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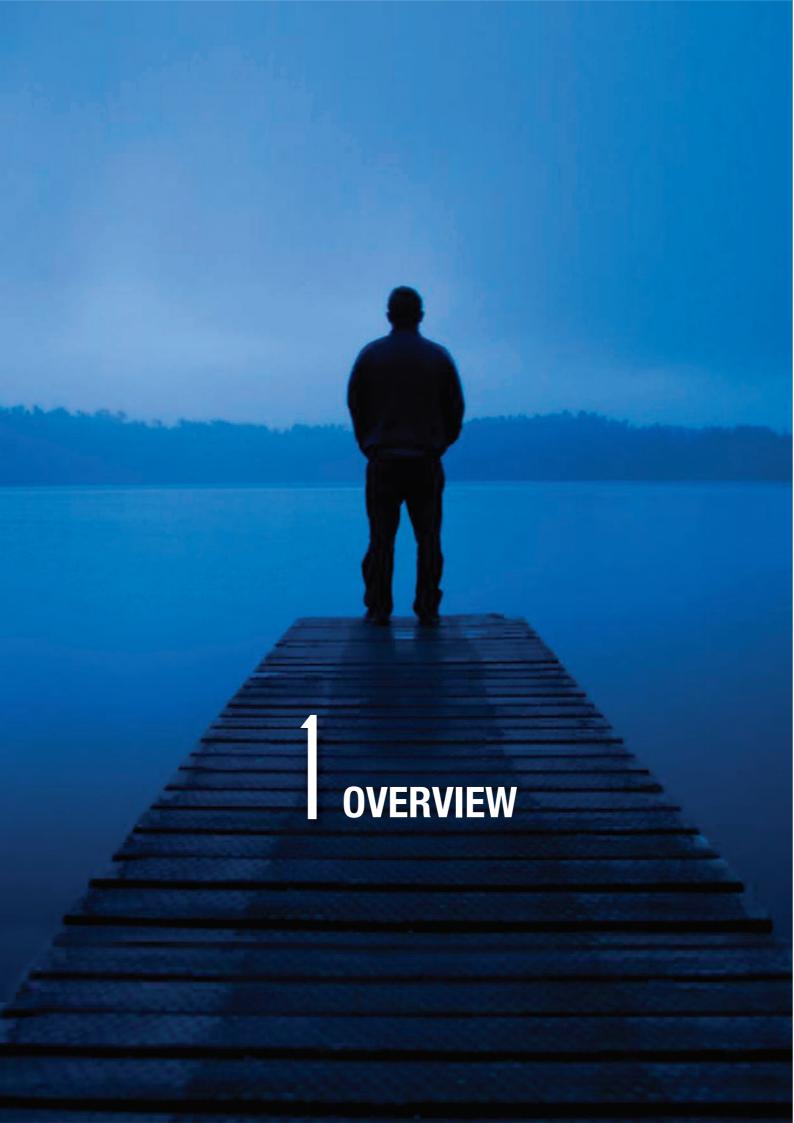
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Coporate Profile & Guiding Principles

CORPORATE PROFILE

NAME OF THE INSTITUTION

National Lotteries Board

LEGAL FORM

The National Lotteries Board (NLB) was established after abolishing Hospital Lotteries under the Finance Act.No.11 of 1963. The certain sections of the above act were repealed and amended in 1997 under the Finance (amendment) Act.No. 35 of 1997.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, 2329576

FAX: 2421897, 2326528, 2433631, 2470661

EMAIL: nlbgen@sltnet.lk

WEB SITE: www.nlb.lk

AUDITORS

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

BANKERS

Peoples Bank

GUIDING PRINCIPLES

VISION

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

MISSION

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



JII 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

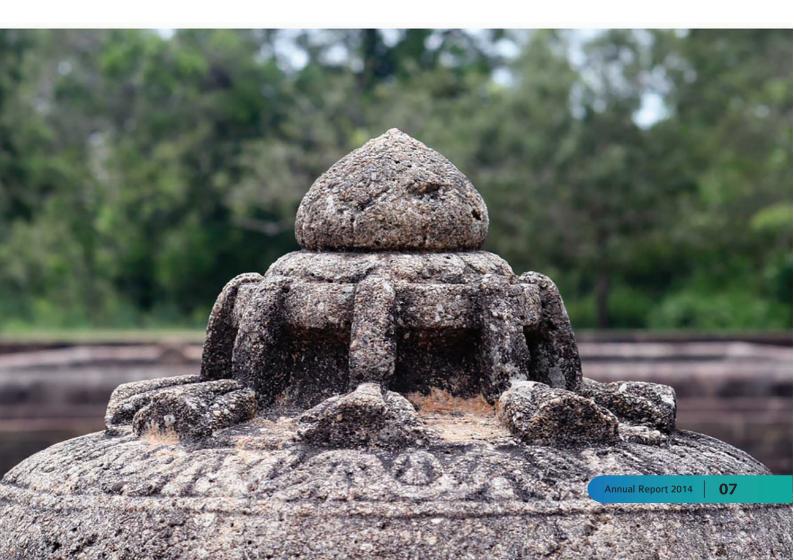




- To increase the contribution to the Government by increasing present level of revenue and profitability
- To maintain the market leadership position
- To improve the operational efficiency
- To improve the infrastructure facilities of the institute
- To improve the efficiency and effectiveness among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

CORE VALUES

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







CHAIRMAN AND BOARD OF DIRECTORS

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

Treasury Representative Mr.H.G.Sumanasinghe-Director (From October 2013 to January 2015)

These Board of Directors resigned on 08.01.2015

SENIOR MANAGEMENT



Mr.Nalaka Kaluwewa
MPA (Canberra) MMgt (Canberra)
MBS(Colombo) PGDMB (Colombo)
B.Sc.(SP) (Peradeniya)
Sri Lanka Administrative Service (Class I)
General Manager
(From April 2014)



Mr. Ashok Vitharana Additional General Manager



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



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



Mr.Rohana Wijewickrema (FCA) Deputy General Manager (Corporate Finance)



Mr.Ravindra Fernando Deputy General Manager (Supplies)



Mrs.Geetha Perera Deputy General Manager (Operational Finance)



History and Milestones



1st decade -1963- 1972

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

2nd decade -1973- 1982

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

3rd decade -1983- 1992

- 1987 Introduction of Supiri Jathika lottery (11/04/1987)
- 1988 Increased the price of Mahajana Sampatha from Rs.1/- to Rs.8/- Introduction of Lotto lottery (Sep 1988)

First draw of the Mahajana Sampatha over the Rupavahini (10/05/1988)

- 1989 Increased the prize of Mahajana Sampatha from Rs.8/- to Rs.10/-
- 1992 Introduction of Airport Super Draw Lottery

4th decade -1993- 2002

- 1994 Introduction of Vasana Sampatha lottery
- 1995 Introduction of Govisetha lottery
- 1996 Introduction of Samurdhi lottery
- 1997 Introduction of Shrama Vasana lottery

Amalgamation of the Sevana lottery with NLB

- 1999 Introduction of Supiri Vasana lottery
- 2000 Introduction of Jayaviru lottery

5th decade - 2003 - 2012

- 2004 Introduced Sarana lottery to generate financial assistance for Tsunami Victims. Established Welfare & Thrift funds to provide benefits to employees.
- 2005 Mahajana Sampatha was awarded most preferred brand for 2005 under banking, financial services category conducted by SLIM.



- 2006 Introduced the Suwasetha lottery after abolishing the Lotto lottery.

 Offered the highest ever Super Prize from the Mahajana Sampatha lottery (Rs.61.3mn).
- 2007 Introduced New Airport lottery

 The price of the Airport Super Draw lottery was increased from US \$ 25 to US \$ 50.
- 2008 The price of the passive lottery tickets were increased from Rs.10/- to Rs.20/- (02/09/08).
- 2010 Introduced the Jathika Sampatha Lottery in place of Shrama Vasana and Suwasetha Lotteries.Mahajana Sampatha lottery was introduced to Sundays too.
- Passed the Rs.10 billion marks in sales for the year (1st time in the history)
 Supiri vasana Sampatha Lottery was introduced to Wednesdays in place of Jayaviru lottery which was abolished.

New Airport lottery was 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.

2012 Introduced a new lottery named Sampath Rekha

Govisetha Lottery was introduced to Thursdays too.

Vasana Sampatha lottery was introduced to Mondays too.

Current Decade (2013 – 2022)

2013 Super Prize of Govisetha lottery was increased from Rs.10 Mn to Rs.40 Mn.

Super Prize of Sampath Rekha lottery was increased from Rs.5 Mn to Rs.10 Mn.

Introduced Mega 50 lottery on behalf of 50th Anniversary of NLB.

2014 Introduced a new lottery named Power Lotto

Product Portfolio

Passive Type Lotteries

MAHAJANA SAMPATHA

Description: Oldest Lottery in the Lottery market.

Price of this ticket is Rs.20/-.

Draw Days: Tuesday, Friday, Sunday

Prizes : A super prize of Rs.10 mn or more,

a first prize of Rs.2 mn and other attractive prizes

Contribution: 16.5% of the turnover is contributed to

Consolidated Fund



VASANA SAMPATHA

Description : Introduced to the Market in 1994. Price of this ticket

is Rs.20/-.

Draw Days : Monday, Thursday

Prizes : A super 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". To achieve the higher sales the super prize of this lottery was increased from Rs.10 mn to 40 Mn in November 2013. Price of this ticket is Rs.20/-.

Draw Days : Monday, Thursday

Prizes : A super prize of Rs.40 mn or more, a first prize of

Rs.1 mn and other attractive prizes

Contribution: 10% of the turnover is contributed to

Agriculture Ministry





SUPIRI VASANA SAMPATHA

Description: Supiri Vasana Sampatha lottery was introduced in

1999. Price of this ticket is Rs.20/-.

Draw Days : Wednesday, Saturday

Prizes : A super prize of Rs.10 mn or more,

a first prize of Rs.1 mn and other attractive prizes

Contribution: 10% of the turnover of the Wednesdays draw is

sent to Ranaviru 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. Price of this ticket is Rs.20/-.

Draw Days : Wednesday, Saturday

Prizes : A super prize of Rs. 5 mn or more, a first prize

of Rs.2 mn and other attractive prizes

Contribution: 10% of the turnover of the Wednesdays draw is

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





SAMPATH REKHA

Description: This Lottery was introduced in March 2012.

Price of this ticket is Rs.20/-.

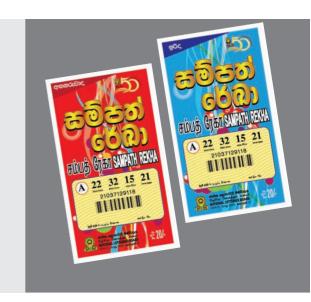
Draw Days : Tuesday, Friday, Sunday

Prizes : A super prize of Rs.10 mn or more,

a first prize of Rs.1 mn and other attractive prizes

Contribution: 10 % of the turnover is contributed to

Consolidated Fund



MEGA MILLION LOTTERY

Description: The Mega 50 lottery was introduced in October

2013 for the 50th Anniversary of National Lotteries Board and the first draw was held on October 2013. Price of this ticket is Rs.100/-. Second and third draws were named as Mega Million and these draws held on December 2013 and March 2014

respectively.

: A super prize of Rs.50 Mn is offered. Other prizes are changed based on the prize structure for each draw. 50 Panda cars were offered as the

first prizes for the 1st draw. 27 Zotye

Jeeps were offered as first prizes of 2nd Draw and 13 Zotye Jeeps were offered as first prizes of 3rd

draw.

Contribution: 10 % of the turnover is contributed to

Consolidated Fund.



POWER LOTTO

Description : This Lottery was introduced in July 2014

Price of this ticket is Rs.50/-.

Draw Days : Saturday

Prizes : A super prize of Rs.5 mn or more, and other

attractive prizes

Contribution: 10 % of the turnover is contributed to

Consolidated Fund



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 Porche Car.

Contribution: Net proceeds to Airport & Aviation Authority





Instant Lotteries

SEVANA LOTTERY

Description : This was introduced in 1985 to generate funds for

the construction of houses. This is the most popular Scratch type lottery in the market which adopts the

internationally accepted scratch and match

technology. This lottery was conducted by Sevana,

a separate institution and was subsequently amalgamated with NLB in the late 1990's.

Contribution: 10 % of the turnover is contributed to

Ministry of Housing



SAMURDHI

Description : Introduced to the market in August 1996 to

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

to determine the winners.

Contribution : 10 % of the turnover is contributed to Ministry of

Samurdhi & Youth Affairs



EXECUTIVESTATEMENTS





CHAIRMAN'S REVIEW



I am pleased to present the Annual Report of National Lotteries Board for the year ended 31st December 2014. Even though I assumed duties as Chairperson in 2015 onus of having to write a report on last year's results is placed on me.

Operational Results

The progress in sales have continued into year 2014 where NLB recorded an annual turnover of Rs. 15,153 million, an increase of Rs.616 million from Rs.14,537 million in year 2013. The prizes declared in 2014 was Rs.7,311 million compared to Rs.7,083 million in 2013 which shows an increase of Rs.228 million. The payment to consolidated fund increased by Rs.135 million from Rs.1,753 million in 2013 to Rs.1,888 in 2014. The Board paid a sum of Rs. 2,818 million in 2014 in comparison to Rs.2,701 million in 2013 to the dealers and agents as agency commission in line with the sales increase.

The Board recorded a gross profit of Rs.1,908 million in 2014 versus Rs.1,827 million in 2013, an improvement of Rs.81 million. Other income generated mainly from interest income have dropped to Rs. 88 million from Rs.220 million in 2014 from 2013 due to low interest rates and reduction in short term deposits.

Operating expenses have shown an overall increase of Rs. 316 million mainly brought about by an approximate increase in marketing and sales promotional expenses of Rs.200 million from Rs.1,010 million in 2013 to Rs. 1,209 million in 2014.

The Board's profit before tax figure in 2014 was Rs.109 million compared to Rs.476 million in 2013, a drop of Rs. 367 million. The Board recorded a net loss after tax of Rs. 8.6 million in the year under review as against the loss of Rs. 133.4 million recorded in the previous year.

The Board produced 29 super prize winners of over Rs. 10 million in year 2014 as against 27 such prize winners in the previous year.

The Board has conducted four Audit and Management Committee meetings headed by a non executive Director namely Mr.Ravi Abeywardene.

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

Looking Ahead

The new board of directors who were appointed in February 2015 will take all possible steps to achieve a healthy bottom line with new strategies and more effective cost controls in year 2015.

The agency network will be evaluated more closely to identify areas where more attention is needed and will take all possible steps to strengthen the weak areas. It is also planned to provide the sellers, the last link in the agency network, an insurance scheme as a protection against disasters etc.

The new Board has plans to start a new lottery to provide financial contributions to National Kidney Fund of the Government with a view to assist the Government's drive to get rid of kidney disease from the country. We are also looking at making changes to the lottery draw structure with a view to expand the market and also to enhance sales.

National Lotteries Board which provides immense financial assistance to various development activities and other requirements to the Government through the consolidated fund has been on rented buildings for decades. The new board will look at it very seriously to construct a permanent office building which will be a landmark in its history.

Appreciation

I take this opportunity to convey my thanks to the entire distribution network involving dealers, agents and sellers throughout the island for their valuable contributions and expect even better performance in the next year.

I thank the members of the management team and all the employees for their hard work over the years and hope that they would do better in 2015.

I wish to convey my thanks to the members of the director board for valuable guidance given, the members of our main banker Peoples Bank for the great services, the printers for providing lottery tickets in time, officials of the Auditor General's department and other audit firms for all the support given.

I should also make mention of our customers for the unbroken trust placed in our lottery range without whom we would not be in this position today. I wish to state that we would continue to provide better chances so that their unrealized dreams would be fulfilled as expected.

I also thank Honorable Ravi Karunanayake, Minister of Finance, the Secretary to Ministry of Finance and other officials of the Finance Ministry for all the support given since February 2015.

shyamila Perera,

Chairperson,

National Lotteries Board,



WORKING DIRECTOR'S REPORT

The Directors of National Lotteries Board have pleasure in presenting their report together with the Audited Financial Statements for the year ended 31st December 2014.

Going Concern

The Board is satisfied that the National Lotteries Board has adequate resources to continue its operations in the foreseeable future without materially curtailing its operations. Therefore we continued to adopt the "Going Concern Basis" in preparing the Financial Statements.

Principal Activities

The market leader of the lottery industry is the National Lotteries Board and its principal activities are conducting passive type and draw type lotteries.

There has been no change in the nature of such activity during the year.

Review of Operations

A brief review of the operations in 2014 of the National Lotteries Board is contained in the Chairman's review, Financial highlights and a comprehensive analysis of lottery performance for each lottery are indicated under Operating and Financial review.

Reserves

The total reserves as at 31st December 2014 amounted to Rs. 1,077.0 mn, movement of which are given in statement of Changes in Equity.

Post Balance Sheet Events

No circumstances have arisen since the Balance Sheet date which would require adjustments to or disclosure in the Financial Statements.

Human Resources

The number of the persons employed by the Board as at 31st December 2014 was 317 against 309 in the previous year. We strongly believe that the human capital is the most valued assets for the success of an organization. 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.

Therefore Senior Management of the National Lotteries Board paid more attention to the staff Welfare. Sales incentive scheme and medical Insurance scheme were continued. In addition to that Medical insurance scheme was redesigned during the year to give further facilities to employees and their family members. A new training scheme was introduced to develop the knowledge and the skills of employees.

Contribution to State

The Board remittances to state by way of direct remittances to consolidated fund, indirect remittances in the form of taxes was Rs 3,004.8 Mn in 2014 as against Rs. 3,822.0 Mn in 2013, the detail of which is given below.

Remittances to State	2014 Rs.Mn	2013 Rs.Mn
Direct Remittances		
Contribution to consolidated fund	1,888.4	1,753.1
Special levy to treasury	-	500.0
	1,888.4	2,253.1
Indirect Remittances		
VAT	540.5	507.7
NBT	211.7	203.5
Income tax / SRL	117.8	610.0
Forfeited prizes	246.4	247.7
	1,116.4	1,568.9
Total remittances to State	3,004.8	3,822.0

Property Plant and Equipment

The total expenditure on acquisition of property , plants and equipment during the year amounted to Rs.128.5 mn.

Operational Expenditure

The total operational expenditure in the year under review was Rs1,887.8 mn compared to Rs. 1,571.3 mn in the previous year which is a 20.1% increase and this represents 12.4% of the total turnover compared to 10.8 % last year.

Directors responsibility for the Financial Statements.

The Directors are responsible for presenting the financial Statements. The financial statements have been prepared in conformity with the generally accepted accounting principles and in accordance with the Sri Lanka Accounting Standards.

Conclusion

The Board of Directors wishes to avail of this opportunity to place on record, the valuable contribution and the support extended by the Management and staff at all levels of the Board, Dealers and agents towards achieving its objectives.

The Board also wishes to extend sincere thanks to the District Dealers, Other agents, Peoples Bank, Suppliers, Printers and Auditors for their continued loyalty and dedication coupled with outstanding service provided.

M.K. Hassan,

Working Director,

National Lotteries Board,

12th May 2015,

Colombo.



Report of the Audit & Management Committee

Overview

The Audit Committee was established in 2005 and since then the meetings were held as scheduled over the years. For the year 2014 four meetings were held. The committee was able to sort out what ever issues and provide advice as and when necessary to the management.

The Committee comprised of the following Officials during the year under review.

Mr.R.J.T. Abeywardene —

- Chairman (Non Executive Director)

Mr.S. Dissanayake

- Member (Non Executive Director)

Mr.H.G. Sumanasinghe -

- Member (Treasury Representative)

Mr.Nalaka Kaluwewa

General Manager

Mr.Harsha Bandara

Chief Financial Officer

Mrs.S. Balasooriya

Secretary (AGM – Legal / Secretary to Board)

Observers

Internal Auditor – Mr. Prasad Wiilarachchi Representative from Auditor General's Dept.

Management personal were called for clarifications as and when needed.

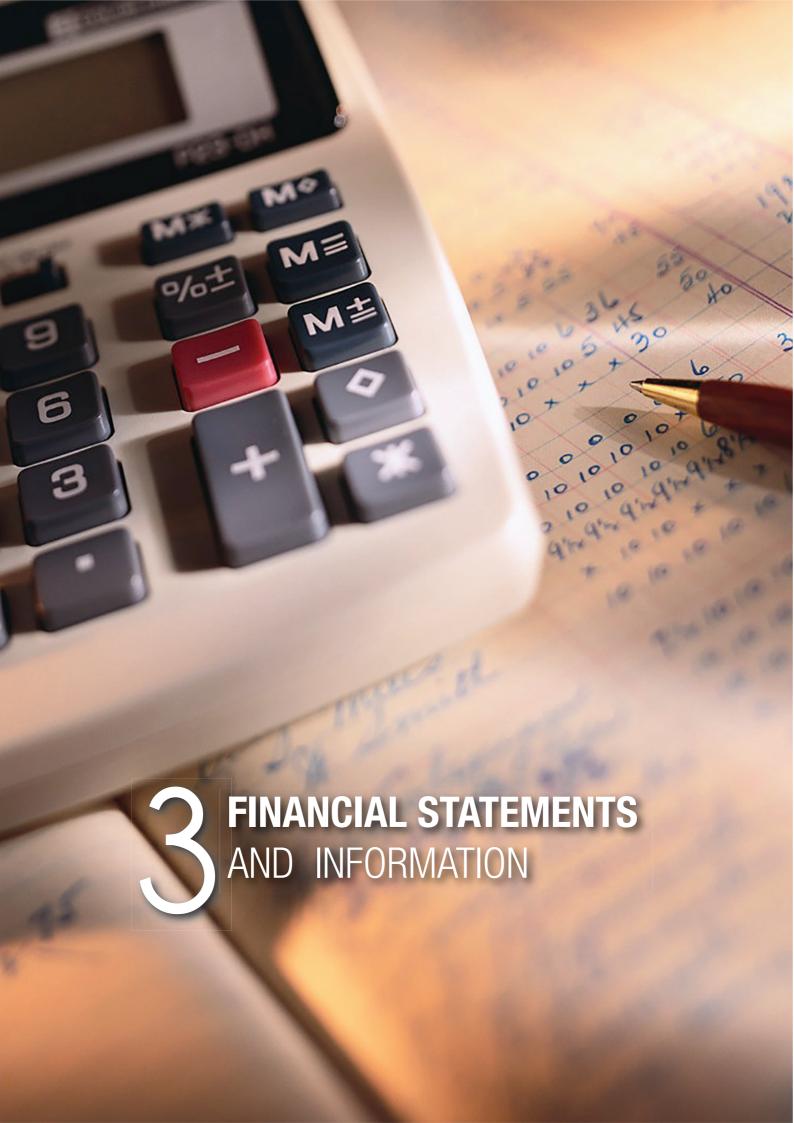
The role and terms of reference of the Audit Committee is to assist the Boards in fulfilling their oversight responsibilities regarding the integrity of Boards financial statements, risk management and internal control, compliance with legal and regulatory requirements the external Auditors performance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

During the year the committee reviewed Financial Statements and was satisfied with the accounting treatments adopted. Reviewed Annual reports, Corporate Plan, Action plan Quarterly reports and Audit Queries etc.

Shyamini Balasooriya

The Secretary, Audit & Management Committee, National Lotteries Board.

12th May 2015.





Auditor General's Report

FR2/A/NLB/1/14/2 07 October 2015 The Chairman , National Lotteries Board

Report of the Auditor General on the financial Statements of the National Lotteries Board for the year ended 31 December 2014 in terms of Section (14 (2) © of the Finance Act, No 38 of 1971.

The audit of financial Statements of the National Lotteries Board for the year ended 31st December 2014 comprising the statement of financial position as at 31st December 2014, Statement of income Statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with section 13 (1) of the Finance Act. No.38of 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 Section 14 (2) (c) of the Finance Act appear in this report. A detailed report in terms Section 13(7) (a) of the Finance Act was furnished to the Chairman of the Board on 10 August 2015.

1.2 Management's Responsibility for 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 consistent with international standards of Supreme Audit Institutions (ISSAI 1000 – 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those 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 power to the Auditor General to determine the scope and the extent of the audit.

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

1.4 Basis for Adverse Opinion

Had the matters described in paragraph 2.2 of this report been adjusted, many elements in the accompanying financial statements would have been materially affected.

2. Financial Statements

2.1 Adverse opinion

In my opinion, because of the significance of the matters described in paragraph 2.2 of this report, the financial statements do not give a true and fair view of the financial position of the National Lotteries Board as at 31st December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following observations are made

- (a) Sri Lanka Accounting Standards No.01
- (i) Since the vehicles owned by the Board are utilized for sales and distribution activities, a portion out of the expenditure of Rs.37,514,257 meant for the utilization should be absorbed in to the marketing and distribution expenditure on a fair basis. Nevertheless, contrary to that, the total expenditure had been shown under the establishment and administrative expenditure. Further, an expenditure amounting to Rs.44,014,105 for the communication, printing, and stationeries should have been categorized and shown under sales, marketing and distribution expenditure and establishment and administrative expenditure on fair basis according to the objective of the utilization, where as the total expenditure had been shown under sales, marketing and distribution expenditure.



- (ii) An Adequate disclosure had not been made with regard to the loan amounting to Rs.325,000,000 obtained by the Board from the Prize Reserve Account during the year under review that had been shown in the Statement of Changes in equity.
- (iii)The Prize Reserve Account, the cash balance receivable from the Treasury for the income Tax and the cash balance which should be paid accordingly to the Commissioner General of Inland Revenue had not been adequately disclosed in the notes to the accounts furnished along with the financial statements.
- (b) Sri Lanka Accounting Standards No.2

Although the stock should be valued at the cost or net realize value, whichever is lower and shown in the financial statements , the Board had revalued a stock of promotional items and credited a revalued profit amounting to Rs.1,343,522 to the Revaluation Reserve Account in the preceding year. As a result Revaluation Reserve Account had been overestimated by that amount.

(c) Sri Lanka Accounting Standards No.7

The following observations are made.

- (i) The increase of Rs.22,167,055 of the Revaluation Reserve and Rs.56,377,929 of the Prize Reserve Account from which no cash inflow or outflow took place in the operations of the Board and the decrease of Rs.521,049,738 of the Cash Account receivable from the Consolidated Fund in respect of the Income Tax had been taken in to consideration in the preparation of Cash Flow Statements.
- (ii) Although payment of gratuity, Value Added tax and Nation Building Tax, Income Tax and Differed Tax and the payment of prizes amounting to Rs.1,137,525, Rs.778,755,390, Rs.985,216,486 and Rs.7,515,196,737 respectively should be shown under operating activities in the cash flow statement of the year under review, it had been erroneously shown under the financial activities.
- (d) Sri Lanka Accounting Standard No 10

Granting approval for the issue of Financial statements and the date of approval had Not been disclosed in the financial statements and the events occurred after the date of approval had not been disclosed as well.

- (e) Sri Lanka Accounting Standard No 16
- (i) In relation to the revaluation of property, plants and equipment, the date of revaluation, whether an independent valuer had involved and the methods and assumptions used in the computation of fair value had not been disclosed in the financial statements.

- (ii) An adequate disclosure had not been made with regard to the revaluation loss amounting to Rs. 27,296,728 of the Mannar Circuit bungalow shown under the investment property.
- (f) Sri Lanka Accounting Standards No.19

Although the overprovision of employees gratuity amounting to Rs.12,385,733 in the previous year resulting from the changes of actuarial assumption had been shown under other comprehensive income, the reason attributed to the overprovision had not been disclosed in the comprehensive income statement.

(g) Sri Lanka Accounting Standards No.38

Details such as effective life span or amortization rate used, amortization method and identified impairment losses etc. on the intangible assets had not been adequately disclosed in the financial statements in accordance with the standard.

(h) Sri Lanka Accounting Standards No.39

Employees loan balance of Rs.101,708,309 that existed as at the end of the year under review had not been computed at the amortized cost and shown in the financial statements and the method used for the computation of employees loan interests had not been disclosed.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) As the amount of Rs.1,888,455,133 remitted to the Consolidated Fund during the year under review from the income generated by the Board by drawing lotteries had been adjusted as a cost of sales in the Financial Statements, the profit of the year under review had been understated by that amount.
- (b) In the absence of winners to claim their prizes, the relevant cash prize should be credited to the Fund of the board and thereafter transferred to the Treasury. However, as in the previous years, prizes of Rs.246,424,920 unclaimed for 6 months after the draw had been directly paid to the Treasury during the year under review as well without being credited to the Fund of the Board and, that amount had not been disclosed in the financial Statements.

© Lottery tickets worth of Rs.34,730,650 remained in the custody of an officer of the mobile propaganda division of the Board as at the end of the year under review and scratch and win tickets valued at Rs. 28,810,000 given to the Zonal managers and the Welfare Society had been brought to account as sales on credit. Hence, sales income of Rs.63,540,650 and debtor value had been overstated in the accounts by that amount. Out of those sales, sales amounting to Rs. 47,242,500 had been made on 31 December of the year under review. This had been the first instance that lottery tickets had been issued to the Zonal Managers on credit basis and some Zonal Managers had not sold lotteries even by the month of April 2015.



- (d) Although Nation building Tax of Rs.211,761,787 should be shown in the statement of income under the selling and distribution expenditure, the Board had shown that tax in the statement of income, being deducted from the lottery sales income.
- (e) In the purchase of a motor vehicle as the prize relevant to the conduct of "Colombo Airport Super Draw lottery" a sum of Rs. 8,240,950 paid by the Board as the duty had been shown as a receivable balance, without being accounted as an expenditure.
- (f) A stock of consumable goods valued at Rs. 2,169,622 had been stated twice in the financial statements, whereas according to the stock books of the Board, consumable goods valued at Rs. 1,209,445 had been stated in the financial statements.
- (g) Although cash prize of Rs. 56,377,929 allocated for draws but not entitled by the winners should have been adjusted to the profit of the year under review and transferred to the Prize Reserve Account in the statement of changes in equity, without doing so, it had been adjusted through the ledger accounts. Hence, the profit of the year under review had been understated by that amount.

2.2.3 Un reconciled control Account

When comparing the schedules given by the board in relation to the financial statement s with the stock books, non reconciliation of 08 items totaling Rs.611,973 was revealed.

2.2.4 Lack of Evidence for Audit

In support of the accuracy of the credit balances of Rs.71,649,794,existed as at 31 December of the year under review relating to 04 ledger accounts and debit balance of Rs. 526,547 relating to one ledger account, any detailed shedules, balance confirmation or reports depicting the composition of the balances had not been made available to audit.

2.3 Accounts Receivable & Payable

The following observations are made.

- (a) In respect of drawing of "Colombo Airport Super Draw lottery" a sum of Rs.14,000,000 remained payable to the Airport Development Authirity by the Board since year 2008 up to the year under review.
- (b) A balance of Rs.6,353,177 out of the balance amounting to Rs.10,260,252 recoverable as at 31 December of the year under review in respect of bicycles and lottery outlets provided to sales agents on credit by the Board, remained unrecovered since the year 2012 and previous years.

2.4 Non compliance with laws, Rules, Regulations and Management decisions.

Instances of following non - compliances were observed in audit,

Reference to laws, Rules, Regulations, etc	Non Compliance
a) Finance Act.No. 11 of 1963 as	
amended by Finance Act (amendment)	
No.35 of 1997 (i) Sections 14 (2) and 17 (1) a	Although money available in the Prize Reserve
(i) Sections 14 (2) and 17 (1) a	Account of the Board can be utilized only for the award of prizes of the lotteries conducted by the Board, contrary to the provisions of the Act, a sum of Rs.368,000,000 had been withdrawn from the Prize Reserve Account in 05 occasions under the approval of the Board of Directors for the expenses of the Board and out of that only a sum of Rs.43,000,000 had been credited to the Prize Reserve Account again during the year under review.
(ii) Section 17(2)	Although the savings after the deduction of relevant expenditure from the lottery income should be credited to the Consolidated Fund. Without being so credited, a sum of Rs.433,446,392 had been retained relating to the previous years.
(iii) Section 20 (2) (1)	A sales income of Rs.2,060,277,100 had been earned through the conduct of "Sampath Rekha", "Power lotto "and "Mega 50 Million" lotteries without formulating rules for operating those lotteries and publishing in the Gazette with the approval of the Minister in charge of the subject as per provisions of the section. Out of the that income, a sum of Rs.997,394,123 had been allocated for prizes and a sum of Rs.360,539,743 had been spent for the payment of commissions to sales Agents.
b) Establishments code of the Democratic	
Socialist Republic of Sri Lanka	
i) Section 11. of Chapter xxiv	Although Property loans should be granted through banks with effect from 01 January 2005, the Board had granted property loans of Rs.14,548,296 to officers using the funds of the Board during the year under review. Although the interest recoverable from the officer should be at the rates of 4,8 and 11 percent depending on the loan amount, the Board had

	granted all the property loans under the minimum interest rate of 4 percent.
c) Public Enterprises Circular No.PED/12 dated 02 June 2003.	
(i) Section 6.5.1	A draft Annual report of the Board pertaining to the year under review had not been furnished to the Auditor General along with financial statements.
(ii) Section 9.7	An amount of Rs.10,480,850 had been paid on the approval of the Board of Directors in the year under review and the previous years as well to the officers who participated in the draws of lotteries without the approval of the Treasury and the payment had also been increased on the approval of the Board of Directors during the year under review.
(iii) Section 9.12	Without obtaining the approval of the Treasury, welfare allowances amounting to Rs.13,940,315 had been paid for the staff in the year under review and the previous years as well on a request made by welfare Association on the approval of the Chairman.
d) Department of Public Enterprises Circular No.95 dated 14 June 1994 and Public Enterprises Circular No. PED/12 dated 02 June 2003.	In the payment of incentives, approval of the Treasury should be obtained for that purpose. Nevertheless, an amount of Rs.67,107,446 had been paid as incentives in the year under review And the previous years as well on the approval of the Board of Directors without obtaining the approval of the Treasury.
e) Guideline 1.3.2 of Government Procurement Guidelines – 2006	Without being complied with procurement procedure. Rs.176,654,881 of "Sampath Rekha" lotteries valued at Rs.217,556,830 had been printed from October 2012 up to 31 December of the year under review by a printer who prints the other lotteries.
f) Public Administration Circular No. 13/2008 (iv) dated 09 February 2011	Payments amounting to Rs. 2,783,900 had been reimbursed to 09 officers entitled to assigned vehicles by exceeding the monthly fuel allowances.
g) Letter no. DMS /C/FC/37 dated 07 December 2006 of the Department of Management Services relating to the implementation of provisions of the Management Services Circular No.30.	Although the approval initial salary step of an Assitant General Managress (Legal) of the Board had been Rs.25,640 action had been taken to pay salaries by placing the said officer on the initial salary step of Rs.32,870 with effect from 16 February 2009. Accordingly, over payment of salaries amounting to Rs.499,800 had been made form the year 2009 up to the end of the year under review.
h) Sections 6 (iii) and (iv) of Public Enterprises Circulars No .57 dated 11 February 2011.	Approval of the Minister in charge as per the aforesaid provisions, had not been obtained on the sponsorships and donations totaling Rs.114,590,100 spent on 13 items by the Board on private and Public Institutes, and religious ceremonies during the year under review.

3. Financial review

3.1. Financial results

According to the financial statements presented, the financial results of the Board for the year under review amounted to a deficit Rs.8,663,584 as compared with the corresponding deficit of Rs.133,406,928 for the preceding year thus indicating an improvement of Rs.124,743,344 or 93.5 percent of the financial result for the year under review as compared with the preceding year. Although adverse variation of sales expenditure, other income, Sales , marketing and distribution expenses and administrative expenses amounting to Rs.949,784,471 existed the favorable variation amounting to Rs. 1,074,527,815 of the lottery income, financial expenses and income tax had mainly attributed to the decrease of this deficit.

3.2 Analytical Financial Review

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

	Ratio	Year	
		2014	2013
(1)	Gross Profit (percentage)	13.3	13.2
(ii)	Net profit /(Loss) (percentage)	(-0.06)	(-0.96)
(iii)	Current	1.13:1	1.24:1
(iv)	Quick Assets	1.07:1	1.18:1

The following observations are made in this connection.

- a) The increase in the lottery sales income of the year under review by Rs.615,771,275 or 4.2 percent as compared with the preceding year had given rise to the increase in the gross profit ratio.
- b) The decrease in financial expenses and tax expenses by Rs.7,447,452 and Rs.492,234,454 respectively as compared with the preceding year had mainly attributed for the decrease in the net loss.
- c) The attention of the Board should have been further focused on the maintenance of current and quick assets ratio of the Board at an optimum level.

3.3 Legal preceding instituted Against or by the Board.

A lottery winner had instituted legal proceedings against the Board in connection with a prize of Rs.2,000,000 and a former employee of the Board had filed a case with the labour tribunal claiming compensation amounting to Rs.3,000,000.



4. Operation review

4.1 Management Inefficiencies

The following observations are made.

- a) Although the Board had allocated 47-49 percent of the sales income generated by the other lotteries for prizes, 58 percent of the income of the third draw of the "Mega 50 Million" lottery conducted during the year under review had been allocated for prizes. A sum of Rs.24,889,292 had been credited to the prize reserve account in the third draw, whereas Rs.30,275,023 had been obtained from the Prize Reserve Accounts of the other lotteries in order to award prizes relating to 1st and 2nd draws of the mega 50 million" lottery. Accordingly, a sum of Rs.5,385,731 from the Prize Reserve Account of the Board had been utilized during three draws of the "Mega 50 million" lottery.
- (b) In order to print lotteries at the rate of Rs. 0.537 per ticket (inclusive of taxes) for a period of three years from 23 October 2013 up to 23 October 2016, the Board had selected a supplier through the procurement procedure and lotteries valued at Rs. 247,252,495 had got printed from the relevant institution during the year under review. In accordance with the paragraph 3.13 of the agreement entered in to with the supplier, the lotteries should be printed with the water mark on specially secured papers. Nevertheless, the said company had not printed lottery tickets on the specially secured papers with the watermark up to 11 October 2014 as required by the agreement. Despite the breach of conditions affecting the quality and the security of the tickets by the supplier, the Board had not taken formal course of action on the supplier and lotteries had been purchased at the rate of Rs.0.537 per ticket as per the agreement up to 11 October 2014.
- © A gross income of Rs.243,402,900 had been earned from the "power lotto" lottery introduced to the market during the year under review within its 24 draws conducted during the same year. According to the Board Paper that gave the decision to initiate the lottery, only Rs.59,633,710 could be spent for the expenses of the Board, whereas the expenditure that could be identified by the information made available to audit being Rs.62,647,558, a sum of Rs.3,013,847 had been spent exceeding the allocated amount. Further, the super prize commencing from Rs.50 million had not been won by any one during the 24 draws. Although Rs.116,833,392 or 48 percent of the gross income of one draw had been allocated for prizes according to the prize pattern, only a sum of Rs.94,448,400 or 39 percent of the gross income had been distributed among the winners relating to the 24 draws held during the year under review.
- (d) Having identified the promotional requirements and selected the media of publicity through a survey conducted under the patronage of the Assistant General Manager (Marketing) of the Board, two promotional programmes which did not highlight the expected objectives had been implemented by spending an amount totaling Rs.131,538,960. In view of the information revealed to the audit at the in depth examination conducted on the report of the survey, the questionnaire and the manner in which the questionnaire had been filled relating to this marketing survey, it could not be ruled out in audit that this marketing survey had been conducted for the creation of the foundation for a predetermined promotional requirement and a media of publicity.

4.2 Operating inefficiencies

The following observations are made.

- (a) Without the approval of the Board of Directors, scratching lotteries had been sold to agents on credit basis during the year under review and the outstanding loan balance as at 31 December 2014 amounted to Rs.184,356,966. Out of credit sales carried out during the year under review, no guarantee whatsoever, had been obtained on the credit sales of Rs.155,150,095. Sales on credit valued at Rs.20,026,048 had been made by exceeding the limit of the guaranty. However, the Board had not introduced a formal methodology with regard to the issue of lotteries to agents on credit basis up to date.
- (b) The following matters were observed in connection with publicity expenses of the Board in the year under review.
 - (I) Although expenses amounting to Rs.1,269,553,482 had been incurred for publicity programmes during the year under review, the required approval of the Department of Public Enterprises in terms of Public Enterprises circular No 57 dated 11 February 2011 had not been obtained.
 - (ii) It had not been specially set out in the agreements whether the payments for a documentary programme should be made as a lump sum or in installments and the payment relevant to that documentary programme amounting to Rs.19,162,500 had been made in 5 installments.
 - (iii) According to the agreements relating to three documentary programmes, the payments should be paid to the relevant institution on monthly basis, whereas after the copies of the documentary programmes were submitted by the relevant institutions to the Board, the total amount of Rs.18,200,000. Rs.19,600,000 and Rs.19,250,000 respectively had been paid to those three institutions as a lump sum.
 - (iv)Although a sponsorship of Rs.8,400,000 had been granted for a documentary telecast on a request of a Government institution, the basis for the selection of that progarmme had not been disclosed to audit.
- (c) A sum of Rs.6,595,987 paid to the contractor for the construction of Anuradhapura Circuit Bungalow had been capitalized on the approval of the Board of directors during the year under review. Nevertheless, proper invoices relating to that amount or a report of the Technical Officer to the effect that an amount of work with the prescribed standard had been done in commensurate with the amount of money had not been obtained.

4.3 transactions of Contentious nature

The following observations are made

(a) For the purpose of publicity, the Board had spent Rs.64,680,000 for displaying 150 advertisement boards within a period of one year in November of the year under review. Service had been procured from a supplier selected by calling for quotations contrary to the procurement guideline and the publicity objective had not been highlighted through the photographs displayed in the advertising board. Hundred and twenty advertising boards had been removed by outside parties by February 2015 and the photographs of the remaining 30 advertisement boards as well were not in conformity with the expected publicity objective.



- (b) The Board had launched an island wide publicity programme including video shows and street shows by using 4 large trucks from November 2014 to January 2015 at a cost of Rs.66,858,960. In that case, video programme had been created by spending Rs.2,484,720 through a supplier selected without calling for any quotation contrary to the Procurement Guideline and the publicity objective had not been reflected by that video programme. Further a street drama group had also been included in the promotional programme. Whereas no evidence whatsoever had been made available to audit to establish whether the message given by the street drama to the customers was in keeping with the promotional objective.
- © Three advertisement boards fixed at a cost of Rs.1,428,000 in the preceding year had been renovated by the Board at a cost of Rs.1,428,000 during the year under review. It was observed in audit that the photographs submitted along with the payment vouchers of the year under review were the same photographs relevant to the year 2013.
- (d) Although the Board had launched a publicity programme by using 50 advertisement boards prepared by calling for quotations contrary to the procurement guideline, matters outside the lottery publicity had been displayed by the relevant advertisement boards.
- (e) Without considering the ability on the reuse of the steel structure of an advertisement board displayed at the same place in the years 2012,2013 and 2014, the Board had made payments to the supplier for the 3 years at the rate of Rs.1,950,000 per annum contrary to the instruction of the board of Directors. According to the photographs made available to the audit, it was observed that the face of the advertisement board had displayed things outside the objectives of the publicity activities of the Board.
- (f) The Board had carried out a publicity for two categories of lotteries not approved by the Board of Directors at a cost of Rs.3,480,000 with the use of 12 boards in a previous year.
- (g) The Board had, without identifying the publicity requirement, planning publicity programmes and selecting a media institutions by the Government procurement procedure, carried out a publicity programme inclusive of a number of extra activities by spending Rs.3,000,000 during the year under review according to a proposal made by a private radio channel. In making payments to the radio channel, only the time used for the broadcast of the advertisements had been established and payments had been made without establishing that the other external activities had been carried out.
- (h) The Board had carried out lottery publicity activities through a private television channel selected without a formal methodology by spending Rs.20,563,200 during the year under review.
- (i) The Board pays a commission of 20 cents per lottery ticket to the distributors in respect of distributing lotteries of the Board to the agents. But, the distributors had directly sold 41,924,451 lotteries without being distributed such lotteries to the sales agents. Nevertheless the Board had paid a commission of Rs. 8,384,890 to the distributors based on the commission of 20 cents for the distribution of the above tickets .

(j) After the completion of the works of the circuit bungalow constructed at a Mannar, the Board had taken over it during the year under review. A valuation report on the circuit bungalow had been obtained from the department of Government valuation as at 31 December of the year under review and the revaluation loss resulting from the decrease of the value there of had been taken to books. As the assessed value of this newly constructed building had decreased by Rs.27,296,728 than the cost, the reasonableness of the cost borne by the Board for the construction was contentious at the audit. The value of this circuit bungalow had been shown as an investment property in the financial statements of the year under review.

4.4 Resources of the Board Given to other Public institutes.

Even though it was not possible for the resources owned by the Board, to be utilized by the Line Ministry or any other public Institute in terms of Paragraph 8.3.9 of public Enterprises Circular No. PED /12 dated 02 June 2003, contrary to that the Board had released 3 vehicles to other Public institutions since the year 2006 and an amount of Rs.690,405 had been spent as repair and maintenance expenses for those vehicles during the year under review. Further, contrary to the aforesaid terms, 03 officers who drawing salaries from the Board had been released to the external institutions since year 2006 and 2007 and action had not been taken for the reimbursement of Rs.1,039,139 paid to those 03 oficers as the employees remunerations during the year under review.

4.5 Idle and underutilized assets

Under the instruction of computer software of the Board, a computer software for the computerization of the maintenance of inventories had been introduced spending Rs.668,460. Nevertheless, it had not been fully utilized even by 26 May 2015, the date of audit.

4.6 Personnel Administration

Even though the approved cadre stood at 305 as at 31 December 2014, the Board had deployed a staff of 317 in service. The vacancies in the approved staff had been 17 and 28 persons had been recruited outside the approved cadre on contract bases.

5. Accountability and Good Governance

5.1 Internal Audit

Having established a separate internal audit unit for the Board, the annual internal audit plan had been furnished to the Auditor General for the concurrence, whereas internal audit had not been carried out correspondingly. Furthermore, the relevant internal audit reports had not been furnished to the Auditor General as required by the Fiancial Regulations 134(3).



5.2 Procurement Plan

Even though a Procurement Plan had been prepared by the Procurement entity in terms of Guideline 4.2 of Government Procurement Guidelines, all the procurement s had not been covered therefrom.

5.3 Budgetary Control

The Budget of the Board for the year under review had been revised in November 2014. A significant variance ranging from 7 percent to 100 percent was observed between the budgeted value and the actual value of 10 objects and other items of income, thus indicating that the budget had not been made use of as an effective instrument of management control.

5.4 Unresolved Audit Paragraphs

The following observations are made

- (a) Even though the committee on public Enterprises had directed on 21 March 2013 that the employee gratuity amounting to Rs.7,392,287 overpaid during the previous years be recovered to the Board, that amount had neither been recovered or disclosed in the financial statements as an amount receivable. The Board had only informed the relevant retired officers in writing that the overpaid gratuity be reimbursed to the Board.
- (b) Two building obtained on rent had been used to maintain the head office and stores without taking actions to construct a building for the Board on the land owned by the Board since the year 2005 with an extent of 112 perches situated in the vicinity of Colombo city. For the building being used to maintain the head office, a rental of Rs.15,258,406 had been paid during the year under review and the Board had spent a sum totaling Rs.20,928,160 for the office renovation activities and re-installation of electric circuits of that building during the year under review by 16 July 2015, the date of issuing the report. A sum of Rs.1,836,000 had been paid as the rental for a building owned by the janatha Estate Development in respect of obtaining stores facilities during the year under review.

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) Stores control

W.P.C.Wickramarathne

Acting Auditor General

Statement of Income

For the year ended 31st December	Note	2014 Rs.	2013 Rs.
Turnover	2	15,153,133,820	14,537,362,545
Less: Indirect taxes	_	15,155,155,020	1 1,55 7,5 02,5 15
VAT		540,502,194	507,792,059
NBT		211,761,787	203,546,556
Net Turnover after VAT & NBT		14,400,869,839	13,826,023,930
T	2	12 402 607 620	11 000 047 176
Less Cost of Sales	3	12,492,687,628	11,998,247,176
Gross Profit		1,908,182,211	1,827,776,754
Add: Other Income	4	88,823,238	220,209,583
Add : Other meome	7	1,997,005,449	2,047,986,337
Less: Expenses		1,557,005,775	2,047,760,337
Sales, Marketing & Distribution Costs	5	1,284,599,303	1,069,000,356
Administrative Expenses	6	573,472,839	465,114,112
Finance Cost	7	29,743,395	37,190,847
Profit Before Tax		109,189,912	476,681,022
Less: Income Tax Expense	8	117,853,496	610,087,950
Profit/ (Loss) for the year		(8,663,584)	(133,406,928)

The Accounting Policies represents Note No.01

Statement of Comprehensive Income

For the year ended 31 st December	2014 Rs.	2013 Rs.
Profit (Loss) for the year	(8,663,584)	(133,406,928)
Other Comprehensive Income/ (Loss) for the year net of Tax		
Add: Gain on Revaluation Inventory Items- Gold Coins	-	1,343,522
Add: Gain on Revaluation Property, Plant & Equipment	49,463,782	263,640,924
Less: Loss on Revaluation of Investment Property - Mannar Circuit	(27,296,728)	-
Add: Gain on Exchange Fluctuation	6,334,089	245,524
Add: Over Provision for Gratuiy	-	12,385,733
Total Comprehensive Income for the year net of tax	19,837,559	144,208,775



Statement of Financial Position

As at 31st December	Note	2014	2013
		Rs.	Rs.
Assets			
Non Current Assets			
Property, Plant & Equipment	9	762,397,726	739,286,832
Income Tax Receivable from Consolidated Fund		1,215,320,896	1,736,370,634
Investment in Sri Lanka Savings Bank		5,336,575	5,336,575
Investment Property	10	43,997,011	-
Intangible Assets	11	33,713,255	-
Total Non Current Assets		2,060,765,463	2,480,994,041
Current Assets			
Inventories	12	150,996,078	149,137,662
Trade Receivables	13	370,260,544	241,678,915
Other Current Assets	14	741,632,583	702,043,808
Cash & Cash Equivalents	15	1,402,778,114	2,089,399,814
Total Current Assets		2,665,667,319	3,182,260,198
Total Assets		4,726,432,782	5,663,254,240
Equity & Liabilities			
Equity Attributable to Owners of the parent			
Retained Earnings	16	433,446,392	435,775,888
Other Components of Equity	17	643,643,970	890,098,987
		1,077,090,362	1,325,874,875
Non Current Liabilities			
Deferred Tax	18	46,870,270	10,319,839
Long term Provisions	19	1,243,861,388	1,761,554,939
Total Non current Liabilities		1,290,731,658	1,771,874,778
Current Liabilities			
	20	1 074 150 206	1 771 600 120
Trade & Other Payables		1,974,159,396 384,451,369	1,771,698,128
Current Tax Payables Total Current Liabilities	21		793,806,460
		2,358,610,765	2,565,504,588
Total Liabilities		3,649,342,421	4,337,379,363
Total Equity & Liabilities		4,726,432,782	5,663,254,240

The Accounting Policies & Notes 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 31 st December 2014 & its Profit /(Loss) for the year ended 31st December 2014

Harsha Bandara Chief Financial Officer V Sundareshwaran DGM (Finance)

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

Shyamila Perera Chairperson

M.K. Hassan Working Director

Statement of Cash Flow

For the year ended 31st December	2014	2013
Cook Flow from Organiting Activities	Rs.	Rs.
Cash Flow from Operating Activites Profit before Taxation	100 190 012	476,681,022
	109,189,912	470,081,022
Adjustment for Depreciation & Amortization	79 272 005	42 000 701
Provision for VAT & NBT	78,273,985	43,900,791
Profit on Disposal of Property, Plant & Equipments	752,263,981 (1,572,025)	711,338,615
Allocation for the Consolidated Fund	1,888,455,133	(6,144,211) 1,753,135,197
Allocation for Prizes	7,311,136,590	
Adjustment for CASD duty recoverable write off	7,511,130,390	7,083,652,537
·	-	(26,774,238) 365,000,000
Adjustment for Transfer from Building Reserve to Treasury	_	
Adjustment for Transfer from Building Reserve - Vauxall land	-	187,042,734
Adjustment in respect of over Provision for Gratuity	6 224 000	12,385,733
Adjustment for Gain on Exchange Fluctuation	6,334,089	245,524
Increase/ (Decrease) in Revaluation Reserve	22,167,055	264,984,446
Increase/ (Decrease) in Prizes Reserve	56,377,929	337,923,091
Increase/ (Decrease) in Bullding Reserve	-	(853,842,734)
Increase/(Decrease) in Provision for Gratuity	4,493,712	(12,385,733)
Decrease /(Increase) in Capital Work in Progress - Building	-	22,909,114
Decrease /(Increase) in IT on Receivable from Conso Fund	521,049,738	551,421,102
Operating profit before working capital changes	10,748,170,097	10,911,472,990
Charges in working capital		
(Increase) / Decrease in Inventories	(1,858,416)	(106,868,579)
(Increase) / Decrease in Trade Receivables	(128,581,629)	(211,987,356)
(Increase) / Decrease in Other Current Assets	(40,034,863)	(29,845,191)
Increase /(Decrease) in Trade & Other Payables & Long Term Provisions	98,677,308	251,675,224
	10,676,372,497	10,814,447,088
Cash flow from operating activites		
Payments made to the Consolidated Fund	(1,905,611,026)	(1,776,179,552)
Special Contribution to General Treasury	-	(500,000,000)
Prizes Paid	(7,515,196,737)	(6,589,862,236)
Gratuity Payment	(1,137,525)	(326,465)
VAT & NBT Payment	(778,755,390)	(681,423,198)
Income Tax & Deferred Tax Payment	(985,216,486)	(1,022,332,806)
Net Cash Flow from Operating Activites	(509,544,666)	244,322,831
Cash Flow from Investing Activites		
Additions to Property, Plant& Equipment, Investment Property & Intangible Assets	(156,975,321)	(75,978,081)
Gain on Revaluation to Property, Plant & Equipment	(22,167,054)	(263,640,924)
Proceeds from Disposal of Property, Plant & Equipment	2,065,343	6,637,529
Net Cash Flow from Investing Activites	(177,077,032)	(332,981,477)
Net changes in Cash & Cash Equivalent during the year	(686,621,699)	(88,658,646)
Cash & Cash Equivalent at the beginning of the year	2,089,399,814	2,178,058,460
Cash & Cash Equivalent at the end of the year	1,402,778,115	2,089,399,813
Note to the Cash Flow Statement Cash & Cash Equivalent		
Cash & Cash Equivalent	2014	2013
Short Term Investments	990,787,939	
		1,589,431,447
Cash in Hand & Balance at Bank Not Cash & Cash Equivalent at the end of the year	411,990,175 1,402,778,114	499,968,366 2,089,399,813
Net Cash & Cash Equivalent at the end of the year	1,402,770,114	4,009,399,813



Statement of Changes in Equity

		l	l		l	
1,077,090,362	433,446,393	335,229,369	ı	287,151,500	21,263,101	Balance as at 31/12/2014
(8,663,584)	(8,663,584)	ī	ı	ī		Profit /(Loss) for the year 2014
6,334,089	6,334,089	ı	ı	ī	1	Gain on Exchange Fluctuation
(325,000,000)	ı	(325,000,000)	1	ī	1	Loan receivable from Board Fund
(27,296,728)	ı	ı	1	(27,296,728)	1	Bungalow
						Loss on Revaluation of Investment Property, - Mannar
49,463,782	ı	1	1	49,463,782	1	Gain on Revaluation of Property, Plant & Equipment
56,377,929	ı	56,377,929	ı	ī	1	Net Change in Prizes Reserves
1,325,874,874	435,775,888	603,851,440	ı	264,984,446	21,263,101	Balance as at 01/01/2014
1,325,874,874	435,775,888	603,851,440	1	264,984,446	21,263,101	Balance as at 31/12/2013
(133,406,928)	(133,406,928)	1	ı		1	Profit /(Loss) for the year 2013
245,524	245,524	ı	1	ī	1	Gain on Exchange Fluctuation
263,640,924	1	1	ı	263,640,924	ı	Gain on Revaluation of Property, Plant & Equipment
1,343,522	ı	1	I	1,343,522	ı	Gain on revaluation Inventory Items - Gold Coins
(26,774,238)	(26,774,238)	1	1	1	1	Written off CASD Duty recoverable
12,385,733	12,385,733	ı	1	ī	1	Over provision for gratuity
(500,000,000)	(500,000,000)	1	ı		1	Special Contribution to General Treasury
	187,042,734	1	(187,042,734)	1	1	Transfer from Building Reserve - Vauxall Land
	365,000,000	1	(365,000,000)		1	Transfer from Building Reserve
	ı	301,800,000	(301,800,000)	1	ı	Transfer from Building Reserve
36,123,091	ı	36,123,091	ı	ı	ı	Net Change in Prizes Reserves
1,672,317,247	531,283,063	265,928,349	853,842,734	ī	21,263,101	Balance as at 01/01/2013
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
	Earnings	Reserve	Reserve	Reserve	Treasury Fund	
Total	Retained	Prizes	Building	Revaluation	Accumulated	For the year ended 31st December

NOTES TO THE FINANCIAL STATEMENTS

NOTE. 1 SIGNIFICIANT ACCOUNTING POLICIES

1. CORPORATE INFORMATION

1.1 General.

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

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

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

1.2 Principle Activities and Nature of Operations.

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

1.3 Financial Period.

The financial period of the Board represents a twelve month period from 01st January 2014 to 31st December 2014.

1.4 Responsibility for Financial Statements.

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

These financial statements include the following components:

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 GENERAL ACCOUNTING POLICIES

2.1.1 Basis of Preparation.

These financial statements presented in Sri Lankan Rupees have been prepared on an accrual basis under the historical cost basis and on fair value basis where applicable in accordance with Sri Lanka Accounting Standards (SLFRS & LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka.

2.1.2 Statement of Compliance.

The Statement of Financial Position, Statement of Comprehensive Income, Changes in Equity and Cash Flows, together with Accounting Policies and Notes ("Financial Statements") of the Board as at 31st December, 2014 and for the year then ended have been prepared in compliance with the Sri Lanka Accounting Standards (LKAS & SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka and the requirement of the Finance Act No. 11 of 1963.

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

2.1.3 Going Concern.

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

2.1.4 Comparative Information.

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

2.1.5 Foreign Currency Transaction.

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

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

2.1.6 Basis of Measurement

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

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

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

2.1.7 Functional and Presentation Currency.

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

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

2.1.8 Materiality and Aggregation.

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

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



2.1.9 Significant Accounting Judgments, Estimates and Assumptions

a) Judgments.

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

b) Estimates and Assumptions.

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

2.2 ASSETS & BASES OF THEIR VALUATION

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

2.2.1 Property, Plant & Equipment

Basis of Recognition

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

Basis of Measurement

a) Cost.

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

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

b) Revaluation.

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

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

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

All items of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued where ever feasible.

NLB's motor vehicles are subsequently carried at fair value, based on periodic valuations by the Government Valuer.

c) Depreciation.

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

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

Assets held under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Board will obtain ownership by the end of the lease term. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognized. The assets residual values, useful lives and methods of depreciation are reviewed at the end of each reporting period and adjusted only if required.

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

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



d) Subsequent Cost.

The cost of replacing part of an item of Property, plant & equipment is recognized in the carrying amount of the item. If it is probable that the future economic benefits embodied within the part will flow to the Board and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognized in accordance with the de-recognition policy given below. The costs of the day-to-day servicing of Property, plant & equipment are recognized in the Statement of Comprehensive Income as incurred.

e) De-recognition.

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

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

f) Restoration Costs.

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

2.2.2 Capital Work in Progress.

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

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

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

2.2.3 Intangible Assets.

Computer Software.

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

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

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

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

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

2.2.4 Leased Assets.

Finance Leases – where the Board is the lessee.

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

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

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

The cost of improvements to or on leased property is capitalized, and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter. Any excess of sales proceeds over the carrying amount of assets in respect of a sale and leaseback transaction that result in a finance lease, is deferred and amortized over the lease term.

2.2.5 Investment property.

a) Basis of Recognition.

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



b) Basis of Measurement.

Investment property is recognized when and only when it is probable that the future economic benefits associated with the item will flow to the group and the cost of the investment property can be measured reliably. Investment property, comprising freehold land and buildings, is property held for long term rental or for capital appreciation or both and is not occupied substantially for the supply of goods or services or administration and is not intended for sale in the ordinary course of business. Investment property is initially and subsequently measured at its cost including related transaction costs and is therefore carried at cost less accumulated depreciation and any accumulated impairment losses.

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

c) De-recognition.

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

d) Subsequent Transfers To/From Investment Property.

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

2.2 6 Impairment of non financial Assets.

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

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

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

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

2.2.7 Non Current Assets Held For Sale.

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

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

2.2.8 Financial Assets.

The Board classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

The Board's accounting policy for each category is as follows:

(a) Loans and receivables.

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

(b) Trade and Other Receivables.

Trade and other receivables are initially measured at fair value cost



2.2.9 Inventories.

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

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

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

2.2.10 Cash and Cash Equivalents.

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

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

2.3 LIABILITIES & PROVISIONS

2.3.1 Liabilities.

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

Trade and Other Payables.

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

2.3.2 Provisions, Contingent Assets and Contingent Liabilities.

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

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

Income Tax on Contribution to the Consolidated Fund.

The Department of Inland Revenue imposed additional assessments of Income Tax on Consolidated Fund payments from 2007 to 2012 as this payment was disallowed for taxation during that period. Assessments amounted to Rs. 1,136,146,578/- for years 2007 to 2010 payable in 26 monthly installments commencing from January 2013. Assessments for years 2010 to 2013 amounted to Rs.1,644,103,198/- payable in 30 monthly installments from March 2015 to August 2017. The payments are being made accordingly.

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.

Reinstatement or Compensation.

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

Defamation.

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

2.3.3 Retirement Benefit Obligations

Defined Contribution Plans EPF & ETF.

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

Defined Benefit Plan Retiring Gratuity.

Provision is made in financial statements for retirement gratuities payable under the provision of Gratuity Act No. 12 of 1983 for all employees who have completed 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.

2.3.4 Taxation

Current Tax.

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



Deferred Taxation.

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

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

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

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

2.4 INCOME STATEMENT

2.4.1 Revenue Recognition

a) Sale of Goods.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Board and the revenue and associated costs incurred can be reliably measured. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably.

b) Interest.

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

c) Others.

Other income is recognized on an accrual basis.

2.4.2 Expenditure Recognition.

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

2.5 RISK MANAGEMENT.

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

a) Political Risk.

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

b) Legal Risk.

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

c) Reputational Risk.

The potential for fraudulently printed lotteries to enter the market will lead to reputational risk. But, NLB has already taken measures to minimize such risks.

d) Operational Risk.

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

e) Liquidity Risk.

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

f) Economic Risk.

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

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

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

2.6 GENERAL

2.6.1 Events Occurring after the Balance Sheet Date.

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



Contingencies & unrecognized contractual commitments contingencies are possible assets or obligation that arise from past event and would be confirmed only on the accurance on non accurence of uncertain future events, which are beyond the company's control.

2.6.2 Comparative Figures

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

2.6.3 Distribution of Funds

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

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

	Mahajana Sampatha	Vasana Sampatha	Govisetha	Supiri Vasana	Jathika Sampatha	Sampath Rekha	Mega 50	Power Lotto
Prizes	49%	47%	47%	47%	47%	47%	58%	48%
Dealer Commission	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%
Consolidated Fund	16.5%	16.5%	10%	10%	10%	10%	10%	10%
Board	17%	19%	25.5%	25.5%	25.5%	25.5%	14.5%	24.5%

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.

(b) Distribution of income for Scratch Lotteries.

	Samurdhi 10/-	Sevana 10/-	Sevana 20/-	Special Scratch 50/-	Special Scratch 20/-
Prizes	49%	49%	53%	53%	53%
Dealer Commission	15%	15%	17.5%	17.5%	17.5%
Consolidated Fund	10%	10%	10%	10%	10%
Board	26%	26%	19.5%	19.5%	19.5%



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

Passive Lotteries

Mahajana Sampatha Vasana Sampatha Govisetha	- Sunday, Tuesday & Friday - Monday & Thursday - Monday & Thursday		-Consolidated Fund -Consolidated Fund -Ministry of Agriculture
Supiri Vasana	- Wednesday	- 10%	-Ranawiru Sewa Authority
	- Saturday	- 10%	-Ministry of Sports & Ministry of
			Social Services (5% each)
Jathika Sampatha	- Wednesday	- 10%	- Ministry of Health
	- Saturday	- 10%	- Ministry of Labour
Sampath Rekha	- Sunday, Tuesday, Friday	- 10%	- Consolidated Fund
Mega 50	- dates decided by manageme	nt-10%	- Consolidated Fund
Power Lotto	- Saturday	- 10%	- Consolidated Fund
Instant Lotteries			

Samurdhi	- 10%	- Ministry of Samurdhi & Youth Affairs
Sevana	- 10%	- Ministry of Housing
Special Scratch	- 10%	- Consolidated Fund

(d) Treatment of Consolidated Fund payments in Income Statement.

The Consolidated Fund up to 2011 was shown as a direct expense under Income Statement. However in year 2012 the Consolidated Fund was shown under equity statement as Consolidated Fund was disallowed for tax calculation. From January 2013 onwards Consolidated Fund payments are treated as qualifying expenses and hence we have shown it in the Income statement as direct expenses as was the practice prior to 2012. For comparative purposes 2012 figures are also adjusted.



For the year ended 31st December

Note - 02	2014	2013
Turnover	Rs.	Rs.
Mahajana Sampatha	4,330,554,920	4,399,835,800
Vasana Sampatha	1,410,087,400	1,489,470,800
Govisetha	2,552,142,200	1,962,201,080
Supiri Vasana Sampatha	1,834,803,800	1,942,297,000
Jathika Sampatha	1,248,200,400	1,248,899,000
Sampath Rekha	1,692,250,600	1,448,766,800
Mega 50	124,573,600	515,404,600
Power Lotto	243,402,900	-
Colombo Airport Super Draw	-	38,483,465
Samurdhi	188,128,000	132,024,000
Sevana	1,489,596,000	1,269,374,000
Special Scratch	39,394,000	90,606,000
Total	15,153,133,820	14,537,362,545

Note - 03	2014	2013
Cost of Sales	Rs.	Rs.
Ticket Printing Charges	474,762,687	459,877,814
Agency Commission	2,818,333,219	2,701,581,629
Prize Declared	7,311,136,590	7,083,652,537
Consolidated Fund	1,888,455,133	1,753,135,197
Total	12,492,687,628	11,998,247,176

Note 03-01	2014	2013
Tickets Printing Charges	Rs.	Rs.
Opening Stock as at 1st January		
Passive Lottery	1,857,486	3,865,641
Sevana Lottery	23,395,443	11,873,897
Samurdhi Lottery	3,284,900	1,361,468
Special Scratch lottery	1,369,921	-
	29,907,750	17,101,006
Add: Purchase of Tickets During the year	463,083,284	472,684,558
	492,991,034	489,785,564
Less: Closing Stock as at 31st December		
Passive Lottery	2,697,275	1,857,486
Sevana Lottery	12,183,469	23,395,443
Samurdhi Lottery	3,347,602	3,284,900
Special Scratch lottery	-	1,369,921
	18,228,346	29,907,750
Total	474,762,687	459,877,814

Note 03-02	2014	2013
Agency Commission	Rs.	Rs.
Mahajana Sampatha	809,128,844	824,628,923
Vasana Sampatha	263,487,270	279,112,865
Govisetha	476,994,838	367,715,777
Supiri Vasana Sampatha	342,791,282	364,013,853
Jathika Sampatha	233,214,577	234,034,947
Sampath Rekha	316,212,112	271,530,677
Mega 50	23,343,601	96,466,905
Power Lotto	45,495,203	-
Samurdhi	32,659,924	20,859,792.00
Sevana	267,796,468	226,636,992
Special Scratch	7,209,102	16,580,898
Total	2,818,333,222	2,701,581,629

Note: 03-03	2014	2013
Prize Declared	Rs.	Rs.
Mahajana Sampatha	2,121,971,911	2,156,116,095
Vasana Sampatha	663,741,078	699,151,016
Govisetha	1,199,509,834	922,352,768
Supiri Vasana Sampatha	862,357,786	913,001,330
Jathika Sampatha	586,596,678	585,988,824
Sampath Rekha	795,358,042	724,656,826
Mega 50	65,202,689	298,934,668
Power Lotto	116,833,392	-
Colombo Airport Super Draw	-	7,334,050
Samurdhi	96,879,840	64,691,760
Sevana	781,806,520	663,404,020
Special Scratch	20,878,820	48,021,180
Total	7,311,136,590	7,083,652,537

Note: 03-04	2014	2013
Consolidated Fund	Rs.	Rs.
Mahajana Sampatha	714,541,562	725,972,907
Vasana Sampatha	232,664,421	245,762,682
Govisetha	255,214,220	196,220,108
Supiri Vasana Sampatha	183,480,380	194,229,700
Jathika Sampatha	124,820,040	124,889,900
Sampath Rekha	169,225,060	72,438,340
Mega 50	12,457,360	51,540,460
Power Lotto	24,340,290	-
Samurdhi	18,812,800	13,202,400
Sevana	148,959,600	124,348,400
Special Scratch	3,939,400	4,530,300
Total	1,888,455,133	1,753,135,197



Note No - 04	2014	2013
Other Income	Rs.	Rs.
Interest Income	83,751,232	211,592,849
Sundry Income	5,072,005	8,616,734
Total	88,823,237	220,209,583

Note No - 05	2014	2013
Sales Marketing & Distribution Costs	Rs.	Rs.
Distribution Costs	30,143,102	24,635,220
Marketing & Sales Promotion Expenses	1,209,168,822	1,010,422,751
Communication Expenses	45,287,379	33,942,384
Total	1,284,599,303	1,069,000,355

Note No 05 - 1	2014	2013
Distribution Expenses	Rs.	Rs.
Ticket Transport Charges	6,314,079	5,425,175
Agent relief Exp/Cost of Returned Tickets	91,642	542,982
Agents & Sellers Welfare	58,000	
Dealers & Agents training & Conference	4,244,349	3,854,498
Scholarships to Agent's Children	1,247,500	1,317,500
Sales Incentive for Dealers & Agents	7,006,704	9,587,403
Agents Medical Expenses	2,096,000	1,845,000
Agents Additional Sales Promotional Expenses	9,084,829	2,062,662
Total	30,143,103	24,635,220

Note No 05 - 2	2014	2013
Marketing & Sales Promotional Expenses	Rs.	Rs.
Production & Telecasting	216,426,714	204,989,536
Publication of Results	36,688,896	34,248,305
Promotional Advertising	321,786,376	312,412,135
Corporate Image Advertising	436,045,058	220,545,923
Outstation Draw Expenses	114,726,865	10,921,200
50 th Anniversary lotteries - Preliminary expenses	-	176,991,500
Sales booths to Agents & Other Maintenance Charges	8,026,111	12,930,253
Special Events & Special Draw Prizes	8,560,824	3,968,919
Public Relation Expenses	66,907,977	33,414,980
Total	1,209,168,821	1,010,422,751

Note No 05 - 3	2014	2013
Communication Expenses	Rs.	Rs.
Postage & Telegrams	693,850	337,330
Telephone, Faxes, and Internet	22,649,296	19,018,940
Printing & Stationery	20,670,959	13,794,964
Press Notices	1,273,275	791,150
Total	45,287,380	33,942,384

Note No - 06	2014	2013
Administrative Expenses	Rs.	Rs.
Personnel Emoluments	267,215,394	247,527,709
Establishment Expenses	138,286,479	74,491,059
Other Administrative Expenses	167,970,966	143,095,344
Total	573,472,839	465,114,112

Note No - 07	2014	2013
Finance Cost	Rs.	Rs.
Bank Charges	29,743,395	28,340,454
WHT on Non cash Lottery prizes	-	8,850,393
Total	29,743,395	37,190,847

Note No - 08	2014	2013
Income Tax	Rs.	Rs.
Current Year Income Tax	72,007,450	292,294,911
Deemed Devidend Tax	9,295,615	314,081,591
Total Current year Income tax	81,303,065	606,376,502
Deffered Tax Expenses	36,550,431	3,711,448
Total	117,853,496	610,087,950



Note: No - 09 - Propert Plant & Equipment

Note: No.09-1 - Free Hold Property

	Land	Buildings	Motor	Computers & Computers	Computers	Office	Draw	Furniture &	2014 Tatal	2013
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost										
Balance Beginning of the year	500,000,000	9,900,000	181,841,164	93,632,733	30,357,519	31,794,459 11,696,063	11,696,063	16,256,068	875,478,007	706,521,870
Additions During the year	ı	12,240,000	60,906,529	36,061,377	3,325,120	12,416,263	1,315,800	2,293,249	128,558,337	20,314,913
Dispossal during the year	ı	Ĩ	(3,152,000)	(91,440)	ı	(35,563)	ı	(13,391)	(3,292,394)	(10,051,448)
Transferred during the year		1	1	(27,549,526)	(12,755,024)	(2,500)	1	2,500	(40,304,550)	ı
	500,000,000	22,140,000	239,595,693	102,053,144	20,927,615	44,172,659 13,011,863	13,011,863	18,538,426	960,439,400	716,785,335
Accumulated Depreciation- revaluation	ı	Ī	(87,615,737)	(1,432,867)	1	(749,471)	I	(477,958)	(90,276,033)	(89,395,319)
Gain on revaluation	ı	ī	48,750,161	733,434	ı	(5,433)	ı	(14,380)	49,463,782	248,087,991
Balance end of the year	500,000,000	22,140,000	200,730,118	101,353,710	20,927,615	43,417,754 13,011,863	13,011,863	18,046,087	919,627,149	875,478,007
Provision for Depreciation										
Balance Beginning of the year	ı	ī	133,764,689	42,271,818	15,915,075	12,773,516	162,021	2,533,799	207,420,918	263,095,949
Depreciation for the year	1	648,000	33,000,569	15,010,300	1,209,855	5,251,961	2,443,268	1,527,239	59,091,192	43,278,420
Depreciation on Disposal	1	1	(3,152,000)	(57,026)	ı	(35,563)	1	(574)	(3,245,163)	(9,558,131)
Transferred during the year	1	1	Ī	(14,874,593)	(973,700)	1	Ī	ı	(15,848,293)	ı
	1	648,000	163,613,258	42,350,499	16,151,230	17,989,914 2,605,289	2,605,289	4,060,464	247,418,654	296,816,238
Accumulated Depreciation - Revaluation	1	1	(87,615,737)	(1,346,065)	1	(749,471)	1	(477,958)	(90,189,231)	(89,395,319)
Balane end of the year	1	648,000	75,997,521	41,004,434	16,151,230	17,240,443	2,605,289	3,582,506	157,229,423	207,420,919
Wriiten Down Value as at 31.12.2014	500,000,000	21,492,000	124,732,598	60,349,276	4,776,385	26,177,311 10,406,574	10,406,574	14,463,582	762,397,726	1
Wriiten Down Value as at 31.12.2013	500,000,000	9,900,000	48,076,476	65,803,359		19,020,942 11,534,042	11,534,042	13,722,269	-	668,057,088
Rate of Depreciation	ī	5%	25%	25%	25%	20%	20%	10%		

Land - Vauxhall Street

Bullding - Narahenpita Chairmans Bunglow & Vauxhall Building

Note 09 - 2 - Lease Hold Property

Bulldings	2014 Rs.	2013 Rs.
Cost		2400
Balance Beginning of the year	71,693,168	3,759,162
Additions during the year	-	55,663,168
Transferred to Investment Property	(71,693,168)	-
	-	59,422,330
Accumulated Depreciation - Revaluation	-	(3,282,096)
Gain on Revaluation	-	15,552,933
Balance end of the year	-	71,693,168
Provision for Depreciation		
Balance Beginning of the year	463,424	3,123,149
Transferred to Investment Property	(463,424)	-
Depreciation for the year	-	622,371
	-	3,745,520
Accumulated Depreciation - Revaluation	-	(3,282,096)
Balance end of the year	-	463,424
Written Down Value as at 31.12.2014	-	
Written Down Value as at 31.12.2013	-	71,229,744
	2014	2013
	Rs.	Rs.
Grand Total (09-1 + 09-2)	762,397,726	739,286,832

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Note: 10- Investment Property Circuit Bungalows - Anuradhapura & Mannar

Bulldings Lease Hold	2014 Da	2013
	Rs.	Rs.
Cost		
Balance Beginning of the year	_	_
Additions during the year	6,596,984	-
Transferred during the year	71,693,168	-
	78,290,152	-
Accumulated Depreciation - Revaluation	(463,424)	-
Loss on Revaluation - Mannar Circuit	(27,296,728)	-
Balance end of the year	50,530,000	-
Provision for Depreciation		
Balance Beginning of the year	-	-
Amortization for the year	6,532,989	-
transferred during the year	463,424	-
	6,996,413	-
Accumulated Depreciation - Revaluation	(463,424)	-
Balance end of the year	6,532,989	-
Written Down Value as at 31.12.2014	43,997,011	_
Written Down Value as at 31.12.2013	-	-

Note No. 11 Intangible Assets

Computer Software	2014 Rs.	2013 Rs.
Cost	1400	1400
Balance Beginning of the year	-	-
Additions during the year	21,820,000	_
Transferred during the year	40,304,550	_
2 ,	62,124,550	_
Accumulated Depreciation - Revaluation		_
Gain on Revaluation	_	_
Balance end of the year	62,124,550	-
·	32,12 1,223	
Provision for Depreciation		
Balance Beginning of the year	-	-
Amortization for the year	12,649,804	-
Transferred during the year	15,761,491	-
	28,411,295	-
Accumulated Depreciation - Revaluation	-	-
Balance end of the year	28,411,295	-
•	, ,	
Written Down Value as at 31.12.2014	33,713,255	_
Written Down Value as at 31.12.2013	-	-

Note No 12	2014	2013
Inventories	Rs.	Rs.
Printed Tickets Stocks	18,228,347	29,907,750
Prizes Stocks	125,337,068	107,934,989
Consumable Stocks	7,430,663	11,294,923
Total	150,996,078	149,137,662

Note No 13	2014	2013
Trade Receivables	Rs.	Rs.
Sweep/Trade Debtors	379,671,475	251,778,646
Return Cheques - Sevana & Samurdhi	1,403,097	714,297
	381,074,573	252,492,944
Less: Provision for Doubtful Debts	(10,814,029)	(10,814,029)
Total	370,260,543	241,678,915

Note No 14	2014	2013
Other Current Assets	Rs.	Rs.
Other Debtors	49,982,675	22,268,264
Accounts Receivables	5,823,737	9,050,071
Staff Loans	101,708,309	95,424,888
Deposits & Prepayments	16,934,409	23,879,485
Income Tax Receivable from Consolidated Fund	567,183,453	551,421,101
Total	741,632,583	702,043,809

Note No. 15 Cash & Cash Equivalent	2014 Rs.	2013 Rs.
Cash in Hand & at Bank	411,990,175	499,968,366
Short term Deposits	990,787,939	1,589,431,447
Total	1,402,778,114	2,089,399,813

Note No. 16	2014	2013
Retained Earnings	Rs.	Rs.
Balance at the Beginning of the year	435,775,888	531,283,063
Profit /(loss) for the year	(8,663,584)	(133,406,928)
	427,112,304	397,876,135
Less: Special Contribution to General Treasury	-	(500,000,000)
Add: Transfer from Building Reserve	-	365,000,000
Add: transfer from Building Reserve -Vauxhall Land	-	187,042,734
Add: Over provision for gratuity	-	12,385,733
Add: Writtenoff CASD Duty Recovarable	-	(26,774,238)
Add: Gain on Exchange Fluctuation	6,334,089	245,524
Balance at the end of the year	433,446,392	435,775,888



Note No. 17	2014	2013
Other Components of Equity	Rs.	Rs.
Accumilated Treasury Fund	21,263,101	21,263,101
Revaluation Reserve	287,151,501	264,984,446
Building Reserve	-	-
Prizes Reserve	335,229,369	603,851,440
Total	643,643,971	890,098,987

Note No. 18	2014	2013
Deffered Tax Liability	Rs.	Rs.
Balance at the Beginning of the year	10,319,839	6,608,391
Current year Defered Tax provision	36,550,431	3,711,448
Previous year Over Provision	_	-
Balance at the end of the year	46,870,270	10,319,839

Note No. 19	2014	2013
Long Term Provisions	Rs.	Rs.
Provision for Gratuity	28,540,492	25,184,305
Income tax Payable on Consolidated Fund	1,215,320,896	1,736,370,634
Total	1,243,861,388	1,761,554,939

Note No. 20	2014	2013
Trade & Other payables	Rs.	Rs.
Payable to Consolidated Fund	171,237,556	188,393,449
Sweep Collection in Advance	287,666,170	111,153,236
Deferred Revenue, Expenditure - CASD	18,488,970	-
Loan due to Prizes Fund	325,000,000	-
Prizes Obligations	759,376,073	963,436,220
Trade & Other Creditors	98,870,282	108,554,145
Accrued Expenses	313,520,345	400,161,079
Total	1,974,159,396	1,771,698,129

Note No. 21	2014	2013
Current Tax Payables	Rs.	Rs.
VAT & NBT Payables	46,030,076	72,521,485
Income Tax payables	338,421,292	721,284,975
Total	384,451,368	793,806,460



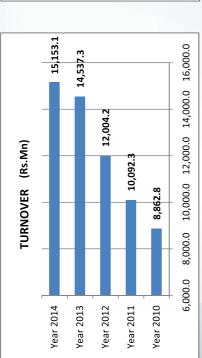


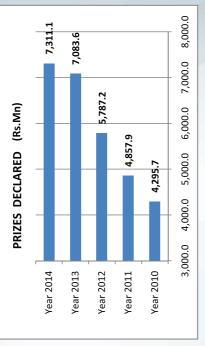
Financial Highlights - For the year ended 31st December

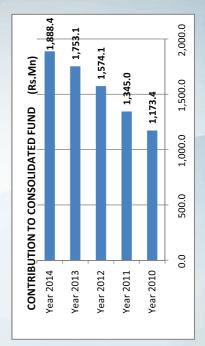
Description	2014 Rs.Mn	2013 Rs.Mn	Change Compared with 2013
T	15152 1	145272	(%)
Turnover	15,153.1	14,537.3	4.2
Contribution to Consolidated fund *	1,888.4	1,753.1	7.7
Agency Commission	2,818.3	2,701.5	4.3
Prizes Allocation	7,311.1	7,083.6	3.2
Value Added Tax	540.5	507.7	6.4
Nations Building Tax	211.7	203.5	4.0
Other Income	88.8	220.2	(59.6)
Expenses	1887.8	1,571.3	20.1
Profit before Tax	109.1	476.6	(77.1)
Profit for the Year	(8.6)	(133.4)	(93.5)
Total Assets	4,726.4	5,663.2	(16.5)
Total Net Assets/ Equity	1,077.0	1,325.8	(18.7)
Profit before Tax to Turnover %	0.72%	3.27%	-
Profit before Tax to Total Assets %	2.31%	8.41%	-
Liquidity Ratio	1.1:1	1.2:1	-

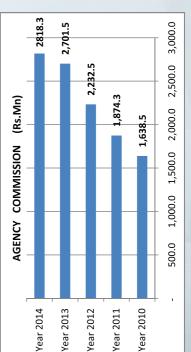
Excluding special contribution of Rs.500. mn in 2013

OVERALL PERFORMANCE





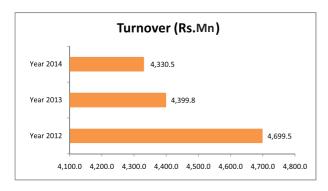


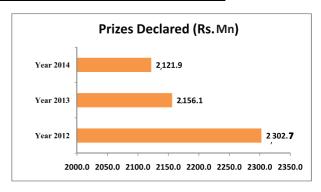


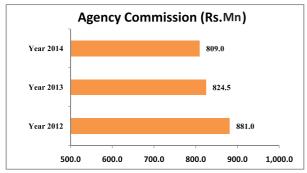
PRODUCT WISE PERFORMANCE

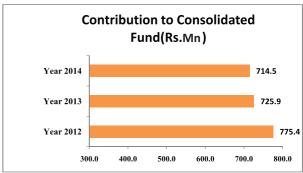
MAHAJANA SAMPATHA

Description	2014	2013	2012
	Rs. Mn	Rs. Mn	Rs. Mn
Turnover	4,330.	5 4,399.8	4,699.5
Prizes Declared	2,121.	2,156.1	2,302.7
Agency Commission	809.	824.5	881.0
Contribution to Consolidated Fund	714.	725.9	775.4



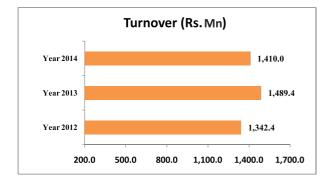


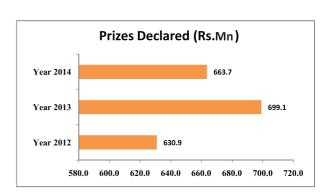


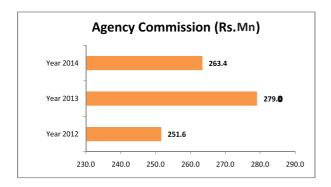


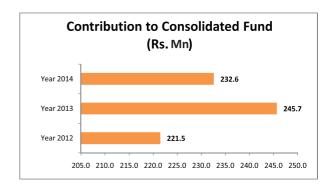
VASANA SAMPATHA

Description	2014	2013	2012
	Rs. Mn	Rs.Mn	Rs. Mn
Turnover	1,410.0	1,489.4	1,342.4
Prizes Declared	663.7	699.1	630.9
Agency Commission	263.4	279.0	251.6
Contribution to Consolidated Fund	232.6	245.7	221.5





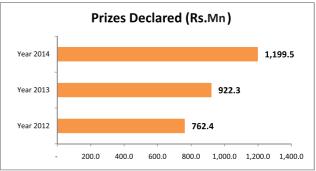


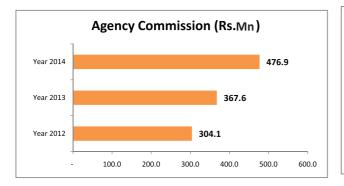


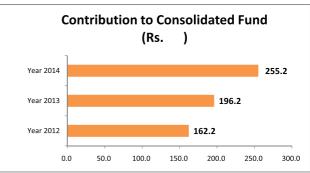
GOVISETHA

Description	2014	2013	2012
	Rs. Mn	Rs. Mn	Rs. Mn
Turnover	2,552.1	1,962.2	1,622.1
Prizes Declared	1,199.5	922.3	762.4
Agency Commission	476.9	367.6	304.1
Contribution to Consolidated Fund	255.2	196.2	162.2





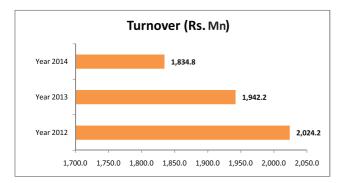


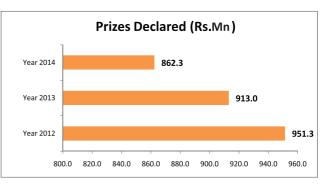


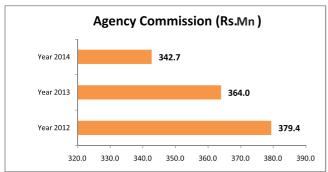


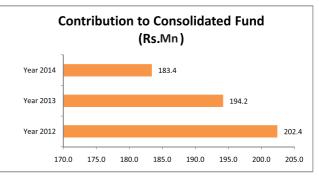
SUPIRI VASANA SAMPATHA

Description	2014 Rs. Mn	2013 Rs. Mn	2012 Rs.Mn
Turnover	1,834.8	1,942.2	2,024.2
Prizes Declared	862.3	913.0	951.3
Agency Commission	342.7	364.0	379.4
Contribution to Consolidated Fund	183.4	194.2	202.4



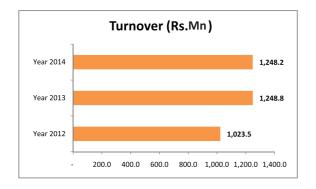


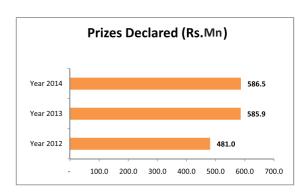


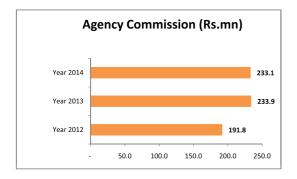


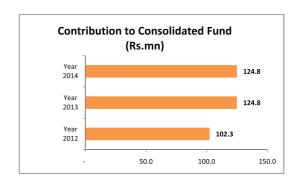
JATHIKA SAMPATHA

Description	2014 Rs. Mn	2013 Rs.Mn	2012 Rs.Mn
Turnover	1,248.2	1,248.8	1,023.5
Prizes Declared	586.5	585.9	481.0
Agency Commission	233.1	233.9	191.8
Contribution to Consolidated Fund	124.8	124.8	102.3



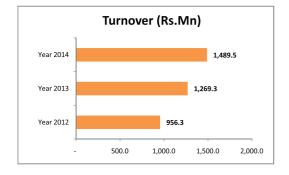


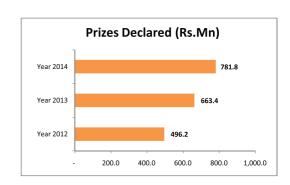


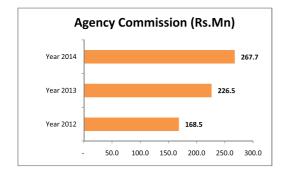


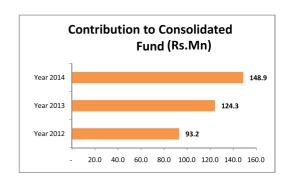
SEVANA

Description	2014 Rs.mn	2013 Rs.mn	2012 Rs.mn
Turnover	1,489.5	1,269.3	956.3
Prizes Declared	781.8	663.4	496.2
Agency Commission	267.7	226.5	168.5
Contribution to Consolidated Fund	148.9	124.3	93.2









TEN YEAR OPERATIONAL ROUND UP

Figures in Rs.

2.60% 27.83% 18.94%	2.07% 21.99% 13.87%	0.54% 23.75% 3.29%	0.53% 23.16% 25.58%	0.63% 21.27% 12.37%	1.16% 21.98% (.5.88)%	0.90% 22.30% 4.75%	2.56% 24.42% (.4.97%)	Profit/ (Loss) for the year as a % on Turnover Total Contribution to Govt. as a % on Turnover Growth rate of Turnover
9.06%		10.08%	11.42%	13.09%	12.83%	10.67%	7.11%	Expenses as a % of Turnover
11.21% 3.92%		10.83% 3.15%	10.29% 2.85%	11.85% 2.53%	13.15% 3.47%	12.04% 3.47%	9.62% 4.37%	Gross Profit as a % of Turnover Profit Before Tax as a % of Turnover
2,217,320,201 3,341,203,134		2,103,210,340	1,90/,02/,030	1,433,404,/1/	1,330,470,410	1,440,421,200	1,505,929,200	I OTAL
		733,284,427	656,217,994	428,100,646	420,814,224	466,703,676	402,132,646	Indirect Contributions - Taxes
		1	1	1	1		1	Contribution to Treasury from Equity Funds
180,473,400 197,806,370		182,465,862	194,511,177	127,081,500	147,893,404	127,809,507	146,390,083	Contribution to Treasury on Forfeited Prizes
1,345,046,907 1,574,149,137		1,173,460,051 16,000,000	1,136,298,465	898,282,571	767,590,790	845,908,023	957,406,531	Contribution to Consolidated Fund on Sales Special Contribution to General Treasury
								Direct & Indirect Contribution to Government
209,104,029 312,190,959		31,637,890	45,512,372	43,041,798	70,678,714	58,314,316	158,145,550	Net Surplus/ (Deficit) to Board
-		16,000,000	-	-	-	-	-	Less: Special Contribution to Treasury
		47,637,890	45,512,372	43,041,798	70,678,714	58,314,316	158,145,550	Profit/ (Loss) for the year
		231,393,156	198,991,306	129,986,050	140,065,071	166,051,524	111,264,623	Less: Income Tax Expense
395,982,031 581,795,197		279,031,046	244,503,678	173,027,848	210,743,785	224,365,840	269,410,173	Profit before Tax
1,		893,119,395	979,492,638	894,571,517	779,751,175	689,243,656	438,366,557	
		29,936,142	30,483,249	25,717,200	21,746,255	44,893,795	12,789,382	Finance Cost
		362,334,768	365,193,951	311,203,508	269,993,917	212,314,509	171,319,607	Administrative Expenses
531,801,210 674,909,121		500,848,485	583,815,438	557,650,809	488,011,003	432,035,352	254,257,568	Less: Expenses Sales, Marketing & Distribution costs
1,310,387,429 1,694,712,210		1,172,150,441	1,223,996,316	1,067,599,365	990,494,960	913,609,496	707,776,730	
178,866,137 275,197,318	ļļ	212,424,233	340,680,571	257,996,742	191,205,560	136,114,584	114,548,796	Add: Other Income
	J							
		959,726,208	883,315,745	809,602,623	799,289,400	777,494,912	593,227,934	Gross Profit
8,453,881,439 9,987,048,335		7,401,252,346	7,239,996,279	5,724,802,020	4,999,811,596	5,381,868,688	5,282,801,695	
	_	1,173,460,051	1,136,298,465	898,282,571	767,590,790	845,908,023	957,406,531	Contribution to Consolidated Fund on Sales
	1	4,295,786,207	4,246,564,845	3,373,592,920	2,944,926,273	3,115,594,961	2,952,266,317	Prizes Declared
1,874,354,373 2,232,580,487	_	1,638,501,705	1,585,329,388	1,163,307,511	971,932,383	1,025,881,243	968,319,771	Agency Commission
376,528,826 393,049,086		293,504,383	271,803,581	289,619,018	315,362,150	394,484,461	404,809,076	Less: Cost of Sales Ticket Printing Charges
9,585,402,731 11,406,563,227		8,360,978,554	8,123,312,024	6,534,404,643	5,799,100,996	6,159,363,600	5,876,029,629	Net Turnover after VAT & NBT
		186,375,756	139,681,053	1			1	NBT
365,159,981 428,810,159		315,515,516	317,545,635	298,114,596	280,749,153	300,652,152	290,868,023	Less: Indirect taxes VAT
10,092,330,623 12,004,268,616		8,862,869,826	8,580,538,712	6,832,519,239	6,079,850,149	6,460,015,752	6,166,897,652	Revenue
2011 2012		2010	2009	2008	2007	2006	2005	

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