent. It was observed that the public dissatisfaction arising from failure to the award of prizes to the winners could result in an adverse impact on the good will of the Board.
- (h.) No action whatsoever had been taken for the implementation of the following activities included in the Action Plan for the year under review with an allocation of Rs.691 million for implementation.
  - (i.) Introduction of 25 new sales booths
  - (ii.) Use of 50 motor cycles and 40 push cycles for the publicity work of the Board.
  - (iii.) Installation of a vending machine within the limits of Colombo.

#### 4.2 **Uneconomic Transactions**

Despite the possibility of obtaining legal service from within the Board, instances of action taken for obtaining that service from an external institution were observed. The expenditure incurred in one such instance amounted to Rs.119,000.

#### 4.3 **Management Activities**

The following observations are made.

- (a.) According to the winning numbers and the houses of horoscope presented in the Niroga Lottery introduced without the approval of the Minister and a Gazette Notification exceeding a minimum of Rs.1,300,000 Lottery Tickets should be sold per draw. Nevertheless the average sales per draw had been 447,198. In view of the inadequacy of the income from the sale of Lottery Tickets for the payment of prizes, it was observed that the additional money had been obtained from the

Rewards Reserve Fund of the Board. The money so obtained for that purpose during the year under review amounted to Rs.4,416,796.

- (b.) Instead of adhering to the instructions given by the Board to the printers in connection with the printing Lottery Tickets, the Printers had been using the paper in a manner to the minimize the cost of paper and the management had not paid attention to the matter. According to an audit test check, the additional profit earned by one printer in one instance in the printing of 39,970,000 Lottery Tickets amounted to Rs.354,097.
- (c.) The Board of Directors had emphasized the need for obtaining adequate security bonds from the Agents in order to minimize risk involved in the issue of Lottery Tickets on credit basis to the Sales Agents registered under the Board. Nevertheless, the Board had neglected the decision of the Board of Directors and introduced a credit insurance cover and spent an additional sum of Rs.8,290,055 in that connection in the year under review. Out of 118 Agents registered with the Board 27 Agents had not been included in this scheme and the reasons for that had not been explained. According to the information received by the Audit, the debtors balance older than 6 months not settled by 12 Agents amounted to Rs.1.819.750 and it was not observed that action had been taken to identify the risky debtors included therein and settle through the insurance cover.
- (d.) Instead of awarding the procurement to the Bidder selected for the Mega Power Lottery commenced in the year 2013, printing work had been awarded to the State Printing Corporation resulting the considerable losses monthly. Such Loss sustained from September 2016 to February 2017 amounted to Rs.1,489,289 approximately.
- (e.) The procurement process for the Sampath Rekha Lottery introduced in the year 2012, commenced in several instances had not been formally finalized even by 30 June 2017. The printing work of this Lottery had been awarded to a particular

printer from the year 2012 and it was observed that the printing of these Lottery Tickets from 01 January 2016 to 07 February 2017 had resulted in a loss of Rs.9,089,149 approximately to the Board.

- (f.) The period of agreement for the printing of 02 categories of 02 Instant Lotteries introduced to the market by the Board had expired on 31 May 2015. Nevertheless, the Procurement work for the selection of a Printer had not been carried out even up to June 2017.
- (g.) In the printing of Lottery Tickets, the Board had issued printing orders without carrying out a proper forecast of the Lottery Ticket requirements. As such about 10 per cent of the Lottery Tickets printed for each draw remained without being sold. The cost of printing of the balance Lottery Tickets had remained as at the end of the year under review amounted to Rs.48,082,182.
- (h.) Action had not been taken to obtain the irrevocable Powers of Attorney in respect of 97 title deeds relating to the property loans granted from the funds of the Board.

#### 4.4 Operating Activities

The following activities are made.

- (a.) Out of 118 Sales Agents registered with the Board 31 Agents only had produced security bonds and Lottery Tickets valued at Rs.85,248,254 exceeding the security limits had been issued to the Sales Agents who had furnished security. Lottery Tickets valued at Rs.424,619,373 had been issued to the Sales Agents who had not produced security bonds.
- (b.) The Board had introduced a communication network at a monthly cost of Rs.572,000 for the communication of the information such as the distribution of Lottery Tickets among the Agents, the balance Lottery Tickets remaining after the sales, etc. by Email. Nevertheless, certain Sales Agents had communicated the

information in different ways without using the Communication Network and as such it was observed that due to the problem of the reliability of information and the delays were a hindrance to the activities of the Board. It was not observed that the Board had taken action to rectify the situation.

- (c.) Even though the Board had numerically achieved the sales budget of Rs.20 billion for the year under review, according to a test check carried out in audit revealed that the Instant Lottery Tickets valued at Rs.358.43 million included therein had been issued on credit basis to the Sales Agents in December of the year under review. The debts relating thereto had not been settled by the Sales Agents even by May 2017, whilst unsold tickets valued at Rs.19,673,300 had been returned to the stores in June 2017. Despite that the special incentive allowance as well had been paid to the staff of the Board based on that Lottery income on credit basis.
- (d.) Even though the printing of the Lottery Tickets of the Mahajana Sampatha Lottery which has the highest sales out of the Lotteries conducted by the Board continue to be printed by the State Printing Corporation from the year 2008 to the date there was no written agreement entered into in that connection. The lowest price received per ticket in the Procurement process carried out in the year 2016 for the printing of Lottery Tickets by the Board had been Rs.0.3570 whereas the payments made to the State Printing Corporation had been at the rate of Rs.0.5021 per ticket. The estimated loss from the printing of the Lottery Tickets of the Mahajana Sampatha Lottery in the year 2016 itself due to the failure to consider the competitive quotations amounted to Rs.41,703,626 approximately.
- (e.) Even the printing work of the Niroga Lottery introduced in the year 2015 had been awarded to the State Printing Corporation and the Board had not taken action up to date for the selection of a printer through the formal Procurement Process. The current Printing Cost per Ticket amounts to Rs.0.6637 and the Board was not aware of the composition of that cost. According to the Procurement Process undertaken in the year 2016 for the printing of Lottery Tickets, the minimum bid received for the printing of a similar Lottery Ticket had been



Rs.0.3570. The minimum loss that could result from the printing of Niroga Lottery Tickets for the year 2016 amounts to Rs.23,011,087 approximately.

- (f.) The Sage ACCPAC computer software introduced in the year 2003 by the Board for the maintenance of its accounting activities had been decentralized in the year under review at a cost of Rs.224,000 and as such the services obtained from the software had been limited. The reliability of the transactions of the Board the prevailed under the former centralized system, had become questionable under the decentralized system. The institution which introduced this software as well had refused to undertake the responsibility for any risks which may emerge from such alteration made.

#### **4.5 Transactions of Contentious Nature**

The following observations are made.

- (a.) Action had not been taken to conduct a formal investigation into the printing of Lottery Tickets with the same number twice in the printing of the Govi Setha Draw No.1293 in May 2016 and take actions against the printer.
- (b.) Even though the Board had decided to award a Brand New Motor Vehicle as the prize for the Draw No.3328 of the Mahajana Sampatha, the winner had been awarded a reconditioned motor vehicle. Even though the motor vehicles had been purchased from the Agents, according to the documents it was observed that it had been imported by another private party and not by the Agents. The award of a used motor vehicle to the winner due to the purchase of a motor vehicle imported by another party through the Local Agents is a contentious matter in Audit. Even though the Board had incurred a cost of Rs.6,800,000 for that motor vehicle, the value of that according to the Customs Documents amounted to Rs.5,891,268.
- (c.) The Board had paid a housing loan of Rs.774,480 to an officer wherein the full transfer of the title to the land had not been made. The land on which the house was to be constructed had been transferred to the officer by the owner retaining

the life interest. A written statement that the owner had withdrawn the tenure of the land and transferred to the officer concerned had been forwarded through a private Firm of Lawyers. But that party had filed a case in the Courts later claiming back the tenure of the land and the Board had been named as a party to the case. Even though the Board is having a professionally qualified lawyer in the staff, the Board had paid a sum of Rs.184,475 as lawyers' fees to outside lawyers for 09 calls of the case.

#### **4.6 Idled or Underutilized Assets**

The following observations are made.

- (a.) Two Tractors purchased for Rs.7,650,000 on 31 December 2015 for Trade Branding purposes had been parked in the premises of the institution even by 26 May 2017 without being used for the purpose whilst the motor vehicles BMW(A1)5860 had been idling throughout the year.
- (b.) Two computer software purchased in the year 2012 for Rs.668,460 and Rs.740,000 for the Stores Control and motor vehicles controls respectively had not been used.

#### **4.7 Resources of the Board Released to Other Government Institutions**

Even though Section 8.3.9 of the Public Enterprises Circular No.PED/12 of 02 June 2003 precludes giving the resources of the Board to the line Ministry or any other Government institutions, two motor vehicle and a motor cycle belonging to the Board valued at Rs.5,660,000 and 06 officers of the Board had been released to the Ministry of Finance since February of the year under review. Nevertheless, action had not been taken to obtain reimbursements of the employees' remuneration and incentive allowances amounting to Rs.1,621,952 paid by the Board to those officers.

#### 4.8 Human Resources

The following observations are made.

- (a.) A Manual of Human Resources Management had not been prepared as stipulated in Section 9.14 of the Public Enterprises Circular No.PED/12 of 02 June 2003.
- (b.) The approved staff of the Board as at 31 December 2016 stood at 384 and the actual permanent staff stood at 311, thus resulting the vacancies in 71 approved permanent posts. Even though the approved contract posts stood at 20, in view of the actual recruitment of 76 contract employees, 56 had been recruited exceeding the approved limit. Any specific approval obtained for that had not been produced to the Audit.
- (c.) According to the Recruitment Procedure of the Board, those above the age of 45 years should not be recruited to the posts of Drivers. But it was observed that a person over the age of 52 years had been recruited to a post of Driver. It was also observed that the evidence in support of satisfying the completion of educational qualifications stipulated to the post were not available in the file.
- (d.) An officer had been recruited in the year under review to the vacant post of Chief Finance Officer of the Board without following the formal recruitment procedure and in addition to the basic salary of the post, he had been granted 14 additional increments.

#### 4.9 Identified Losses

It was observed that heavy losses are incurred in the printing of certain Lottery Tickets due to the failure to predetermine the standard size of the Lottery Tickets printed by the National Lotteries Board. The additional estimated cost so incurred on two Lotteries introduced in the year under review amounted to Rs.30,379,949.

**4.10 Market Share**

The Lottery sales activities had been done by the National Lotteries Board and the Development Lotteries Board which are two State Institutions in Sri Lanka. The market share of the National Lotteries Board in the year under review had been 56.84 per cent. As compared with the market share of the Development Lotteries Board, that had decreased by 2 per cent in the year under review as compared with the year 2015. Further, it was observed that it had fluctuated annually from the year 2011. The details are given below.

<u>Years</u>	<u>Lottery Sales Income</u>		<u>Market Share of the National Lotteries Board</u>
	<u>National Lotteries Board</u>	<u>Development Lotteries Board</u>	
	Rs. millions	Rs. millions	
2016	20,170	15,314	56.84
2015	17,394	12,265	56.65
2014	15,153	12,592	54.62
2013	14,537	10,611	57.80
2012	12,024	10,668	52.98
2011	10,092	8,335	54.76

**4.11 Funds Management**

The following observations are made.

- (a.) Five Bank Current Accounts of the Board had maintained average balances of Rs.2 million over a period of 06 months and the Bank balances in those current accounts as at the end of the year under review totaled Rs.8,926,894. As such any attention of the Board paid for exploring the possibility of investing such idle cash balances retained in the Bank Current Accounts in effective investments was not observed.



## 5.2 Discharge of Environmental and Social Responsibility

Even though the Board uses more than 700 metric tons form of paper annually for the printing of Lottery Tickets, it had not paid attention to formulate an alternative course of action to minimize the damage caused to the environment after the release of those Lottery Tickets to the market. Similarly, a sustainable course of action had not been taken for the 70 tons approximately of unsold tickets remaining annually from the printed Lottery Tickets and those stocks are retained in the stores of the Board.

## 5.3 Unresolved Audit Paragraphs

The following observations are made.

- (a.) Even though the Committee on Public Enterprises had directed on 21 March 2013 to recover overpayment of Rs.7,392,287 as employer gratuity made in the preceding years, action had not been taken either for the recovery of that amount or for the disclosure in the financial statements as an, amount receivable. The Board had only issued a written notice to the retired officers informing them to reimburse to the Board the gratuity overpaid.
- (b.) According to the directive made by the Committee on Public Enterprises at the meeting held on 04 November 2014, a new building should have been constructed on the land, 112 perches in extent owned by the Board situated on the Vauxhall Street. Nevertheless, the selection of an Architect for the preparation of the building designs only had been done even by the end of the year under review. The construction work had not been commenced up to date. The rent paid for the buildings taken on rent for the maintenance of the activities of the Board during the year 2016 amounted to Rs.25,224,472.

**6. Systems and Controls**

Deficiencies in systems and controls observed during the course of the audit were brought to the Chairman of the Board from time to time. Special attention should be paid to the following areas of controls.

<b>Areas of System and Controls</b>	<b>Observations</b>
(a.) Accounting	- (i.) The existing decentralized computer system had not been improved to enable obtaining the updated information, examination of the history of transactions and the flow of the transactions through the system.  (ii.) In the preparation of final accounts, instances of lack of accurate coordination of accounting information among other Divisions, lack of a system for the prevention of duplication, non-updating subsequent adjustments made through journal entries accurately, instances of issue of 02 journal entries of the same number were observed.
(b.) Operating Control	- (i.) Log entries had not been maintained for the verbal orders made by the Board for additional printing; non-recording of Lottery Tickets supplied exceeding the quantity ordered and taking back the Lottery Tickets supplied in excess without the knowledge of the Board.



(ii.) The Surcharges recoverable from the Agents in instances non-return of unsold Lottery Tickets by the Agents had not been brought to account.

(iii.) The security system for the prevention of the possibility the Lottery Class number being printed erroneously under another Lottery Bill had not been introduced.

(c.) Human Resources Management - Promotions and Recruitments had not been done according to the relevant procedures and the failure to prepare plans for the recruitment to the existing vacancies.

(d.) Debtors Control - Inability to obtain an age analysis from the decentralized Computer System.

**Sgd./ H.M. GAMINI WIJESINGHE**  
**Auditor General**

H.M.GaminiWijesinghe  
Auditor General

# STATEMENT OF INCOME

For the year ended 31st December	Note	2016 Rs.	2015 Rs.
Turnover	3	20,170,417,750	17,394,463,681
Less: Indirect taxes			
VAT		706,868,280	573,252,862
NBT		285,776,997	253,267,754
Net Turnover after VAT & NBT		19,177,772,473	16,567,943,065
Less : Cost of Sales	4	16,550,598,052	14,238,007,279
<b>Gross Profit</b>		<b>2,627,174,421</b>	<b>2,329,935,786</b>
Add : Other Income	5	249,546,105	92,197,950
		<b>2,876,720,526</b>	<b>2,422,133,736</b>
Less: Expenses			
Sales, Marketing & Distribution Costs	6	1,246,168,647	872,391,364
Administrative Expenses	7	693,449,471	602,377,490
Finance Cost	8	40,212,740	36,563,614
<b>Profit Before Tax</b>		<b>896,889,668</b>	<b>910,801,268</b>
Less : Income Tax Expense	9	482,128,237	669,785,229
<b>Profit/ (Loss ) for the year</b>		<b>414,761,431</b>	<b>241,016,039</b>

The Accounting Policies represents Note No.01 & 2.

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 st December	2016 Rs.	2015 Rs.
<b>Profit (Loss) for the year</b>	<b>414,761,431</b>	<b>241,016,039</b>
<b>Other Comprehensive Income/ (Loss) for the year net of Tax</b>		
Add: Gain on Revaluation Property , Plant & Equipment	-	48,452,076
Less: Adjustment against Revaluation Gain on Disposal of P.P.& E.	5,900,810	(863,700)
Less: Adjustment against Revaluation Gain on Issued Gold Coins.	-	(747,503)
Less:Reversal of Gold Coins Revaluation.	-	(687,833)
Gain / loss on Exchange Flutuation	(1,522,862)	12,568,730
<b>Total Comprehensive Income for the year net of tax</b>	<b>419,139,379</b>	<b>299,737,809</b>

# STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	2016 Rs.	2015 Rs.
<b>Assets</b>			
<b>Non Current Assets</b>			
Property, Plant & Equipment	10	796,103,728	864,123,447
Building - Working Progress - Head Office Building		4,284,000	-
Income Tax Receivable from Consolidated Fund		-	566,693,690
Investment in shares Sri Lanka Savings Bank		5,336,575	5,336,575
Investment Property	11	30,931,033	37,464,022
Intangible Assets	12	12,087,719	19,832,484
Housing Loans		63,066,026	63,338,989
<b>Total Non Current Assets</b>		<b>911,809,081</b>	<b>1,556,789,207</b>
<b>Current Assets</b>			
Inventories	13	86,834,181	57,446,564
Trade Receivables	14	523,965,797	104,784,716
Other Current Assets	15	672,007,752	724,547,926
Cash & Cash Equivalents	16	2,768,310,564	3,233,839,295
<b>Total Current Assets</b>		<b>4,051,118,293</b>	<b>4,120,618,502</b>
<b>Total Assets</b>		<b>4,962,927,375</b>	<b>5,677,407,709</b>
<b>Equity &amp; Liabilities</b>			
<b>Equity Attributable to Owners of the parent</b>			
Retained Earnings	17	522,548,543	438,642,364
Other Components of Equity	18	1,351,444,612	1,342,203,514
<b>Total Equity</b>		<b>1,873,993,154</b>	<b>1,780,845,876</b>
<b>Non Current Liabilities</b>			
Deferred Tax	19	54,252,450	47,425,591
Long term Provisions	20	29,270,262	596,032,858
<b>Total Non current Liabilities</b>		<b>83,522,712</b>	<b>643,458,449</b>
<b>Current Liabilities</b>			
Trade & Other Payables	21	2,211,328,910	2,144,585,386
<b>Current Tax Payables</b>	22	794,082,602	1,100,362,623
Bank Overdraft - People's Bank Board Expenditure A/C	23	-	8,155,373
<b>Total Current Liabilities</b>		<b>3,005,411,511</b>	<b>3,253,103,382</b>
<b>Total Liabilities</b>		<b>3,088,934,223</b>	<b>3,896,561,831</b>
<b>Total Equity &amp; Liabilities</b>		<b>4,962,927,375</b>	<b>5,677,407,709</b>

These Financial Statements give a true and fair view of the state of affairs of National Lotteries Board as at 31 st December 2016 & its Profit /(Loss) for the year ended 31st December 2016.

  
Harsha Bandara  
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements signed for and on behalf of the board by,

  
Shyamila Perera  
Chairperson  
Colombo  
27.02.2017

  
M.K. Hassan  
Working Director

# STATEMENT OF CASH FLOW

For the year ended 31st December	2016 Rs.	2015 Rs.
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before Taxation	896,889,668	910,801,268
<b>Adjustments For</b>		
Depreciation & Amotization	142,688,825	129,203,466
Gratuity	5,081,980	1,081,991
Profit / (Loss) on Disposal of Property, Plant & Equipments	1,353,449	705,073
Interest Income	(244,970,670)	(88,713,366)
	<b>801,043,252</b>	<b>953,078,432</b>
Written back to CASD Rent 2008 to 2015	16,000,000	-
Written back to 50th Anniversary Expenses	48,766,800	-
Gain on Exchange Fluctuation	(1,522,862)	12,568,730
Transfer to Un Serviceable Stocks	81,000	601,492
Increase/ (Decrease) in Prizes Reserve	99,346,909	247,406,503
(Increase)/Decrease in Housing Loan	272,963	7,682,072
	<b>963,988,062</b>	<b>1,221,337,229</b>
<b>Changes in Working Capital</b>		
(Increase)/Decrease in Inventories	(29,387,616)	92,861,682
(Increase)/Decrease in Trade Receivables	(419,181,080)	265,475,828
(Increase)/Decrease in Other Current Assets	61,961,789	(49,922,949)
Increase/(Decrease) in VAT & NBT Payables	18,330,961	36,766,527
Increase/(Decrease) in Prizes Obligations	255,514,223	245,625,834
Increase/(Decrease) in Consolidated Fund Payables	38,769,176	96,203,004
Increase/(Decrease) in Trade & Other Payables	(167,539,876)	33,597,153
	722,455,639	1,941,944,307
Gratuity Payment	(5,150,886)	(283,315)
Income Tax & Deferred Tax Payment	(799,912,360)	9,914,820
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>(805,063,246)</b>	<b>9,631,505</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to P.P.E, Investment Property, Intangible Assets & Working Progress	(63,025,246)	(163,574,915)
Proceeds from Disposal of Property, Plant & Equipment	2,710,443	205,000
Interest Income Received	235,549,054	84,699,911
<b>NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>175,234,251</b>	<b>(78,670,005)</b>
<b>CASH FLOW FROM FINANCE ACTIVITIES</b>		
Special Contribution to Treasury	(550,000,000)	(50,000,000)
<b>NET CASH FLOW FROM FINANCE ACTIVITIES</b>	<b>(550,000,000)</b>	<b>(50,000,000)</b>
Net Changes in Cash & Cash Equivalent during the Year	(457,373,356)	1,822,905,807
Cash & Cash Equivalent at the beginning of the Year	3,225,683,922	1,402,778,114
<b>CASH &amp; CASH EQUIVALENT AT THE END OF THE YEAR</b>	<b>2,768,310,564</b>	<b>3,225,683,922</b>
<b>Note to the Cash Flow Statement</b>		
<b>CASH &amp; CASH EQUIVALENT</b>	<b>2016</b>	<b>2015</b>
Short Term Investments	2,527,118,556	2,832,657,866
Cash in Hand & Balance at Bank	241,192,008	393,026,056
<b>NET CASH &amp; CASH EQUIVALENT AT THE END OF THE YEAR</b>	<b>2,768,310,564</b>	<b>3,225,683,922</b>

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December

	Accumulated Treasury Fund Rs.	Revaluation Reserve Rs.	Treasury Grant Motor Vehicle Rs.	Building Reserve Rs.	Prizes Reserve Rs.	Retained Earnings Rs.	Total Rs.
<b>Balance as at 01/01/2015</b>	<b>21,263,101</b>	<b>287,151,501</b>	-	-	<b>335,229,369</b>	<b>433,446,392</b>	<b>1,077,090,363</b>
Net Change in Prizes Reserves	-	-	-	-	247,406,503	-	247,406,503
Gain on Revaluation of Property, Plant & Equipment	-	48,452,076	-	-	-	-	48,452,076
Adjustment against Revaluation Gain on Disposal of P. P. & E.	-	(863,700)	-	-	-	863,700	-
Writoff Issued Gold Coins Revaluation Gain	-	(747,503)	-	-	-	747,503	-
Reversal of Gold Coins Revaluation with Inventories	-	(687,833)	-	-	-	-	(687,833)
Prizes Fund Loan Settlement	-	-	-	-	205,000,000	-	205,000,000
Special Contribution to Treasury	-	-	-	-	-	(50,000,000)	(50,000,000)
Transfer from Retained Earnings / Building Reserve	-	-	-	200,000,000	-	(200,000,000)	-
Gain / (Loss) on Exchange Fluctuation	-	-	-	-	-	12,568,730	12,568,730
Profit / ( Loss ) for the Year 2015	-	-	-	-	-	241,016,039	241,016,039
<b>Balance as at 31/12/2015</b>	<b>21,263,101</b>	<b>333,304,541</b>	-	<b>200,000,000</b>	<b>787,635,872</b>	<b>438,642,364</b>	<b>1,780,845,877</b>
Net Change in Prizes Reserves	-	-	-	-	99,346,909	-	99,346,909
Transfer from Retained Earnings / Building Reserve	-	-	-	400,000,000	-	(400,000,000)	-
Written back to CASD Rent 2008 to 2015	-	-	-	-	-	16,000,000	16,000,000
Written back to 50th Anniversary Expenses	-	-	-	-	-	48,766,800	48,766,800
Adjustment against Revaluation Gain on Disposal of P. P. & E.	-	(5,900,810)	-	-	-	5,900,810	-
Prizes Fund Loan Settlement	-	-	-	-	60,000,000	-	60,000,000
Contribution to Treasury	-	-	-	(550,000,000)	-	-	(550,000,000)
Treasury Grant - Motor Vehicle - Nissan Sunny N17	-	-	5,795,000	-	-	-	5,795,000
Gain on Exchange Fluctuation	-	-	-	-	-	(1,522,862)	(1,522,862)
Profit / ( Loss ) for the Year 2016	-	-	-	-	-	414,761,431	414,761,431
<b>Balance as at 31/12/2016</b>	<b>21,263,101</b>	<b>327,403,731</b>	<b>5,795,000</b>	<b>50,000,000</b>	<b>946,982,781</b>	<b>522,548,543</b>	<b>1,873,993,156</b>

# NOTES TO THE FINANCIAL STATEMENTS

## Significant Accounting Policies and Notes to the Financial Statement.

### Note No . 01

#### 1. CORPORATE INFORMATION

##### 1.1 GENERAL.

National Lotteries Board was established after abolishing Hospital Lotteries, under the Finance Act No.11 of 1963. Certain sections of the above Act were repealed and amended in 1997 under the Finance (amendment) Act No. 35 of 1997 and Finance (amendment) Act No.22 of 1998.

It is a Semi-governmental Institution under the purview of the Ministry of Finance.

The Registered Office and the principal place of business of the Board are located at No. 234/2, Galle Road, Colombo 03.

##### 1.2 PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS.

The main purpose of establishing National Lotteries Board was to conduct national lotteries to raise funds for the Government.

##### 1.3 FINANCIAL PERIOD.

The financial period of the Board represents a twelve month period from 01<sup>st</sup> January 2016 to 31<sup>st</sup> December 2016.

##### 1.4 RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Board in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) issued by the Institute of Chartered Accountants of Sri Lanka. The responsibility of the Directors in relation to the Financial Statements is set out in “the Statement of Director’s Responsibility” as set out in the Working Director’s Report.

These financial statements include the following components:

- a statement of comprehensive income providing the information on the financial performance for the year under review.
- a statement of financial position providing the information on the financial position of the Board as at the year-end.
- a statement of changes in equity depicting all changes in funds during the year under review of the Board.
- a statement of cash flows providing the information to the users, on the ability of the Board to generate cash and cash equivalents and the needs to utilize those cash flows and
- notes to the financial statements comprising accounting policies and other explanatory information.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 GENERAL ACCOUNTING POLICIES**

#### **2.1.1 Basis of Preparation.**

These financial statements presented in Sri Lankan Rupees have been prepared on an accrual basis under the historical cost basis and on fair value basis where applicable in accordance with Sri Lanka Accounting Standards (SLFRS & LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka. The Financial Statements for the year ended 31st December 2016 were authorized for issue by the Board of Directors on 27<sup>th</sup> February 2017.

#### **2.1.2 Statement of Compliance.**

The Statement of Financial Position, Statement of Comprehensive Income, Changes in Equity and Cash Flows, together with Accounting Policies and Notes (“Financial Statements”) of the Board as at 31<sup>st</sup> December, 2016 and for the year then ended have been prepared in compliance with the Sri Lanka Accounting Standards (LKAS & SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka and the requirement of the Finance Act No. 11 of 1963.

The Financial Statements for the year ended 31<sup>st</sup> December, 2013 were the first Financial Statements the Board has prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) immediately effective from 01<sup>st</sup> April, 2012. These SLFRS/LKASs have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Sri Lanka Accounting Standard – SLFRS 1 on ‘First-time Adoption of Sri Lanka Accounting Standards’ has been applied. The effect of the transition to SLFRS/LKAS on previously reported financial performances, financial positions and cash flows of the Board disclosed in the previous Financial Statements but the Financial Statements have been duly adjusted.

#### **2.1.3 Going Concern.**

The Directors have made an assessment of the Board’s ability to continue as a going concern and they do not intend either to liquidate or to cease trading. The Management is satisfied that they have the resources to continue in business for a foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Board’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

#### **2.1.4 Comparative Information.**

The accounting policies have been consistently applied by the Board and are consistent with those of the previous year. The previous year’s figures and phrases have been rearranged, reclassified wherever necessary to conform to the current year’s presentation. The Accounting Policies have been consistently applied by the Board with those of the previous financial year in accordance with LKAS 01 - Presentation of Financial Statements.

### **2.1.5 Foreign Currency Transaction.**

All foreign exchange transactions are converted to Sri Lanka Rupees, which is the reporting currency, at the rate of exchange (spot exchange rate) prevailing at the time the transactions were affected. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lankan Rupee equivalents using year end spot foreign exchange rates, the resulting gains or losses are accounted in the Statement of Comprehensive Income.

### **2.1.6 Basis of Measurement.**

The Financial Statements have been prepared in accordance with the historical cost conversion, except for the following material items in the Statement of Financial Position,

- Financial instruments at fair value through profit or loss are measured at fair value
- Liability for defined benefit obligations is recognized as the present value of the defined benefit obligation plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.
- Financial assets available-for-sales are measured at fair value

No adjustments being made for inflationary factors affecting the Financial Statements.

### **2.1.7 Functional and Presentation Currency.**

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Board operates (the functional currency). These Financial Statements are presented in Sri Lankan Rupees, the Board's functional and presentation currency. There was no change in the Board's presentation and functional currency during the year under review.

All the financial information presented in Rupees has been rounded to the nearest Rupees unless stated otherwise.

### **2.1.8 Materiality and Aggregation.**

Each material class of similar items is presented cumulatively in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard-LKAS 1 on 'Presentation of Financial Statements'.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

## 2.1.9 Significant Accounting Judgments, Estimates and Assumptions

### a) Judgments.

In the process of applying the Accounting Policies, Management has made the following judgements, apart from those involving estimations, which has most significant effect on the amounts recognized in the financial statements.

### b) Estimates and Assumptions.

The preparation of the Board's financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. The key assumptions concerning the future and other key sources of estimation uncertainty at the date of financial position, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year, have been considered.

## 2.2 ASSETS & BASES OF OTHER VALUATION

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements unless otherwise indicated.

### 2.2.1. Property, Plant & Equipment

#### Basis of Recognition

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

#### Basis of Measurement

##### a) Cost.

Property, Plant and Equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of Plant and Equipment are required to be replaced at intervals, the Board derecognises the replaced part, and recognizes the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Comprehensive Income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

## b) Revaluation.

Assets are measured at fair value less accumulated depreciation on the assets and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recognised in Other Comprehensive Income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Other Comprehensive Income, in which case the increase is recognised in the Other Comprehensive Income. A revaluation deficit is recognised in the Other Comprehensive Income, except to the extent that it offsets an existing surplus on the same assets recognised in the assets revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

All items of Property, Plant and Equipment are initially recorded at cost. Where items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued where ever feasible.

NLB's motor vehicles, computers & accessories, office equipments, furniture & fittings are subsequently carried at fair value, based on periodic valuations by the Government Valuer for Department of Valuation. Valuation completed 2015. Next revaluation will be conducted in 2020.

## c) Depreciation.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Provision for depreciation is calculated by using straight line method on the cost or valuation of all Property, Plant and Equipment other than freehold land, in order to write off such amounts over the estimated useful lives of such assets.

Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Board will obtain ownership by the end of the lease term.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognized. The assets residual values, useful lives and methods of depreciation are reviewed at the end of each reporting period and adjusted only if required.

The principal annual rates used for this purpose, which are consistent with that of the preceding years are,

	Per annum %
Freehold Buildings	5
Draw Barrels, Lottery Equipment	20
Motor Vehicles	25
Furniture and Fittings	10
Computers	25
Air Conditioners, General & Office Equipment	20

#### **d) Subsequent Cost.**

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 Board and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognized in accordance with the de-recognition policy given below. The costs of the day-to-day servicing of Property, Plant & Equipment are recognized in the Statement of Comprehensive Income as incurred.

#### **e) De-recognition.**

An item of Property, Plant and Equipment and any significant part initially recognized is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income when the asset is de-recognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively to the financial statements, to increase the relevance and reliability of information provided in financial statements for decision makers if appropriate.

#### **f) Restoration Costs.**

Expenditure incurred on repairs or maintenance of Property, Plant and Equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognized as an expense when incurred.

### **2.2.2 Capital Work in Progress.**

Capital work in progress is transferred to the respective asset accounts at the time of the first utilization of the asset. The cost of capital work-in-progress is the cost of purchase or construction together with any related expenses thereon.

Expenditure incurred on capital work-in-progress for permanent nature or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Capital work-in-progress is transferred to the respective asset accounts at the time of first utilization or at the time the asset is commissioned.

### **2.2.3 Intangible Assets.**

#### **Computer Software.**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental or for administrative purpose.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Intangible assets have been amortized at the rate of 25% per annum. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the assets will flow to the entity and the cost of the assets can be measured reliably in accordance with LKAS 38 - 'Intangible Assets'.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized

## **2.2.4 Leased Assets.**

### **Finance Leases – where the Board is the lessee.**

Leases in terms of which the Board assumes that substantially of all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of a finance lease are measured at an amount equal to the lower of their fair value or the present value of minimum lease payments at the inception less accumulated depreciation and accumulated impairment losses.

The corresponding principal amount payable to the lessor is shown as a liability. The finance charges allocated to future periods are separately disclosed in the notes.

The interest element of the rental obligation applicable to each financial year is charged to the statement of comprehensive income over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The cost of improvements to or on leased property is capitalized, and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

Any excess of sales proceeds over the carrying amount of assets in respect of a sale and leaseback transaction that result in a finance lease, is deferred and amortized over the lease term.

## **2.2.5 Investment property.**

### **a) Basis of Recognition.**

Investment Property is Property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

### **b) Basis of Measurement.**

Investment Property is recognized when and only when it is probable that the future economic benefits associated with the item will flow to the group and the cost of the investment property can be measured reliably. Investment property, comprising freehold land and buildings, is property held for long term rental or for capital appreciation or both and is not occupied substantially for the supply of goods or services or administration and is not intended for sale in the ordinary course of business.

Investment property is initially and subsequently measured at its cost including related transaction costs and is therefore carried at cost less accumulated depreciation and any accumulated impairment losses.

The Board's investment property is revalued annually to open market value, with changes in the carrying value recognised in the Statement of Comprehensive Income.

### **c) De-recognition.**

Investment properties are de-recognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the Statement of Comprehensive Income in the year of retirement or disposal.

#### **d) Subsequent Transfers To/From Investment Property.**

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development with a view to sale.

### **2.2 6 Impairment of non financial Assets.**

The Board assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists or when annual impairment testing for an asset is required the Board makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. These calculations are collaborated by valuation multiples, quoted share prices or other available fair value indicators.

Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Board makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot "exceed" the carrying amount that would have been determined, net of depreciation had, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

### **2.2.7 Non Current Assets Held For Sale.**

Noncurrent assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sales transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell.

Non-current assets and disposal groups are classified as held for sale only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Property, Plant and Equipment and intangible assets once classified as held for sale are not depreciated or amortized.

## 2.2.8 Financial Assets.

The Board classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Board's accounting policy for each category is as follows:

### (a) Loans and receivables.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue. The loans and trade receivables were not amortized and shown at fair value as recovery is certain since staff are in employment.

- Housing Loan – Basic salary of 7 years (up to a maximum of Rs. 2,500,000/-). Interest rate 4% recoverable before age of 55 years.
- Distress loan – Basic salary of 10 months (up to a maximum of Rs. 250,000/-). Interest rate 4.2%. Recoverable in 60 monthly instalments.

#### Note 1 -

- A sum of Rs. 550 million out of Rs. 600 million in Building Reserve Fund as at 12/ 09/2016 & 02/12/2016 was transferred to Consolidated Fund on assurance that the Treasury would pay back funds when needed to construct proposed new office building.

### (b) Trade and Other Receivables.

Trade and other receivables are initially measured at fair value cost

### (c) Provision for Bad Debts

Bad Debts Provision of Rs.18,125,170/- was provided as against scratch & passive lottery debtors balances as at 31.12.2016 (5% was provided for the unsecured balance of debtors after deducting the amounts covered under the insurance scheme and bank guarantees).

## 2.2.9 Inventories.

Inventories are measured at cost only as there is no net realizable value (NRV) due to the short life cycle of the product, after making due allowances for obsolete and slow moving items. As the lottery ticket stocks are fast moving, there is no requirement to identify NRV. Net realizable value is price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and estimated cost necessary to make the sale

The stock of prizes which includes gold items, motor vehicles and other prizes are valued at cost as there is no sale value for them – only the cost incurred. All such stocks are offered as prizes any time in the future but not sold in an arms-length transaction.

The cost incurred in bringing inventories to its present location and condition is accounted for as the cost of inventory.

### **2.2.10 Cash and Cash Equivalents.**

Cash and cash equivalents are defined as cash in hand and demand deposits. This includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows

The cash flow statements are reported based on the indirect method.

## **2.3 LIABILITIES & PROVISIONS**

### **2.3.1 Liabilities.**

Liabilities classified under current liabilities in the Statement of Financial Position are those expected to fall due within one year from the balance sheet date. All known liabilities have been accounted for in preparing the financial statements.

The Board has obtained an interest free term loan of Rs. 325 million from PRF during the year 2014 and 205 million was settled during the year 2015. Balance payable amounting to Rs. 120 million is shown as current liabilities.

Trade and Other Payables.

Trade creditors and other payables are stated at their book values.

### **2.3.2 Provisions, Contingent Assets and Contingent Liabilities.**

Provisions are recognized when the Board has a present obligations (legal & constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

All the contingent liabilities are disclosed as notes to the Financial Statements unless the outflow of resources is made contingent asset if exits are disclosed when inflow of economic benefit is probable.

### **Income Tax on Contribution to the Consolidated Fund.**

The Department of Inland Revenue has imposed an additional Income Tax on contribution made to the Consolidated Fund amounting to Rs.1,644,103,198/- for the years of assessment 2010/ 2011 to 2012/2013.As per the directions given by the Treasury, arrangements have been made to pay total Income Tax liability pertaining to the above years of assessment in 30 monthly installments commencing from April 2015.The payment are being made accordingly.

### **Reinstatement or Compensation.**

The Board may have to pay Rs.3,000,000/- as compensation for a former employee who filed action against the Board in the Labour Tribunal Colombo.

### **Defamation.**

The Board may have to pay Rs.50,000,000/-as defamation for a person who had filed action against the Board in the District Court of Colombo.

### **Recovery of Dues**

The Board may have to pay Rs.22,191,120/-as recovery of dues for a person who had filed action against the Board in the High Court.

## **2.3.3 Retirement Benefit Obligations**

### **Defined Contribution Plans EPF & ETF.**

All employees who are eligible for Employees Provident Fund contribution and Employee Trust Fund contribution are covered by relevant contribution funds in line with respective statutes and regulations. Contribution to defined contribution plans are recognized as expenditure in the Income Statement.

### **Defined Benefit Plan Retiring Gratuity.**

Provision is made in financial statements for retirement gratuities payable under the provision of Gratuity Act No. 12 of 1983 for all employees who have completed five years of continued service with the board. Provision for gratuity on the employees of the Board is on an actuarial basis, using the Projected Unit Credit (PUC) method as recommended by Sri Lanka Accounting Standard No.19 'Employee Benefits'. The actuarial valuation was carried out by a professionally qualified firm of actuaries Messers Actuarial & Management Consultants (Pvt) Ltd as at 31.12.2016. The Board expects to carry out actuarial valuation every year. The key assumption used by the actuary include the followings

Method of Actuarial Valuation	2016 Projected Unit Credit Method (PUC)
Discount Rate	10%
Future Salary increment	1% p.a. with next increment on anniversary of Date of joining and thereafter annually.
Future Allowance increment	10% increment on 01.01.2017
Retirement Age	60 years
Mortality Table	A 1967/70 mortality table

The liability is not externally funded.

In year 2011 gratuity was provided based on one month salary and was accounted under PUC method which amounted to Rs. 3,620,091. However since August 2012 this was reverted back to half month salary for each completed year of service.

### 2.3.4 Taxation

#### Current Tax.

The provision for Income Tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No.10 of 2006 and the amendments thereto.

#### Deferred Taxation.

Deferred tax is provided using the liability method on temporary differences at the Balance Sheet date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities recognized for all temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each Statement of Financial Position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the date of the Statement of Financial Position.

## **2.4 INCOME STATEMENT**

### **2.4.1 Revenue Recognition**

#### **a) Sale of Goods.**

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 can be reliably measured. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably.

#### **b) Interest.**

Interest income is recognized using the effective interest method which is accrued on time basis.

#### **c) Others.**

Other income is recognized on an accrual basis.

### **2.4.2 Expenditure Recognition.**

Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All the expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

## **2.5 RISK MANAGEMENT**

In common with all other businesses, the Board is exposed to risks. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these Financial Statements. The Board is exposed through its operations to the following risks.

#### **a) Political Risk.**

The changes in the political arena will have a bearing on the affairs of the Board. However, the Management and the systems are well in place to mitigate such risks.

#### **b) Legal Risk.**

The legal risk relates to the implementation of new lotteries or any regulations which curtail the sales of the lotteries within the country.

#### **c) Reputational Risk.**

The potential for fraudulently printed lotteries to enter the market will lead to reputational risk. But, the Board has introduced preventive measures to minimize such risks.

#### **d) Operational Risk.**

Staff negligence, natural disasters, break down of technical equipment are the threats to operations of NLB.

#### **e) Liquidity Risk.**

The risk of super prizes been won continuously in all the passive lotteries threatens the liquidity of the Board. However, the strength in the prizes reserve will help them face the risk.

#### **f) Economic Risk.**

The Governmental Regulations on disposable income will affect the buying patterns of lotteries by the general public.

The Board has overall responsibility for the determination of the Board's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensures the effective implementation of the objectives and policies to the relevant divisions. The Board receives monthly reports from the Board's Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Board's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Board's competitiveness and flexibility.

## **2.6 GENERAL**

### **2.6.1 Events Occurring after the Balance Sheet Date.**

All material events occurring after the balance sheet date have been considered and where necessary adjustments to or disclosures have been made in the respective notes to the Financial Statements.

#### **Imposition of Excise Duty**

In terms of Section 3 of the Excise (Special Provision) Act No.13 of 1989 an excise duty of 15% or Rs.5.00 per lottery ticket whichever is higher was imposed with effect from 01/01/2017. The Board has increased selling price of a ticket from Rs.20.00 to Rs.30.00 with the concurrence of the Ministry of Finance to facilitate the payment of excise duty. Turnover of the Board for the month of January 2017 was dropped drastically and Price increase was revert back to the original Price of Rs.20.00 with effect from 01/02/2017.

#### **Contingencies & Unrecognized Contractual Commitments.**

Contingencies are possible assets or obligation that arise from past event and would be confirmed only on the occurrence or non occurrence of uncertain future events, which are beyond the Board's control.

### **2.6.2 Comparative Figures**

Where necessary, comparative figures have been reclassified to conform to the current year's presentation.

### **2.6.3 Treatment of Consolidated Fund payments in Income Statement.**

The contribution made to the Consolidated Fund up to 2011 was shown as a direct expense under Income Statement. However in year 2012 the Consolidated Fund was shown under equity statement as Consolidated Fund was disallowed for income tax calculation. From January 2013 onwards Consolidated Fund payments are treated as allowable expenses and hence the Board has shown it in the Income Statement as direct expenses as was the practice prior to 2012.

### **2.6.4 Forfeited Prizes**

A sum of Rs. 365,393,530/- was forfeited in 2016. This consists of Rs.188,327,090/-forfeited from 1.1.2016 to 30.6.2016 (for draws held from 1.7.2015 to 31.12.2015), Rs.94,572,240/- forfeited from 1.7.2016 to 30.9.2016 (for draws held from 1.1.2016 to 31.3.2016) and Rs. 82,494,200/- forfeited from 1.10.2016 to 31.12.2016 (for draws held from 1.4.2016 to 30.6.2016). Forfeited prizes always represent two financial years and payments are made accordingly.

## 2.6.5 Distribution of Funds

With the approval of the Ministry of Finance and Planning, the Board increased the price of a ticket from Rs. 10.00 to Rs. 20.00 with effect from 02nd September 2008. Agency commission too increased from 15% to 17.5% accordingly.

### (a) Distributions of income for passive lotteries are as follows.

	Mahajana Sampatha	Vasana Sampatha	Govisetha	Supiri Vasana	Jathika Sampatha	Sampath Rekha	Double Bonus	Power Lotto	Neeroga
Prizes	49%	47%	47%	47%	47%	47%	58%	48%	47%
Dealer Commission	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%
Consolidated Fund	16.50%	16.50%	10%	10%	10%	10%	10%	10%	10%
Board	17%	19%	25.50%	25.50%	25.50%	25.50%	14.50%	24.50%	25.50%

	Mega Power	Supiri Delakshapathi	Vasana Sampatha Super 50	Manusath Mehewara	Raja Dinuma
Prizes	48%	52%	47%	26%	58%
Dealer Commission	17.50%	17.50%	17.50%	17.50%	17.50%
Consolidated Fund	10%	10%	16.50%	-	10%
Board	24.50%	20.50%	19%	56.50%	14.50%

The Board conducts the Colombo Airport Super Draw lottery & Dollar Fortune Lottery on behalf of the Airport & Aviation Services (Sri Lanka) Ltd. The net proceeds are payable to the Airport & Aviation Services (Sri Lanka) Ltd. through the Consolidated Fund.

### (b) Distribution of income for Scratch Lotteries.

	Samurdhi 10/-	Samurdhi 20/-	Sevana 10/-	Sevana 20/-
Prizes	49%	53%	49%	53%
Dealer Commission	15%	17.50%	15%	17.50%
Consolidated Fund	10%	10%	10%	10%
Board	26%	19.50%	26%	19.50%

**(c) Contributions to the Consolidated Fund and the relevant Ministries through the Consolidated Fund are hereunder.**

**Passive Lotteries**

Mahajana Sampatha	- Sunday, Tuesday, Thursday & Friday	-16.5%	- Consolidated Fund
Vasana Sampatha	- Monday & Thursday	-16.5%	- Consolidated Fund
Govisetha	- Monday, Thursday, Saturday & Wednesday	-10%	- Ministry of Agriculture
Supiri Vasana	- Wednesday	-10%	- Ranawiru Sewa Authority
	- Saturday	-10%	- Ministry of Sports & Ministry of Social Services (5% each)
Jathika Sampatha	- Wednesday	-10%	- Ministry of Health
	- Saturday	-10%	- Ministry of Labour
Sampath Rekha	- Sunday, Tuesday & Friday	-10%	- Consolidated Fund
Neeroga	- Tuesday, Friday & Sunday	-10%	- National Kidney Fund
Mega Power	- Monday & Wednesday	-10%	- Consolidated Fund
Supiri Delakshapathi	- Friday	-10%	- Consolidated Fund

**Instant Lotteries**

Samurdhi	-10%	- Ministry of Samurdhi & Youth Affairs
Sevana	-10%	- Ministry of Housing

**Under mentioned Passive Lotteries have been discontinued during the year under review**

Power Lotto	- 30.03.2016	- 10%	- Consolidated Fund
Vasana Super50	- 10.10.2016	- 16.50%	- Consolidated Fund
Manusath Mehewara	- 04.08.2016	-	- did not contribute due to net deficit.
Raja Dinuma	- 30.12.2016	- 10%	- Consolidated Fund

## Notes

Note - 03 Turnover	2016 Rs.	2015 Rs.
Mahajana Sampatha	5,342,079,200	4,734,072,600
Vasana Sampatha	1,142,713,800	1,350,011,000
Vasana Sampatha Super 50	154,105,600	-
Govisetha	4,011,269,600	4,510,796,200
Supiri Vasana	1,682,786,600	1,747,288,400
Jathika Sampatha	1,354,628,800	1,319,314,600
Sampath Rekha	1,631,768,800	1,629,783,800
Double Bonus/Mega 50	-	176,692,800
Power Lotto	71,646,750	305,303,300
Mega Power	1,134,625,400	-
Neeroga	1,307,799,800	431,746,120
Manusath Mehewara	29,756,400	-
Supiri Delakshapathi	516,648,400	-
Raja Dinuma	139,795,200	-
Colombo Airport Super Draw	-	39,578,321
Samurdhi	176,094,900	206,312,000
Sevana	1,474,698,500	943,564,540
<b>Total</b>	<b>20,170,417,750</b>	<b>17,394,463,681</b>

Note - 04 Cost of Sales	2016 Rs.	2015 Rs.
Ticket Printing Chargess	609,845,633	494,409,498
Agency Commission	3,525,166,606	3,034,113,221
Main Commission	246,569,983	210,545,870
Prize Declared	9,723,421,286	8,367,984,720
Consolidated Fund	2,445,594,544	2,130,953,970
<b>Total</b>	<b>16,550,598,052</b>	<b>14,238,007,279</b>

Note 04-01 Tickets Printing Charges	2016 Rs.	2015 Rs.
<b>Opening Stock as at 1st January</b>		
Passive Lottery	2,755,034	2,697,275
Sevana Lottery	15,618,255	12,183,469
Samurdhi Lottery	2,871,880	3,347,602
	21,245,169	18,228,347
Add: Purchase of Tickets During the year	592,158,195	497,426,320
	613,403,364	515,654,667
<b>Less: Closing Stock as at 31st December</b>		
Passive Lottery	3,205,874	2,755,034
Sevana Lottery	351,857	15,618,255
Samurdhi Lottery	-	2,871,880
	3,557,731	21,245,169
<b>Total</b>	<b>609,845,633</b>	<b>494,409,498</b>

<b>Note 04-02 Agency Commission</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Mahajana Sampatha	934,863,860	828,462,705
Vasana Sampatha	199,974,915	236,251,925
Vasana Sampatha Super 50	26,968,480	-
Govisetha	701,972,180	789,389,335
Supiri Vasana	294,487,655	305,775,470
Jathika Sampatha	237,060,040	230,880,055
Sampath Rekha	285,559,540	285,212,165
Double Bonus/Mega 50	-	30,921,240
Power Lotto	12,538,181	53,428,078
Mega Power	198,559,445	-
Neeroga	228,864,965	75,555,571
Manusath Mehewara	5,207,370	-
Supiri Delakshapathi	90,413,470	-
Raja Dinuma	24,464,160	-
Colombo Aripport Super Draw	-	351,783
Samurdhi	26,410,108	32,761,100
Sevana	257,822,238	165,123,795
<b>Total</b>	<b>3,525,166,606</b>	<b>3,034,113,221</b>

<b>Note 04-03 Main Agency Commission</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Mahajana Sampatha	66,386,355	58,685,412
Vasana Sampatha	14,194,058	16,761,345
Vasana Sampatha Super 50	1,919,138	-
Govisetha	49,822,585	56,147,991
Supiri Vasana	20,922,041	21,758,016
Jathika Sampatha	16,839,997	16,432,623
Sampath Rekha	20,274,919	20,240,352
Double Bonus/Mega 50	-	2,215,460
Power Lotto	1,142,743	3,739,449
Mega Power	14,118,980	-
Neeroga	16,265,591	5,366,212
Manusath Mehewara	421,719	-
Supiri Delakshapathi	6,415,761	-
Raja Dinuma	1,740,056	-
Samurdhi	1,713,237	1,650,496
Sevana	14,392,804	7,548,516
<b>Total</b>	<b>246,569,983</b>	<b>210,545,870</b>

<b>Note: 04-04 Prize Declared</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Mahajana Sampatha	2,617,611,719	2,319,695,574
Vasana Sampatha	537,075,486	634,505,170
Vasana Sampatha Super 50	72,429,632	-
Govisetha	1,885,296,712	2,120,074,214
Supiri Vasana	791,009,702	821,203,368
Jathika Sampatha	636,675,536	620,077,862
Sampath Rekha	766,931,336	765,998,386
Double Bonus/Mega 50	-	102,481,824
Power Lotto	34,390,440	146,545,584
Mega Power	544,620,192	-
Neeroga	614,665,906	202,920,676
Manusath Mehewara	7,736,664	-
Supiri Delakshapathi	268,657,168	-
Raja Dinuma	81,081,216	30,397,096
Samurdhi	86,235,632	103,995,760
Sevana	779,003,945	500,089,206
<b>Total</b>	<b>9,723,421,286</b>	<b>8,367,984,720</b>

<b>Note: 04-05 Consolidated Fund</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Mahajana Sampatha	881,443,068	781,121,979
Vasana Sampatha	188,547,777	222,751,815
Vasana Sampatha Super 50	25,427,424	-
Govisetha	401,126,960	451,079,620
Supiri Vasana	168,278,660	174,728,840
Jathika Sampatha	135,462,880	131,931,460
Sampath Rekha	163,176,880	162,978,380
Double Bonus/Mega 50	-	17,669,280
Power Lotto	7,164,675	30,530,330
Mega Power	113,462,540	-
Neeroga	130,779,980	43,174,612
Supiri Delakshapathi	51,664,840	-
Raja Dinuma	13,979,520	-
Samurdhi	17,609,490	20,631,200
Sevana	147,469,850	94,356,454
<b>Total</b>	<b>2,445,594,544</b>	<b>2,130,953,970</b>

<b>Note No - 05 Other Income</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Interest Income	244,970,670	88,713,366
Sundry Income	4,575,434	3,484,585
<b>Total</b>	<b>249,546,104</b>	<b>92,197,951</b>

<b>Note No - 06 Sales Marketing &amp; Distribution Costs</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Distribution Costs	203,723,859	95,644,763
Marketing & Sales Promotion Expenses	1,013,545,562	753,535,738
Communication Expenses	28,899,226	23,210,863
<b>Total</b>	<b>1,246,168,647</b>	<b>872,391,364</b>

<b>Note No 06 - 1 Distribution Expenses</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Motor Vehicles - Fuel	8,316,930	7,041,580
Motor Vehicles - Repairs and Maintenance	7,460,333	6,493,924
Motor Vehicles - Insurance	3,076,452	1,489,179
Motor Vehicles - Revenue License	285,965	386,189
Motor Vehicles - Tires and Tubes	1,005,224	796,774
Motor Vehicles - Other Expenses	189,194	229,712
Motor Vehicles - Depreciation	27,489,766	24,363,858
Tickets Transport Charges	9,600,368	7,224,702
Agent Relief Exp. /Cost of Returned Tickets	90,729	284,316
Agent's & Sellers Welfare	4,350	17,480
Dealers & Agents Training & Conference	13,525,647	3,351,989
Scholarships to Agents' Children	1,638,500	2,332,500
Sales Incentive for Dealers & Agents	639,108	1,514,382
Credit Insurance Expenses	3,734,621	-
Agent Medical Expenses	4,842,676	9,330,547
Agent Additional Sales Promotional Expenses	56,845,059	28,794,132
Agent Appreciation Token for Prize Winners	2,828,500	1,993,500
20 Bil. Sales Target Achievement Incentive Dealers & Others	57,709,945	-
Paym. to Asarana Sarana Fund ( Neeroga Incentive )	4,440,492	-
<b>Total</b>	<b>203,723,859</b>	<b>95,644,763</b>

<b>Note No 06 - 2</b>	<b>2016</b>	<b>2015</b>
<b>Marketing &amp; Sales Promotional Expenses</b>	<b>Rs.</b>	<b>Rs.</b>
Production & Telecasting	333,083,385	260,852,864
Publication of Lottery Results	73,540,558	45,895,044
Brand Promotional Advertising	468,895,374	298,749,100
Corporate Advertising	83,577,467	102,682,084
CSR - Corporate Social Responsibility	34,469,002	-
Out Station Draw Expenses	6,790	33,139,335
BTL Advertising Exp	6,636,026	-
Sales Booth to Agent	6,562,100	9,382,829
Written off Non Recovery of Sales Booth & ect.	3,754,488	-
Special Events & Special Draw Prizes	-	1,247,980
Public Relation Expenses	3,020,371	1,586,502
<b>Total</b>	<b>1,013,545,562</b>	<b>753,535,738</b>

<b>Note No 06 - 3</b>	<b>2016</b>	<b>2015</b>
<b>Communication Expenses</b>	<b>Rs.</b>	<b>Rs.</b>
Postage & Telegrams	188,043	151,092
Telephone, Faxes, and Internet	16,635,496	14,735,216
Printing & Stationery	11,122,526	7,619,957
Press Notices	953,161	704,598
<b>Total</b>	<b>28,899,226</b>	<b>23,210,863</b>

<b>Note No - 07</b>	<b>2016</b>	<b>2015</b>
<b>Administrative Expenses</b>	<b>Rs.</b>	<b>Rs.</b>
Personnel Emoluments	380,279,707	320,462,652
Establishment Expenses	141,013,324	142,489,474
Other Administrative Expenses	172,156,440	139,425,365
<b>Total</b>	<b>693,449,471</b>	<b>602,377,490</b>

<b>Note No - 08</b>	<b>2016</b>	<b>2015</b>
<b>Finance Cost</b>	<b>Rs.</b>	<b>Rs.</b>
Bank Charges	40,212,740	36,563,614
<b>Total</b>	<b>40,212,740</b>	<b>36,563,614</b>

<b>Note No - 09</b>	<b>2016</b>	<b>2015</b>
<b>Income Tax</b>	<b>Rs.</b>	<b>Rs.</b>
Current Year Income Tax	334,771,948	588,706,122
Deemed Dividend Tax	140,529,430	80,523,786
<b>Total Current year Income tax</b>	<b>475,301,378</b>	<b>669,229,908</b>
Deffered Tax Expenses	6,826,859	555,321
<b>Total</b>	<b>482,128,237</b>	<b>669,785,229</b>

**Note :No - 10 - Proper Plant & Equipment**

	Land Rs.	Buildings Rs.	Motor Vehicles Rs.	Computers & Accessories Rs.	Computers Software Rs.	Office Equipment Rs.	Draw Barrels Rs.	Furniture & Fittings & Rs.	2016 Total Rs.	2015 Total Rs.
<b>COST</b>										
Balance Beginning of the Year	500,000,000	22,140,000	196,577,529	102,387,999	20,927,615	43,103,139	152,979,391	24,139,158	1,062,254,833	919,627,149
Additions during the Year	-	-	33,320,180	10,780,918	1,026,600	4,686,377	6,185,000	3,602,805	59,601,880	163,574,915
Disposal during the Year	-	-	(3,860,000)	(1,267,758)	-	(1,082,240)	-	(271,307)	(6,481,305)	(4,558,438)
Transferred during the Year	-	-	-	(900,800)	-	(497,240)	-	(367,373)	(1,765,413)	(815,317)
Accumulated Depreciation - Revaluation	500,000,000	22,140,000	226,037,709	111,000,358	21,954,215	46,210,036	159,164,391	27,103,283	1,113,609,994	1,077,828,309
Gain on Revaluation	-	-	-	-	-	-	-	-	-	(64,025,552)
Balance end of the Year	500,000,000	22,140,000	226,037,709	111,000,358	21,954,215	46,210,036	159,164,391	27,103,283	1,113,609,994	1,062,254,833
<b>PROVISION FOR DEPRECIATION</b>										
Balance Beginning of the Year	-	1,755,000	80,682,646	44,884,118	17,966,357	20,304,039	27,908,059	4,631,168	198,131,387	157,229,422
Depreciation for the Year	-	1,107,000	54,979,531	24,460,579	1,741,781	7,351,363	31,338,854	2,497,597	123,476,705	108,789,706
Depreciation on Disposal	-	-	(1,673,334)	(799,364)	-	(484,755)	-	(108,683)	(3,066,136)	(3,695,595)
Transferred during the Year	-	-	-	(518,879)	-	(344,195)	-	(172,616)	(1,035,690)	(166,595)
Accumulated Depreciation - Revaluation	-	2,862,000	133,988,843	68,026,454	19,708,138	26,826,452	59,246,913	6,847,466	317,506,266	262,156,938
Balance End of the Year	-	2,862,000	133,988,843	68,026,454	19,708,138	26,826,452	59,246,913	6,847,466	317,506,266	(64,025,552)
Written Down Value as at 31.12.2016	500,000,000	19,278,000	92,048,866	42,973,905	2,246,077	19,383,584	99,917,478	20,255,817	796,103,728	-
Written Down Value as at 31.12.2015	500,000,000	20,385,000	71,852,293	41,446,008	2,961,258	19,458,486	125,071,332	18,923,517	-	864,123,447
Rate of Depreciation	-	05%	25%	25%	25%	20%	20%	10%		

Land - Vauxhall Street  
Building - Nardhenpita Chairman's Bunglow & Vauxhall Building

Note : 11- Investment Property  
Circuit Bungalows - Anuradhapura & Mannar

<b>Building Lease Hold Cost</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
<b>Cost</b>		
Balance Beginning of the year	50,530,000	50,530,000
Additions during the year transferred from P.P.E	-	-
	50,530,000	50,530,000
Accumulated Depreciation - Revaluation	-	-
Loss on Revaluation - Mannar Circuit	-	-
<b>Balance end of the year</b>	<b>50,530,000</b>	<b>50,530,000</b>
<b>Provision for Depreciation</b>		
Balance Beginning of the year	13,065,978	6,532,989
Amortization for the year transferred from P.P.E.	6,532,989	6,532,989
	-	-
	19,598,967	13,065,978
Accumulated Depreciation - Revaluation	-	-
<b>Balance end of the year</b>	<b>19,598,967</b>	<b>13,065,978</b>
<b>Written Down Value as at 31.12.2016</b>	<b>30,931,033</b>	-
<b>Written Down Value as at 31.12.2015</b>	-	<b>37,464,022</b>

Note No. 12  
Intangible Assets

<b>Computer Software</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
<b>Cost</b>		
Balance Beginning of the year	62,124,550	62,124,550
Additions during the year transferred from P.P.E	4,934,366	-
	-	-
	67,058,916	62,124,550
Accumulated Depreciation - Revaluation	-	-
Gain on Revaluation	-	-
<b>Balance end of the year</b>	<b>67,058,916</b>	<b>62,124,550</b>
<b>Provision for Depreciation</b>		
<b>Balance Beginning of the year</b>	42,292,066	28,411,295
Amortization for the year transferred from P.P.E	12,679,131	13,880,771
	-	-
	54,971,197	42,292,066
Accumulated Depreciation - Revaluation	-	-
<b>Balance end of the year</b>	<b>54,971,197</b>	<b>42,292,066</b>
<b>Written Down Value as at 31.12.2016</b>	<b>12,087,719</b>	
<b>Written Down Value as at 31.12.2015</b>		<b>19,832,484</b>

<b>Note No - 13 Inventories</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Printed Tickets Stocks	5,564,705	21,245,169
Prizes Stocks	74,906,099	29,751,855
Consumable Stocks	5,633,655	5,800,818
Un serviceable Stocks - Non Current Assets	729,722	648,722
<b>Total</b>	<b>86,834,181</b>	<b>57,446,564</b>

<b>Note No. - 14 Trade Receivables</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Sweep/Trade Debtors	541,277,567	114,901,546
Return Cheques - Sevana & Samurdhi	813,399	697,199
	542,090,966	115,598,745
Less: Provision for Doubtful Debts	(18,125,170)	(10,814,029)
<b>Total</b>	<b>523,965,796</b>	<b>104,784,716</b>

<b>Note No. - 15 Other Current Assets</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Other Debtors	14,267,107	17,331,048
Accounts Receivables	19,296,091	9,837,192
Staff Loans	35,294,329	28,056,145
Deposits & Prepayments	21,443,974	20,696,334
Deferred Revenue, Expenditure - CASD	15,012,560	-
Income Tax Receivable from Consolidated Fund	566,693,693	648,627,206
<b>Total</b>	<b>672,007,752</b>	<b>724,547,926</b>

<b>Note No. 16 Cash &amp; Cash Equivalent</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Cash in Hand at Bank	241,192,008	401,181,429
Short term Deposits	2,527,118,556	2,832,657,866
<b>Total</b>	<b>2,768,310,564</b>	<b>3,233,839,295</b>

<b>Note No. 17 Retained Earnings</b>	<b>2016 Rs.</b>	<b>2015 Rs.</b>
Balance at the Beginning of the year	438,642,364	433,446,392
Profit for the year	414,761,431	241,016,039
	853,403,795	674,462,433
Less : Transfer to Building Reserve	(400,000,000)	(200,000,000)
Less : Written back to CASD Rent 2008 to 2015	16,000,000	-
Less : Written back to 50th Anniversary Expenses	48,766,800	-
Less : Special Contribution to Treasury	-	(50,000,000)
Add : Gain on Exchange Fluctuation	(1,522,862)	12,568,730
Add : Adjustment against Revaluation Gain on Disposal of P.P.& E.	5,900,810	863,700
Add : Adjustment against Revaluation Gain on Issued Gold Coins	-	747,503
<b>Total</b>	<b>522,548,543</b>	<b>438,642,364</b>

<b>Note No. 18</b> <b>Other Components of Equity</b>	<b>2016</b> <b>Rs.</b>	<b>2015</b> <b>Rs.</b>
Accumulated Treasury Fund	21,263,101	21,263,101
Treasury Grant - Motor Vehicle - Nissan Sunny N17	5,795,000	-
Revaluation Reserve	327,403,731	333,304,541
Building Reserve	50,000,000	200,000,000
Prizes Reserve	946,982,781	787,635,872
<b>Total</b>	<b>1,351,444,612</b>	<b>1,342,203,514</b>

<b>Note No. 19</b> <b>Deffered Tax Liability</b>	<b>2016</b> <b>Rs.</b>	<b>2015</b> <b>Rs.</b>
Balance at the Beginning of the year	47,425,591	46,870,270
Current year Defered Tax provision	6,826,859	555,321
<b>Total</b>	<b>54,252,450</b>	<b>47,425,591</b>

<b>Note No. 20</b> <b>Long Term Provisions</b>	<b>2016</b> <b>Rs.</b>	<b>2015</b> <b>Rs.</b>
Provision for Gratuity	29,270,262	29,339,168
Income tax Payable on Consolidated Fund	-	566,693,690
<b>Total</b>	<b>29,270,262</b>	<b>596,032,858</b>

<b>Note No. 21</b> <b>Trade &amp; Other payables</b>	<b>2016</b> <b>Rs.</b>	<b>2015</b> <b>Rs.</b>
Payable to Consolidated Fund	306,209,736	267,440,560
Sweep Collection in Advance	88,591,352	171,265,310
Loan due to Prizes Fund	60,000,000	120,000,000
Prizes Obligations	1,260,516,130	1,005,001,907
Trade & Other Creditors	104,285,076	186,945,963
Accrued Expenses	391,726,616	393,931,647
<b>Total</b>	<b>2,211,328,910</b>	<b>2,144,585,386</b>

<b>Note No. 22</b> <b>Current Tax Payables</b>	<b>2016</b> <b>Rs.</b>	<b>2015</b> <b>Rs.</b>
VAT & NBT Payables	101,127,564	82,796,603
Income Tax payables	692,955,038	1,017,566,020
<b>Total</b>	<b>794,082,602</b>	<b>1,100,362,623</b>

# 04. OPERATING & FINANCIAL REVIEW





# FINANCIAL HIGHLIGHTS

For the year ended 31st December

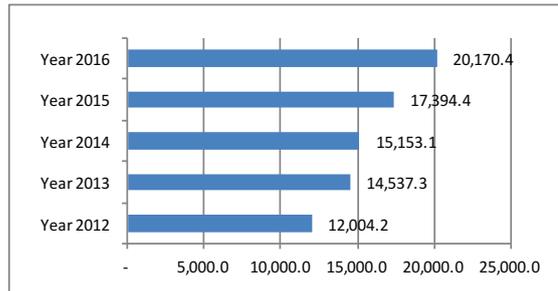
Description	2016 Rs.Mn	2015 Rs.Mn	Change Compared with 2015 (%)
Turnover	20,170.4	17,394.4	15.9
Contribution to Consolidated fund	2,445.5	2,130.9	14.7
Agency Commission	3,771.6	3,244.6	16.2
Prizes Allocation	9,723.4	8,367.9	16.1
Value Added Tax	706.8	573.2	23.3
Nations Building Tax	285.7	253.2	12.8
Other Income	249.5	92.1	170.9
Expenses	1,979.8	1,511.2	31.0
Profit before Tax	896.8	910.8	(1.5)
Profit for the Year	414.7	241.0	72.0
Income tax / SRL	482.1	669.8	(28.0)
Total Assets	4,962.9	5,677.4	(12.5)
Total Net Assets/ Equity	1,873.9	1,780.8	5.2
Profit before Tax to Turnover %	4.44%	5.23%	-
Profit before Tax to Total Assets %	18.07%	16.0%	-
Liquidity Ratio	1.3:1	1.2:1	-

## Contribution to State

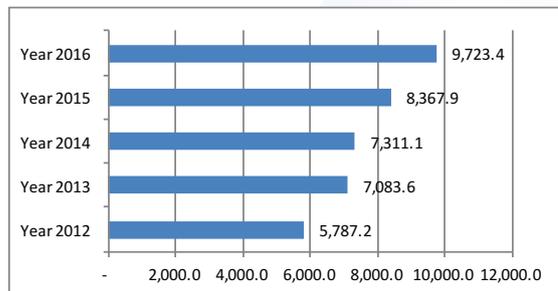
Description	2016 Rs.Mn	2015 Rs.Mn
<b>Direct Remittances</b>		
Contribution to consolidated fund	2,445.5	2,130.9
Special levy to treasury	550.0	50.0
	<b>2,995.5</b>	<b>2,180.9</b>
<b>Indirect Remittances</b>		
VAT	706.8	573.2
NBT	285.7	253.2
Income tax / SRL	482.1	669.8
Forfeited prizes	365.3	257.7
	1,839.9	1,753.9
<b>Total remittances to State</b>	<b>4,835.4</b>	<b>3,934.9</b>

# OVERALL PERFORMANCE

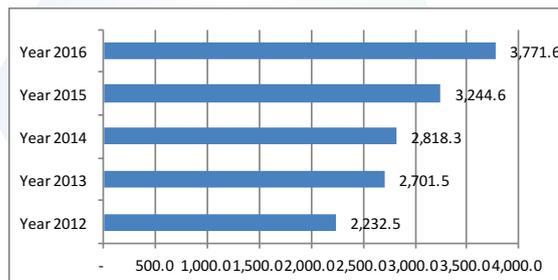
## Turnover (Rs.Mn)



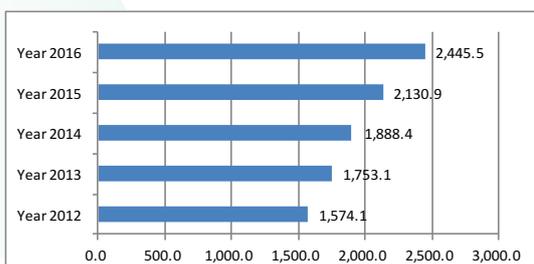
## Prizes Declared (Rs.Mn)



## Agency Commision (RS.Mn)



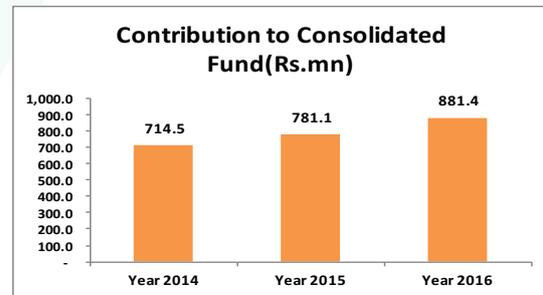
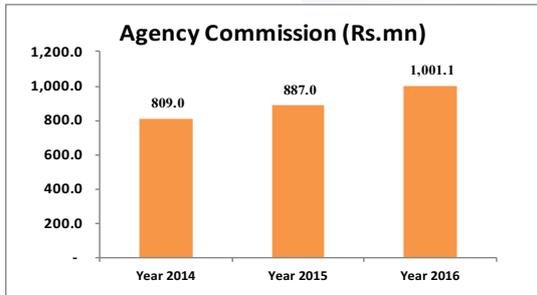
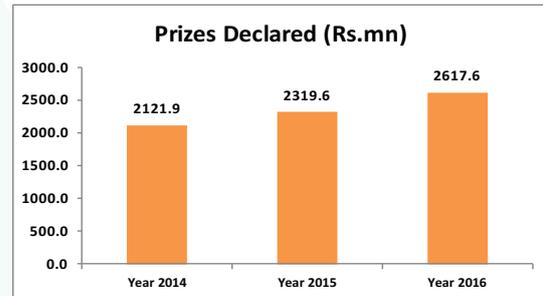
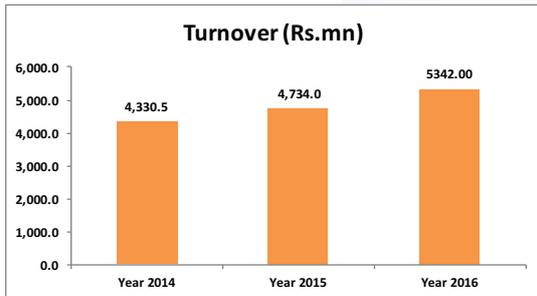
## Contribution to Consolidated Fund on sales (RS.Mn)



# PRODUCT WISE PERFORMANCE

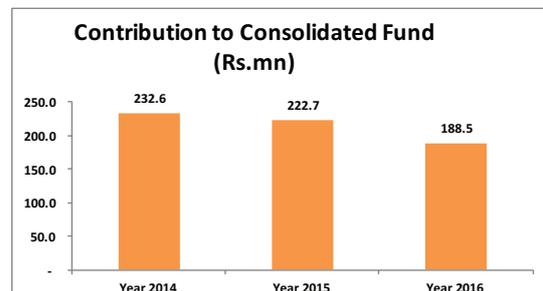
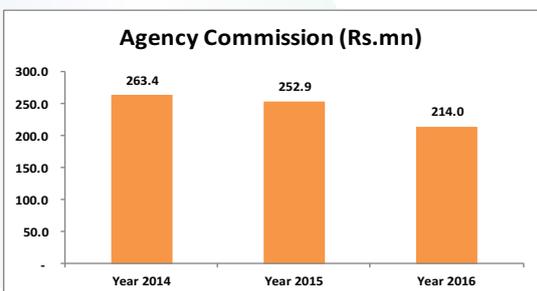
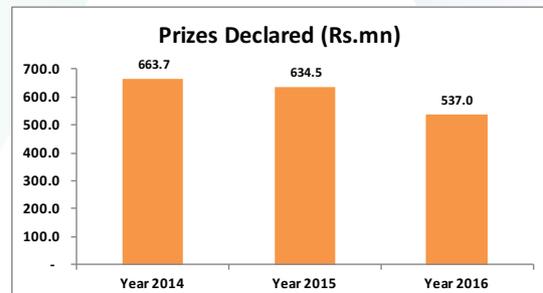
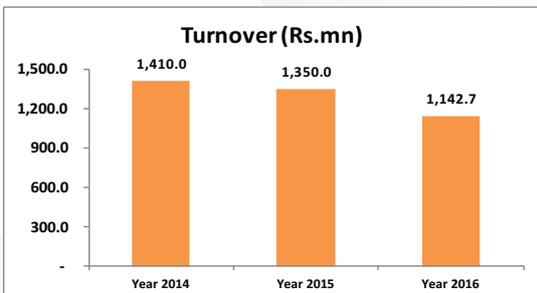
## MAHAJANA SAMPATHA

Description	2016 Rs. Mn	2015 Rs. Mn	2014 Rs. Mn
Turnover	5,342.0	4,734.0	4,330.5
Prizes Declared	2,617.6	2,319.6	2,121.9
Agency Commission	1,001.1	887.0	809.0
Contribution to Consolidated Fund	881.4	781.1	714.5



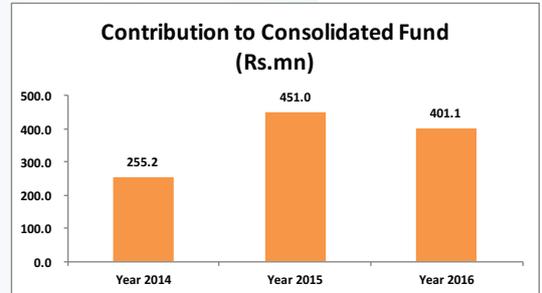
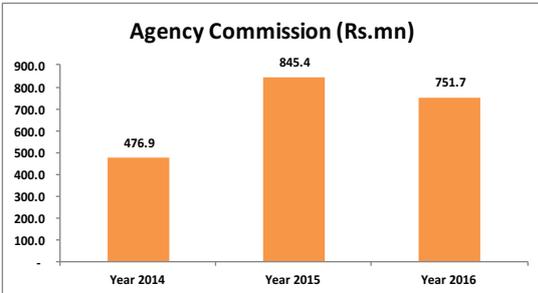
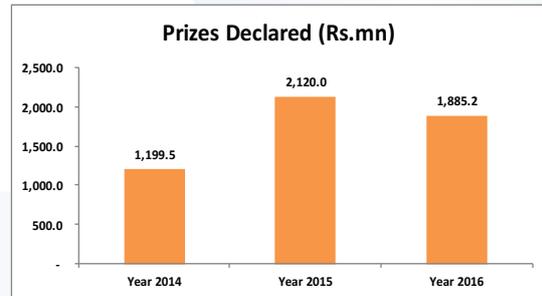
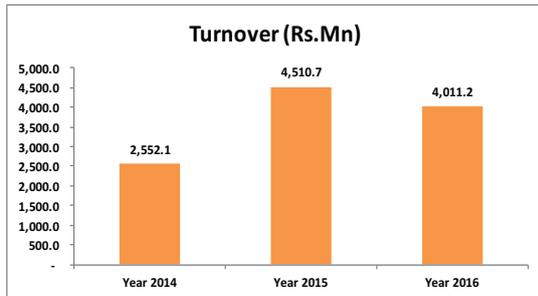
## VASANA SAMPATHA

Description	2016 Rs.	2015 Rs.	2014 Rs.
Turnover	1,142.7	1,350.0	1,410.0
Prizes Declared	537.0	634.5	663.7
Agency Commission	214.0	252.9	263.4
Contribution to Consolidated Fund	188.5	222.7	232.6



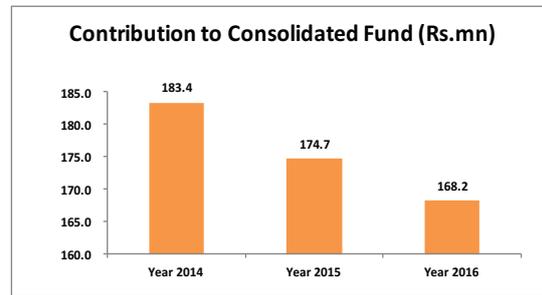
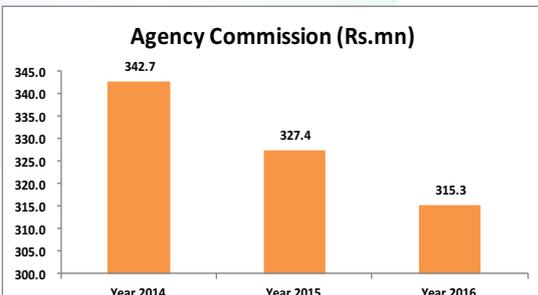
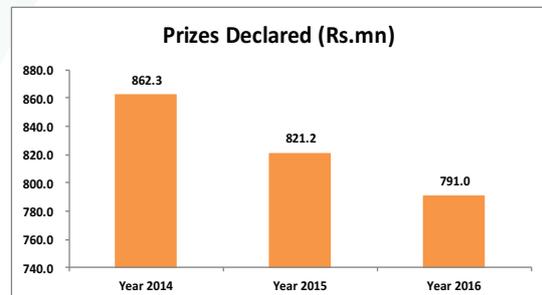
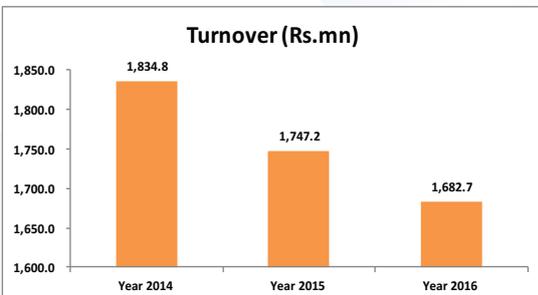
## GOVISETHA

Description	2016 Rs.	2015 Rs.	2014 Rs.
Turnover	4,011.2	4,510.7	2,552.1
Prizes Declared	1,885.2	2,120.0	1,199.5
Agency Commission	751.7	845.4	476.9
Contribution to Consolidated Fund	401.1	451.0	255.2



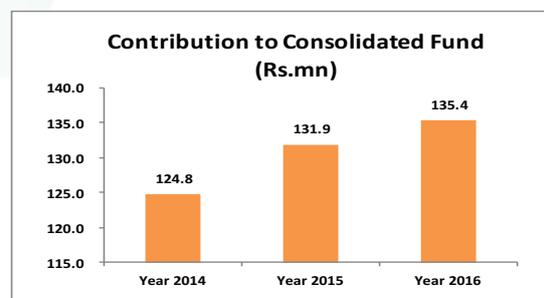
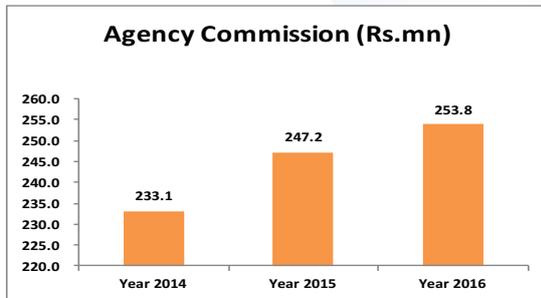
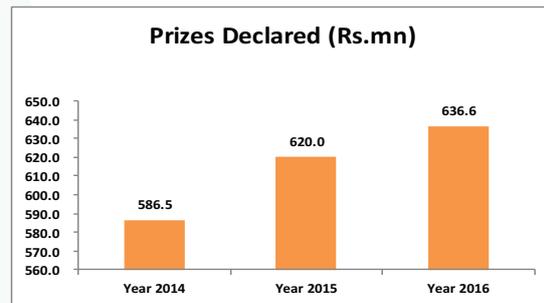
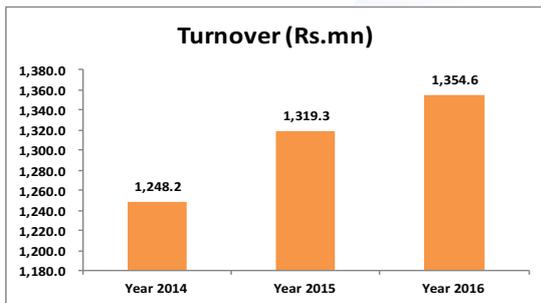
## SUPIRI VASANA

Description	2016 Rs.	2015 Rs.	2014 Rs.
Turnover	1,682.7	1,747.2	1,834.8
Prizes Declared	791.0	821.2	862.3
Agency Commission	315.3	327.4	342.7
Contribution to Consolidated Fund	168.2	174.7	183.4



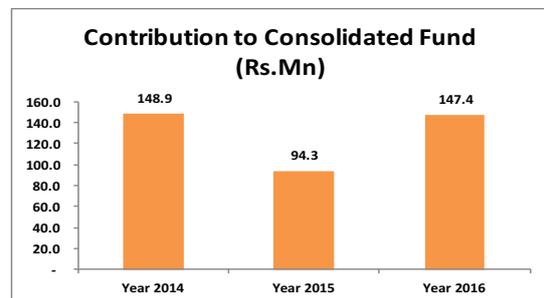
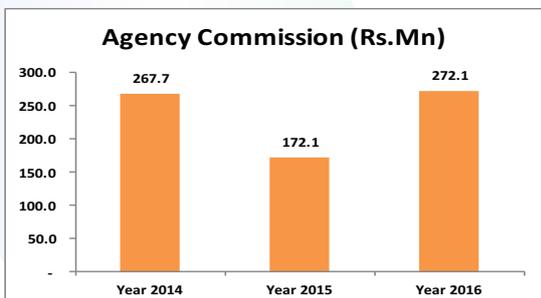
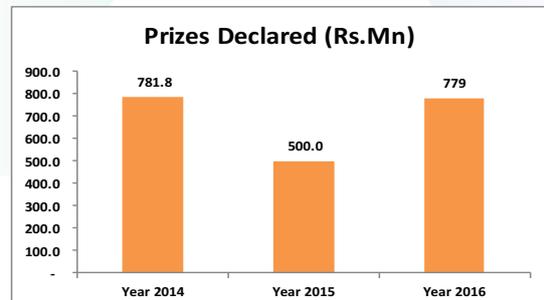
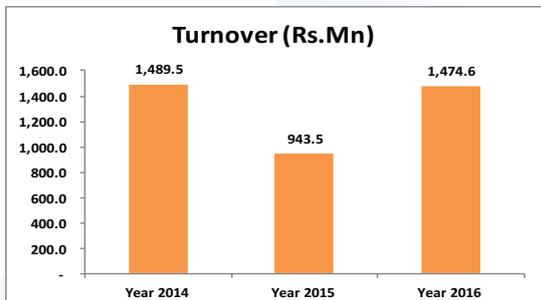
## JATHIKA SAMPATHA

Description	2016 Rs.	2015 Rs.	2014 Rs.
Turnover	1,354.6	1,319.3	1,248.2
Prizes Declared	636.6	620.0	586.5
Agency Commission	253.8	247.2	233.1
Contribution to Consolidated Fund	135.4	131.9	124.10



## SEVANA

Description	2016 Rs.	2015 Rs.	2014 Rs.
Turnover	1,474.6	943.5	1,489.5
Prizes Declared	779.0	500.0	781.8
Agency Commission	272.1	172.1	267.7
Contribution to Consolidated Fund	147.4	94.3	148.9



# TEN YEAR OPERATIONAL ROUND UP

National Lotteries Board											Figures in Rs.
Ten Year Operational Round up											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
Revenue	6,079,850,149	6,832,519,239	8,580,538,712	8,862,869,826	10,092,330,623	12,004,268,616	14,537,362,545	15,153,133,820	17,394,463,681	20,170,417,750	
Less: Indirect taxes											
VAT	280,749,153	298,114,596	317,545,635	315,515,516	365,159,981	428,810,159	507,792,059	540,502,194	573,252,862	706,888,280	
NBT			139,681,053	186,375,756	141,767,911	168,895,230	203,546,556	211,761,787	253,267,754	285,776,997	
Net Turnover after VAT & NBT	5,799,100,996	6,534,404,643	8,123,312,024	8,360,978,554	9,585,402,731	11,406,563,227	13,826,023,930	14,400,869,839	16,567,943,065	19,177,172,473	
Less: Cost of Sales											
Ticket Printing Charges	315,362,150	289,619,018	271,803,581	293,504,383	376,528,826	393,049,086	459,877,814	474,762,687	494,409,498	609,845,633	
Agency Commission	971,932,383	1,163,307,511	1,585,329,388	1,638,501,705	1,874,354,373	2,232,580,487	2,701,581,629	2,818,333,219	3,244,659,091	3,771,736,589	
Prizes Declared	2,944,926,273	3,373,592,920	4,246,564,845	4,295,786,207	4,857,951,333	5,787,269,625	7,083,652,537	7,311,136,590	8,367,984,720	9,773,421,286	
Contribution to Consolidated Fund on Sales	767,590,790	898,282,571	1,136,298,465	1,173,460,051	1,345,046,907	1,574,149,137	1,753,135,197	1,888,455,133	2,130,953,970	2,445,594,544	
	4,999,811,596	5,724,802,020	7,239,996,279	7,401,232,346	8,453,881,439	9,987,048,335	11,998,247,177	12,492,687,629	14,238,007,279	16,550,598,052	
<b>Gross Profit</b>	<b>799,289,400</b>	<b>809,602,623</b>	<b>883,315,745</b>	<b>959,726,208</b>	<b>1,131,521,292</b>	<b>1,419,514,892</b>	<b>1,827,776,753</b>	<b>1,908,182,210</b>	<b>2,329,935,786</b>	<b>2,627,174,421</b>	
Add: Other Income											
	191,205,560	257,996,742	340,680,571	212,424,233	178,866,137	275,197,318	220,209,583	88,823,238	92,197,950	249,546,105	
	990,494,960	1,067,599,365	1,223,996,316	1,172,150,441	1,310,387,429	1,694,712,210	2,047,986,336	1,997,005,448	2,422,133,736	2,876,720,526	
Less: Expenses											
Sales, Marketing & Distribution costs	488,011,003	557,650,809	583,815,438	500,848,485	531,801,210	674,909,121	1,069,000,355	1,284,599,303	872,391,364	1,246,168,647	
Administrative Expenses	269,993,917	311,203,508	365,193,951	362,334,768	356,796,344	411,913,602	465,114,112	573,472,839	602,377,490	693,449,471	
Finance Cost	21,746,255	25,717,200	30,483,249	29,936,142	25,807,844	26,004,291	37,190,847	29,743,395	36,563,614	40,212,740	
	779,751,175	894,571,517	979,492,638	893,119,395	914,405,398	1,112,917,014	1,571,305,314	1,887,815,537	1,511,332,468	1,979,830,858	
<b>Profit before Tax</b>	<b>210,743,785</b>	<b>173,027,848</b>	<b>244,503,678</b>	<b>279,031,046</b>	<b>395,982,031</b>	<b>581,795,197</b>	<b>476,681,023</b>	<b>109,189,911</b>	<b>910,801,268</b>	<b>896,889,668</b>	
Less: Income Tax Expense	140,065,071	129,986,050	198,991,306	231,393,156	186,878,002	269,604,238	610,087,951	117,853,496	669,785,229	482,128,237	
<b>Profit/(Loss) for the year</b>	<b>70,678,714</b>	<b>43,041,798</b>	<b>45,512,372</b>	<b>47,637,890</b>	<b>209,104,029</b>	<b>312,190,959</b>	<b>(133,406,928)</b>	<b>(8,663,585)</b>	<b>241,016,039</b>	<b>414,761,431</b>	
Direct & Indirect Contribution to Government											
Contribution to Consolidated Fund on Sales	767,590,790	898,282,571	1,136,298,465	1,173,460,051	1,345,046,907	1,574,149,137	1,753,135,197	1,888,455,133	2,130,953,970	2,445,594,544	
Special Contribution to General Treasury	-	-	-	16,000,000	-	702,000,000	500,000,000	-	50,000,000	550,000,000	
Contribution to Treasury on Forfeited Prizes	147,893,404	127,081,500	194,511,177	182,465,862	180,473,400	197,806,370	247,738,070	246,424,920	257,691,450	365,393,530	
Indirect Contributions - Taxes	420,814,224	428,100,646	656,217,994	733,284,427	693,805,894	867,309,627	1,321,426,566	870,117,477	1,496,305,845	1,474,773,514	
<b>Total</b>	<b>1,336,298,418</b>	<b>1,453,464,717</b>	<b>1,987,027,636</b>	<b>2,105,210,340</b>	<b>2,219,326,201</b>	<b>3,341,265,134</b>	<b>3,822,299,833</b>	<b>3,004,997,530</b>	<b>3,934,951,265</b>	<b>4,835,761,588</b>	
Gross Profit as a % of Turnover	13.15%	11.85%	10.29%	10.83%	11.21%	11.83%	12.57%	12.59%	13.39%	13.02%	
Profit Before Tax as a % of Turnover	3.47%	2.53%	2.85%	3.15%	3.92%	4.85%	3.28%	0.72%	5.2%	4.45%	
Expenses as a % of Turnover	12.83%	13.09%	11.42%	10.08%	9.06%	9.27%	10.81%	12.46%	8.69%	9.82%	
Profit/(Loss) for the year as a % on Turnover	1.16%	0.63%	0.53%	0.54%	2.07%	2.60%	-0.9%	-0.1%	1.4%	2.1%	
Consolidated Fund Contribution on sales as a % Turnover	12.63%	13.15%	13.24%	13.24%	13.33%	13.11%	12.06%	12.46%	12.22%	12.12%	
Total Contribution to Govt. as a % on Turnover	21.98%	21.27%	23.16%	23.75%	21.99%	27.83%	26.29%	19.83%	22.62%	23.97%	
Growth rate of Turnover	(5.88)%	12.37%	25.58%	3.29%	13.87%	18.94%	21.10%	4.24%	14.79%	15.96%	

Note : Figures in the Ten year summary were restated inline with 2013 presentation for comparative purpose. Additional tax of 40% on contribution to consolidated fund payments already made was imposed from 2007 treating it as a disallowable expense for income tax calculation. As a result, a sum of Rs. 2,780,249,776/- is being recovered from January 2013 to August 2017 out of provisions to consolidated fund payments. However, from January 2013 consolidated fund payments were again allowed for income tax calculation as it was the practice earlier.