

வார்டிக வார்டல
ஆண்டறிகக
Annual Report

2012

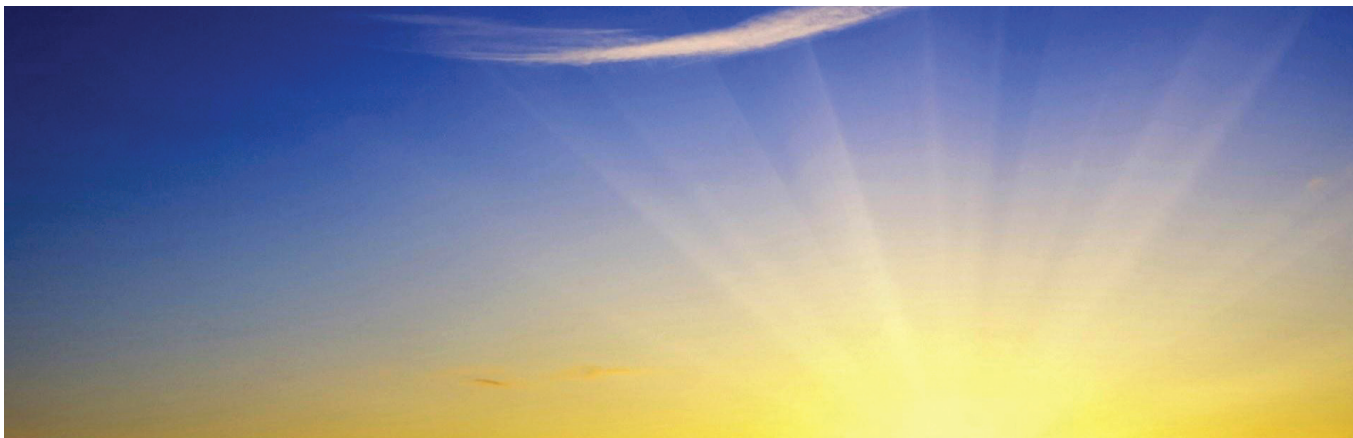
SUNSHINE TO ALL



சுதிக லோதர்டீ மதீவிரச
தேசிய லொத்தர் சபை
NATIONAL LOTTERIES BOARD



SUNSHINE TO ALL



Humans have made use of the beneficial effects of the sun. Playing and or relaxing in its illuminating rays have been as much a part of natural living as the procuring of food and water or any other necessity of human life.

Additionally, during the ripening process of fruits requires the action of both the heat and light of the sun for perfection. The beautiful coloring of the flowers, stems, leaves and fruits of plants are all dependent on sunlight for their production. The colors of butterflies, birds and animals are also determined by light, as is their complete development. Complete absence of light results in blindness and even eyelessness.

The influence of sunlight is also intimately related to the number of red cells and hemoglobin in the blood. With sufficient sunlight, the oxygen-carrying power of the blood is increased, the circulation of the blood is improved.

It has been shown that after a fast or a wasting illness, obtaining sufficient sunshine will enable the body to build higher quality flesh. It will also enable the body to most efficiently digest and assimilate food. Sunlight is of value in all states and conditions of the body and in all stages of development.

According to the above there is no doubt the main fact for the prevalence of the vital, prevalence of the world is the sunshine.

NATIONAL LOTTERIES BOARD also brighten the lives of Sri Lankans in every aspect as much as the **SUNSHINE** which has been the practice for the last 49 years and will continue to do so for many many generations.

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 The certain sections of the above act were repealed and amended in 1997 under the Finance(amendment) Act. No. 35 of 1997.

YEAR OF ESTABLISHMENT

1963

ACCOUNTING YEAR END

31st December

REGISTERED OFFICE

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

TELEPHONE : 2470662, 2470663, 4607000, 4716990 – 2

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EMAIL: nlbgcn@sltnet.lk

WEB SITE: www.nlb.lk

AUDITORS

Auditor General,
Auditor General's Department,
Independence Square,
Colombo 07.

BANKERS

People's Bank

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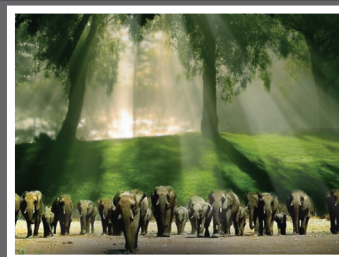
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OVERVIEW

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

HISTORY AND SNAPSHOTS ON A JOURNEY

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.

SNAP SHOTS ON A JOURNEY

2012 Achieved Rs.12 billion in sales for the year.

Offered 29 super prizes which is the highest in the history.

Introduced a new lottery named SampathRekha

Govisetha lottery was introduced to Thursdays too.

Vasana Sampatha was introduced to Mondays 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.

Mahajana Sampatha lottery was introduced to Sundays too.

New Airport lottery was conducted Due to poor performance this lottery was abolished.

Offered five super prizes over Rs.10 mn within a 3 week period which included 4 back to back super prizes in a row.

Supiri Vasana lottery was introduced to Wednesdays in place of Jayaviru lottery which was abolished.

2010 Introduced the Jathika Sampatha Lottery in place of Shrama Vasana and Suwasetha Lotteries.

2008 The price of the passive lottery tickets were increased from Rs.10/- to Rs.20/- (02/09/08).

2007 Introduced New Airport lottery

The price of the Airport Super Draw lottery was increased from US \$ 25 to US \$ 50.

2006 Introduced the Suwasetha lottery after abolishing the Lotto lottery.
Offered the highest ever Super Prize from the Mahajana Sampatha lottery (Rs.61.3mn).

2005 Mahajana Sampatha was awarded most preferred brand for 2005 under banking, financial services category conducted by SLIM.

2004 Introduced Sarana lottery to generate financial assistance for Tsunami Victims.

Established Welfare & Thrift funds to provide benefits to employees.

2000 Introduction of Jayaviru lottery.

1999 Introduction of Supiri Vasana lottery.

1997 Introduction of Shrama Vasana lottery .

Amalgamation of the Sevana lottery with NLB.

1996 Introduction of Samurdhi lottery.

1995 Introduction of Govisetha lottery.

1994 Introduction of Vasana Sampatha lottery.

1992 Introduction of Airport Super Draw Lottery.

1989 Increased the prize of Mahajana

Sampatha from Rs.8/- to Rs.10/-.

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).

1987 Introduction of Supiri Jathika lottery (11/04/1987)

1977 Increased the price of Jathika Lottery from 50 cts. to Rs.1/-.

1975 Shifted to new Building at No. 111/1, Sir Chiththampalam A Gardiner Mawatha.

1970 Converted Jathika Sampatha lottery to Mahajana Sampatha lottery (28/07/1970).

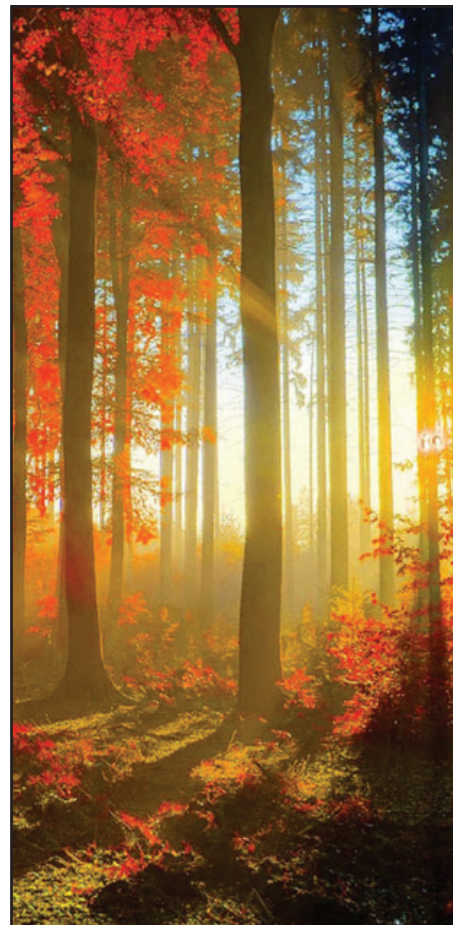
1968 Introduction of Jathika Sampatha Lottery.

1967 Opened the first Branch office – Ratnapura.

1965 First Benz car offer.

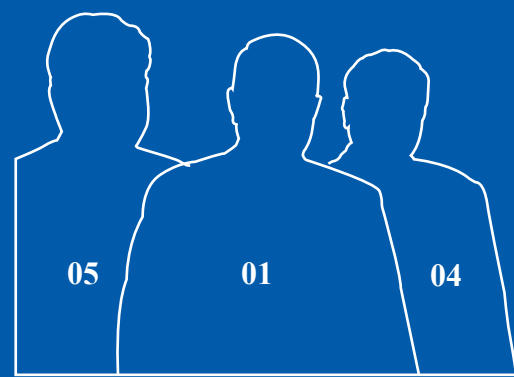
1964 First draw of the Jathika Lottery at Torington Square (20/02/1964).

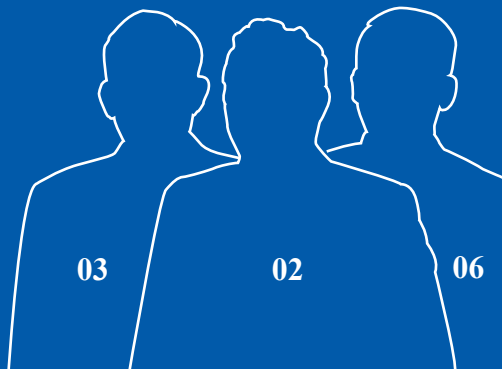
1963 Establishment of NLB under Finance Act no.11 of 1963.



Corporate Information

CHAIRMAN AND BOARD OF DIRECTORS





- 1.Mr.Chaminda Athuluwage
- 2.Mr.Janaka Sri Warnasinghe
- 3.Mr.R.J.T. Abeywardene
- 4.Mr.V.M.Ameen
- 5.Mr.Sampath Dissanayake
- 6.Mr.Saman Galappaththi

- Chairman
- Working Director
- Director
- Director
- Director
- Observer



SENIOR MANAGEMENT



Mr.M.S.Karunaratne (B.A.)
General Manager



Mr.Ashok Vitharana
Additional General Manager



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



Mr.RohanaWijewickrama(FCA)
Deputy General Manager
(Corporate Finance)

Senior Management



Mr. Vijaya Samaranayake
Deputy General Manager
(Corporate Communication)



Mr. Ravindra Fernando
Deputy General Manager
(Supplies)



Mr. V. Sundareshwaran
Deputy General Manager
(Revenue Finance)



Mrs. Geetha Perera
Deputy General Manager
(Operational Finance)

PRODUCT PORTFOLIO

PASSIVE TYPE LOTTERIES

MAHAJANA SAMPATHA

**Description.**

Oldest Lottery in the Lottery market

Draw Days.

Tuesday, 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. Considering better performance Board decided to conduct this twice a week from August 2012

Draw Days.

Monday, Thursday

Prizes.

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

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”. Considering better performance Board decided to conduct this twice a week from August 2012.

Draw Days.

Monday, Thursday

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 Agriculture Ministry.

Considering better performance Board decided to conduct this twice a week from August 2012.

SUPIRI VASANA SAMPATHA



Description.

Supiri Vasana Sampatha lottery was introduced in 1999.

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 Seva 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.

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.

Draw Days.

Tuesday, Friday, Sunday

Prizes.

A super prize of Rs.1 mn and other attractive prizes

Contribution.

5 % of the turnover is contributed to Consolidated Fund

INSTANT LOTTERIES

SEVANA



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

AIRPORT SUPER DRAW



Description.

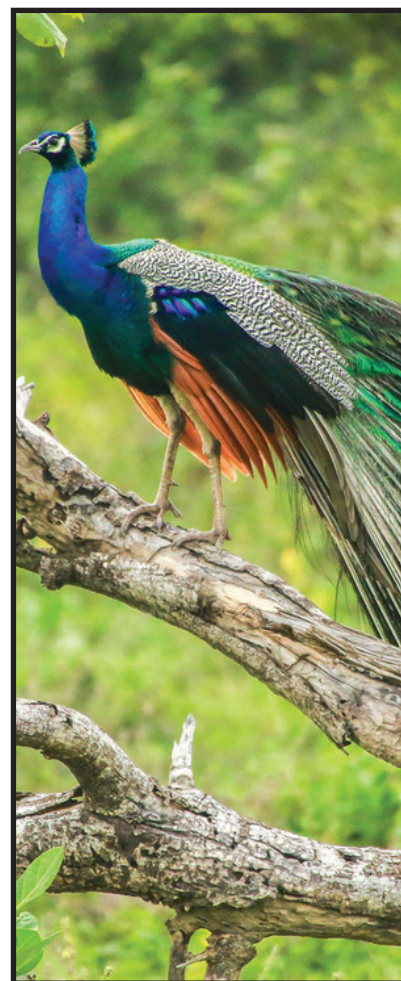
This lottery was introduced in 1992 to generate funds for the Airport Aviation Authority. Every ticket is presently sold at 50 US\$ or its equivalent in any convertible currency. The draw of this lottery is held once the specified number of tickets are sold (presently 6,000 tickets)

Prizes.

A Super Luxury car (BMW or Benz car).

Contribution.

Net proceeds is Contributed to Airport & Aviation Authority





EXECUTIVE STATEMENTS

CHAIRMAN'S REVIEW



“I am happy to say that 2012 as a landmark year for as much as we could achieve Rs. 12 bn turnover which is nearly double up when compared with the turnover of year 2006”

As past 4 consecutive years, I am pleased to present to you the Annual Report and Audited Financial Statements for the year ended 31st December 2012.

2012 in achievement perspective

We began 2012, with the haughtiness of the Rs. 10 bn Turnover achievement in year 2011. With this haughtiness we began this year with a single minded focus on increasing the annual turnover with a massive amount. Accordingly, I am happy to say that 2012 as a landmark year for as much as we could achieve Rs.12 bn turnover which is nearly double up when compared with the turnover of year 2006.

The Board generated Rs.1,264.5mn profit for the year compared with the Rs.1,016.1 generated in 2011 which showed an increase of 24.4%.

Based on the sales increase, all the statutory payments such as prizes, Agency Commission, and Contribution to Consolidated fund were increased vesting massive reliable results to society.

Accordingly, the Board was able to vest these prize money approximately Rs. 5,787.2 mn among the Prize winners. Out of this amount 29 winners were awarded super prizes. Among them 23 winners won Rs. 10 mn and over and other 6 winners awarded Rs. 5 mn above.

Indeed, these prize money distributes among the public directly and people deploy the money for various purposes such as to introduce and start new businesses, to construct houses, and fulfill consumable needs etc. Hence It is very effective to economic development directly and indirectly. we are very proud that National Lotteries Board could be able to empower the public and the country through paying prizes.

During the year under review, the Board paid Rs. 2,232.5 mn as agency commission among the dealer net work as against the Rs.1,874.3 mn in 2011 which showed an

increase of 19.1% in keeping with the sales increase.

In the year 2012, Rs. 1,574.1 mn was paid as direct contribution to the Consolidated Fund as against the Rs. 1,345.0 mn paid in 2011 which showed an increase of Rs.229.1mn. In addition to that, Rs.702.0 mn was paid as special contribution to the Treasury it represents Rs.153.3 mn from Board funds and Rs.548.7 mn from prize Reserve funds.

During the year the total contribution to the Government along with the taxes such as Nation Building Tax, Value Added Tax, and Income Tax was Rs. 3,772.9 mn compared to Rs.2,576.7 mn in the year 2011 which indicated an increase of Rs. 1,196.2 mn. The total contribution to the Government in year 2012 as a percentage of sales was 31.4 percent compared to 25.5 percent in year 2011.

The operational expenditure increased in keeping with the increase of sales. Accordingly sales promotional expenses has been increased based on sales increase and printing charges of lottery tickets has been increased due to increase of printing volume.

National Lotteries Board is very proud of that based on the sales progression as above, the NLB could be able to Contribute to the Society directly and indirectly. Giving contribution to the Society in various ways during the past years that is to say exactly 49 years, the NLB now enters 50th year in 2013.

In the year 2013, we expect that, the sales progression will be extended in further positive direction resulting more benefits to society. NLB has planned various strategic activities by paying more attention to this and necessary steps were already taken by the Board.

In the year 2012, NLB applied various steps for sales progression. NLB entered the agreements with the District Dealers and Normal Agents in year 2010. This year also it was continued. The objective of signing agreements are to

provide an assurance to them in relation with their business.

The District wise training programmes were conducted to train District Dealers and Normal Agents. Medical facilities for dealers and agents and scholarships for agents children were continued this year too. The ERP system which was introduced in year 2011, was started after the necessary modifications in the year 2012. Some modifications will be carried out in the next year also. Board expects the efficiency of staff will be increased as a result of this computer projects.

Island wide sales outlets were included in the mapping system to formalize them further in this year also and using these resources the effective service was given to the dealers and agents for their day to day sales and operational activities. Under the programme of urban development and embellishment of cities the sales booths which are placed in city areas were reconstructed and new sales booths were replaced.

Contributions were given to the main perehera activities and special events implemented island wide. In addition to that, National Lotteries Board contributed to School development activities, distributing stationery items for school children, and various community development projects.

To catch up the Sunday market the new lottery named Sampath Rekha with the 1 mn First prize and many more low level prizes was introduced. This lottery is drawn every Tuesday, Friday and Sunday. To increase the sales during week days, the Board decided to draw two lotteries per day. Accordingly 14 draws are conducted per week. To increase the instant lottery sales Rs. 50 worth new lottery was introduced to the market to collect funds for 50th anniversary activities. The instant lottery turnover of 2012 was Rs. 993.6 Mn. It shows Rs.127.0 mn increase compared with the last year and it represents 8.2% out of aggregate turnover in 2012.

The Board made losses due to impact of cess tax when importing scratch lottery tickets. Therefore necessary steps were taken from the Board to purchase instant lottery tickets from local company.

Signposts for Tomorrow

The board planned to start the 'e' lotteries such as SMS, and Web to enter new markets to catch up the new market segment. Necessary approval of the Ministry was obtained by the Board in the year 2012. Accordingly fundamental work in relation with "e" lotteries were started. In the middle of the year 2013 National Lotteries Board expects to introduce these lotteries to the market.

There are only two major institutions in the lottery industry. Though these two institutions are Government institutions, the activities and policies which are governed by these two institutions for some issues are quite deferent. We believe that, above situation has affected both institutions and it can be avoided and minimized if there is a lottery reform institution to monitor and to implement similar policies to both institutions. The proposal was made in our strategic plan for the next three years period to establish a reform institution under the approval and the assistance of the line Ministry.

The National Lotteries Board will enter the 50th step in its long journey started from 1963 and Board planned to implement various activities to remain in the market very effectively and productively. Accordingly, Board plans to conduct lottery draws, special draws in front of the public at their cities and villages.

Board expects to establish nine provincial branches in nine province to provide the quick and better service for dealers and agents by simplifying the lottery operation system. As a result of this Dealers and Agents can save the time and money.

My Profound Thanks

I wish to express my sincere thanks to all the management team and the staff for the hard work and valuable service to obtain marvelous results during the year. I also express my heartfelt gratitude to colleagues of the board for the kind support extended.

I convey my thanks to our distribution network: district dealers, agents and sellers island wide for the valuable support extended during the year. My gratitude also goes out to the customers for placing their confidence in our product portfolio.

I also wish to thank the Auditor General and his staff, the Internal Auditors, the External Auditors, the individual lottery Auditors, for extending valuable support and guidance to make better results, the Examiner of questioned documents for examining the printers for supplying tickets in time, People's Bank our main banker for the excellent services provided during the year.

I concluded my review last year alluding to the fact that the National Lotteries Board is powerful, agile, knowledgeable and well experienced to remain as the pioneer of the lottery industry.

I wish to pay my deepest gratitude to His Excellency the President Mahinda Rajapaksha for placing trust in us, the officials of the Presidential secretariat and the Ministry of Finance for providing valuable advice right through the year.



Chaminda Athuluwage,
Chairman,
National Lotteries Board.
26th April, 2013

WORKING DIRECTOR'S REPORT



“The National Lotteries Board consists of a strong product portfolio in the lottery industry by continuously expanding to all segments in line with the core strategy of creating wealth for all stakeholders.”

The Directors of National Lotteries Board have pleasure in presenting their report with the Audited Accounts for the year ended 31st December 2012.

Principal Activities

The National Lotteries Board consists of a strong product portfolio in the lottery industry by continuously expanding to all segments in line with the core strategy of creating wealth for all stakeholders.

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 has a reasonable expectation that the Board has adequate resources to continue operating for the foreseeable future. For the reason, the going concern basis continues to be adopted in preparing the accounts.

Review of Operations and future developments

A review of the Board's business and its performance during the year, with comments on financial results is contained in the Chairman's review and individual products performances are shown under performance analysis on page no. 72 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 Board will concentrate on enhancing the performance of existing market and looking out for opportunities to introduce web and E lotteries and differentiate to create new paradigms and be the first in its.

Statutory Payments

Directors, to the best of their knowledge and belief are satisfied that all statutory payments in relation to

employees and the Government have been made up to date.

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 and building relationship and loyalty by supplying the demand in the best manner possible every single time. Considering this fact product portfolio was amended to fulfill the customer attitudes. Accordingly, our new product named Sampath Rekha lottery was introduced to the market in the year 2012 with attractive prize structure. Govisetha and Vasana Sampatha lotteries are conducted two days per week and altogether 14 lotteries are conducted per week.

Reserves

Total reserves and accumulated profit as at 31st December 2012 amount to Rs. 1,672.3mn. (Rs. 1,908.2 mn as at 31st December 2011). The details of which are given in the statement of changes in equity in the financial statements on page no. 50

Human Resource Development

The Board believes that its real potential rests on the strength and capabilities of its staff in a rapidly changing scenario. All efforts are directed at having a motivated and competent team in order to grow and achieve results as projected.

The Board has appropriate Human Resources Policies and practices to recruit, develop and retain employees to obtain their optimum contribution for achievement of corporate goals.

Sales incentive scheme in operation increased productivity and motivated the employees. The insurance

cover for medical for medical surgery & hospitalization for all employees and their families also continued. Further, a travelling allowance to all employees who are not provided with transport and an uniform allowance to male employees, uniforms to female employees was also continued.

Staff awareness programme on National Lotteries Board history and progress to date was held at Sri Lanka Foundation Institute in June 2012. Various small training programmes were conducted from time to time to improve their subject knowledge.

Corporate Social Responsibility

Corporate Social activities were conducted by the Board to improve the Image of National Lotteries Board and serve to the community through corporate image advertising budget. Accordingly various sponsorships and community development activities were implemented and sponsorships in Deyata Kirula exhibition, various annual Perehera's and many events of national importance.

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.3,772.9.mn in 2012(including Rs.548.7mn payout through Prize Reserve) as against Rs.2,576.6 mn in 2011 and it shows 46.4% increase.

Property Plant and Equipment

During the year under review the Board invested Rs.96.4 mn in property, plant and equipment compared to Rs. 39.6 mn in 2011.

Expenses

The total expenses in respect of the year under review was Rs.1,112.9 mn compared to Rs.914.4 mn in the previous

year which is a 21.7% increase and this represents 9.2% of the total turnover compared to 9.0 % last year. This shows that through operating expenses have increased it has reduced as a percentage on sales thus bringing positive results and main reason for the increasing expenses is turnover increase by 18.9% when compared with the last year.

Board of Directors

The Board comprised of the following officials during the year under review.

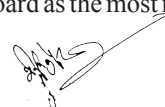
Mr.Chaminda Athuluwage	- Chairman
Mr.Janaka Sri Warnasinghe	- Working Director
Mr.R.J.T.Abeywardene	- Director
Mr.V.M. Ameen	- Director
Mr.Sampath Dissanayake	- Director
Mr.Saman Galappaththi	- Observer

Conclusion

I wish to extend sincere gratitude to the entire staff and the management team and the Board for their hard work and effective performance to improve the results.

The Board wishes to extend sincere thanks to all the stakeholders of NLB including the district dealers, other agents, bankers, suppliers, printers, Auditor General and staff, and sweep auditors for their loyalty dedications.

We will be failing in our duties if we do not extend very special thanks to our esteemed customers for being loyal to National Lotteries Board and keeping trust on our Board as the most reliable lottery institution in the country.



Janaka Sri Warnasinghe,
Working Director,
National Lotteries Board,
30 th March 2013,
Colombo .

REPORT OF THE AUDIT & MANAGEMENT COMMITTEE

The role and terms of reference of the Audit committee is to assist the Boards in fulfilling their oversight responsibilities regarding the integrity of Board's financial statements, risk management and internal control, compliance with legal and regulatory requirements the external Auditors performance qualifications and independence and the performance of the internal audit functions.

The 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.R.J.T. Abeywardene – Chairman
(Non Executive Director)
Mr.V.M.Ameen – Member
(Treasury representative- Non Executive Director)
Mr.S.Dissanayake – Member
(Non Executive Director)
Mrs.S.Balasuriya – Secretary
(AGM – Legal / Secretary to Board)

Observers

P.Wijewardane & Company Ltd. – Internal Auditor
Representative from Auditor General's Dept.

By invitation of the Audit committee, General Manager, Addl. General Manager, Chief Financial Officer, Dy. General Managers, Asst. General Managers, Managers and other relevant officers also attend the Audit Committee meetings.

During the year 2012 the Committee met seven times.

Duties and Role

Review the Financial information of the Board, in order to monitor the integrity of the financial statements of the board, its Annual Report, Corporate Plan and Action Plan, and Quarterly Reports prepared for disclosure.

Assessing the independence and monitoring the performance and functions of internal Audit.

Reviewing the external audit reports.

Reviewing the Internal Controls.
During the year principal activities were as follows

Financial statements

The Committee considered Financial Statements and Annual report and was satisfied with the accounting treatments adopted.

Internal Audit Function

Board Internal Audit Functions were done by the P. Wijewardane Company Chartered Accounts. The Committee reviewed with the same. A report was submitted by the Internal Auditor and it was reviewed by the Audit and management Committee every month. The Committee carried out a formal evaluation of

the performance of the internal audit function and was satisfied with the effectiveness of the function.

Audit Committee terms of reference

The Audit Committees terms of reference are reviewed annually by them taking in to account relevant legislation and recommended good practices.

Board Assessment of the Audit Committee

The Board evaluated the performance of the Committee and the Committee carried out a self assessment of its performance and concluded that it was performing effectively.



R.J.T. Abeywardene,
Chairman,
Audit & Management Committee,
National Lotteries Board.
30th March 2013,
Colombo.





FINANCIAL STATEMENTS & INFORMATION



AUDITOR GENERAL'S REPORT

**The Chairman,
National Lotteries Board**

10 October 2013

Report of the Auditor General on the Financial Statements of the National Lotteries Board for the year ended 31 December 2012 in terms of 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 2012 comprising the statements of financial position as at 31 December 2012 and the comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes 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 and 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) was furnished to the Chairman of the Board on 19 August 2013.

1.2 Management's Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgments, 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 qualified 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 Opinion

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

2.2 Comments on Financial Statements

2.2.1. Sri Lanka Accounting Standard

The impairment test of the property, plant and equipment valued of Rs.444,148,738 had not been carried out in terms of Sri Lanka Accounting Standard No 36 and the actual value of the assets had not been shown.

2.2.2 Accounting Deficiencies

The following observations are made.

(a) Even though the accounting for the Customs Duty amounting to Rs.26,774,238 comprising Rs.9,448,681, Rs.7,876,877 and Rs.9,448,680 paid in the years 2009,2010 and 2012 respectively on the motor vehicles purchase as the prizes of the Airport Supiri Wasana Sampatha Lottery as expenditure, that amount had been shown under the current assets in the financial statement as a balance receivable.

(b) According to the accounts presented, the value of the publicity materials stock of the Sevana Lottery amounted to Rs.513,314 whereas the value of the physical stock computed according to the stores ledger amounted to Rs.72,600. As such the value of that stock had been overstated by a sum of Rs.440,654 thus resulting in the over statement of the profit for the year under review by that amount.

(c) Even though the value of the publicity materials stock had been shown as Rs.583,294 in the financial statements, the stock of G1 pipes valued at Rs.99,325 included therein had not appeared in the stores ledger. As such the balance of the publicity materials stock had been overstated by a sum of Rs.99,325.

2.2.3 Accounts Receivable and Payable

The following observations are made .

(a) Action had not been taken even up to the end of the year under review for the recovery of the advances amounting to Rs.160,000 paid in the year 2004 for the purchase of fuel for the motor vehicles of two suppliers from whom services are not procured at present.

(b) Lottery service chargers amounting to Rs.182,593 payable to the District Sales Agents of the Samurdhi Lottery remained without being settled since the year 2008 up to the end of the year under review.

(c) Action had not been taken for the recovery of outstanding balance amounting to Rs.42,854 relating to two computers given to two District Sales Agents on the basis of payment of one half to the value. It was revealed that the distributors are not functioning at present.

(d) The value of debtor balances of the

Board remaining without being recovered for more than 05 years as at 31 December 2012 amounted to Rs.7,306,105.

(e) The rent amounting to Rs.10,000,000 payable by the Board to the Airport and Aviation Services Sri Lanka Ltd. for the years 2008 to 2012 in connection with the Airport Supiri Wasana Sampatha Lottery had not been settled even by the end of the year under review.

(f) Publicity expenditure of the year 2011 amounting to Rs.1,471,000 had been shown under the accrued expense without taking action for payment.

The unsettled balance of the Dishonored Cheques Account receivable as at 31 December 2012 amounting to Rs.757,498 relating to the sale of the Sevana Lottery tickets continued to be brought forward since the year 1996.

2.2.4 Non- compliance with Laws, Rules, Regulations and Management Decision

The following instances of non – compliance were observed during the course of Audit.

Reference to Laws, Rules, Regulations, etc	Non- compliance
<p>(a) Section 6(2)(a) of the Payment of Gratuity Act, No.12 of 1983.</p>	<p>Even though the payment of gratuity to officers should be made at ½ month salary drawn, contrary to that, a sum of Rs.2,658,275 had been paid based on the salary for one months to the officers who retired during the preceding year and up to June of the year under review without obtaining proper approval. Even though a sum of Rs.7,392,287 had been over period to the officers who returned from 01 January 2011 to 30 June 2012 action had not been taken for the recovery of that amount.</p>
<p>(b) Final Regulation of the Democratic Socialist Republic of Sri Lanka.Financial Regulation 685 and the National Procurement Agency Circular No.8 of 25 January 2006.</p>	<p>Out of the printing expenditure of the year under review amounting to Rs.393,049,086 a sum of Rs.178,802,547 had been paid without inviting bids.</p>
<p>(c) Establishments Code Chapter vii, Section 10.1, Paragraph (a)</p>	<p>Even though 08 hours of duty should be performed for obtaining holiday pay, a sum of Rs.3,794,304 computed at 1/20 of the salary for 07 hours, ¼ of the salary for 3½ to 7 hours and another 1/20 of salary for over 12 hours had been paid contrary to that provision in the year under review.</p>

(d) Public Enterprises Circular No. PED/12 of 02 June 2003 on Public Enterprises Guideline on Good governance Section 9.7.

(e) Guideline 4.2 of the Procurement Guideline of the Government.

(f) National Budget Circular No.142 of 31st December 2008 of the Minister of Finance and Planning.

(g) Management Services Circular No. 34 (1) of 01 June 2009.

(i) The salary of Rs.25,640 entitled to the officers recruited to the post of Assistant General Manager, Sales and Distribution and three Agent Managers had been increased with effect from July 2011 to Rs.45,000 by a decision of the Board of Directors dated 03 January 2011 without obtaining the approval of the Treasury. As such an overpayment totalling Rs.735,680 had been made in the years 2011 and 2012 without obtaining approval.

(ii) A sum of Rs.7,217,490 had been paid as the transport allowance to the staff in the year under review as in the preceding years without obtaining Treasury approval.

(iii) A sum of Rs.7,904,225 had been paid to the officers who participated in the lottery draws in the year under review as in the preceding years without obtaining Treasury approval

Procurement Plan for works and services had not been prepared.

Even though the Festival Advance payable to the employees of Corporations and Boards amounted to Rs.5,000, due to the payment of the salary of one month as the Festival Advance, a sum of Rs.2,379,245 had been overpaid to 209 officers.

Contrary to the rates of combined allowance recommended for the employees of Corporations and Boards a sum of Rs.11,642,757 had been paid as combined allowance at different rates as in the preceding years.

<p>(h) Public Administrative Circular No.13/2008(iv) of 9 February 2011.</p>	<p>Contrary to the monthly fuel allowance payable to the officers entitled to the allocated motor vehicles a sum of Rs.2,544,000 had been paid to the officers.</p>
<p>(i) Public Enterprises Circular No.35 of 17 January 2006 and No.37 of 19 April 2006.</p>	<p>Even though no allowance or benefit other than those approved should be paid to the Non-executive Directors, incentive amounting to Rs.114,575 had been paid to a Director of the Board in addition to providing pool motor vehicles.</p>
<p>(j) Paragraph 4 of the Public Enterprises Circular No.50 of 28 July 2008.</p>	<p>Even though the officers entitled to official motor vehicle should not use the pool motor vehicles of the institution, instance of pool motor vehicles also given to an officer was revealed at a test check.</p>
<p>(k) Department of Management Services Circular No.30</p>	<p>Even though the approved initial salary step of an officer had been Rs.25,640 action had been taken to pay the salary placing him in the initial salary step of Rs.32,780.</p>
<p>(l) Sections 17.1(a) and 14(2) of the Finance Act, No.11 of 1963 as amended by the Finance Act, No.35 of 1997.</p>	<p>Even though the Prices Reserved Account should be used in accordance with the provision in Section 14(2) of the Act, contrary to that a sum of Rs.548.7 million had been credited to the Consolidated Fund.</p>
<p>(m) Paragraph 6 (iii) and (iv) of the Public Enterprises Circular No.57 of 11 February 2011.</p>	<p>The approval of the Minister in charge of the subject had not been obtained in accordance with the above provision for the sponsorship and donation expenditure totaling Rs.37,918,100 revealed at the test check.</p>

3. Financial Review

3.1 Financial Results

According to the financial statements presented the financial result of the Board for the year under review amounted to a surplus of Rs.1,264 million as compared with the corresponding surplus of Rs.1,016 million for the preceding year thus indicating as improvement of Rs.248 million or 24 per cent in the surplus for the year under review as compared with the preceding year.

An analysis of the improvement of the financial result is given below.

Variance

	Favorable Rs. millions	Adverse Rs. millions	Rs. millions
Income			
Lottery Sales Income	1,912.0		
Other Income	104.0		
			2,016.0
Expenditure			
Cost of Sales		1,395.0	
Distribution Expenditure		17.0	
Administrative Expenditure		45.0	
Other Expenditure		137.0	
Finance Cost		0.2	
Payment of Income tax		174.0	
			1,768.2
Total Variance (Favorable)			247.8

3.2 Ratios and Percentages

According to the information obtained several significant ratios and percentages relating to the operation of the Board for the year under review and the preceding year are given below.

	Year	
	2012	2011
(a) Profitability Ratios		
i Net Profits Ratio (percentage)	18.03	17.25
ii Return on Equity (percentage)	129.38	91.23
iii Return on Average Assets (percentage)	40.00	36.7
(b) Capital		
i Equity/ Total Assets (Ratio)	0.29	0.37
ii Equity/ Non- current Assets (Ratio)	0.61	0.75
(c) Liquid Assets		
i Current Assets (Standard Ratio 2:1)	1.74	0.75
ii Quick Assets Ratio (Standard Ratio 1:1)	1.71	2.45

4. Operating Review

4.1 Management Inefficiencies

The balance of the Building Construction Receive Account, maintained for the construction of a building for the National Lotteries Board, as at 01 January 2012 amounted to Rs.618,842,734. A sum of Rs.35,000,000 out of the profit of the year and a sum of Rs.200,000,000 out of the retained profit had been allocated and the balance as at the end of the year amounted to Rs.853,842,734. Nevertheless the Board had not taken action for the construction of a building for the Board. The Board had spent a sum of Rs.16,305,332 as the rent for the building in which Board is maintained at present and a sum of Rs.734,094 had been spent on the modernization of the building during the year under review.

4.2 Transactions of Contentious Nature

The following observation are made.

(a) Concurrently with the opening of a Lottery Distribution Office by the Board in the Kilinochchi area, the Board had spent a sum of Rs.13,059,459 in 03 stages for the distribution of school books, school bags, dry foods, plastic chairs and agricultural equipment among the children of 06 school in the area and the parents of the children. Even though the Board had furnished to audit the documents in support of the goods supplied to the schools under the third stage, the principle concerned made statements to audit that those goods valued at Rs.3,676,032 had not been actually handed over to them.

(b) Even though only 5 per cent of the income from the conduct of the Sampath Rekha Lottery had been credited to the Consolidated Fund, 25.5 per cent comprising 20.75 per cent to the Fiftieth Anniversary celebrate Fund and 4.75 per cent to the Board, had been retained for the proposes of the Board.

(c) The promotion materials in connection with a special Lotteries draw held concurrently with the Deyata Kirula 2012 Exhibition comprising 19,000 units of 09 varieties of goods such as school bags, T shirts, raincoats , etc valued at Rs.9,000,000 had been purchased in 09 instances from a supplier who is engaged

in the import and sale of timber and spare parts. Instead of taking action in that connection in accordance with Guideline. No 2.14.1 and 3.4.1 (a) and (b) of the Procurement Guidelines, procurement had been done by inviting quotation through fax.

4.3 Apparent Irregularities

The following observations are made.

(a) A sum of Rs.422,178 had been paid as salaries and allowance to a Security Guard without establishing the fact that he was deployed in the service of the Board, An investigation had not been conducted in that connection.

(b) It was revealed at an audit – test - check that according to the Daily Running Charts, an officer who had been paid a sum of Rs.556,500 as lottery draw allowance in the year under review, that on the dates of draws the relevant officer had been on duty in other area. Nevertheless he had obtained the allowances by signing as an officer participating in the lottery draws.

4.4 Uneconomic Transactions

The following observations are made.

(a) The sale of lottery takes place mostly among the general public of the country and as such huge publicity can be achieved through publicity campaigns aimed at the general public. But the Board had spent a sum of Rs.9,113,280

in the year under review for the display of the Brand Name of the Board in the websites. A formal agreement in that connection had not been entered into in terms of the Guidelines 8.9.1 and 8.9.3 of the procurement Guidelines.

(b) Despite being informed by the Ministry of Finance and Planning that the officers who, will serve for long periods with the Board should participate in the training seminars and workshops as the Board incurs expenditure on such training, to enable the use of the knowledge and experience gained for the benefit of the institution, contrary to such construction, a Director had been sent at a cost of Rs.308,541 to participate in a seminar conducted in London.

(c) Two officers recruited on contract bases had been sent to participate in the conference on Creative Lottery Planning held in France in the year 2012 and the service of one officer had been terminated with effect 01 January 2013. The Board had spent a sum of Rs.749,452 for the participation of that officer in the above conference.

4.5 Identified Losses

The following observations are made.

(a) Action had not been taken for recovery of the sum of Rs.273,710 from the relevant printing company for the damage and defects caused in the printing of Instant Lottery Tickets.

The agreement between the Board and the relevant company was expired at present.

(b) The Colombo Airport Supiri Wasana Lottery priced at US Dollar 50 per ticket - run by the Board had incurred a loss of Rs.3,896,211 in the year under review. That lottery had incurred an accumulated loss of Rs.23,759,168 during the year under review and the 04 preceding years.

(c) Even though the Cabinet of Minister had, by the Cabinet Memorandum dated 02 November 2006, granted approval for the printing of lottery tickets through a foreign company for a period of 03 years from the year 2007. In consequence of action taken contrary to the Cabinet Memorandum cess amounting to Rs.12,720,000 and import duty amounting to Rs.7,767,241 alone had to be incurred in the year under review unnecessarily. The accumulated loss incurred by the Board in the preceding year amounted to Rs.69,804,877.

(d) In view of the failure to maintain adequate stocks of Samurdi Instant lottery Tickets by placing orders in a timely manner, the gross income of the lottery for the preceding year amounting to Rs.95,606,020 had decreased by Rs.58,330,020 or 61 per cent to Rs.37,276,000 in the year under review. Because of the delay in placing orders, the Board had incurred a loss of Rs.3,926,664 in the import of instant lottery tickets in the year under review due to the depreciation of the US Dollar.

4.6 Delayed Projects

(a) A sum of Rs.50 million had been allocated in the year 2011 for the construction of a Circuit Bungalow in Mannar and the construction had been planned for completion within 180 days. Nevertheless the construction of the Circuit Bungalow had not been completed and handed over to the Board even by 30 April 2013.

(b) The work on repairs to the building procured on lease for a period of 30 years in the year 1986 for use as the Circuit Bungalow in the Anuradhapura area and the additional construction had been awarded to a contractor for a sum of Rs.7,403,596 in the year 2011. Action had not been taken to complete the work and handover to the Board even by 30 April 2013 and the sum of Rs.6,596,984 paid to the contractor had been shown as advances in the financial statements. Even though the repair works had been commenced to provide accommodation to the officers participating in the Deyata Kirula Exhibition 2012 the expected objective had not been achieved. It was observed that spending such sum of money on the repairs to the building disregarding the expiry of the lease in the year 2016 is economically not feasible.

4.7 Irregular Transactions

Out of the sum of Rs.187,865,745 payable to

the Consolidated Fund from the income of the Sevana and Samurdi Lottery in the years 2011 and 2012 a sum of Rs.96,344,018 comprising Rs.90,142,271 relating to the Sevana Lottery and Rs.6,201,747 relating to the Samurdi Lottery had not been remitted to the Consolidated Fund. It was revealed in audit that the money is retained to cover the expenditure on cess paid by the Board for the import lottery tickets. But the Treasury approval for that had not been obtained.

4.8 Utilization of Resource

The following observations are made.

(a) According to Section 8.3.9 of the Public Enterprises Circular No. PED/12 of 2 June 2003 on Public Enterprises Guidelines on Good Governance, the resource of the Board should not be deployed for use by the line Ministry or any other Government institution. Contrary to that provision, the Board had released 03 motor vehicle to other institutions during the year 2006 and the Board had spent a sum of Rs.1,266,782 in the year under review as repair and maintenance expenditure of those motor vehicle. In addition, three officers receiving salary from the Board had been released contrary to the above provision to external institution.

(b) The Board did not have a methodology for the determination of the item and the maximum and minimum limits of the money in

connection with the sponsorships given for the promotion of the image of the Board. Out of the total expenditure amounting to Rs.168,259,788 incurred in the year under review for the promotion of the institutional image, a sum of Rs.37,918,100 or 22.5 per cent had been spent on 18 items.

(c) Even though a sum of Rs.10,000,000 had been allocated for the reconstruction of the places of worship destroyed in the North and the East according to the publicity plan for the year 2012 with a view to discharging the social responsibility, no expenditure whatsoever had been incurred during the year under review.

(d) Out of the sum of Rs.26,941,268 spent in the year under review on public relations expenditure, 25.33 per cent, that is, a sum of Rs.6,831,000 had been made available in 03 instances to 03 institutions. In this connection, it was observed that the Board is not maintaining a formal methodology and a policy covering the entire Island in the selection of item for public relations under the publicity expenditure.

4.9 Staff Administration

Even though the approved staff had been 293 the Board had deployed a staff of 301 in service. The vacancies in the approved staff as at 31 December 2012 had been 20 and 28 persons had been recruited outside the approved staff on contract bases.

5. Accountability and Good Governance

5.1 Budgetary Control

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

6. Systems and Controls

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

- (a) Accounting
- (b) Human Resources Management
- (c) Assets Management
- (d) Expenditure Management
- (e) Printing of Lottery Tickets
- (f) Procurement



H.A.S. Samaraweera
Auditor General

STATEMENT OF COMPREHENSIVE INCOME

	NOTE	ended 31.12.2012 Rs.	ended 31.12.2011 Rs.
REVENUE	02	12,004,268,616	10,092,330,623
Less: Cost of Sales	03	9,010,604,586	7,615,762,424
Gross Profit		2,993,664,030	2,476,568,199
Other Income	04	283,022,727	178,866,137
LESS : EXPENSES		3,276,686,757	2,655,434,336
Distribution Costs	05	29,173,702	12,429,908
Administrative Expenses	06	346,831,633	302,061,060
Other Expenses	07	710,817,388	574,106,586
Finance Costs	08	26,094,291	25,807,844
Profit before Tax		2,163,769,743	1,741,028,938
Income Tax Expense	09	899,263,893	724,896,765
PROFIT FOR THE YEAR		1,264,505,850	1,016,132,173
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,264,505,850	1,016,132,173


The Accounting policies which represents note 01, are indicated under the note to the Accounts.

STATEMENT OF FINANCIAL POSITION


	NOTE	as at 31.12.2012 Rs.	as at 31.12.2011 Rs.	as at 01.01.2011 Rs.
ASSETS				
NON CURRENT ASSETS				
Property, Plant and Equipments	10	444,061,935	388,203,362	383,846,333
Capital Working Progress – Building		22,909,114	5,331,951	-
Income Tax Receivable from Consol.Fund		2,287,791,736	2,150,590,123	1,612,571,360
Investment in Sri Lanka Savings Bank		5,336,575	5,336,575	-
TOTAL NON CURRENT ASSETS		2,760,099,360	2,549,462,011	1,996,417,693
CURRENT ASSETS				
Inventories	11	42,269,083	71,715,536	71,799,991
Trade Receivables	12	29,691,558	18,871,365	34,734,079
Other Current Assets	13	672,198,617	188,596,931	190,383,712
Cash & Cash Equivalents	14	2,178,058,460	2,320,535,435	2,034,333,063
TOTAL CURRENT ASSETS		2,922,217,718	2,599,719,267	2,331,250,846
TOTAL ASSETS		5,682,317,079	5,149,181,278	4,327,668,538
EQUITY & LIABILITIES				
Equity Attributable to Owners of the Parent				
Retained Earnings	15	531,283,063	542,656,501	284,285,324
Other Components of Equity	16	1,141,034,183	1,365,553,993	1,303,480,886
Total Equity		1,672,317,246	1,908,210,494	1,587,766,210
NON CURRENT LIABILITIES				
Deferred Tax	17	6,608,391	14,787,878	15,953,117
Long - Term provisions	18	2,325,688,239	2,194,088,341	1,674,647,164
TOTAL NON CURRENT LIABILITIES		2,332,296,630	2,208,876,219	1,690,600,281
CURRENT LIABILITIES				
Trade & Other Payables	19	1,049,276,958	976,784,731	878,887,627
Current Tax Payables	20	628,426,245	55,309,834	170,414,420
Total Current Liabilities		1,677,703,203	1,032,094,565	1,049,302,047
TOTAL LIABILITIES		4,009,999,833	3,240,970,784	2,739,902,329
TOTAL EQUITY & LIABILITIES		5,682,317,079	5,149,181,278	4,327,668,538

The accounting policies & notes form an integral part of these Financial Statements. These Financial statements give a true and fair view of the state of affairs of National Lotteries Board as at 31st December 2012 & its profit for the year ended 31st December 2012.


Harsha Bandara
Chief Financial Officer


V.Sundareswaran
DGM- Finance

The Board of Directors are responsible for the preparation and presentation of these Financial Statements.


Chaminda Athuluwage
Chairman


Janaka Sri Warnasinghe
Working Director

STATEMENT OF CASH FLOW

	ended 31.12.2012 Rs.	ended 31.12.2011 Rs.
CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Taxation	2,163,769,743	1,741,028,938
Adjustments in respect of previous period- Over provision IT	-	33,859,196
Adjustments in Contribution to Consol.Fund	(1,574,149,137)	(1,345,046,907)
Adjustments in IT on Cont. to Consol.Fund	629,659,655	538,018,763
Adjustments in respect of previous period - provision for Gratuity	-	10,071,377
Adjustments in respect of previous period - Interest on Investment (SLSB) & Written back to Pramuka Bank (TB)	-	5,336,575
Adjustments in Excess Duty & Cess Recov.from Cont.consol.Fu.-Sev& SMD	78,173,292	-
Adjustments in Accumulated Treasury Fund	(21,263,101)	-
Adjustments in Accumulated Treasury Fund	(235,000,000)	-
Increase / (Decrease) in Prizes Reserve	67,917,089	62,073,107
Increase / (Decrease) in Building Reserve	235,000,000	-
Increase / (Decrease) in Accumulated Treasury Fund	21,263,101	-
Decrease / (Increase) in Capital Working Progress- Building	(17,577,163)	(5,331,951)
Decrease / (Increase) in Investment Sri Lanka Savings Bank	-	(5,336,575)
Decrease / (Increase) in IT on Receivable from Conso.fund	(137,201,613)	(538,018,763)
	1,210,591,866	496,653,760
Adjustments For		
Depreciation	37,707,066	35,522,248
Provision for Gratuity	-	3,620,091
Provision for VAT & NBT	597,705,389	506,927,892
Profit on Disposal of Property, Plant & Equipment	(2,363,892)	(2,583,438)
Written off Net Value of Fixed Assets Cost & Depreciation	2,929,971	-
Allocation for the Consolidated Fund	1,574,149,137	1,345,046,907
Allocation for Prizes	5,787,269,625	4,857,951,333
	9,207,989,163	7,243,138,793
Changes in Working Capital		
(Increase) / Decrease in Inventories	29,446,453	84,455
(Increase) / Decrease in Trade Receivables	(10,820,193)	15,862,714
(Increase) / Decrease in Other Current Assets	(483,601,686)	1,786,781
Increase / (Decrease) in Trade & Other Payables	39,370,167	16,423,624
NET CASH FLOW FROM OPERATING ACTIVITIES	8,782,383,903	7,277,296,367
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to Non Current Assets	(96,495,609)	(39,879,276)
Proceeds from Disposal of Property, Plant & Equipment	2,363,892	2,583,438
NET CASH FLOW FROM INVESTING ACTIVITIES	(94,131,717)	(37,295,839)

CASH FLOW FROM FINANCE ACTIVITIES		
Payments made to the Consolidated Fund	(1577,099,724)	(1,273,728,511)
Special Contribution to General Treasury	(153,300,000)	-
Special Contribution to General Treasury from PRF	(548,700,000)	-
Prizes Paid	(5,751,196,978)	(4,847,796,249)
Gratuity Payment	(5,601,715)	(22,197,677)
Vat & NBT Payment	(587,778,448)	(507,149,028)
Income tax payment	(207,052,296)	(302,926,691)
NET CASH FLOW FROM FINANCE ACTIVITIES	(8,830,729,162)	(6,953,798,156)
Net Changes in Cash & Cash Equivalent during the year	(142,476,975)	286,202,372
Cash & Cash Equivalent at the beginning of the year	2,320,535,435	2,034,333,063
CASH & CASH EQUIVALENT AT THE END OF THE YEAR	2,178,058,460	2,320,535,435
Note to the Cash Flow Statement		
CASH & CASH EQUIVALENT		
Short Term Investments	1,904,415,947	2,095,122,234
Cash in Hand & at Bank	273,642,513	225,413,201
NET CASH & CASH EQUIVALENT AT THE END OF THE YEAR	2,178,058,460	2,320,535,435



STATEMENT OF CHANGES IN EQUITY

	Accumulated Treasury Fund (Rs)	Building Reserve (Rs)	Prizes Reserve (Rs)	Retained Earnings (Rs)	Total 2012 (Rs)
Balance as at 01/01/2011	-	618,842,734	684,638,152	284,285,324	1,587,766,210
Add :Consolidated Fund from adjustment (2007-2010)	-	-	-	3,975,631,877	3,975,631,877
Less: IT on Contribution to Consolidated Fund (2007-2010)	-	-	-	(3,975,631,877)	(3,975,631,877)
Less: IT on Contribution to Consolidated Fund (2007-2010)	-	-	-	(1,612,571,360)	(1,612,571,360)
Add: IT on Contribution to Consolidated Fund (2007-2010)	-	-	-	1,612,571,360	1,612,571,360
Net Change in Prizes Reserves	-	-	62,073,107	-	62,073,107
Over Provision Income Tax	-	-	-	33,859,196	33,859,196
Year 2011 Contribution to Consolidated Fund	-	-	-	(1,345,046,907)	(1,345,046,907)
Year 2011 IT on Contribution to Consolidated Fund	-	-	-	538,018,763	538,018,763
Previous year Over provision for gratuity	-	-	-	10,071,377	10,071,377
Interest on Investment from Sri Lanka savings bank	-	-	-	336,575	336,575
Written Back to Bad debt Pramuka Bank (TB)	-	-	-	5,000,000	5,000,000
Total Comprehensive Income for the year 2011	-	-	-	1,016,132,173	1,016,132,173
Balance as at 31/12/2011	-	618,842,734	746,711,260	542,656,501	1,908,210,494
Net change in Prizes Reserves	-	-	67,917,089	-	67,917,089
Special Levy to General Treasury	-	-	(548,700,000)	-	(548,700,700)
Transfer to Accumulated Treasury Fund	21,263,101	-	-	(21,263,101)	-
Excess Duty & Cess Recov from Cont.Conso.fund-Sevana	-	-	-	71,971,545	71,971,545
Excess Duty & Cess Recov from Cont.Conso.fund-Samurdhi	-	-	-	6,201,747	6,201,747
Current year Contribution to Consolidated Fund	-	-	-	(1,574,149,137)	(1,574,149,137)
Current year IT on Contribution to Consolidated Fund	-	-	-	629,659,655	629,659,655
Special Contribution to Consolidated Fund	-	-	-	(153,300,000)	(153,300,000)
Transfer to Building Reserve from Current year profit	-	35,000,000	-	(35,000,000)	-
Transfer to Building Reserve from Retained Earnings	-	200,000,000	-	(200,000,000)	-
Total comprehensive Income for the year 2012	-	-	-	1,264,505,850	1,264,505,850
Balance as at 31/12/2012	21,263,101	853,842,734	265,928,349	531,283,063	1,672,317,246

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2012

1. SIGNIFICANT ACCOUNTING POLICIES

1.1.1 General Accounting Convention

The financial statements have been prepared in conformity with generally accepted accounting principles and accounting standards laid down by the Institute of Chartered Accountants of Sri Lanka and the provision of Finance act No. 38 of 1971 which have been applied consistently on historical cost basis with no adjustments being made for inflationary factors affecting the financial statements.

1.1.2 Sevana Lottery

Sevana Lottery has been assigned to the National Lotteries Board from 7th November 1997 by the Ministry of Finance and Planning. Instead of amalgamating Sevana Lottery with National Lotteries Board it has been identified as one of the products of the National Lotteries Board and accounting was done accordingly.

Adequate disclosure had been made in the financial statements of National Lotteries Board where appropriate.

1.1.3 Financial Year

Financial Statements have been prepared for the calendar year ended 31st December 2012.

1.1.4 Comparative Information

Where necessary previous year figures were restated for comparative purposes.

1.2. Assets & Basis of their Valuation

1.2.1 Freehold Property, Plant & Equipment

The property, Plant & Equipment are stated at cost less accumulated depreciation. The cost of the assets is the cost of acquisition or construction together with an expense incurred in bringing the assets to its working condition for the intended use.

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

1.2.2 Leasehold Property

Leasehold Property is stated at recorded carrying values as at the effective date of LKAS 17 – Leases. Such carrying amounts are amortized over the remaining lease term or useful life of the leased property whichever is shorter.

The Non Current Assets comprised of leasehold property located at Anuradhapura. The Board constructed a building as circuit bungalow on the land acquired in 1986 for a 30 year lease period.

1.2.2.1 Restoration Cost

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

1.2.2.2 Depreciation

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 economic life of such assets. As per LKAS 16 all Fixed assets were physically verified and reconciled with fixed assets register and new numbers were marked to each assets. The damaged fixed assets were Identified and written off from the books of accounts. The present net written value is Rs.2,929,971/-

The depreciation rates of the assets are as follows.

Assets	Rate of Depreciation %
Motor Vehicles	25
Computers	25
Air Conditioners, General & Office Equipment	20
Draw Barrels/Lottery Equipment	20
Furniture & Fittings	10
Freehold Buildings & Partitions	05

The useful life, residual values and depreciation methods of assets are reviewed, and adjusted if required, at the end of each financial year.

Leasehold property (Anuradhapura Bungalow) which is on a 30 year lease is amortized equally over the remaining lease period of five years from 2012.

1.2.3 Inventories

Inventories are valued at cost. Cost is

determined on first in first out basis and includes the cost of acquisition and other incidental expenses incurred in bringing them to present location and condition.

1.2.4 Trade Receivables and Other Current Assets.

Debtors are stated at the amounts which they are expected to realize. Adequate provision has been made for bad and doubtful debts. Other receivables and dues are stated at cost.

1.2.5 Cash and Cash Equivalents

1.2.5.1

Cash and Cash Equivalents are defined as cash in hand, demand deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

1.2.5.2

Short Term Investments in Treasury Bills, Treasury Bonds, Treasury Investments and bank Fixed Deposits are stated at cost plus interest receivables at the Statement of Financial Position date. All investments are considered as short term.

1.3. Liabilities and Provisions

1.3.1 Liabilities

All known liabilities have been accounted for in preparing the financial statements.

1.3.2 Current Liabilities

Liabilities classified as current liabilities on the Statement of Financial Position are those which fall due for payment on demand or within one year from the Statement of Financial Position date.

1.3.3 Non Current Liabilities

Liabilities are classified as non current when those balances fall due for payment after one year from the Statement of Financial Position date.

1.3.4 Retirement Benefits

1.3.4.1 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 statement of comprehensive income.

1.3.4.2 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 one year of continued service with the board. The board obtained an actuarial valuation report from an expert and provision for gratuity was made using the projected unit credit (PUC) method as recommended by LKAS 19. 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 reversed back to half month salary for each completed year of service which amounted to Rs. 10,071,377.00. This amount has been adjusted in statement of equity in 2011.

1.3.5 Trade and Other Payables & Short Term Provisions

Trade and other payables are stated at cost.

1.4. Taxation

1.4.1 Current Taxes

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.

1.4.2 Deferred Taxation

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

1.4.3 Income Tax on Consolidated Fund

As per Treasury Directions the NLB has to pay income tax on contribution to the Consolidated Fund for the years of assessment 2007/2008 to 2009/2010 amounting to Rs.1,136,146,578/- in 26 monthly installments out of amounts due to consolidated fund

commencing from January 2013 as per the payment schedule agreed with the Treasury.

Similarly, assessment were received by the Board for the year of assessment 2010/2011 and 2011/2012 amounting to Rs.1,644,103,198/- and payments will be made after negotiation with the Treasury. The additional tax on contribution made to the Consolidated Fund was adjusted in the statement of changes in equity.

Current year additional tax on contribution made to the Consolidated Fund was accounted under the current year taxation.

1.5. Contingent Liabilities

1.5.1 Income Tax on contribution to the Consolidated Fund

The Board has to pay an additional assessment for Income Tax on Consolidated funds for the years 2007 to 2012 amounting to Rs. 2,780,249,776/-.

1.5.2 Prizes Claim

The Board may have to pay Rs.2,000,000/- to a prize winner who filed legal action against the Board for claiming a prize which has already been paid to another person who has presented the winning ticket to the Board.

1.5.3 Reinstatement or Compensation

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

1.5.4 Defamation

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

1.6. Statement of comprehensive Income

1.6.1 Revenue

The Revenue presents the value of sweep tickets sold for draws conducted during the financial year.

1.6.2 Revenue Expenditure

All expenditure incurred in running the business and maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the surplus for the year.

1.6.3 Borrowing Cost

Borrowing Cost is recognized as expenditure in the period in which they are incurred.

1.6.4 Disposal of Property, Plant & Equipment and Investment

Gains or losses on revenue nature on the disposal of Property, Plant & Equipment and other non current assets including investments have been accounted in the Statement of comprehensive income.

1.7. Revenue Recognition

1.7.1 Revenue from tickets sold is recognized on accrual basis.

1.7.2 Interest income is accrued on a time basis.

1.7.3 Other income is recognized on accrual basis.

1.8. Distribution of Funds

The Board was incorporated under the Finance Act No. 11 of 1963 as the successor to the Hospital Lotteries Board.

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. New prize structures allocating 51% (subsequently changed to 49%)

of gross turnover for all draw lotteries were introduced. Agency commission too increased from 15% to 17.5% accordingly.

Prize allocation percentages of all passive lotteries excluding Mahajana Sampatha, was changed from 49% to 47% with effect from June 2010. Jathika Sampatha was introduced in place of Shrama Vasana and Suwasetha lotteries which were discontinued during the year 2010. Mahajana Sampatha was introduced on Sundays by replacing Suwasetha and Jathika Sampatha and at the same time Supiri Vasana Sampatha and Jathika Sampatha were introduced on Wednesday and Saturday. Further Govisetha and Vasana Sampatha are conducted on Monday and Thursday. In October 2012 a new lottery Sampath Rekha was introduced and draws are conducted on Tuesday, Friday and Sunday.

Distributions of income for passive lotteries are as follows.

	Mahajana Sampatha	Vasana Sampatha	Govisetha	Supiri Vasana	Jathika Sampatha	Sampath Rekha
Prizes	49%	47%	47%	47%	47%	52%
Dealer Commission	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%
Consolidated Fund	16.5%	16.5%	10%	10%	10%	5%
Board	17%	19%	25.5%	25.5%	25.5%	25.5%

Contributions to the Consolidated Fund and the relevant Ministries through the Consolidated Fund are as hereunder.

Passive Lotteries			
Mahajana Sampatha	Sunday, Tuesday, Friday	16.5%	Consolidated Fund
Vasana Sampatha	Monday & Thursday	16.5%	Consolidated Fund
Govisetha	Monday & Thursday	10%	Ministry of Agriculture
Supiri Vasana	Wednesday	10%	Ranawiru Sewa Authority
	Saturday	10%	Ministry of Sports & Social Services(5% each)
Jathika Sampatha	Wednesday	10%	Ministry of Health
	Saturday	10%	Ministry of Labour
Sampath Rekha	Sunday, Tuesday, Friday	5%	Consolidated Fund
Instant Lotteries			
Samurdhi		10%	Ministry of Samurdhi & Youth Affairs
Sevana		10%	Ministry of Housing
50th Anniversary lottery (from Oct 2012)		5%	Ministry of Housing

The Board conducts the Colombo Airport Super Draw 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.

Note No. 02 - Revenue	ended 31.12.2012 Rs.	ended 31.12.2011 Rs.
Mahajana Sampatha	4,699,507,800	4,094,195,000
Vasana Sampatha	1,342,410,200	1,080,006,800
Govisetha	1,622,118,600	1,285,523,000
Supiri Vasana Sampatha	2,024,200,600	1,820,857,400
Jayaviru	-	153,484,400
Jathika Sampatha	1,023,548,200	786,494,800
Sampath Rekha	265,760,600	-
Colombo Airport Superdraw	33,063,646	-
New Airport Lottery	-	5,092,723
Samurdhi	37,276,000	95,606,020
Sevana	956,382,970	771,070,480
Total	12,004,268,616	10,092,330,623

Note No. 03 Cost of Sales	ended 31.12.2012 Rs.	ended 31.12.2011 Rs.
Ticket Printing Charges	393,049,086	376,528,826
Agency Commission	2,232,580,487	1,874,354,373
Prizes Declared	5,787,269,625	4,857,951,333
VAT & NBT	597,705,389	506,927,892
Total	9,010,604,586	7,615,762,424

Note No. 03-01 Ticket printing charges	ended 31.12.2012 Rs.	ended 31.12.2011 Rs.
Opening Stock as at 1st January		
Passive Lottery	-	-
Sevana Lottery	48,789,495	41,694,925
Samurdhi Lottery	-	3,837,552
	48,789,495	45,532,477
Add: Purchase of Tickets during the year	361,360,596	379,785,845
	410,150,091	425,318,321
Less: Closing Stock as at 31st December		
Passive Lottery	3,865,641	-
Sevana Lottery	11,873,897	48,789,495
Samurdhi Lottery	1,361,468	-
	17,101,006	48,789,495
Total	393,049,086	376,528,826

Note No. 03-02 - Agency Commission	ended 31.12.2012 Rs.	ended 31.12.2011 Rs.
Mahajana Sampatha	881,040,451	767,619,363
Vasana Sampatha	251,675,313	202,492,378
Govisetha	304,157,707	241,024,094
Supiri Vasana	379,490,875	341,392,113
Jayaviru	-	28,777,885
Jathika Sampatha	191,896,843	147,460,416
Sampath Rekha	49,833,890	-
Colombo Airport Superdraw	-	85,347
Samurdhi	5,889,608	15,105,863
Sevana	168,583,369	130,396,914
Total	2,232,568,056	1,874,354,373

Note No. 03-03 - Prizes Declared	ended 31.12.2012 Rs.	ended 31.12.2011 Rs.
Mahajana Sampatha	2,302,757,337	2,006,155,550
Vasana Sampatha	630,932,794	507,603,196
Govisetha	762,395,742	604,195,810
Supiri Vasana	951,374,282	855,989,748
Jayaviru	-	72,137,668
Jathika Sampatha	481,067,654	369,652,556
Sampath Rekha	138,195,512	-
Colombo Airport Superdraw	5,987,832	-
New Airport Lottery	-	3,837,000
Samurdhi	18,265,240	46,846,950
Sevana	496,293,231	391,532,855
Total	5,787,269,625	4,857,951,333

Note No. 03-04 - VAT & NBT	ended 31.12.2012 Rs.	ended 31.12.2012 Rs.
Value Added Tax	428,810,159	365,159,981
Nation Building Tax	168,895,230	141,767,911
Total	597,705,389	506,927,892

Note No. 04 - Other Income	ended 31.12.2012 Rs.	ended 31.12.2011 Rs.
Interest Income	269,829,488	162,786,760
Sundry Income	13,193,239	16,079,378
Total	283,022,727	178,866,137

Note No. 05 - Distribution Cost	ended 31.12.2012 Rs.	ended 31.12.2011 Rs.
Ticket Transport Charges	5,048,390	4,702,971
Agent Relief Exp/ Cost of returned- Tickets	164,746	501,273
Dealers and Agents training	323,500	25,675
Scholarships to Agents Children	1,481,000	959,000
Sales pro.Incentive for Dealers & Agents	15,385,596	2,817,228
Agent Medical Expenses	3,404,000	2,268,000
Agents Additional Sales Promotional	3,366,470	1,151,761
Total	29,173,702	12,429,908

Note No. 06 - Administrative Expenses	ended 31.12.2012 Rs.	ended 31.12.2011 Rs.
Personnel Emoluments	222,844,221	203,294,269
Other Administrative Expenses	123,987,412	98,766,791
Total	346,831,633	302,061,060

Note No. 07 - Other Expenses	ended 31.12.2012 Rs.	ended 31.12.2011 Rs.
Establishment Expenses	65,081,969	54,735,284
Marketing & Sales Promotion	618,985,298	496,428,627
Communication Expenses	26,750,121	22,942,675
Total	710,817,388	574,106,586

Note No. 08 - Finance Cost	ended 31.12.2012 Rs.	ended 31.12.2011 Rs.
Bank Charges	25,599,202	24,450,249
Debit Tax	-	1,022,774
WHT on Non Cash Lottery Prizes	495,089	334,821
Total	26,094,291	25,807,844

Note No. 09 - Income tax	ended 31.12.2012 Rs.	ended 31.12.2011 Rs.
Current Income Tax	277,783,725	188,043,241
Income Tax on Consolidated Fund -2012 & 2011	629,659,655	538,018,763
Deferred Tax Adjustment	(8,179,487)	(1,165,239)
Total	899,263,893	724,896,765

Note 10 - Property, Plant & Equipments	Land Rs.	Buildings Rs.	Motor Vehicles Rs.	Computers & Accessories Rs.	Office Equipment Rs.	Draw Barrels Rs.	Furniture & Fittings Rs.	as at 31.12.2012 Total Rs.	as at 31.12.2011 Total Rs.	as at 01.01.2011 Total Rs.
COST										
Balance Beginning of the Year	312,151,670	2,322,929	139,890,795	113,845,806	45,318,364	13,387,363	10,792,173	637,709,100	601,692,891	586,673,538
Written off Fixed Assets Cost	-	-	(12,250)	(10,612,006)	(15,783,951)	545,743	1,774,626	(24,087,839)	-	-
Additions/Transfers During the Year	-	-	50,397,202	33,781,651	4,601,829	3,589,929	4,124,998	96,495,609	39,682,876	22,166,974
	312,151,670	2,322,929	190,275,747	137,015,451	34,136,242	17,523,035	16,691,796	710,116,870	641,375,767	608,840,511
Disposals/Transfers During the Year	-	-	(3,595,000)	-	-	-	-	(3,595,000)	(3,666,667)	(7,147,622)
Balance end of the Year	312,151,670	2,322,929	186,680,747	137,015,451	34,136,242	17,523,035	16,691,796	706,521,870	637,709,100	601,692,889
PROVISION FOR DEPRECIATION										
Balance Beginning of the Year	-	1,907,761	99,708,760	96,297,873	34,758,927	11,975,060	5,652,374	250,300,754	218,604,176	176,473,718
Written off Fixed Assets Depreciation	-	-	(253)	(10,701,165)	(13,031,264)	670,955	1,903,859	(21,157,867)	-	-
Depreciation for the Year	-	116,146	19,713,602	12,298,496	3,625,755	510,044	1,284,020	37,548,062	35,363,245	48,088,078
	-	2,023,907	119,422,108	97,895,204	25,353,418	13,156,059	8,840,252	266,690,949	253,967,421	224,561,796
Depreciation on Disposal	-	-	(3,595,000)	-	-	-	-	(3,595,000)	(3,666,667)	(5,957,620)
Balance End of the Year	-	2,023,907	115,827,108	97,895,204	25,353,418	13,156,059	8,840,252	263,095,949	250,300,754	218,604,176
	-									
Written Down Value as at 31.12.2012	312,151,670	299,022	70,853,639	39,120,247	8,782,824	4,366,976	7,851,544	443,425,922	-	-
Written Down Value as at 31.12.2011	312,151,670	415,168	40,182,035	17,547,934	10,559,437	1,412,303	5,139,799	-	387,408,346	-
Written Down Value as at 01.01.2011	312,151,670	415,168	40,182,035	17,547,934	10,559,437	1,412,303	5,139,799	-	-	383,088,713
Rate of Depreciation	-	05%	25%	25%	20%	20%	10%			

Note No. 10 - Lease Hold Property Buildings	as at 31.12.2012 Rs.	as at 31.12.2011 Rs.	as at 01.01.2011 Rs.
<u>COST</u>			
Balance Beginning of the Year	3,759,162	3,562,762	3,562,762
Additions/Transfers During the Year	-	196,400	-
	3,759,162	3,759,162	3,562,762
Disposals/Transfers During the Year	-	-	-
Balance end of the Year	3,759,162	3,759,162	3,562,762
<u>PROVISION FOR DEPRECIATION</u>			
Balance Beginning of the Year	2,964,146	2,805,142	2,688,759
Depreciation for the Year	159,003	159,003	116,384
	3,123,149	2,964,146	2,805,142
Depreciation on Disposal	-	-	-
Balance End of the Year	3,123,149	2,964,146	2,805,142
Written Down Value as at 31.12.2012	636,013	-	-
Written Down Value as at 31.12.2011	-	795,016	-
Written Down Value as at 01.01.2011	-	-	757,620

Amortize over the remaining Lease period of 5 years from 2012.

	<u>as at 31.12.2012</u>	<u>as at 31.12.2011</u>	<u>as at 01.01.2011</u>
Grand Total	444,061,935	388,203,362	383,846,333

Note No. 11 - Inventories	as at 31.12.2012 Rs.	as at 31.12.2011 Rs.	as at 01.01.2011 Rs.
Printed Ticket Stocks	17,101,006	48,857,409	45,869,797
Prizes Stocks	19,719,099	19,342,943	23,221,954
Consumable Stocks	5,448,979	3,515,184	2,708,241
Total	42,269,083	71,715,536	71,799,991

Note No. 12 - Trade Receivables	as at 31.12.2012 Rs.	as at 31.12.2011 Rs.	as at 01.01.2011 Rs.
Sweep / Trade Debtors	39,768,090	46,868,675	62,696,832
Return Cheques - Sevana & Samurdhi	757,497	1,405,967	1,490,445
	40,525,587	48,274,642	64,187,276
Less Provision for Doubtful Debts	(10,834,029)	(29,403,277)	(29,453,197)
Total	29,691,558	18,871,365	34,734,079

Note No. 13 - Other Current Assets	as at 31.12.2012 Rs.	as at 31.12.2011 Rs.	as at 01.01.2011 Rs.
Other Debtors	46,433,569	48,708,636	30,241,167
Accounts Receivables	32,728,141	32,655,029	52,520,085
Staff Loans	92,517,643	96,594,542	101,441,788
Deposit & Prepayments	8,061,222	10,638,724	6,180,673
Income tax Receivable from			
- Consolidated Fund	492,458,042	-	-
Total	672,198,617	188,596,931	190,383,712

Note No. 14 - Cash & Cash Equivalents	as at 31.12.2012 Rs.	as at 31.12.2011 Rs.	as at 01.01.2011 Rs.
Cash in Hand and at Bank	273,642,513	225,413,201	116,876,542
Short Term Deposits	1,904,415,947	2,095,122,234	1,917,456,521
Total	2,178,058,460	2,320,535,435	2,034,333,063

Note No. 15 - Retained Earnings	as at 31.12.2012 Rs.	as at 31.12.2011 Rs.	as at 01.01.2011 Rs.
Balance at the beginning of the year	542,656,501	284,285,324	284,285,324
Add :Consolidated fund from adjustment (2007-2010)	-	-	3,975,631,877
Less:IT on Contribution to Consolidated fund (2007-2010)	-	-	(3,975,631,877)
Less:IT on Contribution to Consolidated fund (2007-2010)	-	-	(1,612,571,360)
Add: IT on Contribution to Consolidated fund (2007-2010)	-	-	1,612,571,360
Total Comprehensive Income for the Year 2012	1,264,505,850	1,016,132,173	-
	1,807,162,353	1,300,417,497	284,285,324
Less;Current Year Contribution to Consolidated fund	(1,574,149,137)	-	-
Add: Current Year IT on Contribution to Consolidated fund	629,659,655	-	-
Less: Year 2011 Contribution to Consolidated Fund	-	(1,345,046,907)	-
Less: IT on Contribution to Consolidated fund (2011)	-	538,018,763	-
Add: Previous year Over provision of Gratuity	-	10,071,377	-
Add: Previous year Interest on Investment from SLSB	-	336,575	-
Add: Previous year Written back to Bad Debt Pramuka Bank	-	5,000,000	-
Less: Transfer to Building reserve from Current Year profit	(35,000,000)	-	-
Less: Transfer to Building reserve from Retained Earnings	(200,000,000)	-	-
Less:Special Contribution General Treasury	(153,300,000)	-	-
Less:Transfer to Accumulated Treasury Fund	(21,263,101)	-	-
Add:Over provision Income Tax balance	-	33,859,196	-
Add:Exces Duty & Cess recov.from cont.consol.fund -Sevana	71,971,545	-	-
Add:Excess Duty & cess recov.from cont.consol.fund -SMD	6,201,747	-	-
Balance at the end of the year	531,283,063	542,656,501	284,285,324

Note No. 16 - Other Components of Equity	as at 31.12.2012 Rs.	as at 31.12.2011 Rs.	as at 01.01.2011 Rs.
Accumulated Treasury Fund	21,263,101	-	-
Building Reserve	853,842,734	618,842,734	618,842,734
Prizes Reserve	265,928,349	746,711,260	684,638,153
Total	1,141,034,183	1,365,553,993	1,303,480,886

Note No. 17 - Deferred Tax Liability	as at 31.12.2012 Rs.	as at 31.12.2011 Rs.	as at 01.01.2011 Rs.
Balance at the beginning of the year	14,787,878	15,953,117	3,304,119
Current year Deferred tax Provision	-	-	12,648,998
Previous year Over Provision	(8,179,487)	(1,165,239)	-
Balance at the end of the year	6,608,391	14,787,878	15,953,117

Note No. 18 - Long - term Provisions	as at 31.12.2012 RS.	as at 31.12.2011 RS.	as at 01.01.2011 RS.
Provision for Gratuity	37,896,503	43,498,218	62,075,804
Income Tax payable on			
- Consolidated fund	2,287,791,736	2,150,590,123	1,612,571,360
Total	2,325,688,239	2,194,088,341	1,674,647,164

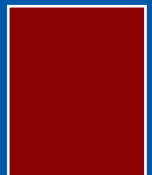
Note No. 19 - Trade & Other Payables	as at 31.12.2012 Rs.	as at 31.12.2011 Rs.	as at 01.01.2011 Rs.
Payable to Consolidated Fund	211,437,804	214,388,391	143,069,995
Sweep Collection in advance	102,593,667	84,466,045	83,429,479
Deferred Revenue Expenditure- CASD	10,272,291	26,232,843	12,299,745
Prizes Obligations	469,645,919	433,573,272	423,418,188
Trade & Other Creditors	73,007,267	51,447,351	69,072,924
Accrued expenses	182,320,011	166,676,830	147,597,297
Total	1,049,276,958	976,784,731	878,887,627

Note No. 20 - Current Tax Payables	as at 31.12.2012 Rs.	as at 31.12.2011 Rs.	as at 01.01.2011 Rs.
VAT and NBT Payables	42,606,068	32,679,128	32,900,264
Income Tax Payables	585,820,177	22,630,706	137,514,156
Total	628,426,245	55,309,834	170,414,420

Note No. 21 - Accrued Expenses	as at 31.12.2012 Rs.	as at 31.12.2011 Rs.	as at 01.01.2011 Rs.
Advertising	81,931,970	75,880,781	62,965,896
Audit Fees	3,217,646	2,045,378	2,026,530
Cleaning and Maintenance of Building	666,606	81,670	5,665
Economic Service Charges	-	26,770,923	24,232,765
Electricity	1,076,820	897,669	1,111,557
Encashment of leave - Payment	2,627,247	2,671,778	2,808,066
Ex- gratia Payments	13,301,707	11,120,620	9,771,374
Fixed Assets - Purchases	14,111,173	6,350,147	5,448,510
Main Agency Commission	7,718,796	-	-
Others & Purchasing items	20,788,424	6,860,862	16,337,651
Passive Tickets Cost	3,865,641	-	-
Printing & Stationery	1,540	365,294	416,459
Prize validation Charges & Commission	713,542	1,113,213	489,791
Production Incentive	3,417,989	3,638,005	3,004,741
Rent	10,000,000	8,005,000	6,144,259
Salaries, Overtime & Others	3,339,607	2,654,848	2,083,523
Sales Booth to Agents	-	146,913	-
Scrutiny of Prize Tickets	69,960	28,080	-
Staff Welfare	262,953	1,479,285	378,166
Telephone & Fax	1,558,097	1,129,347	1,238,198
Ticket Printing Charges	9,373,007	7,074,345	5,089,317
Transport Charges – Tickets	1,269,088	823,605	1,112,449
VAT Recoverable	-	5,795,019	1,869,017
Vehicle Fuel	2,149,980	628,413	405,938
Welfare & Thrift Fund	858,219	1,115,637	657,425
	182,320,011	166,676,830	147,597,297



**OPERATING &
FINANCIAL REVIEW**



PERFORMANCE

ANALYSIS

OVERALL PERFORMANCE

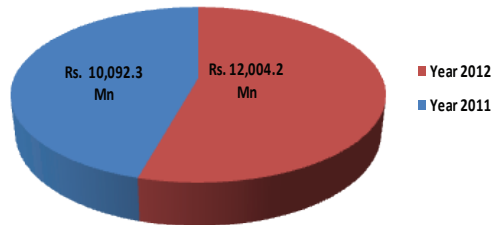
Financial Highlights - For the year ended 31st December

	2012 Rs. Mn	2011 Rs. Mn	Change Compared with 2011 (%)
Turnover	12,004.2	10,092.3	18.9
Contribution to Consolidated fund *	1,574.1	1,345.0	17.0
Agency Commission	2,232.5	1,874.3	19.1
Prizes Allocation	5,787.2	4,857.9	19.1
Value Added Tax	428.8	365.1	17.4
Nations Building Tax	168.8	141.7	19.1
Other Income	283.0	178.8	58.2
Expenses	1,112.9	914.4	21.7
Profit before Tax	2,163.7	1,741.0	24.2
profit for the Year	1,264.5	1,016.1	24.4
Total Assets	5,682.3	5,149.1	10.3
Total Net Assets/ Equity	1,672.3	1,908.2	(12.3)
Profit before Tax to Turnover %	18.0%	17.2%	-
Profit before Tax to Total Assets %	38.0%	33.8%	-
Liquidity Ratio	1.7:1	2.5:1	-

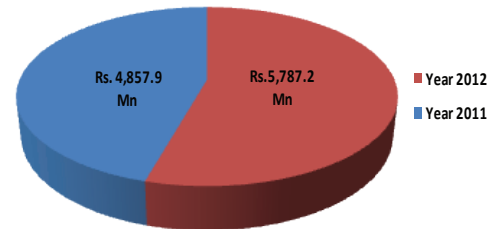
- Excluding special contribution of Rs.702. mn in 2012

Remittances to State	2012 Rs.	2011 Rs.
Direct Remittances		
Contribution to Consolidated Fund	1,574.1	1,345.0
Special Levy to Treasury	702.0	-
	2,276.1	1,345.0
Indirect Remittances		
VAT	428.8	365.1
NBT	168.8	141.7
Income Tax / SRL	899.2	724.8
	1,496.8	1,231.6
Total remittances to State	3,772.9	2,576.6

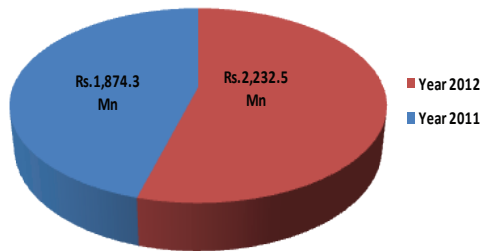
Turnover (Rs. Mn)



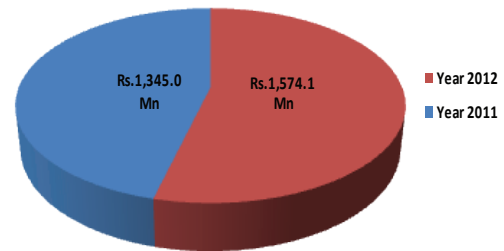
Prizes Declared (Rs. Mn)



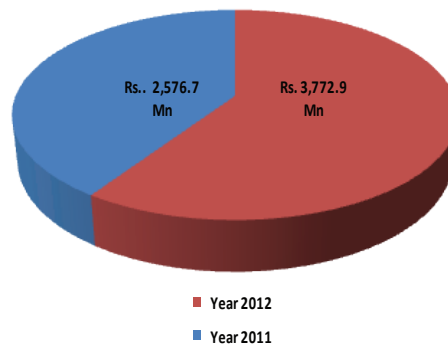
Agency Commission (Rs. Mn)



Contribution to Consolidated Fund
(On Turnover) (Rs. Mn)



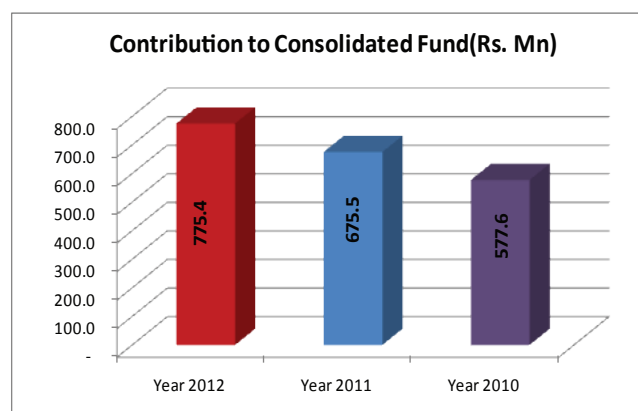
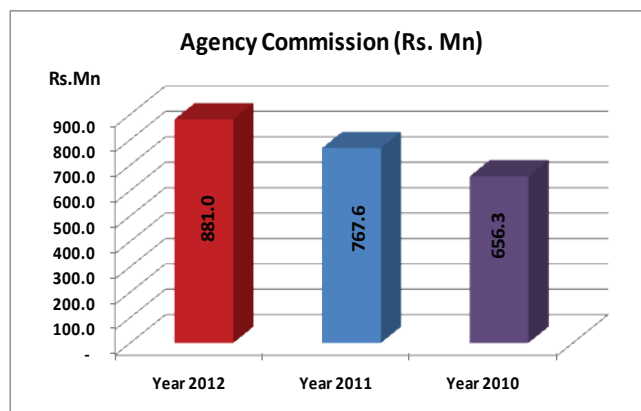
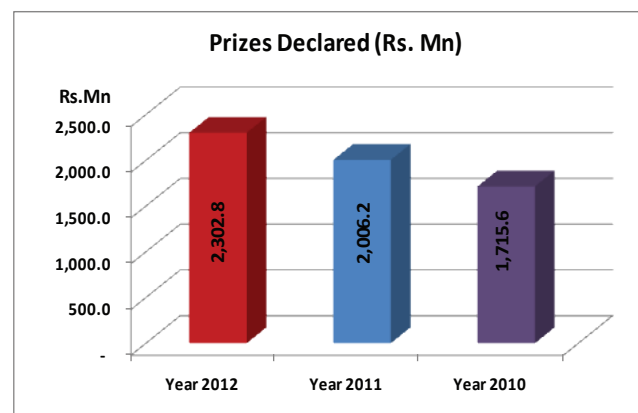
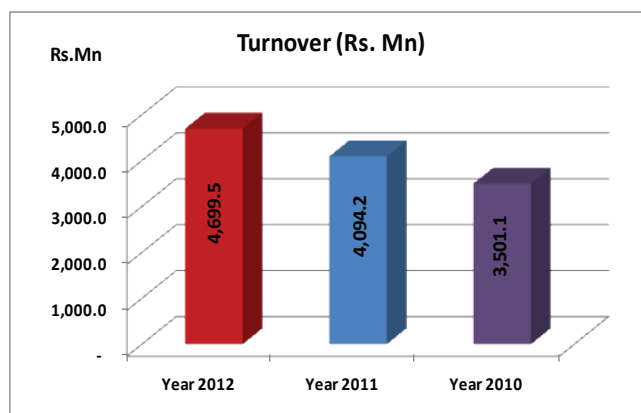
Contribution to Government (Rs. Mn)



PRODUCT WISE PERFORMANCE MAHAJANA SAMPATHA

Performance of this lottery as compared with the last two year figures are as follows.

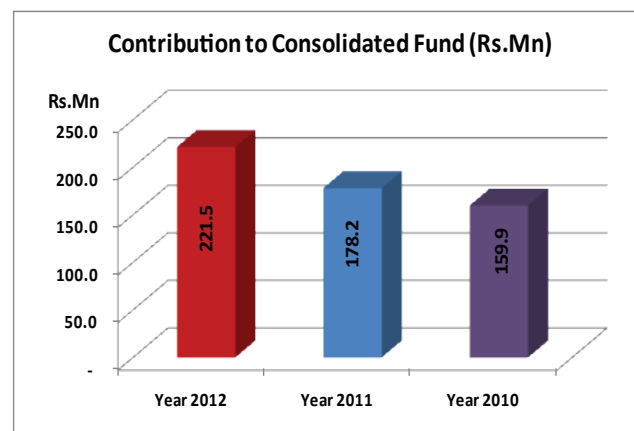
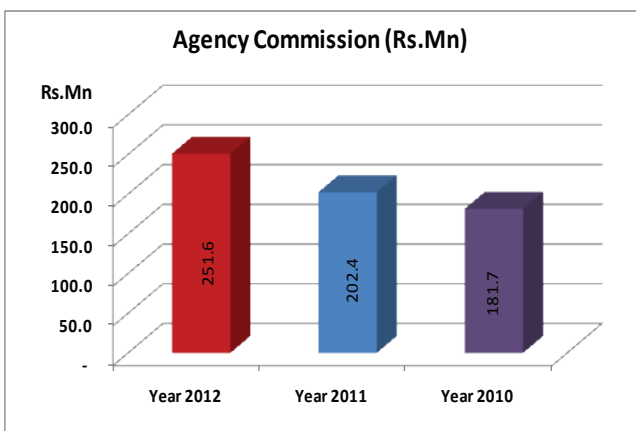
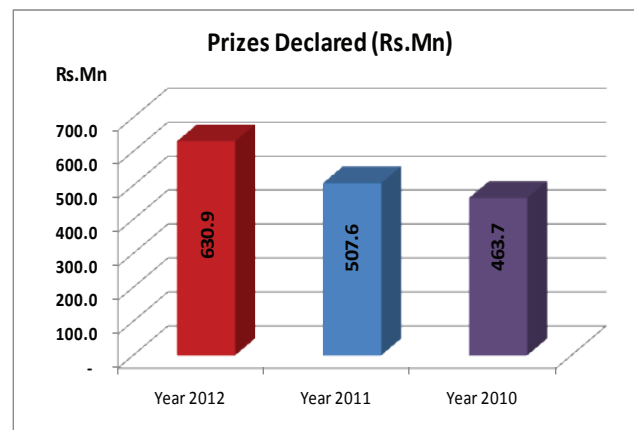
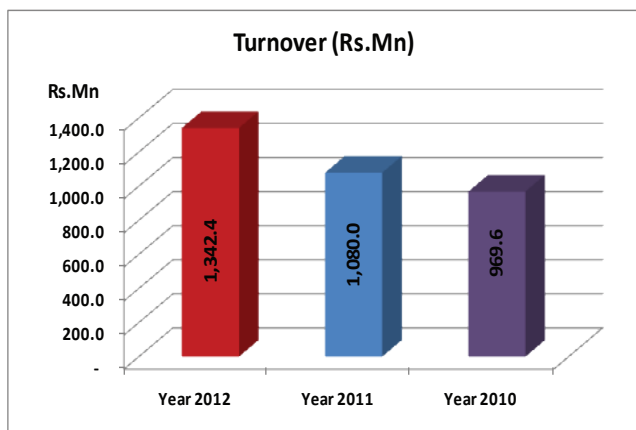
Description	2012 Rs.	2011 Rs.	2010 Rs.	2012 Increase
Turnover	4,699.5	4,094.2	3,501.1	14.7%
Prizes Declared	2,302.7	2,006.1	1,715.6	
Agency Commission	881.0	767.6	656.3	
Contribution to Consolidated Fund	775.4	675.5	577.6	



VASANA SAMPATHA

Performance of this lottery as compared with the last two year figures are as follows.

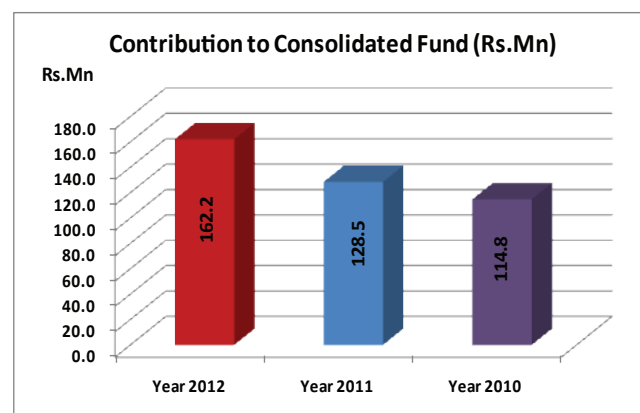
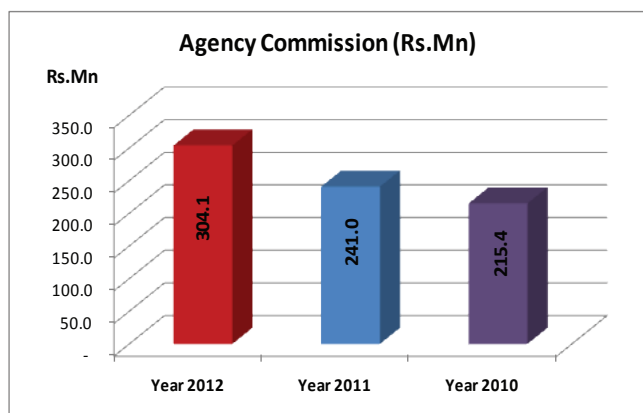
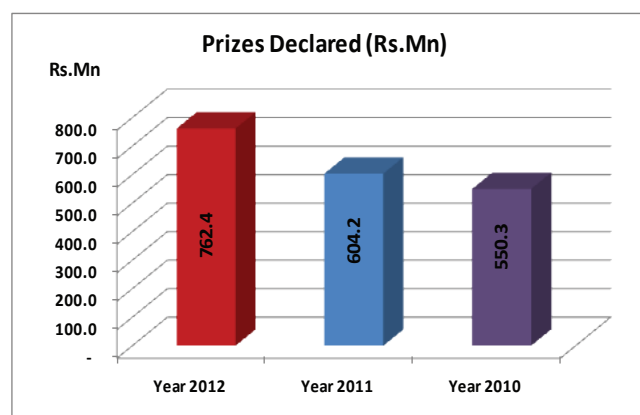
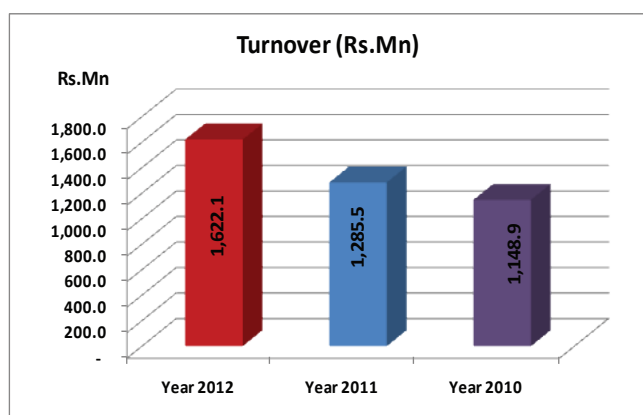
Description	2012 Rs.	2011 Rs.	2010 Rs.	2012 Increase
Turnover	1,342.4	1,080.0	969.6	24.2 %
Prizes Declared	630.9	507.6	463.7	
Agency Commission	251.6	202.4	181.7	
Contribution to Consolidated Fund	221.5	178.2	159.9	



GOVISETHA

Performance of this lottery as compared with the last year figures are as follows.

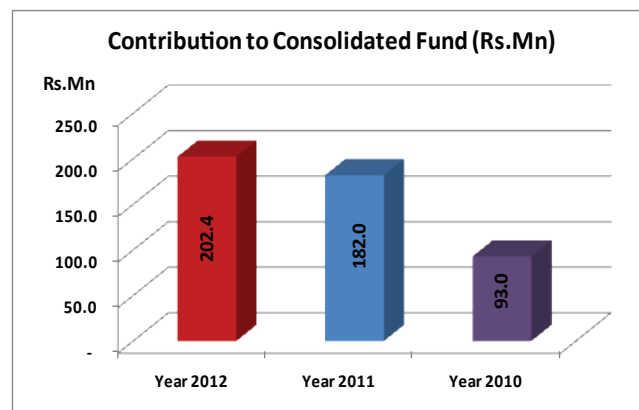
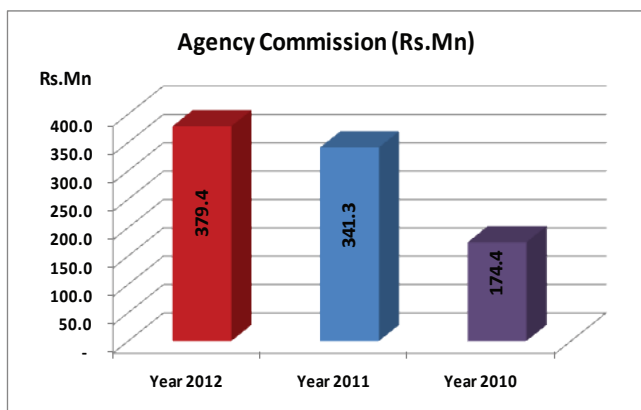
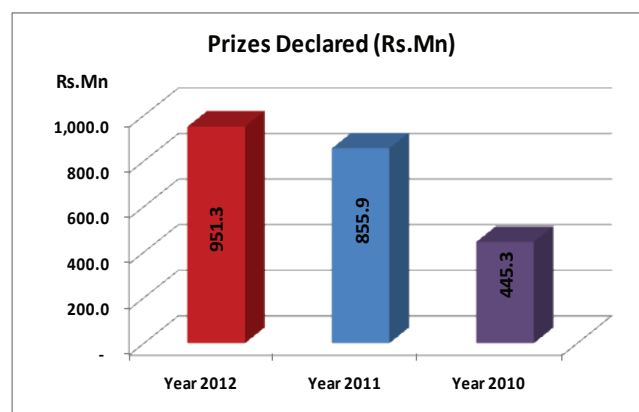
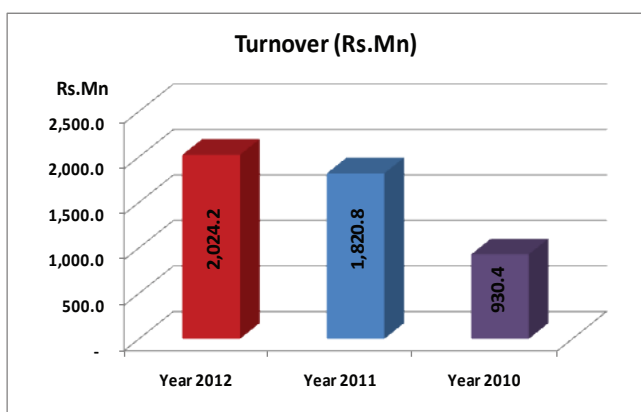
Description	2012 Rs.	2011 Rs.	2010 Rs.	2012 Increase
Turnover	1,622.1	1,285.5	1,148.9	26.1%
Prizes Declared	762.4	604.2	550.3	
Agency Commission	304.1	241.0	215.4	
Contribution to Consolidated Fund	162.2	128.5	114.8	



SUPIRI VASANA SAMPATHA

Performance of this lottery as compared with the last two year figures are as follows.

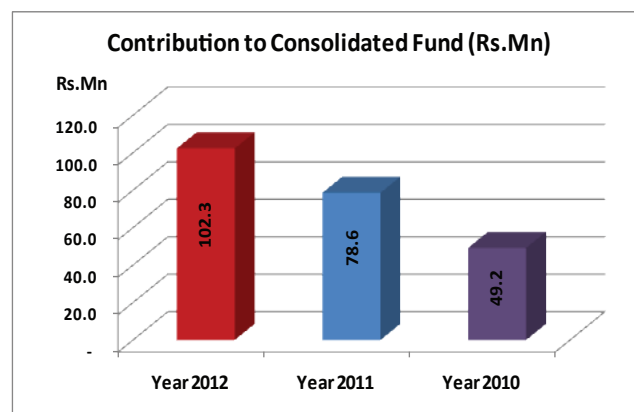
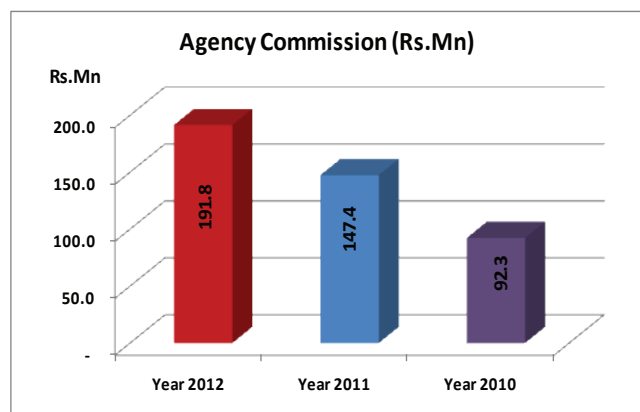
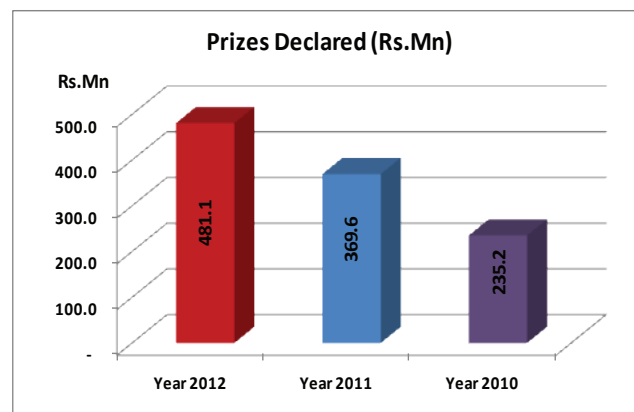
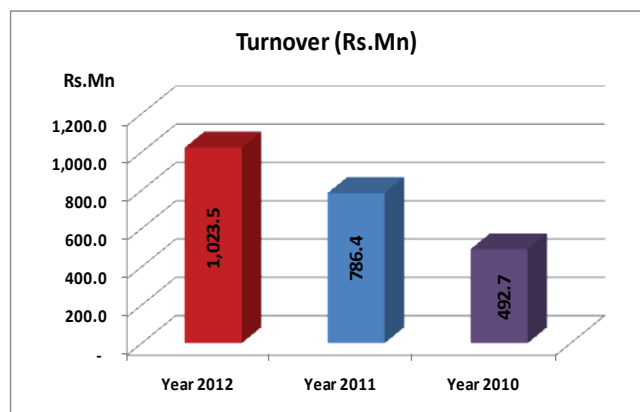
Description	2012 Rs.	2011 Rs.	2010 Rs.	2012 Increase
Turnover	2,024.2	1,820.8	930.4	11.1%
Prizes Declared	951.3	855.9	445.3	
Agency Commission	379.4	341.3	174.4	
Contribution to Consolidated Fund	202.4	182.0	93.0	



JATHIKA SAMPATHA

Performance of this lottery as compared with the last two years figures are as follows.

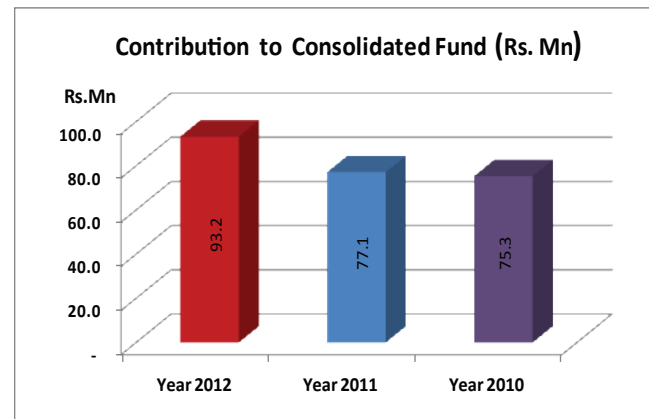
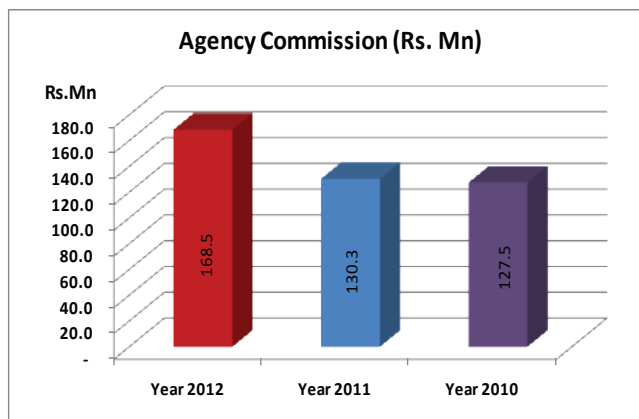
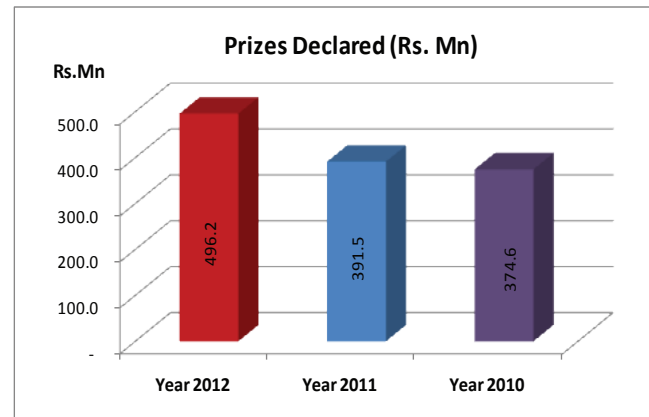
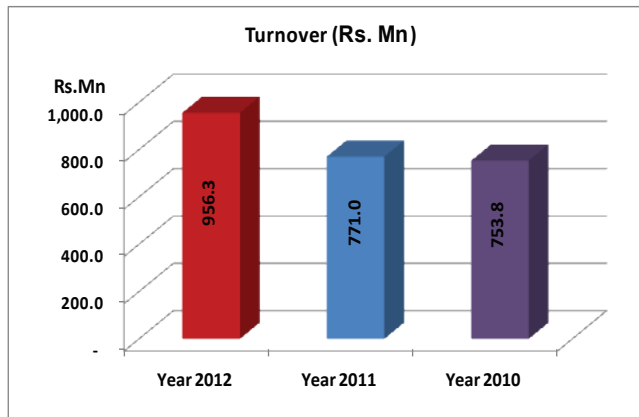
Description	2012 Rs.	2011 Rs.	2010 Rs.	2012 Increase
Turnover	1,023.5	786.4	492.7	30.1%
Prizes Declared	481.0	369.6	235.2	
Agency Commission	191.8	147.4	92.3	
Contribution to Consolidated Fund	102.3	78.6	49.2	



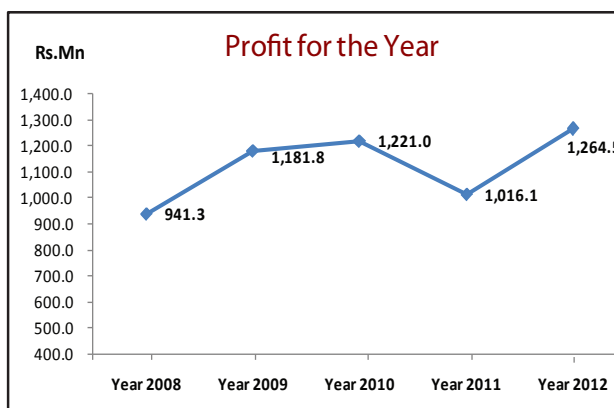
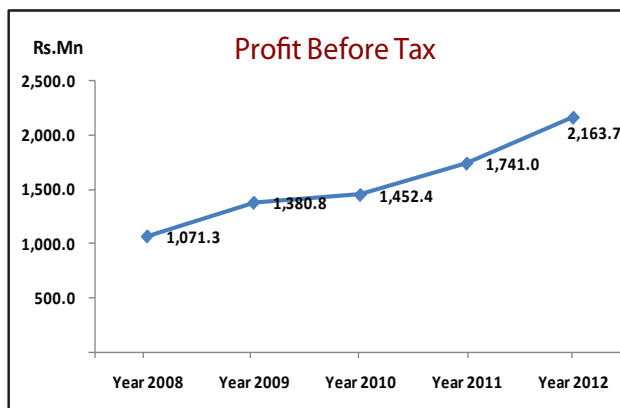
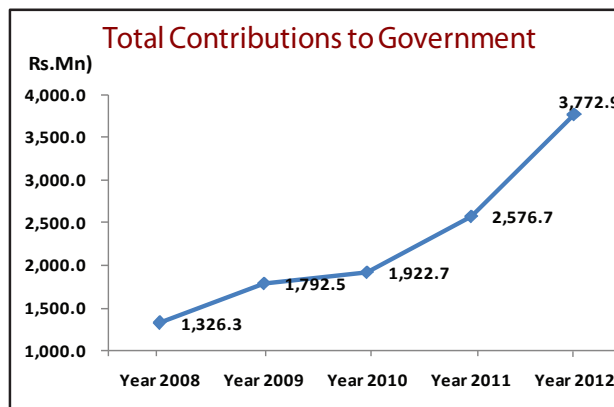
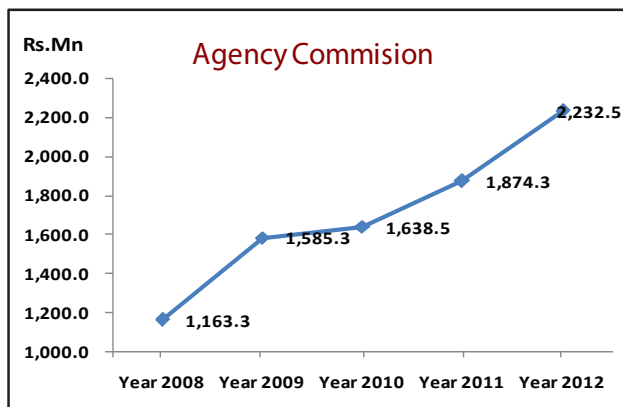
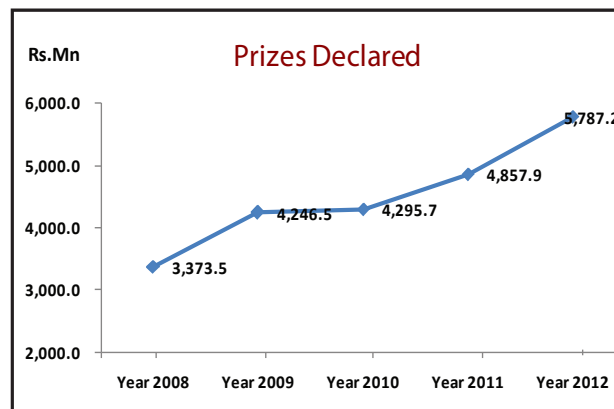
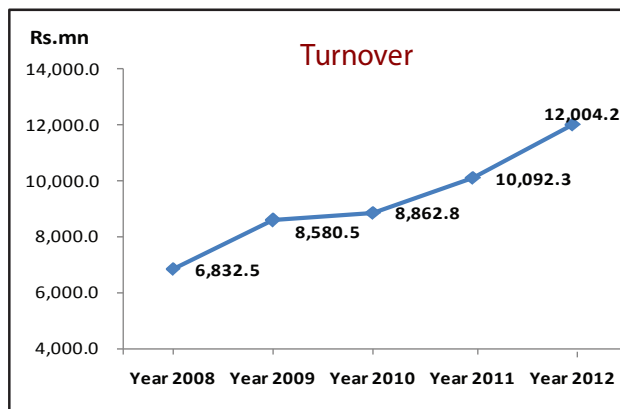
SEVANA

Performance of this lottery as compared with the last two years figures are as follows.

Description	2012 Rs.	2011 Rs.	2010 Rs.	2012 Increase
Turnover	956.3	771.0	753.8	24.0%
Prizes Declared	496.2	391.5	374.6	
Agency Commission	168.5	130.3	127.5	
Contribution to Consolidated Fund	93.2	77.1	75.3	



LAST FIVE YEAR AT A GLANCE





TEN YEAR GLANCE	2003	2004	2005	2006
Revenue	7,181,894,656	6,489,740,091	6,166,897,652	6,460,015,752
Less: Cost of Sales				
Ticket Printing Charges	578,711,421	528,014,558	404,809,076	394,484,461
Agency Commision	1,074,594,282	968,625,493	968,319,771	1,025,881,243
Prizes Declaired	3,398,836,469	3,064,898,835	2,952,266,317	3,115,594,961
VAT & NBT	291,378,298	254,469,361	290,868,023	300,652,152
	5,343,520,470	4,816,008,247	4,616,263,187	4,836,612,817
Gross Profit	1,838,374,186	1,673,731,844	1,550,634,465	1,623,402,935
Add Other Income	210,700,436	136,869,969	114,548,796	136,114,584
	2,049,074,622	1,810,601,813	1,665,183,261	1,759,517,519
Less : Expenses				
Distribution Cost	54,772,416	49,254,301	3,248,840	633,823
Administrative Expenses	141,884,486	148,347,230	128,688,225	173,839,726
Other Expenses	406,117,806	342,941,066	293,640,110	469,876,312
Finance Cost	14,731,060	19,052,715	12,789,382	44,893,795
Profit Before Tax	1,431,568,854	1,251,006,501	1,226,816,704	1,070,273,863
Income Tax Expense	35,703,211	61,005,636	111,264,623	166,051,524
PROFIT FOR THE YEAR	1,395,865,643	1,190,000,865	1,115,552,081	904,222,339
DIRECT CONTRIBUTION TO GOVERNMENT				
Consolidated Fund on sale	1,122,925,499	957,999,258	957,406,531	845,908,023
Special Contribution to General Treasury	114,250,000	127,962,730	-	-
TOTAL	1,237,175,499	1,085,961,988	957,406,531	845,908,023
Gross Profit as a % of Turnover	25.50%	25.79%	25.10%	25.10%
Profit Before tax as a % of Turnover	19.93%	19.20%	19.80%	16.50%
Expenses as a % of Gross turnover	8.59%	8.62%	7.10%	10.66%
Growth Rate of Turnover (%)	44.64%	(9.63%)	(4.97%)	4.75%

Note : *Fugures in the Ten year summary were restated inline with 2012 presentation for comparative purpose.As a result contributions to Consolidated fund (indicated separately) are shown under equity statement .

Figures in Rupees

2007	2008	2009	2010	2011	2012
6,079,850,149	6,832,519,239	8,580,538,712	8,862,869,826	10,092,330,623	12,004,268,616
315,362,150	289,619,018	271,803,581	293,504,383	376,528,826	393,049,086
971,932,383	1,163,307,511	1,585,329,388	1,638,501,705	1,874,354,373	2,232,580,487
2,944,926,273	3,373,592,920	4,246,564,845	4,295,786,207	4,857,951,333	5,787,629,625
280,749,153	298,114,596	457,226,688	501,891,271	506,927,892	597,705,389
4,512,969,959	5,124,634,045	6,560,924,502	6,729,683,566	7,615,762,424	9,010,604,587
1,566,880,190	1,707,885,194	2,019,614,210	2,133,186,260	2,476,568,199	2,993,664,029
191,205,560	257,996,742	340,680,571	212,424,233	178,866,137	283,022,727
1,758,085,750	1,965,881,936	2,360,294,781	2,345,610,493	2,655,434,336	3,276,686,756
1,637,076	3,520,855	8,895,497	7,992,173	12,429,908	29,173,702
211,251,009	244,653,465	296,178,938	292,493,432	302,061,060	346,831,633
545,116,834	620,679,997	643,934,955	562,697,648	574,106,586	710,817,388
21,746,255	25,717,200	30,483,249	29,936,142	25,807,844	26,094,291
978,334,576	1,071,310,419	1,380,802,142	1,452,491,098	1,741,028,938	2,163,769,742
140,065,071	129,986,050	198,991,306	231,393,156	724,896,765	899,263,893
838,269,505	941,324,369	1,181,810,836	1,221,097,942	1,016,132,173	1,264,505,849
767,590,790	898,282,571	1,136,298,465	1,173,460,051	1,345,046,907	1,574,149,137
-	-	-	16,000,000	-	702,000,000
767,590,790	898,282,571	1,136,298,465	1,189,460,051	1,345,046,907	2,276,149,137
25.70%	24.90%	23.50%	24.00%	24.50%	24.90%
16.00%	15.60%	16.00%	16.30%	17.20%	18.00%
12.82%	13.09%	11.41%	10.07%	9.06%	9.23%
(5.88)%	12.37%	25.58%	3.29%	13.87%	18.94%

SPECIAL EVENT 2012



Seminar for Preparation of Strategic Plan
Galadari Hotel -Colombo



Progress Review Meeting
Sri Lanka Foundation Institute



District Dealer Meeting
Sri Lanka Foundation Institute



Mahajana Sampatha Special lottery
for 2500 lottery draw



Nari Burathi Stage drama at Punchi theater
Borella Conducted by NLB welfare Society



Signing of agreement with ICT to sell ASD
Lottery through online

CORPORATE SOCIAL RESPONSIBILITY



Kandy Perahera



Katharagama Perahera



Kelani Perahera



Dayata Kirula – 2012



Colombo Night Race – 2012



Carlton super cross -2012

OUR DISTRIBUTION NETWORK

Jaffna

District Dealers :1
District Agents :20

Kilinochchi

District Dealers :NLB
District Agents :4

Mulative

District Dealers :0
District Agents :1

Manar

District Dealers :1
District Agents :4

Vavuniya

District Dealers :1
District Agents :20

Trincomalee

District Dealers :1
District Agents :34

Anuradhapura

District Dealers :1
District Agents :118

Polonnaruwa

District Dealers :3
District Agents :65

Puttalama

District Dealers :2
District Agents :92

Batticaloa

District Dealers :2
District Agents :21

Kurunegala

District Dealers :3
District Agents :237

Monaragala

District Dealers :3
District Agents :43

Mathale

District Dealers :2
District Agents :75

Ampara

District Dealers :2
District Agents :45

Kandy

District Dealers :3
District Agents :180

Monaragala

District Dealers :3
District Agents :45

Gampaha

District Dealers :10
District Agents :318

Kegalla

District Dealers :4
District Agents :148

Colombo

District Dealers :16
District Agents :424

Kaluthara

District Dealers :5
District Agents :186

Rathnapuraya

District Dealers :3
District Agents :137

Galle

District Dealers :2
District Agents :146

Matara

District Dealers :1
District Agents :100

Hambanthota

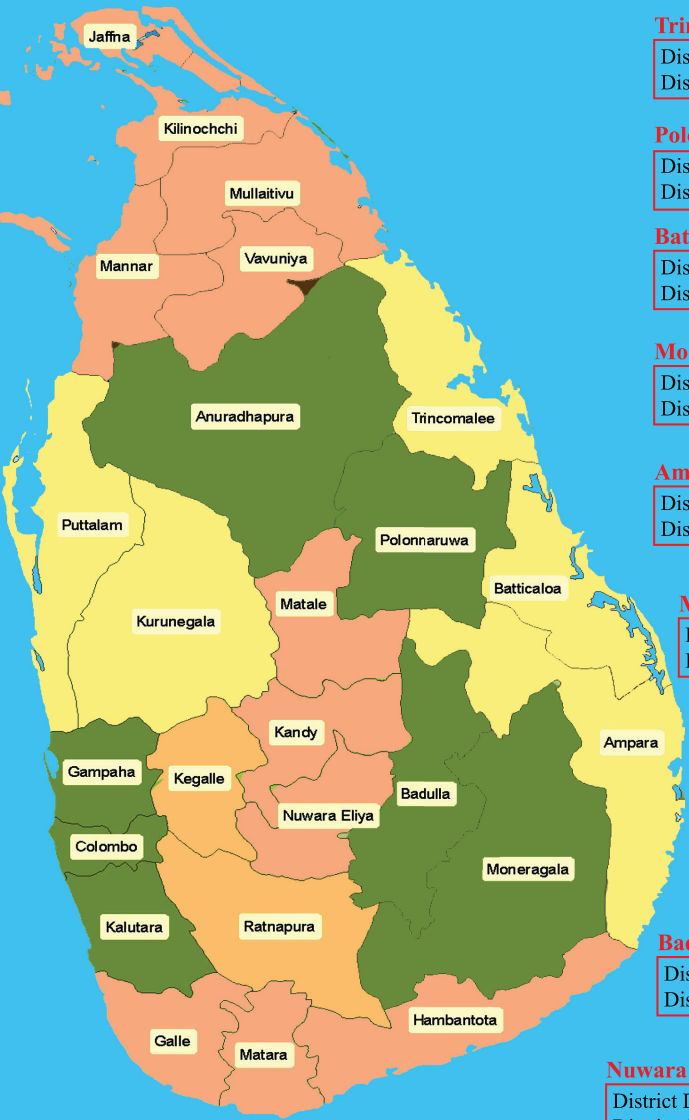
District Dealers :1
District Agents :52

Badulla

District Dealers :3
District Agents :94

Nuwara Eliya

District Dealers :3
District Agents :58



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