



ජාතික லொறரிசி மனீவரிச
தேசிய லொத்தர் சபை
NATIONAL LOTTERIES BOARD



2018

லாபீகரி வரிவரி
ஆண்டு அறிக்கை
ANNUAL REPORT

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01. OVERVIEW



CORPORATE PROFILE & GUIDING PRINCIPLES

CORPORATE PROFILE

NAME OF THE INSTITUTION

National Lotteries Board

LEGAL FORM

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 The certain sections of the above act were repealed and amended in 1997 under the (amendment) Act.No. 35 of 1997and in 1998 under the (amendment) Act no.22 of 1998.

YEAR OF ESTABLISHMENT

1963

ACCOUNTING YEAR END

31st December

REGISTERED OFFICE

ADDRESS : No. 234/2, Galle Road, Colombo 03.
TELEPHONE : 2470662, 2470663, 4607000,
FAX : 2329576, 2421897, 2326528, 2433631, 2470661,
EMAIL : nlbgen@sltnet.lk
WEB SITE : www.nlb.lk

AUDITORS

Auditor General
National Audit Office,
No.306/72, Polduwa Road,
Battaramulla.

BANKERS

Peoples Bank

GUIDING PRINCIPLES

VISION





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

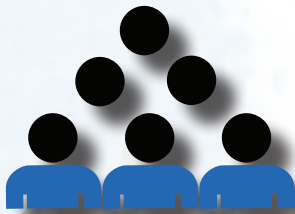
MISSION

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




ORGANIZATIONAL GOALS

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



OBJECTIVES OF THE BOARD

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

CORE VALUES

We are responsible and accountable



We are honest and transparent



We trust team efforts and competence



We use modern technology and desire change



We believe in superior customer service



CHAIRPERSON AND BOARD OF DIRECTORS

Director

Mr. Sudath Lokuliyana



Working Director

Mr. Thusitha Halloluwa



Chairperson

Mrs. Shyamila Perera



Observer - Treasury
Representative

Mr. A.M.P.M. B. Atapattu



Director

Mr. Charitha
N. Wijayawardena



SENIOR MANAGEMENT



Mr.A.H Sunil Gunawardena

B.A.Econ.(Colombo)
PG Dip.Econ.Dev(Colombo)
MA Econ. (Colombo)
S.L.A.S (Class I)
General Manager
(up to 09.03.2018)



Miss.K.G.K.Wimalaweera

Class One officer of Sri Lanka
Planning Service
Master of International Development,
(University Flinders, Australia.)
General Manager
(From 21.06.2018)



Mr.Prabath Sandya Theja

B.Sc. (Peradeniya)
Additional General Manager



Dr.Harsha Bandara

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



Mr.Rohana Wijewickrema (FCA)

Deputy General Manager
(Corporate Finance)



Mr. S.N.A. Sujeewa Nissanka

D.Mgt.MBA (UK)
Deputy General Manager
(Marketing / Promotion)
(From 01.10.2018)



Mrs.Geetha Perera

Deputy General Manager
(Operational Finance)



Mrs.Shyamini Balasuriya

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



Mrs.Kumudini Madalussa

B.Com.Special (1st Class Hons Peradeniya)
Deputy General Manager (Actg)
(Revenue Finance)

History

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

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

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

MILESTONES

**1st
Decade**

1963- 1972

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

1973- 1982

**2nd
Decade**

- 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

1993- 2002

**4th
Decade**

- 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

- 2004 Introduced Sarana lottery to generate financial assistance for Tsunami Victims.
Established Welfare & Thrift funds to provide benefits to employees.
- 2005 Mahajana Samapatha was awarded most preferred brand for 2005 under banking, financial services category conducted by SLIM.
- 2006 Introduced the Suwasetha lottery after abolishing the Lotto lottery.
Offered the highest ever Super Prize from the Mahajana 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.
- 2011 Passed the Rs.10 billion marks in sales for the year (1st time in the history)
Supiri vasana Sampatha Lottery was introduced to Wednesdays in place of Jayaviru lottery which was abolished.
New Airport lottery was drawn.
Offered five super prizes over Rs.10 mn within a 3 week period which included 4 back to back super prizes in a row.
- 2012 Introduced a new lottery named Sampath Rekha
Govisetha Lottery was introduced to Thursdays too.
Vasana Sampatha lottery was introduced to Mondays too.

- 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
- 2015 Implemented "Divisarana" Insurance scheme for lottery sellers (June 2015)
Introduced a new lottery named Neerogha (25.07.2015)
31st Airport Super draw was held (31.08.2015)
Commenced drawing three passive lottery draws in a single day (from 01.09.2015)
Held Dealer convention award ceremony for the 1st time named "Mahathma" (December 2015)

- 2016 Achieved Rs.20.0 Billion Sales target Introduced Dollar Fortune Lottery (30.03.2016)
 Abolished "Power lotto" lottery and introduced "Mega Power" lottery (11.05.2016)
 Introduced Supiri Delakshapathi lottery (27.05.2016)
 Started selling lotteries through SMS
 Manusath Mehewara lottery has been introduced in order to assist to the flood affected people. (04.08.2016)
 Kept Foundation stone to construct Head office building at Vauxall lane land (01.12.2016)
 National Business Excellence award state sector service – Runner up
 (Organized by National Chamber of Commerce)
- 2017 Mahajana Sampatha Lottery draw was scheduled for five days a week except Wednesday & Saturday. (From May 2017)
 Govisetha Lottery draw was scheduled for five days a week except Friday & Sunday (From June 2017).
 Sevana Lottery was launched as a draw lottery with luxury house as the super Prize.
 Super Prize of the Govisetha Lottery was increased from Rs.40Mn to 60Mn from 26th October 2017.
 Introduce four draws per day except Sundays from July 2017.
 NLB received a merit award for the state sector at the National Business Excellence Awards ceremony 2017. (Organized by National Chamber of Commerce)
 NLB was received the 2nd Runner up for the best commercial for “Mahajana Sampatha “ in Sumathi Tele Awards held in September 2017.
- 2018 Product Mix was changed from 01st January 2018
 Govisetha Lottery draw was scheduled for seven days a week from 5 days a week from 5 days a week previously.
 Mega power draw was increased to 3 days from 2 days a week.
 Jathika Sampatha Super prize was increased to Rs.10 million from Rs.5 million from January 2018.
 Neerogha Super prize was increased to Rs.10 million from Rs.5 million from January 2018.
 Dhana Nidhanaya lottery was introduced on 2nd April 2018 and initial draw was held on 25th may 2018.
 Sampath Rekha and Delakshapathy lotteries were stopped.
 NLB shifted to a new building at No.32 , Mudalige Mw Fort from October 2018.
 Colombo Airport Super Draw was held on January 2018

PRODUCT PORTFOLIO

PASSIVE TYPE LOTTERIES

MAHAJANA SAMPATHA



- Description** : Oldest Lottery in the Lottery market. Price of this ticket is Rs.20/-.
- Draw Days** : Monday , Tuesday, Thursday, Friday and 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** : Thursday
- Prizes** : Three major Prizes as follows and also one million first Prizes and other attractive prizes
- Star Super prize - 10 mn or more
 - Fortune Super prize - 3 mn or more
 - Lucky Super prize - 2 mn or more
- Contribution** : 16.5% of the turnover is contributed to Consolidated Fund.

GOVISETHA



- Description** : Introduced to the Market In 1995 on behalf of the Ministry of Agriculture and land with the objective of generating funds for the “ Farmers Trust Fund ”. Price of this ticket is Rs.20/=
- Draw Days** : Monday, Tuesday, Wednesday, Thursday, Friday, Saturday, Sunday
- Prizes** : A super prize of Rs.60 mn or more, a first prize of Rs.1 mn and other attractive prizes.
- Contribution** : 10% of the turnover is contributed to Ministry of Agriculture

SUPIRI VASANA



- Description** : Supiri Vasana Sampatha lottery was introduced in 1999. Price of this ticket is Rs.20/-.
- Draw Days** : Monday, 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 Mondays draw is sent to Ranaviru Sava Authority and 10% of the turnover of the Saturday draw is 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.10 mn or more, a first prize of Rs.2 Mn and other attractive prizes. (To achieve the higher sales the super prize of this lottery was increased from Rs.5 mn to 10 Mn in January 2018.)
- 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/-. This lottery was abolished on (18.05.2018)
- Draw Days** : Tuesday, Friday, Sunday
- Prizes** : A super prize of Rs.10 mn or more, a first prize of mn Rs.1 and other attractive prizes.
- Contribution** : 10 % of the turnover is contributed to Consolidated Fund.

NEEROGHA



- Description** : This Lottery was introduced in 25th July 2015. Price of this ticket is Rs.20/-.
- Draw Days** : Tuesday, Thursday, Sunday
- Prizes** : A super prize of Rs.10. mn or more, a first prize of Rs.1 mn and other attractive prizes. Super prize was increased from 5 mn to 10 mn and first prize of this lottery was increased from Rs.500,000 to Rs.1,000,000 in January 2018.
- Contribution** : 10 % of the turnover is contributed to National Kidney Fund.

MEGA POWER



- Description : This Lottery was introduced in 11th May 2016.
Price of this ticket is Rs.20/-.
- Draw Days : Monday, Wednesday, Friday
- Prizes : Three major Prizes as follows and also one million first Prizes and other attractive prizes.
 - Mega Super Prize - 50.0 mn or more
 - Power Super Prize - 10.0 mn or more
 - Grand Super Prize - 10.0 mn or more
- Contribution : 10 % of the turnover is contributed to Consolidated Fund.

DELAKSHAPATHI DOUBLE DREAM (SUPIRI DELAKSHAPATHI)



- Description : This Lottery was introduced in 27th May 2016 Price of this ticket is Rs.20/-. This lottery was abolished on 21.05.2018.
- Draw Days : Friday
- Prizes : A super prize of car (Rennault) and Rs.200,000 Prizes
- Contribution : 10 % of the turnover is contributed to Consolidated Fund.

SEVANA PASSIVE



- Description : This Lottery was introduced in 27th July 2017 Price of this ticket is Rs.20/-.
- Draw Days : Tuesday, Saturday.
- Prizes : A super prize of luxury house and first prize of Rs.1 mn and other attractive prizes.
- Contribution : 10 % of the turnover is contributed to Consolidated Fund.

DHANA NIDHANAYA



- Description : This Lottery was introduced on 2nd April 2018. Price of this ticket is Rs.20/-.
- Draw Days : Wednesday , Friday. Sunday
- Prizes : A super prize of Rs.80. mn or more, a first prize of Rs.1 mn and other attractive prizes
- Contribution : 10 % of the turnover is contributed to Consolidated Fund.

COLOMBO AIRPORT SUPER DRAW



Description : This lottery was introduced in 1992 to generate funds for the Airport Aviation Authority. Every ticket is presently sold at 30 US\$ or its equivalent in any convertible currency. The draw of this lottery is held once the specified number of tickets are sold (presently 15,000 tickets). 32nd draw was held on 21.01.2018.

Prize : A Super Luxury Mercedes Benz car.

Contribution : Net Surplus to Airport & Aviation Authority.

DOLLAR FORTUNE



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

Prize : 100,000 US Dollars

Contribution : Net Surplus to Consolidated Fund.

INSTANT LOTTERIES

SEVANA INSTANT



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 1997's.

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

SAMURDHI



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

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



02. EXECUTIVE STATEMENTS



CHAIRPERSON'S MESSAGE



I am very much pleased to present the Annual Report of National Lotteries Board for the year ended 31st December 2018.

Year 2018 heralded with the hope of bettering Rs. 20 Billion revenue which was achieved in 2016 despite the revenue setback experienced in 2017.

Operational Milestones

The Board's overall performance in 2018 was commendable as shown by the achievements. However, if not for the political uncertainty that existed during the period between end of October to middle of December, the results would have been even better. Yet we are happy with the end result. The turnover in 2018 was Rs. 20,438 million compared to Rs. 16,747 million recorded in 2017 which showed an increase of Rs. 3,691 million. This indicated a 22 percent increase over the previous year.

While Mahajana Sampatha, the most popular passive lottery, in existence since 1970, contributed Rs.5,587 million income, Govisetha lottery income was Rs.6,634 million thus overtaking Mahajana Sampatha due to the latter being drawn on all seven days a week compared to five days a week by the former. Both jointly accounted for 60 percent of the revenue. While Mega Power lottery income was Rs.2,181 million, Jathika Sampatha lottery fetched Rs. 1,053 million. These were the four lotteries which contributed over Rs. 1,000 million income in the year under review.

The Board produced 38 super prize winners in year 2018 as against 44 in the previous year. The Board's contribution to consolidated fund on sales in 2018 was Rs.2,426 million as against Rs. 2,016 million in 2017 which showed an increase of Rs. 410 million. The total contribution to the Government along with taxes in the current year amounted to Rs.5,139.2 million, which was over 25 percent on sales. The total contribution to Government last year was Rs.3,949.2 million.

The Board paid a sum of Rs. 3,826.2 million as agency commission in the year under review as against Rs. 3,102.9 million in 2017, a remarkable increase of Rs. 723.3 million. This is a clear indication that the benefits of sales increase are passed on to the dealer network thus increasing their income levels. The Board's prize payments increased by Rs.1,840 million to Rs.9,834.7 million in year 2018 in comparison to Rs.7,994.8 million in 2017 which we presume would definitely have increased the confidence level of our customers. This was an increase of 23 percent.

The Board's other income in 2018 was Rs.414.3 million as against Rs. 387.7 million earned in 2017, the increase was caused by the general increase in interest rates towards the latter part of the year..

The Board's operating expenses were Rs.2,043 million in 2018 which was 10 percent on sales compared to Rs.1,833.5 million in the previous year which was 11 percent on sales figure in 2017. This showed a reduction as a percentage of sales.

The net surplus before tax for year 2018 was Rs.1,038.1 million, 5 percent on sales as against Rs.624.4 million reported in 2017, 4 percent on sales. In real terms the increase was Rs.413.7 million. The Board's bottom line in 2018 showed a net deficit after tax of Rs.136.2 million due to the income tax component of Rs. 1,174.4 million. High income tax was caused as a result of

disallowing contribution to consolidated fund payments. In 2017, this payment was allowed as a deductible expense, hence there was a net surplus after tax of Rs.139.8 million.

The product mix was changed from 1st January 2018. With this change Govisetha was drawn on all 7 days a week from 5 days a week previously. Mega Power draw was increased to 3 days from 2 days a week. Jathika Sampatha and Neeroga super prizes were increased to Rs.10 million from Rs. 5 million from January 2018. Further, additional prize category of Rs.100,000/- was introduced in Neeroga lottery as bonus prize from January 2018. A new lottery called Dhana Nidhanaya was launched on 2nd April and the initial draw was held on 25th May 2018. With the changes made to the product mix and the launch of new lottery, Sampath Rekha and Delakshapathi lotteries were stopped. A motivation program was held for the dealers at Taj Samudra Hotel, Colombo with the launch of the Dhana Nidhanaya lottery. The Draw studio in Rupavahini was changed from studio 3 to studio 2 (previously news room) from March 2018. NLB launched a new website in March 2018.

NLB commenced distribution of bank books to sellers with their incentive payments credited to those books this year. Initial ceremony to issue bank books to sellers in Colombo district was held at Sri Lanka Foundation Institute, Colombo on 30th March 2018.

NLB participated in the National Avurudu Ulela organized by Rupavahini Corporation during the Sinhala and Tamil New Year at Mahiyangana in April. It was a resounding success considering the enthusiasm displayed by the people who participated in various activities in our stalls at the event. NLB commenced a weekly musical program viz. "NLB Prarthana" at City FM channel broadcast every Sunday from 8 am to 9 pm from July 2018.

Curfew situation due to a commotion between Sinhalese and Muslims in certain areas in Kandy district from 6th to 8th March severely affected sales in that district around these days with no sales being reported on 7th March. Further, sales were reduced to some extent due to heavy rains that affected more or less 150,000 people in several districts in the country in May.

NLB shifted to a new building at No.32, Mudalige Mawatha, Fort from October 2018. Thus the staff working at head office Colpetty for around 20 years and branch at Galle Face were moved to the new building. This was mainly due to construction issues with the hitherto occupied building and also to provide adequate space for the staff and to have an effective working environment to avoid space constraints. While new building was also on rental basis, we are hoping to proceed with the construction of the new building which has been suspended due to policy decision of the Ministry of Finance.

Coming Year

The Board's budgeted sales income for 2019 is Rs.21,000 million. The Board will be focusing on strategies such as incentive scheme for dealers and agents; expanding existing markets; van sales; covering important festivals and special events in the country; commencing new channels as relevant (super markets and institutions) and provision of new counters etc.

In keeping with the e Government policy the Board has plans to strengthen SMS lottery sales of the existing lotteries and also to look at new e lottery channels too. It is important to note that in a few years the passive and scratch lotteries will reach a saturation point and therefore new channels are vital for future.

The agency network will be reviewed as an ongoing process to provide better infrastructure facilities wherever required and new agents will be appointed to replace low performers and to vacant areas. The Board will continue to conduct agent meetings in selected districts to provide solutions to the problems faced with a view to increase operational efficiency.

We are planning to make improvements to the Enterprise Resource Planning (ERP) system to increase the operational efficiencies by making additions to the existing modules.

Conclusion

I wish to sincerely thank the Hon Minister of Finance and Secretary to Ministry of Finance for the valuable advice and direction given; other officials of the Finance Ministry for excellent support during the year.

I also wish to express my gratitude to the colleagues of the Director Board for all the support: the members of the management team and the entire staff for acting with great responsibility and extending utmost co-operation; the dealers, agents and sellers for the determined efforts made to achieve targets and most notably the customers for the continued confidence in our lottery range. My thanks are due to the lottery printers and our main banker Peoples Bank, other banks and the suppliers for their valuable services.

Finally let us hope that the momentum will be continued for year 2019 to sum up even better.



Shyamila Perera,
Chairperson,
National Lotteries Board,
26th March, 2019,
Colombo.

WORKING DIRECTOR'S REPORT



The Directors of National Lotteries Board have pleasure in presenting their report with the Financial Statements for the year ended 31st December 2018.

Principal Activities

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

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

Going Concern

The Board of Directors has a reasonable expectation that National Lotteries Board has adequate resources to continue operating for the foreseeable future.

Review of Operations and future developments

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

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

Statutory Payments

Directors, to the best of their knowledge and belief are satisfied that all statutory payments in relation to employees and the Government have been paid to date.

Customer Satisfaction

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

Considering this, product portfolio was amended to fulfill the customer attitudes. Accordingly, our new product named Dhana Nidanaya lottery was introduced to the market in this year to generate funds for Consolidated Fund to fulfill a social obligations.

Human Resource Development

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

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

Sales incentive scheme in operation increased productivity and motivated the employees. The insurance cover for medical surgery & hospitalization for all employees and their families also continued. Further , a travelling allowance to all employees who are not provided with transport and an uniform allowance to employees were also continued.

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

Contribution to State

The Board remittances to state by way of direct remittances to consolidated fund and indirect remittances in the form of taxes was Rs. 5,139.2.mn in 2018 as against Rs.3,949.2.mn in 2017 which showed a 30.1% increase.

Property Plant and Equipment

During the year under review the Board invested Rs 67.4 mn in property, plant and equipment compared to Rs 39.1 mn in 2017.

Expenses

The total expenses in respect of the year under review was Rs 2,043 mn compared to Rs1,833.5 mn in the previous year which is a 11.4% increase and this represents 10% of the total turnover compared to 11 % last year. It has reduced as a percentage on sales thus bringing positive results.

Conclusion

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

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

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



Thusitha Haloluwa,
Working Director,
National Lotteries Board,
26th March 2019,
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 2018 four meetings were held.

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

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

Mr.A.M.P.M.B.Atapattu – Chairman (Observer- Treasury Representative)

Mr.Charitha N. Wijewardane - Member (Non Executive Director)

Mr.Sudath Lokuliyana – Member (Non Executive Director)

Observers

Mrs.Thanuja Sammani - Internal Auditor

Representative from Auditor General's Dept.

Mrs.S. Balasuriya – Secretary (DGM – Legal / Secretary to Board)

Management personal were called for clarifications as and when needed.

Duties and Role

Review the Financial information of the Board, in order to monitor the integrity of the financial statements of the board, its annual report, Corporate plan and Action Plan, and quarterly reports prepared for disclosure.

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

Reviewing the external audit reports.

Reviewing the Internal Controls.

During the year principal activities were as follows

Financial statements

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

Internal Audit Function

Board Internal Audit Functions were done by the Internal Auditor. Reports were submitted by the Internal Auditor and were reviewed by the Audit and management Committee every time. The Committee carried out a formal evaluation of the performance of the internal audit function and was satisfied with the effectiveness of the function.

Audit Committee terms of reference

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

Compliance

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



A. M. P. M. B. Atapattu,
Chairman, Audit & Management Committee,
National Lotteries Board.
26th March 2019,
Colombo.

03. FINANCIAL STATEMENTS AND INFORMATION



PUR/G/NLB/1/18/06

22 October 2019

Chairman
National Lotteries Board

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the National Lotteries Board for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Lotteries Board for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of comprehensive income, statement of changes in equity and the cash flow statement for the year then ended and the notes in relation with the financial statements, including a summary of significant accounting policies 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 provisions of the National Audit Act No. 19 of 2018 and the Finance Act No. 38 of 1971 . My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the National Lotteries Board as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2 Basis for Qualified Opinion

1.2.1 Sri Lanka Accounting Standards (LKAS)

The following non-compliances were observed.

1.2.1.1 Sri Lanka Financial Reporting Standards

(a) Sri Lanka Financial Reporting Standard No. 09

The financial assets of the Board had been classified non-compliance with the Paragraph 4.1.1 of the Standard.

(b) Sri Lanka Financial Reporting Standard No.13

The accounting policies of the Board in respect of the measurement of fair value had not been disclosed in compliance with Paragraph 91 of the Standard.

(c) Sri Lanka Financial Reporting Standard No.15

The relevant disclosures had not been made in relation with the financial statements prepared by the Board as per the requirements of the Paragraph 110 of the Standard.

1.2.1.2 Sri Lanka Accounting Standards

(a) Sri Lanka Accounting Standard No. 01

- (i) Even though it had been reported in the Note No. 1.4 attached to the financial statements and the Paragraph 2.1.2 that the financial statements were prepared by the Board in compliance with the Sri Lanka Accounting Standards, it had been stated in the Note No. 2.7 that the Sri Lanka Financial Reporting Standards No. 09 and 15 were not followed.

- (ii) The sum of Rs. 488,000 recovered due to failure in supplying the public address system purchased in the year under review to the Board on due date, had been shown deducting from the cost of public address system in contrary to Paragraph 32 of the above Standard without considering as other income.
- (iii) A sum of Rs. 9,063,436 recognized as current liabilities in preceding years in contrary to Paragraph 69 of the Standard had been identified and brought to account as other income during the year under review. It was observed that this procedure is continuously adhered to by the Board even from the preceding years.
- (iv) Since a sum of Rs. 16,141,331 that had been estimated as current liabilities in the preceding years in contrary to Paragraph 69 of the Standard had been deducted from expenses during the year under review, the actual expenditure of the current year had been understated by the same amount.
- (v) The expenditure on Nation Building Tax amounting to Rs. 286,551,044 had not been classified under expenditure on sales and distribution in the financial statements in terms of Paragraph 103 of the Standard .

(b) Sri Lanka Accounting Standard No. 07

- (i) A loss of disposal of assets amounting to Rs. 82,494 that had not occurred in the current year and not included in the income statement as well had been added to the profit before tax in contrary to Paragraph 18 (b) of the Standard.
- (ii) Even though the value of taxes on income paid in cash in the current year had been Rs. 483,706,173, it had been shown as Rs. 498,037,403 in the cash flow statement in contrary to Paragraph 35 of the Standard. Indicating the

value of Withholding Tax on interest income of the Board in cash flow statement by adding to the taxes on income had been the reason for that.

- (iii) The long-term liabilities amounted to Rs. 1,371,712 paid to the Ports Authority during the year under review had not been indicated under financial activities in terms of Paragraph 17 of the Standard. However, the difference of Rs. 4,115,137 in between the opening balance and the closing balances of the year relating to the said liability had been shown under the operating activities of the cash flow statement.
- (iv) Even though the cash payments made in acquiring of fixed assets during the year under review had been Rs. 62,697,098, it had been shown as Rs. 74,300,042 in the cash flow statements without considering the instructions of Paragraph 16 (a) of the Standard.
- (v) Even though the rent income received from circuit bungalows and rent income from motor vehicles received in cash during the year under review had been Rs. 1,768,785, it had been shown as Rs. 1,728,365 in the cash flow statement without considering the instructions of Paragraph 16 of the Standard. Failure in consideration of the income of Rs. 40,420 received in cash during the year under review relating to the preceding year had been the reason for this difference.
- (vi) The value of Rs. 430,370,642 which was the difference of the Prizes Reserve of the year under review had been shown under financial activities in contrary to Paragraph 35 of the Standard.
- (vii) Since the value of profit from foreign exchange variances amounting to Rs. 940,502 generated from debtors maintained in foreign currency had been adjusted to the opening balance of the Cash Book instead of adjusting to the

opening balance of those debtors, the variance of trade debtors had not been shown correctly in the cash flow statement.

(viii) Because of preparation of the cash flow statements without considering instructions in the said Standard as mentioned above, overstating of decrease in stocks represented in the working capital by Rs. 8,500,000, understating of increase in other current assets by Rs. 14,371,650 and overstating of increase in trade and other liabilities by Rs. 8,507,299 had been shown.

(c) Sri Lanka Accounting Standard No. 12

Even though the income tax policy of the Board had been reported by the Note to financial statements No.2.3.4, the accounting policy of the Board regarding the Income Tax had not been presented in terms of Paragraph 61 (a) of the Standard .

(d) Sri Lanka Accounting Standard No. 16

Though the idle assets belonging to the Board and the value thereon was fully written off, the carrying out value of the assets further being used had not been disclosed in the financial statements in terms of Paragraph 79 of the Standard.

(e) Sri Lanka Accounting Standard No. 19

Even though provisions amounting to Rs. 52,031,249 had been made as employees' gratuity by the Board as at the end of the year under review, appropriate plans therefor had not been prepared. Similarly, the accounting policy regarding the identification of working loss, had not been disclosed in terms of Paragraph 135 of the Standard.

(f) Sri Lanka Accounting Standard No. 20

The value of motor vehicle which was granted to the Board by the Ministry of Finance amounting Rs. 5,795,000 had been totally shown in the income statement in the

preceding year as other income in contrary to Paragraph 25 of the Standard. Action had not been taken even in the current year to correct the said error and accordingly, the said motor vehicle which bears a net value of Rs. 2,776,770 had been further indicated in the statement of financial position without a form of a grant.

(g) Sri Lanka Accounting Standard No. 24

- (i) The totals of following categories of management and employees benefits had not been separately disclosed in the financial statements in terms of in Paragraph 17 of the Standard and the Paragraph 25 of Sri Lanka Accounting Standard 19.
- Short - term employees benefits
 - Post - employment benefits
 - Other long - term benefits
 - Social benefits
- (ii) Although the related party transactions should be disclosed in the financial statements in terms of Paragraph 18 of the Standard, in contrary to that , the sum of Rs. 102,018 payable to a member during the period in which he had served as a District Sales Agent of the Board and holding a post of Director of the Board at present before holding the said post, had remained in the debtors balance and the said value had not been disclosed separately.

(h) Sri Lanka Accounting Standard No. 40

Even though the values of circuit bungalows belonging to the Board had been disclosed under the investment property, the cost of office buildings constructed on the land where the Anuradhapura circuit bungalow is located amounting to Rs. 1,086,820 had been disclosed under investment property.

1.2.2 Accounting Policies

Provisions for accrued expenditure had been made by considering the budgeted data instead of making provisions for accrued expenditure of the Board on the realistic basis. As a result of this, overprovisions made for accrued expenditure during the year under review had been Rs. 8,732,081.

1.2.3 Accounting Deficiencies

- (a) Without making necessary adjustments in the accounts for the residual value of lottery tickets amounting to Rs. 809,062 remained as at the end of the year under review, the total printing cost thereon amounting to Rs. 40,352,380 had been included in the sales cost.

- (b) Even though the remaining sum of Rs. 430,370,642 out of provisions made for prizes of draws conducted in the year under review should be adjusted to the retained profit, since it had been taken in to accounts as an expenditure of the year under review, the profit of the year had been understated by the same amount.

- (c) A sum of Rs. 10,973,697 paid to the Ports Authority as surcharges and the other expenses thereon had been taken into consideration as expenses of the Board in the computation of income tax of the year under review by the Board. It was observed that the said expenditure is an expenditure which should be settled by the Board relating to preceding years and according to Paragraphs 10 b (iii) and 11 (i) of the new Inland Revenue Act, it was observed that the said expenditure could not be written off against the profit. As a result of that, the value of taxes of the year under review had been underestimated by a sum of Rs. 3,070,635 .

- (d) Although, the income tax ratio relating to the National Lotteries Board was 40 per cent as per the Inland Revenue Act, No. 10 of 2006, it had been 28 per cent according to the new Inland Revenue Act, No. 24 of 2017 which is effective from 01 April 2018 . Accordingly, even though the accounting period of the Board is from 01 January to 31 December, both the old and new tax ratios mentioned above should be taken into consideration in the computation of expenditure on annual income tax relating to the said period. Accordingly, although the tax ratio in terms of Paragraph 203 (1) of the old Inland Revenue Act for the first quarter beginning from 01 January 2018 to 31 March 2018 and the new ratio as well for the 03 remaining quarters should be applied, the Board had applied 28 per cent as the tax ratio for the whole year. Accordingly, it was observed that the expenditure on income tax for the first quarter had been underestimated by 12 per cent.
- (e) Actions had not been taken to make necessary adjustments for the unallowable expenses which was taken into consideration in the computation of income tax of the preceding year totalling Rs. 17,681,257 and to pay the income tax thereon even in the year under review.
- (f) Even though a sum of Rs. 5,336,575 invested in a private bank by the Board had been taken over by the Government under a notification published in the Gazette Extraordinary No. 1546/18 dated 23 April 2008, the said amount had been further shown under investments without making necessary adjustments therefor in the accounts.
- (g) A number of 3,317 Dollar Fortune Lottery tickets valued at Rs. 142,636 remained unsold but due to be conducted the draws in the future by the Board, had been indicated by deducting from the closing stock considering as sales .

- (h) A number of 1,169 T- shirts valued at Rs. 730,625 purchased for the staff and remained without distributing and 34 gift vouchers which were not distributed among agents valued at Rs. 329,800 had not been included in Registers of Inventory .
- (i) Legal fees relating to the year under review amounting to Rs. 610,155 and expenditure on agents and extra sales promotion amounting to Rs. 145,000 had not been identified as accrued expenditure.
- (j) As a result of the unclaimed sponsorships included in advertising expenses valued at Rs. 865,000 had been recorded twice in the accrued expenditure account during the year under review, the accrued expenditure had been overstated by the same amount.

1.2.4 Lack of Evidence for Audit

Out of the accrued expenses amounted to Rs. 10,072,500 remaining and brought forward under accrued expenses as sponsorship expenses under advertising activities, any evidence had not been furnished to audit to confirm the expenses amounted to Rs. 2,047,500 relating to the year 2018 .

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

As per Section 16 (1) of the National Audit Act No. 19 of 2018, it is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Board.

1.4 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Concluded on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. However, future events or conditions may cause to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

Specific provisions for following requirements are included in the National Audit Act, No. 19 of 2018 .

- Except for the effect of the matters described in the Basis for Qualified Opinion in my report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Board as per the requirement of Section 12 (a) of the National Audit Act, No. 19 of 2018 .
- The financial statements presented by the Board is consistent with the preceding year as per the requirement of Section 6 (1) (d) (III) of the National Audit Act, No. 19 of 2018 .
- The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of Section 6 (i) (d) (iv) of the National Audit Act, No. 19 of 2018 .

Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention to make declaration on following;

- to state that any member of the governing body of the Board has any direct or indirect interest in any contract entered into by the Board which are out of the normal cause of business as per the requirement of Section 12 (d) of the National Audit Act, No. 19 of 2018 .

- to state that the Board has not complied with any applicable written law, general and special directions issued by the governing body of the Board as per the requirement of Section 12 (f) of the National Audit Act, No. 19 of 2018 except for the observations appear below.

**Reference to Laws, Rules/
Directives**

Description

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

**(i) Sections 14 (2), 16 (1) and
16 (4)**

In conducting Lotteries for other Ministries, Departments and Authorities by the Board, an agreement should be entered into with relevant institutions. Nevertheless, a sum of Rs. 5,204,004,004 had been awarded as prizes during the year under review without entering into agreements with the relevant institutions for lotteries such as Govi Setha, Supiri Wasana, Jathika Sampatha, Neeroga and Sevana Lotteries. As a result of conducting lotteries without entering into such agreements, the Board had taken actions in discretion in respect of the prizes not claimed by the winners. Several such instances are given below.

- Crediting the value of air tickets unclaimed by 06 winners amounting

to Rs. 2,306,400 to the Prize Reserve Fund .

- Not following a proper actions regarding unclaimed non-cash; material prizes valued at Rs. 12,762,192 older than 06 months.
- Utilization of two motor vehicles which were the unclaimed prizes of the Board totalled to Rs. 10,850,000 .

(ii) Section 17 (2)

Even though the balance after deducting relevant expenses from the lottery income should be credited to the Consolidated Fund, a sum of Rs. 523,075,433 relating to preceding years had been retained without being credited so.

(iii) Section 20 (2) (1)

Even though the Board should make rules by obtaining the approval of the Minister in Charge of the Subject in respect of conducting Lotteries and publish in the Gazette, it had not been so done regarding new lotteries such as Mega Power, Neeroga, Supiri Delakshapathi, Dhana Nidhanaya and Sevana introduced since the year 2013. A sales income amounted to Rs. 5,412,198,000 had been earned from these lotteries and a sum of Rs. 2,352,427,780 from that income had

been reserved for prizes and a sum of Rs. 915,413,468 had been paid for sales agents' commissions.

(b) Section 2 (a) (1) (h) of the Motor Traffic (Amendment) Act, No. 08 of 2009

It is not possible to modify a vehicle or changing the design of a vehicle in some way without the prior written permission of the Commissioner of Motor Traffic. Nevertheless, even though a sum of Rs. 1,625,000 had been spent to modify the body parts of 06 Single Cabs by upgrading as seen from the surface like Double Cabs which were purchased by spending Rs. 20,750,000 in the year 2016 by the Board, the proper approval of the Commissioner of Motor Traffic had not been obtained therefor.

(c) Establishments Code of the Democratic Socialist Republic of Sri Lanka

(i) Sections 10. 1 and 10. 2 of Chapter VIII

Although a 1/ 20 allowance of the salary can be paid to a day for being on duty for not less than 08 hours during the weekends or public holidays, the Board had considered being on duty for 12 hours per day as two days and made payments accordingly in contrary to those provisions. The payments made during the year under review in 60 instances so considering as two days

amounted to Rs. 184,000. Further, 40 instances of payments made as holiday pay by considering the working days of the week as public holidays were observed and the payments so made amounted to Rs. 68,706 .

(ii) Section 11 of Chapter XXIV and the Letter No. PE/ LO/ NLB/ COPE / 2018 of 23 January 2018 of the Department of Public Enterprises

The granting of property loans with effect from 01 January 2005 should be done only through banks and it had been emphasized by the Department of Public Enterprises as well. The Property Loans amounting to Rs. 18,183,883 had been granted to 13 officers from the funds of the Board in the year under review without considering those provisions. Further, every officer had been granted Loans at the minimum interest rate of 4 per cent without considering the interest recoverable from the officers in accordance with provisions for the property loans.

(iii) Chapter XXIV

A person had been recruited for the post of Deputy Manager Marketing / Promotion without considering the approved Scheme of Recruitment and provisions of the Establishments Code and salaries and allowances has been paying to him from 01 October 2018 to up to now .

(d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i) Financial Regulations 103 (1), 104 (3), 104 (4) and 1642

The responsible persons had not been specified conducting proper inquiries in respect of 16 accidents occurred to motor vehicles owned by the Board in the years 2017 and 2018 . Moreover, it had not been reported to the nearest Police Station in respect of accidents.

(ii) Financial Regulation 394

A number of 244 cheques issued for the payments for services obtained by the Board and other expenses from the year 2016 valued at Rs. 2,801,747 had been cancelled retaining within the institution itself without handing over to the beneficiaries .

(iii) Financial Regulation 702(3)

Even though a copy of the contract agreement should be presented to the Auditor General, it had not been so done in respect of agreements on printing of lotteries, advertising and supply of goods and services.

(iv) Financial Regulations 754,756,757,758 and 770

The Annual Boards of Survey had not been conducted in terms of provisions .

- (e) Public Administration Circular No. 13/ 2008 (iv) of 09 February 2011 and the Public Enterprises Circular No. 01 of 25 May 2015
- (i) A sum of Rs. 1,402,219 had been overpaid exceeding the monthly fuel limit for the 04 officers who are entitled to official motor vehicles
- (ii) A fuel allowance had been paid for the 24 Zonal Managers and 17 Sales Promotion Officers who are not entitled for the official vehicles but in case of using the personal motor vehicle, the allowances of Rs. 5,237,409 had been paid to officers during the year under review by adding to the salaries as an additional monthly allowance.

(f) Public Enterprises Circulars

- (i) Circular No. PED /12 of 02 June 2003

• Paragraph 6.5.1

Although the financial statements of the Board should be submitted to the Auditor General before the 28 February of the following year after the completion of the accounting year, the financial statements of the year under review had been submitted to the audit on 12 June 2019.

• Paragraph 8.3.9

Even though the resources belonging to the Board should not be provided to the line Ministry of other Government institutions, 05 officers and 03 motor vehicles owned by

the Board valued at Rs. 11,276,786, had been released to the Ministry of Finance from January of the year under review in contrary to that. Further, actions had not been taken to reimburse the employees' remuneration and incentive amounting to Rs. 1,800,323 as well paid by the Board to those officers in the year 2018 .

- Paragraph 9.12

(i) A Fund had been Commenced as Asarana Sarana Fund by the Board in the year 2006 without obtaining the approval of the Treasury and the donations received from the lottery prize winners and a 0.5 per cent out of Neeroga Lottery sales income had been credited to the above Fund. There was a balance of Rs. 14,016,057 in the said Fund as at the end of the year under review .

(ii) Even though a welfare allowance of Rs. 19,129,643 had been paid to the staff on the approval of the Chairperson of the Board, the approval of the Treasury had not been obtained for that. This allowance had been paid even in the preceding years.

- (ii) Circular No. 95 of 14 June 1994 and Circular No. PED/ 12 of 02 June 2003
- (i) An Incentive Allowance Scheme had been implemented for the staff of the Board without obtaining the approval of the Treasury and the payment made as Incentive Allowances in the year under review amounted to Rs. 97,228,123 .
- (ii) Even though provisions had been made so as to enable the staff to obtain a special promotion allowance to a maximum of Rs. 3,000 per day instead of the Government approved combined allowance, a proper approval thereon had not been obtained . The amount paid so in the year under review had been Rs. 4,910,750 .
- (iii) Circular No. PED/ 02/ 2015 of 25 May 2015
- The Board had incurred a sum of Rs. 343,463 exceeding the approved limit for the telephone calls obtained by the 09 officers of the Board who have been obtaining the telephone allowances.
- (iv) Paragraph 2.5 of Circular No. PED/ 03/ 2015 of 17 June 2015
- A sum of Rs. 343,486 had been paid by the Board as an incentive to the Chairman and the Working Director during the year under review in contrary to Provisions in Circular.
- (v) Circular No. 57 of 11 February 2011
- The Board had paid a sum of Rs. 1,023,507,765 as advertising expenses in the year under review without preparing an

Annual Advertising Plan and obtaining approval of the Department of Public Enterprises and the sum so paid in the preceding year as well was Rs. 940,272,567.

(g) Letter No. PE1/70/7/Vo11 of 21 January 1993 of the Deputy Secretary to the Treasury

A percentage of 16.5 per cent of the income received from all lotteries conducted on behalf of the Government should be remitted to the Consolidated Fund . However, since only a value of 10 per cent out of the income received from 02 types of lotteries, named Mega Power and Dhana Nidhanaya conducted in the year under review had been remitted, the value not remitted furthermore to the Treasury amounted to Rs. 200,901,108 .

- to state that it had not performed according to Board's powers, functions and duties as per the requirement of Section 12 (g) of the National Audit Act, No. 19 of 2018 .
- to state that the resources of the Board had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of Section 12 (h) of the National Audit Act, No. 19 of 2018 except for,
 - (a) Even though the period of agreement for printing purposes of two types of instant lotteries introduced to the market by the Board had expired on 31 May 2015, the necessary procurement activities had not been carried out to select a new printer up to 31 May 2019 .

- (b) Out of 500 solar panels purchased by spending a sum of Rs. 2,400,000 in the year under review, a stock of 474 solar panels had remained in the stores even by 16 June 2019. The requirement as well as the beneficiaries had not been determined in this procurement.
- (c) Even though a sum of Rs. 118,964,725 had been estimated for 31 items of promotion in the year 2018 by the Board, the procurement activities had been completed for only 6 items during that year and the value thereon amounted to Rs. 21,569,725 .
- (d) Even though the orders have been placed in February 2019 for manufacture and supply of 300 lottery sales stalls valued at Rs. 13,128,900 in the year 2019, the number of supplied sales stalls had been 50 only even by 10 July 2019. Moreover, no agreement had been entered into with the relevant supplier thereon and actions had not been taken to recover late charges as well.
- (e) A plan had not been prepared for all the procurement activities of the Board in the year under review and an estimate had been prepared only for expected sales promotion items.
- (f) The printing activities of the 02 lotteries called Sevana and Dhana Nidhanaya commenced in July 2016 and May 2018 had been assigned to two printers without conducting procurement procedures by a decision of the Board of Directors. It was observed that printing had been again assigned to another two printers subsequently due to printing errors occurred in carrying out relevant printing. Similarly, printers had been selected without following the proper procurement procedures for 06 types of lotteries, out of 11 types of lotteries conducted in the year under review by the Board.
- (g) Even though the printing activities of Mahajana Sampatha Lottery, Neeroga Lottery and Mega Power Lottery conducted by the Board have been carrying out by the State Printing Corporation from the years 2008, 2015 and 2018 respectively up to now, a written agreement had not been entered into therefor. Although the minimum price received for printing one ticket through the procurement process

during the year 2016 was Rs. 0.3570 , the State Printing Corporation is being paid a printing cost of Rs. 0.50231 relating to Mahajana Sampatha, Neeroga and Mega Power Lottery tickets. As a result of failure in considering competitive prices, the estimated loss which could occur from printing of Mahajana Sampatha, Neeroga and Mega Power lottery tickets only for the year under review had been Rs. 44,804,393, Rs. 8,474,222 and Rs. 17,858,050 respectively.

- (h) It was observed in Audit that the relevant lottery tickets had been printed using low cost papers, in contrary to requirements mentioned in the specification relating to computerized printing of lottery tickets in the year 2018. Moreover, there were instances in which the relevant printing had not been carried out by printers so as to safeguard the prescribed standards and no steps whatsoever had been taken thereon. A number of 30 lottery tickets had been printed twice and supplied by the relevant printer in the Govisetha Lottery draw which was conducted on 13 January 2019 .
- (i) Even though the Board had given instructions to printers to print by including all data into a QR Code for the protection of buyers of lottery tickets, the equipment to check whether the same safety measures are followed by the relevant printers were not owned by the Board. Moreover, the said test had not been carried out by the Board for the lottery tickets submitted by winners.
- (j) Even though the monthly assessment value given by the Department of Valuation for the building of 26,000 square feet in extent obtained on rent by the Board was Rs. 3,750,000, the monthly rental value paid therefor was Rs. 7,677,173 . Even though an adjoining building of 4,885 square feet in extent constructed on iron beams has been obtained on a monthly rental of Rs. 1,099,125 , actions had not been taken to obtain the plan of the said building, Certificate of Eligibility for Residency, approval of the Urban Council and the assessment of the value from the Department of Valuation etc. The opportunity of applying for many building owners were deprived of due to tenders were called as not less than 40,000 square feet in this procurement and since the required capacity of electricity has not been

looked into, an expenditure of Rs. 1,011,840 had been incurred monthly for electricity.

3. Other Audit Observations

3.1 Management Inefficiencies

The following observations are made.

- (a) Even though the Committee on Public Enterprises held on 21 March 2013 had directed to recover the employees' gratuity amounting to Rs. 7,392,287 overpaid during the preceding years, actions had not been taken to recover the said amount or to indicate in the financial statements as an amount receivable. The Board had only taken actions to make notice in writing only to the relevant retired officers to reimburse the overpaid gratuities to the Board.
- (b) As per the directive given at the Committee on Public Enterprises held on 04 November 2014, a new building should have been constructed on the land of 112 perches in extent belonging to the Board, located down Vauxhall Street. However, only the selection of an Architect had been carried out even by the end of the year 2016. Further, this construction had not been commenced even by 31 May 2019 and a sum of Rs. 9,336,994 inclusive of VAT was being paid monthly for the building obtained for maintaining the office and storing activities of the Board in the year under review.

3.2 Operational Inefficiencies

The following observations are made.

- (a) The financial loss of the Board for the year under review as per the financial statements presented was Rs. 136,267,795 and the surplus of the preceding year as against to that was Rs. 139,805,208, thus observing a decline in the financial result by Rs. 276,073,003 as compared with the preceding year.

In analyzing of the financial results of the year under review and 4 preceding years, it was observed that, it had declined by 197 per cent in the year under review as compared with the preceding year. However, in readjusting employees' remuneration, depreciation for non-current assets and tax paid to the Government to this financial result, a decrease in the contribution in the years 2014 and 2017 and an improvement in the years 2015 and 2016 were observed. Details appear below.

	2018 ----- Rs. Million	2017 ----- Rs. Million	2016 ----- Rs. Million	2015 ----- Rs. Million	2014 ----- Rs. Million
Net profit after tax (Before paying dividends)	(136,267,795)	139,805,208	414,761,431	241,016,039	(8,663,584)
Employees' remuneration	420,862,040	375,410,032	380,279,707	320,462,652	267,215,394
<u>Taxes paid to Government</u>					
Income Tax	1,174,402,368	484,610,312	482,128,237	669,785,229	117,853,496
Nation Building Tax	286,551,044	235,767,246	285,776,997	253,267,754	211,761,787
Value Added Tax	890,352,095	742,298,500	706,868,280	673,252,862	540,502,194
Contributions to the Consolidated Fund	2,426,947,888	2,016,986,336	2,445,594,544	2,130,953,970	1,888,455,133
<u>Depreciation</u>					
Depreciation for motor vehicles	19,290,936	55,627,510	54,979,532	48,727,716	33,000,569
Other depreciations	60,229,778	70,474,209	68,497,174	60,061,990	26,090,623
	5,142,368,354	4,120,979,353	4,838,885,902	4,297,528,212	3,076,215,612
	=====	=====	=====	=====	=====

- (b) The National Lotteries Board had deployed a Driver and a Publicity Officer each for 21 mobile publicity vehicles during the year under review and had sold lottery tickets to the value of Rs. 158,125,880. A sum of Rs. 27,672,029 as sales commission of 17.5 per cent on the sales thereon had been paid to the officers engaged in the said purpose without any documented evidence whatsoever. The role of the relevant division had not been established with the approval of the Board of Directors and the details of fuel used for vehicles used for lottery sales activities as well had not been included in the running charts.
- (c) A total of Rs. 354,000 comprising of Rs.119,000 and Rs. 235,000 in the year under review and the preceding year had been spent by the Fund of the Board to private auditors for auditing 04 various Funds maintained on behalf of the staff. Even an approval of the Ministry of Finance had not been obtained for paying the said audit fees from the Fund of the Board without paying from the each of relevant Funds.
- (d) Even though the Board of Directors had emphasized that the requirement of obtaining security bonds from the sales agents registered in the Board, without taking proper actions for that the Board had obtained a credit insurance coverage incurring an additional cost of Rs. 8,290,055 during the period from July 2016 to July 2017. It was observed in audit that the necessary steps had not been taken even by the end of the year under review to recover the loan balance amounting to Rs. 23,365,438 unpaid for the years 2016 and 2017 relating thereto.
- (e) Actions had not been taken to take over the Power of the Irrevocable Attorney for the 110 Deeds relating to property loans granted by the Board.
- (f) As a result of the centralized computer software introduced in the year 2003 by the Board for maintaining the accounting activities thereon had been decentralized in the year 2016, the services which could be obtained from the said software had been limited. The reliability of the transactions of the institute that existed through the centralized system which existed previously, had become questionable as well

and taking responsibility of the risks due to relevant changes had been refused by the Company which introduced this software.

- (g) Due to issuing of printing orders without properly predicting the requirement for lottery tickets printed by the Board in the year under review, about 9 per cent of printed lottery tickets remained unsold during the year.
- (h) Out of 650 public address equipment valued at Rs. 6,110,000 for which procurement activities were carried out in the year 2017, 180 public address equipment had remained in the stores even by 31 May 2019 without being distributed. It was not observed that whether a proper study on the quality, durability of the said goods and the requirement of the agents therefor as well had been carried out even by the end of the year 2018 .
- (i) Actions had not been taken to identify the receiving amounted to Rs. 6,033,355 credited to the bank account of the Board for more than 05 years and taken in to accounts.
- (j) Although obtaining a stipulated service for the deposits valued at Rs. 220,000 in the financial statement have been completed, settlement of them had not been carried out. Further, even though a deposit valued at Rs. 102,500 had been provided to a private company , since the water bottles and dispenses obtained by the Board were broken, the said value could not be able to recover.

3.3. Idle and Underutilized Assets

The following observations are made.

- (a) The BMW (A1) motor vehicle bearing No.5860 owned by the Board, had remained in idle.

- (b) Even though the Board had incurred a further expenditure of Rs. 329,693 for repairs of a machine for lottery draws valued at Rs. 1,000,000 purchased in the year 2010, it had not been made use of up to now.

3.4 Uneconomic Transactions

The following observations are made.

- (a) A service charge of 0.05 per cent had been charged by the bank in depositing moneys of sales agents to the Collection Account of the Board. The information on the computation of the said charges was not available with the Board and a written agreement for that and the approval of the Board of Directors as well had not been presented. The service charge made by the bank for the year 2018 amounted to Rs. 41,591,442 and the charges so paid during the 05 preceding years had been Rs. 171,443,373. It was observed in audit that no action had been taken by the Board in respect of reducing this charge.
- (b) Even though the sale of 32nd Colombo Airport Super Draw and Dollar Fortune Lotteries are being done in US Dollars and Sri Lankan Rupees, the said all receipts should have to be credited to the account of the Board in US dollars. Accordingly, an informal permission had been given to the Officers of the Sales Department to deal with private money changers to convert Sri Lankan Rupees to US Dollars.
- (c) Even though a post had been created for a legal services of the Board and recruited a Legal Officer therefor, the various legal services of the Board had been carried out through external lawyers' institutions without carrying out procurement. Further, the ability of obtaining relevant legal services through the Department of Attorney General's as well had not been looked into. A sum of Rs. 2,189,109 had been spent for the legal service so obtained in the year under review. Moreover, the lawyers' fees paid for 05 court sessions deploying three lawyers for each court session in a case on trial in the Colombo Commercial Court, amounted to Rs. 471,750.

- (d) Even after making all payments relating to the advertisements submitted to the Board by creative advertising agents after completing the producing and editing, uneconomic payments of 11.5 per cent of the total service charge were being paid to the said advertising agencies every time those advertisements are advertised in the relevant media. It was observed in audit that a sum of Rs. 36,724,054 had been so paid only in the year 2018 .
- (e) The advertising companies had been paid a 15 per cent service charge reporting that assistance of the advertising companies had been obtained as intermediate institutions for telecasting daily lottery draws of the National Lotteries Board. Nevertheless, a sum of Rs. 5,738,357 could have been able to save in the year 2018 alone due to deploying the staff of the Board for the Sevana Lottery conducted without such assistance at present. However, a sum of Rs. 65,256,074 had been uneconomically spent by reporting that the assistance was obtained from advertising agencies without providing such assistance relating to the other 10 lotteries.
- (f) Despite having the ability of direct registration of brands carried out by the Office of National Intellectual Property for lotteries conducted by the Board through submitting a simple application, a sum of Rs. 296, 305 had been uneconomically paid in the year under review to external legal companies by engaging them in the said purpose

3.5 Performance

Market Share

The market share of the National Lotteries Board in the year under review had been a 58.16 per cent and when comparing with the market share of Development Lottery Board, which is the only competitor, it had increased by 3.66 per cent and 1.32 per cent in the year under review as compared to the years 2017 and 2016 respectively.

3.6 Activities and Review

The following observations are made in respect of the achievement of the objectives of the Board.

- (a) Even though many years had elapsed since the establishment of the Institute, the attention of the Management had not been drawn on improving the infrastructure facilities of the organization. Moreover, the Board had not worked to prepare a performance benchmark and performance report for performance appraisals as per the Action Plan for the year 2018 .
- (b) A manual for Human Resources Management had been prepared in terms of Section 9.14 of Public Enterprises Circular No. PED 12 of 02 June 2003 .
- (c) The following observations are made in respect of Revenue on Lottery and Expenditure on Advertising of the Board for the years 2017 and 2018 .
 - (i) Out of the 13 types of lotteries sold during the preceding year, 02 types of lotteries had been stopped during the year under review. Even though the revenue of 07 types lotteries had increased during the year under review compared to the preceding year, the revenue of 04 types of lotteries had declined. Accordingly, the overall income had increased by Rs. 4,404 million as compared to the previous year and it is 26.6 per cent as a percentage.
 - (ii) When the revenue of the Wasana Sampatha Lottery was reduced by 48 per cent, the cost of advertising was reduced by only 30 per cent as compared to the preceding year. When the Supiri Vasana Lottery revenue decline by 6 per cent its advertising expenditure had increased by 9 per cent.
 - (iii) Even though the advertising cost of the Mahajana Sampatha Lottery which had earned the highest income of Rs. 4,885 million had been at a lowest

rate as 2.9 per cent of sales income, the advertising cost of the Sampath Rekha Lottery that had earned an income of Rs. 1,162 million had been at a high rate of 8 per cent from the sales income.

- (d) The number of lottery draws held during the preceding year was 1292 and that number had increased up to 1415 in the year under review by 123 draws. The income from sale of lotteries had increased by Rs. 3,691,463,220 or 22.04 per cent more than the preceding year.
- (e) When considering the number of times of conducting the draws during the year under review and the grand prizes and the cash prize structure, the percentage of recipients who received less than Rs. 2,000 had been more than 99 per cent.

3.7 Staff Administration

The following observations are made.

- (a) A sum of Rs. 1,200,000 had been paid as salaries during the year under review by recruiting three officers and one officer respectively for 02 new categories of posts as Development Coordinating Officer and Special Project Consultant which had not included in the approved cadre.
- (b) The post of Sales/ Promotion Officer had been created suppressing the approved post of Financial Officer of the Board, without the concurrence of the Department of Management Services. A person holding a post of Management Assistant had been appointed from 08 August 2017 to the said post without mentioning specific qualifications. Despite directing to defer 03 salary increments of the officer appointed to that post, payment of salaries for the new post had been made without taking actions accordingly.
- (c) Although the actions should be taken to recruit those who sat for the GCE(O/L) Examination based on publishing advertisements and carrying out

structured interviews for the posts of Labour of the Board in terms of Paragraph 5.4 of the Scheme of Recruitment, it was observed that 04 persons who did not submit the required education certificates were also recruited.

- (d) Twelve persons who had been recruited on contract basis without approval had consisted of the approved cadre of the National Lotteries Board as at 31 December 2018 and a number of 01 employee of Senior Level and 11 employees of Primary Level was included within that.

3.8 Accounts Receivable

The following observations are made.

- (a) Proper actions had not been taken to recover the installments totalling to Rs. 6,446,001 comprising a sum of Rs.6,083,363 recoverable for lottery sales stalls issued from the year 2013 to the year 2017 to sales agents and a sum of Rs. 362,638 recoverable for the year 2016 and since before that year, for bicycles provided to 45 sales agents on credit basis by the Board.
- (b) Only 31 out of 91 sales agents registered in the Board by the end of the year under review, had placed security bonds. Instant lottery tickets had been issued without security bonds comprising of a sum of Rs. 19,819,533 exceeding the due security limit and a sum of Rs. 139,282,243 to 89 sales agents. Actions had not been taken even by 31 May 2019 to settle the money recoverable for instant lottery tickets valued at Rs. 23,365,438 sold to 29 sales agents on credit basis in the year 2016 due to weaknesses in recovery of loans.
- (c) Lottery tickets valued at Rs. 1,003,038 had been issued on credit basis to two employees of the Board in the year 2007. That amount had not been recovered from them even by 30 June 2019. It was further observed that one officer is not involved in active service at present.

- (d) Actions had not been taken even in the year under review to settle a total sum of Rs. 9,085,823 allocated under accrued expenditure without identifying relevant liabilities specifically from the year 2013 by the Board.
- (e) A sum of Rs. 4,728,146 for the Colombo Airport Super draw Lottery and a sum of Rs. 30,983,156 recoverable from sales agents over a period of 03 years had remained within the trade debtors balance totalled to Rs. 212,276,805 as at the end of the year under review and a sum of Rs. 559,300 recoverable from deceased sales agents had also consisted in the balances of sales agents. Necessary adjustments as well had not been made regarding these values.
- (f) The amount receivable for the lottery tickets sold to the Welfare Society by the Board in the year 2016 was Rs. 1,567,992 . Actions had not been taken even by the date of audit to settle those balances .
- (g) The instant lottery tickets valued at Rs. 2,011,363 obtained to the Welfare Society from the Board had been provided to 04 Zonal Managers of the Institution by the Society . Actions had not been taken even by the date of audit to settle those balances .
- (h) A balance of loan older than 08 years amounted to Rs.1,317,614 had remained within the other loan balances remained as at the end of the year under review and there was a sum of Rs. 2,637,199 payable to 71 inactive sales agents and a sum of Rs. 566,146 receivable and actions had not been taken even to settle them.
- (i) Even though the institutions relating to the deposit made before 05 years in 02 institutions for the supply of water and fuel amounted to Rs. 202,500 and the security deposit valued at Rs. 100,000 paid to obtain fuel in the year 2004 had been closed , an action whatsoever had not been taken to settle them.

- (j) Actions had not been taken to settle creditors loan balances comprising of an unidentified credit balance of Rs. 3,585,823 brought forward since before the year 2016, a sum of Rs. 15,543,973 payable to 04 creditors remained over a period of 08 years and a sum of Rs. 213,112 payable to 14 officers of the staff as well.
- (k) Incentives amounting to Rs. 240,983 payable to two officers who had deceased and who had been interdicted in the year 2003 and a sum of Rs. 256,952 received as computer installments from District Sales Agents before 08 years and the computer installments received excessively, had remained without being settled.
- (l) The sum of Rs. 7,611,611 recovered as refundable deposits by the Board had been received relating to the period from the year 2011 to the year 2017 . Even though the relevant services had been obtained, those had not been settled to the said institutions and it was observed that actions had not been taken to settle a sum of Rs. 107,953 paid to institution as deposits by agents.

3.9 Transactions in Contentious Nature

- (a) Despite non-vesting the full ownership of the land legally, the Board had granted a housing loan of Rs. 624,780 to one of its officers and the said officer had left the service on 17 June 2017. The land which was proposed to be built the house had been handed over to the officer by the owner of the land with the ownership of the land. A written statement stating that the ownership of the land would be transferred to the officer by removing the tenure of that land had been submitted through a private law firm by the owner of the land. Nevertheless, the said party had filed a case in courts, for the recovery of possession of the relevant property and the Board had been named as a party thereof. Despite having a professionally qualified lawyer in the Board, external lawyers had been engaged by the Board, paying a sum of Rs. 263,975 for 12 trials of this case.

- (b) The Instant lottery tickets valued at Rs. 4,298,410 credited to the sales income after issuing bills to agents in the year 2016, had been returned in the year under review. Nevertheless, the incentive amounting to Rs. 35,813,250 had been paid to the staff and the agents based on total sales in the year 2016 and actions had not been taken to adjust the said values as well.
- (c) The total number of 264,000 lottery tickets issued for 04 draws to the agents of the Kandy District had been removed from the relevant draws, considering as not sold, on the violent situation prevailed in that District on 07 March 2018. An approval of the Ministry of Finance was not presented to the audit relating to cancellation of all tickets including all lottery tickets sold by then by the said agents.
- (d) Despite a number of 8,000 unsold lottery tickets had been handed over to the District Sales Agent relating to the Stores Division of the National Lotteries Board on 20 September 2018 in the 1896th Govisetha Lottery Draw conducted on 28 September 2018, since the invoices had not been issued for that, thus actions had been taken considering the said number as sold tickets. As a result of that, it was observed in audit that no measures whatsoever had been taken even by 10 June 2019 relating to the amount to be repaid to the sales agent and officers who did not perform the prescribed duties.
- (e) Since the 900 lottery tickets of the 55th draw of Dhana Nidhanaya and 500 lottery tickets of the 285th draw of Mega Power due to be drawn on 28 September 2018, had been misplaced whilst transporting to the relevant District Sales Agent, all those lottery tickets had only been withdrawn from the relevant draw, considering as unsold. However, conducting a formal inquiry had not been made therefor by computing the relevant losses and taken in to accounts.

- (f) The amount recoverable from an officer who had obtained a property loan from the Board and vacated the post from 23 August 2000 had been a sum of Rs. 340,275 as at that date. No action whatsoever had been taken even by 30 June 2019 to recover the said loan.

3.10 Identified Losses

The following observations are made.

- (a) There had been 135 misplaced lottery tickets valued at Rs. 627,750 cancelled in the 32nd draw of the Colombo Airport Super Draw Lottery and those comprised of 66 lottery tickets misplaced by the private advertising institution and 69 lottery tickets misplaced by the staff of the Advertising Division of the Board. No measures whatsoever had been taken to recover the said amount by holding a formal inquiry with regard to that.
- (b) An advertising structure created in the year 2018 on the lorry bearing No. 227 - 0217 owned by the Board by spending a sum of Rs. 451,605 had damaged due to an accident with a truck and no steps whatsoever had been taken to recover the said loss.
- (c) Due to the motor vehicle bearing No. PS - 2354 purchased by spending a sum of Rs. 825,000 in the year 2012 had met with an accident on 12 June 2018, the insurer had informed the Board that it had to be condemned and the insurance claim agreed to be paid was Rs.600,000 .
- (d) The motor vehicle bearing No.KV-0392, provided for the duties of a Coordinating Officer who was recruited to the National Lotteries Board and released to the Ministry of Finance, had met with an accident on 12 April 2018 when being used for a private journey of the said officer without informing the Board. Even though

a cost of Rs. 538,650 had to be incurred for repairs of the said motor vehicle, no steps whatsoever had been taken in respect of that.

3.11 Commencement of Projects in the Lands not Properly Acquired

Circuit bungalows have been constructed and maintained by the Board in 02 permit lands of state in Anuradhapura and Mannar Districts without acquiring properly.

W.P.C. Wickramaratne

Auditor General

STATEMENT OF INCOME

For the year ended 31st December	Note	2018 Rs.	2017 Rs.
Gross Turnover	3	20,438,643,440	16,747,180,220
Less: Indirect taxes			
VAT		890,352,095	742,298,500
NBT		286,551,044	235,767,246
Excise duty		-	130,831,250
Net Turnover		19,261,740,301	15,638,283,224
Less: Cost of Sales	4	16,594,737,754	13,567,962,820
Gross Profit		2,667,002,547	2,070,320,404
Add : Other Income	5	414,302,302	387,784,659
		3,081,304,849	2,458,105,063
Less: Expenses			
Sales, Marketing & Distribution Costs	6	1,247,541,649	1,130,365,798
Administrative Expenses	7	752,237,186	666,740,574
Finance Cost	8	43,391,442	36,583,170
Profit Before Tax		1,038,134,572	624,415,521
Less Income Tax Expense	9	1,174,402,368	484,610,312
Profit/ (Loss) for the year		(136,267,795)	139,805,208

The Accounting Policies represents Note No.01 & 2.

The net profit before tax of the Board for the year ended 31st December 2018 was Rs.1,038 Million compared to corresponding figure of Rs.624 Million in the previous year. Accordingly the profit before tax remarkably increased by 66% in 2018.

However, unfortunately profit after tax became a negative figure due to additional income tax on special levy (contribution made to the Consolidated Fund) which has been treated as a disallowable expense for income tax purpose as per the Inland Revenue Act, No 24 of 2017. According to the information made available, the policy makers are in the process of bringing necessary amendments to the relevant legislations.

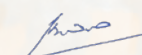
STATEMENT OF COMPREHENSIVE INCOME


For the year ended 31 st December	2018 Rs.	2017 Rs.
Profit (Loss) for the year	(136,267,795)	139,805,208
Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax)		
Add: Adjustment against Revaluation Gain on Disposal of P.P.& E.	-	6,284,766
Less: Actuarial Gains / (Losses) on defined benefit plans	(7,278,179)	(11,952,532)
Add: Deferred Tax attributable to remeasurment of Retirement benefit obligations	2,037,890	(4,781,013)
Total Comprehensive Income for the Year Net of Tax	(141,508,084)	129,356,429

STATEMENT OF FINANCIAL POSITION


As at 31st December	Note	2018 Rs.	2017 Rs.
Assets			
Non Current Assets			
Property, Plant & Equipment	10	674,931,737	706,395,950
Building - Work-in Progress - Head Office Building		26,997,762	21,207,245
Investment in shares Sri Lanka Savings Bank		5,336,575	5,336,575
Investment Property	11	29,635,743	29,744,787
Intangible Assets	12	2,516,664	6,028,797
Housing Loans		85,152,706	78,058,774
Total Non Current Assets		824,571,187	846,772,128
Current Assets			
Inventories	13	76,838,340	97,694,014
Trade Receivables	14	196,097,920	211,108,941
Other Current Assets	15	793,040,670	637,054,485
Cash & Cash Equivalents	16	5,006,918,994	3,555,067,133
Total Current Assets		6,072,895,924	4,500,924,573
Total Assets		6,897,467,111	5,347,696,701
Equity & Liabilities			
Equity Attributable to Owners of the parent			
Retained Earnings	17	381,567,349	653,427,833
Other Components of Equity	18	2,990,151,520	1,879,780,880
Total Equity		3,371,718,868	2,533,208,713
Non Current Liabilities			
Deferred Tax Liabilities	19	9,444,625	40,941,576
Retirement Benefit Obligation	20	52,031,249	42,867,101
Other Non Current Liabilities	21	4,115,137	-
Total Non current Liabilities		65,591,011	83,808,677
Current Liabilities			
Trade & Other Payables	22	2,627,898,566	2,602,673,211
Current Tax Payables	23	832,258,665	128,006,102
Total Current Liabilities		3,460,157,231	2,730,679,313
Total Liabilities		3,525,748,242	2,814,487,990
Total Equity & Liabilities		6,897,467,111	5,347,696,701

These Financial Statements give a true and fair view of the state of affairs of National Lotteries Board as at 31st December 2018 & its Profit / (Loss) for the year ended 31st December 2018.


Harsha Bandara
Chief Financial Officer


K.A.R. Wijewickrama
D.G.M.- Finance

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


Shyamila Perera
Chairperson
Colombo
26.03.2019


Thusitha Halloluwa
Working Director

STATEMENT OF CASH FLOW

For the year ended 31st December	2018 Rs.	2017 Rs.
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Taxation	1,038,134,572	624,415,520
Adjustments For		
Depreciation & Amotization	103,519,648	134,921,071
Difined Benefit Plan cost	8,372,159	6,190,885
Impairment Losses	-	1,355,557
Profit / (Loss) on Disposal of Property, Plant & Equipments	82,494	(2,078,428)
Adjustment for Exchange Gains /(Losses)	-	1,522,862
Exchange Gains /(Losses)	(13,161,652)	(7,199,256)
Treasury Grant Motor Vehicle	-	(5,795,000)
Income from Circuit Bunglows & Board Vhicles Hire Income	(1,728,365)	(1,626,703)
Interest Income	(356,554,698)	(310,402,912)
Operating Profit before Working Capital changes	778,664,159	441,303,596
Changes in Working Capital		
(Increase)/Decrease in Inventories	20,855,673	(11,589,555)
(Increase)/Decrease in Trade Receivables	15,011,021	312,856,856
(Increase)/Decrease in Other Current Assets	(116,069,268)	595,103,798
Increase/(Decrease) in VAT & NBT Payables	(1,571,461)	(47,844,010)
Increase/(Decrease) in Prizes Obligations	265,591,377	(140,567,820)
Increase/(Decrease) in Special Levy (Consolidated Fund) Payables	32,628,303	(112,893,104)
Increase/(Decrease) in Trade & Other Payables	277,005,675	154,805,226
	1,272,115,479	1,191,174,986
Income Tax & Deferred Tax Payment	(498,037,403)	(1,120,934,690)
Increase/(Decrease) in Other Non Current Liabilities	4,115,137	-
Difine Benefit Plan Cost Paid	(6,486,190)	(4,546,578)
NET CASH FLOW FROM OPERATING ACTIVITIES	771,707,023	65,693,719
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to P.P.E, Investment Property, Intangible Assets & Wor-in Progress	(74,300,042)	(57,653,175)
Proceeds from Disposal of Property, Plant & Equipment	-	4,214,400
Income from Circuit Bunglows & Board Vhicles Hire Income	1,728,365	1,626,703
Staff Loans Granted	(53,882,974)	(40,321,047)
Staff Loans Recovered	40,193,259	19,241,212
Interest Received	323,233,563	306,339,468
NET CASH FLOW FROM INVESTING ACTIVITIES	236,972,171	233,447,561
CASH FLOW FROM FINANCE ACTIVITIES		
Increase/(Decrease) in Prizes Reserve	430,370,642	480,416,033
NET CASH FLOW FROM FINANCE ACTIVITIES	430,370,642	480,416,033
Net Increase/(Decrease) in Cash & Cash Equivalent	1,439,049,836	779,557,313
Cash & Cash Equivalent at the beginning of the Year (Note)	3,567,869,159	2,775,509,820
CASH & CASH EQUIVALENT AT THE END OF THE YEAR	5,006,918,994	3,555,067,133
Note to the Cash Flow Statement		
CASH & CASH EQUIVALENT	2018	2017
Short Term Investments	4,384,966,899	3,184,206,675
Cash in Hand & Bank Balances	621,952,095	370,860,458
NET CASH & CASH EQUIVALENT AT THE END OF THE YEAR	5,006,918,994	3,555,067,133
Note: Cash & Cash Equivalent at the beginning of the Year	3,555,067,133	2,768,310,564
Add: Exchange Gains/ (Losses)	13,161,652	7,199,256
Less: Prior year Adjustment for exchange Gains/(Losses)	(359,625)	-
Cash & Cash Equivalent at the beginning of the Year	3,567,869,159	2,775,509,820

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December

	Accumulated Treasury Fund Rs.	Revaluation Reserve Rs.	Treasury Grant Motor Vehicle Rs.	Building Reserve Rs.	Prizes Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01/01/2017	21,263,101	327,403,729	5,795,000	50,000,000	946,982,781	522,548,543	1,873,993,155
Net Change in Prizes Reserves	-	-	-	-	480,416,033	-	480,416,033
Prizes Fund Loan Settlement	-	-	-	-	60,000,000	-	60,000,000
Reversal for Exchange Gains/ (Losses)	-	-	-	-	-	1,522,862	1,522,862
Adjustment against Revaluation Gain on Disposal of P. P. & E.	-	(6,284,766)	-	-	-	6,284,766	-
Actuarial (Gains)/ Losses on defined benefit plans	-	-	-	-	-	(11,952,532)	(11,952,532)
Deferred Tax attributable to remeasurement of retirement benefit obligation (Previous year)	-	-	-	-	-	(4,781,013)	(4,781,013)
Transfer from Treasury Grant - Motor Vehicle - N 17	-	-	(5,795,000)	-	-	-	(5,795,000)
Profit / (Loss) for the Year 2017	-	-	-	-	-	139,805,208	139,805,208
Balance as at 31/12/2017	21,263,101	321,118,963	-	50,000,000	1,487,398,814	653,427,834	2,533,208,712
Net Change in Prizes Reserves	-	-	-	-	430,370,642	-	430,370,642
Transfer from Retained Earnings / Building Reserve	-	-	-	130,000,000	-	(130,000,000)	-
Reversed for Contribution to Treasury from Building Reserve	-	-	-	550,000,000	-	-	550,000,000
Adjustment for Exchange Gains/ (Losses)	-	-	-	-	-	(359,625)	(359,625)
Adjustment against Revaluation Gain on Disposal of P. P. & E.	-	-	-	-	-	7,225	7,225
Actuarial (Gains)/ Losses on defined benefit plans	-	-	-	-	-	(7,278,179)	(7,278,179)
Deferred Tax attributable to remeasurement of retirement benefit obligation (Previous year)	-	-	-	-	-	2,037,890	2,037,890
Profit / (Loss) for the Year 2018	-	-	-	-	-	(136,267,795)	(136,267,795)
Balance as at 31/12/2018	21,263,101	321,118,963	-	730,000,000	1,917,769,456	381,567,351	3,371,718,870

NOTES TO THE FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Note No . 01

CORPORATE INFORMATION

1.1 GENERAL.

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

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

The Registered Office and the principal place of business of the Board are located at No.32, Deshamanya N. W. J. Mudalige Mawatha, Colombo 01.

1.2 PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS

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

1.3 FINANCIAL PERIOD.

The financial period of the Board represents a twelve month period from 01st January 2018 to 31st December 2018.

1.4 RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

These financial statements include the following components :

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 GENERAL ACCOUNTING POLICIES

2.1.1 Basis of Preparation.

These financial statements presented in Sri Lankan Rupees have been prepared on an accrual basis under the historical cost basis and on fair value basis where applicable in accordance with Sri Lanka Accounting Standards (SLFRS & LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka. The Financial Statements for the year ended 31st December 2018 were authorized for issue by the Board of Directors on 26th March 2019.

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, 2018 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 and the Finance Act, No.38 of 1971.

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 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 benefit obligation plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.
- Financial assets available-for-sales are measured at fair value

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

2.1.7 Functional and Presentation Currency.

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

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

2.1.8 Materiality and Aggregation.

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

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

2.1.9 Significant Accounting Judgments, Estimates and Assumptions

a) Judgments.

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

b) Estimates and Assumptions.

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

2.2 ASSETS

Assets & Bases of other Valuations

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

2.2.1. Property, Plant & Equipment

Basis of Recognition

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

Basis of Measurement

a) Cost.

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

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

b) Revaluation.

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

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

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

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

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

c) Depreciation.

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

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

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

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

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

	Per annum %
Freehold Buildings	5
Draw Barrels, Lottery Equipment	20
Motor Vehicles	25
Furniture and Fittings	10
Computers	25
Air Conditioners, General & Office Equipment	20
Promotional Equipment	33.3

d) Subsequent Cost.

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

e) De-recognition.

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

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

f) Restoration Costs.

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

2.2.2 Capital Work in Progress.

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

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

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

2.2.3 Intangible Assets

Computer Software

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

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

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

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

2.2.4 Leased Assets.

Assets acquired by way of a 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 is deferred and amortized over the lease term.

2.2.5 Investment property.

a) Basis of Recognition.

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

b) Basis of Measurement.

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

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

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

c) De-recognition.

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

d) Subsequent Transfers To / From Investment Property.

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

2.2.6 Impairment of Non-Financial Assets.

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

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

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

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

2.2.7 Non-Current Assets held for Sale.

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

Non-current assets and disposal groups are classified as held for sale only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Property, Plant and Equipment and intangible assets once classified as held for sale are not depreciated or amortized.

2.2.8 Financial Assets.

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

(a) Loans and Receivables.

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

- Housing Loan – Basic salary of 7 years (up to a maximum of Rs. 2,500,000/-). Interest rate 4% recoverable before age of 55 years.

- Distress loan – Basic salary of 10 months (up to a maximum of Rs. 250,000/-). Interest rate 4.2%. Recoverable in 60 monthly instalments.
- A sum of Rs. 550 million out of Rs. 600 million in Building Reserve Fund as at 12/09/2016 & 02/12/2016 was transferred to Consolidated Fund on assurance that the Treasury would pay back funds when needed to construct proposed new office building.

(b) Trade and Other Receivables.

Trade and other receivables are initially measured at fair value cost

(c) Provision for Bad Debts

A provision of 5% amounting to Rs.3,381,765.96 on unsecured trade debtors was made as a provision of bad debts as at 31/12/2018 after eliminating the value of bank guarantees obtained against individual debtor balances.

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 EQUITY, LIABILITIES & PROVISIONS

2.3.1 Equity

Accumulated Treasury Fund

This represents the initial capital introduced by the General Treasury.

Revaluation Reserve

Revaluation Reserve represents net of revaluation gain on revaluation of Property, Plant and Equipment carried out by the Chief Government Valuer in 2015.

Building Reserve Fund

Building Reserve Fund was established to generate and utilize funds need for the purpose of construction of proposed head office building. A sum of Rs. 550 Mn. was paid to the General Treasury on returnable basis when needed for construction.

Prizes Reserve Fund

Prizes Reserves Fund is maintain to offer super prizes and special draw prizes of the lotteries conducted by the Board.

Retained Earnings

This represents the accumulated net surplus after taxation from the operations.

2.3.2 Liabilities.

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

The Board has obtained an interest free term loan of Rs. 325 million from PRF during the year 2014 and 205 million was settled during the year 2015. Balance payable amounting to Rs. 120 million was fully settled by 31/12/2017.

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

2.3.3 Provisions, Contingent Assets and Contingent Liabilities.

Trade and Other Payables.

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

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

Reinstatement or Compensation.

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

Defamation.

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

Recovery of Dues

The Board may have to pay Rs.9,114,210/- and Rs.15,067,307.50 as recovery of dues for three

persons who had filed action against the Board in the commercial High Courts' of Colombo.

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.24 of 2017 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 EMPLOYEE BENEFITS

2.4.1. Short term Employee Benefits

The Board provides the following short-term benefits to employees

- a). Salaries
- b). Monthly and annual incentives determined on a percentage on lottery sales income
- c). Travelling Allowance
- d). Annual Bonus
- e). Paid medical bills
- f). Uniform Allowance
- g). Meal on Holiday
- h). Non-monetary benefits such as medical facilities
- i). Draw allowance for participants in lottery draws
- j). Overtime for officers and below and duty allowance for higher categories for working on holidays
- h). Certain facilities are granted under welfare & thrift fund as decided in its constitution

2.4.2. Post-employment benefits – Retirement Benefit Obligations

a). 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. Employee contribution for EPF is 10% where board provides 15%. In case of ETF, the board provides 3%.

b). Defined Benefit Plan Retiring Gratuity.

Provision is made in financial statements for retirement gratuities payable under the provision of Gratuity Act No. 12 of 1983 for all employees who have completed five years of continued service with the board. Provision for gratuity on the employees of the Board is on an actuarial basis, using the Projected Unit Credit (PUC) method as recommended by Sri Lanka Accounting Standard No.19 'Employee Benefits'. The actuarial valuation was carried out by a professionally qualified firm of actuaries Messes Actuarial & Management Consultants (Pvt) Ltd as at 31.12.2018. The Board expects to carry out actuarial valuation every year. The key assumptions used by the actuary include the followings.

	2018
Method of Actuarial Valuation	Projected Unit Credit Method (PUC)
Discount Rate	2018-11% 2017-10%
Future Salary increment	5% p.a. with next increment on anniversary of Date of joining and thereafter annually. Previous year salary escalation ratio 1%.
Future Allowance increment	10% increment on 01.01.2019.
Staff Turnover rate	4% up to age 54 thereafter zero.
Retirement Age	60 years.
Disability Rate	10% of mortality table.
Mortality Table	A 1967/70 mortality table.

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

- c). Service appreciation monetary benefits of Rs.25,000/- for those over 25 years of service on retirement.

2.5 INCOME STATEMENT

2.5.1 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.

2.5.2 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.

2.5.3 Payments made to Special Levy (Consolidated Fund)

In terms of Section 9 (2) (f) of the Finance Act, No. 38 of 1971, payments made to the Special Levy (Consolidated Fund) or payments made to the government as may be determined from time to time, by the Minister of Finance have been charged against revenue in determining the net surplus of the Board. Accordingly, the Board has paid Rs. 2,426,955,888/- to the Special Levy (Consolidated Fund) during the year under review with compared to previous year payment of Rs. 2,016,986,556.

Imposition of Excise Duty

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

2.6 RISK MANAGEMENT

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

a) Political Risk.

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

b) Legal Risk.

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

c) Reputational Risk.

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

d) Operational Risk.

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

e) Liquidity Risk.

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

f) Economic Risk.

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

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

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

2.7 NEW ACCOUNTING STANDARDS

Effect of accounting standards issued but not yet effective

The institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning and after 1 January 2018. Accordingly, these Standards have not been applied in preparing these Financial Statements.

2.7.1 SLFRS 9 – Financial Instrument: classification and measurement

SLFRS 9, issued in 2014, replaces the guidance in LKAS 39 Financial instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39. SLFRS – 9 is effective from financial period beginning on or after 1 January 2018.

The Board assessing the potential impact on its financial statements resulting from the application of SLFRS 9.

2.7.2 SLFRS 15 Revenue from contracts with customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Board is assessing the potential impact on its financial statements resulting from the application of SLFRS 15.

2.7.3 SLFRS 16 Leases

SLFRS 16 sets out the principles for the recognition, measurements, presentation and disclosures of leases for both parties to a lease contract. SLFRS 16 is effective for annual reporting period beginning on or after 1 January 2019, with early adoption permitted. The Board is assessing the potential impact on its financial statements resulting from the application of SLFRS 16.

2.8 GENERAL

2.8.1 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.

2.8.2 Contingencies & Unrecognized Contractual Commitments.

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

2.8.3 Comparative Figures

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

2.8.4 Treatment of Special Levy (Consolidated Fund) payments in Income Statement.

The contribution made to the Special Levy (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 Special Levy (Consolidated Fund) was disallowed for income tax calculation. From January 2013 onwards Special Levy (Consolidated Fund) payments are treated as allowable expenses and hence the Board has shown it in the Income Statement as direct expenses as was the practice prior to 2012.

2.8.5 Forfeited Prizes

A sum of Rs. 361,185,010/- was forfeited in 2018. This consists of Rs.94,732,650/- forfeited from 01.01.2018 to 31.03.2018 (for draws held from 01.07.2017 to 31.12.2017), Rs.179,670,980/- forfeited from 01.04.2018 to 30.09.2018 (for draws held from 01.01.2018 to 31.3.2018) and Rs. 86,781,380/- forfeited from 01.10.2018 to 31.12.2018 (for draws held from 01.04.2018 to 30.06.2018). Forfeited prizes always represent two financial years and payments are made accordingly.

2.8.6 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	Govise-tha	Supiri Vasana	Jathika Sampatha	Sampath Rekha	Neeroga	Mega Power	Delakshapathi Double Dreams
Prizes	49%	47%	47%	47%	47%	47%	49%	48%	49%
Dealer Commission	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%	17.50%
Special Levy (Consolidated Fund)	16.50%	16.50%	10%	10%	10%	10%	10%	10%	10%
Board	17%	19%	25.50%	25.50%	25.50%	23.50%	25.50%	24.50%	23.50%

Sampath Rekha and Delakshapathi Double Dreams were discontinued in 2018. Dhana Nidanaya was launched in 2018.

	Sevana Passive	Ran Kirula	Supiri Govisetha	Govi Setha Supiri Warama	Dhana Nidanaya
Prizes	49%	58%	58%	58%	47%
Dealer Commission	17.50%	17.50%	17.50%	17.50%	17.50%
Special Levy (Consolidated Fund)	10 %	10%	10%	10%	10%
Board	23.50%	14.50%	14.50%	14.50%	25.50%

Ran Kirula & Supiri Govisetha were not held in 2018. Govisetha Supiri Warama was conducted in 2018.

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

(b) Distribution of income for Scratch Lotteries.

	Samurdhi 10/-	Samurdhi 20/-	Sevana 10/-	Sevana 20/-	Sevana 50/-	Dinana Ratak
Prizes	49%	53%	49%	53%	53%	53%
Dealer Commission	15%	17.50%	15%	17.50%	17.50%	17.50%
Special Levy (Consolidated Fund)	10%	10%	10%	10%	10%	10%
Board	26%	19.50%	26%	19.50%	19.50%	19.50%

Dinana Ratak was conducted on 2018. Entrance ticket for Enterprise Sri Lanka exhibition was also provided and sold. While sales were accounted under special scratch, a prize amounting to 70.96% was given under their entrance ticket.

(c). Special Levy (Contribution to the Consolidated) Fund and the relevant Ministries through the Consolidated Fund is hereunder.

Passive Lotteries	%	Consolidated Fund /Ministries
Mahajana Sampatha	- 16.5%	- Consolidated Fund
Vasana Sampatha	- 16.5%	- Consolidated Fund
Govisetha	- 10%	- Ministry of Agriculture
Supiri Vasana	- 10%	- Ranawiru Sewa Authority
	- 10%	- Ministry of Sports & Ministry of Social Services (5% each)
Jathika Sampatha	- 10%	- Ministry of Health
	- 10%	- Ministry of Labour
Sampath Rekha	- 10%	- Consolidated Fund
Neeroga	- 10%	- National Kidney Fund
Mega Power	- 10%	- Consolidated Fund
Supiri Delakshapathi	- 10%	- Consolidated Fund
Sevana - Passive	- 7.5%	- to Consolidated Fund for first 6month & there after 10%
Dhana Nidanaya	- 10%	- Consolidated Fund
Instant Lotteries	%	Consolidated Fund /Ministries
Samurdhi	- 10%	- Ministry of Samurdhi & Youth Affairs
Sevana	- 10%	- Ministry of Housing
Dinana Ratak	- 10%	- Consolidated Fund

2.8.7. Related Party – Unsettled Balances

a).In respect of work carried out at Mannar circuit by State Engineering Corporation (SEC), a payment of Rs.2,335,562/- is withheld by the Board for certain deficiencies and the retention of Rs.2,729,526/- is also withheld in this regard.

b).Settlement was reached to pay an overdue rental payment of Rs.10,973,698/- to Sri Lanka Ports Authority for occupying their Lotus road building by NLB from 1993 to 2001. This is payable in 24 monthly installments. Already Rs.1,371,712.23 have been paid as at 31 December 2018.

For the year ended 31st December

Note - 03 Turnover	2018 Rs.	2017 Rs.
Mahajana Sampatha	5,587,471,880	4,884,538,740
Vasana Sampatha	382,685,840	813,697,600
Govisetha	6,634,857,840	4,053,092,100
Supiri Vasana	864,350,280	1,023,032,300
Jathika Sampatha	1,053,829,200	954,489,600
Sampath Rekha	130,955,400	1,162,420,800
Neeroga	976,351,200	1,063,062,100
Mega Power	2,181,488,360	1,298,332,400
Delakshapathi Double Dreams (Supiri Delakshapathi)	124,677,000	421,031,100
Govisetha Supiri Warama	81,907,200	-
Sevana Passive	690,770,400	388,510,880
Dhana Nidhanaya	909,205,560	-
Ran kirula/Raja Dinuma	-	101,280,000
Supiri Govisetha	-	72,938,600
Colombo Air Port Lottery	26,241,280	-
Samurdhi	70,750,000	51,030,000
Sevana - Scratch	694,392,000	459,724,000
Special - Scratch	28,710,000	-
Total	20,438,643,440	16,747,180,220

Note - 04 Cost of Sales	2018 Rs.	2017 Rs.
Ticket Printing Charges	506,763,590	453,128,924
Agency Commission	3,573,332,444	2,896,522,975
Main Commission	252,957,219	206,478,839
Prize Declared	9,834,736,614	7,994,845,746
Special Levy (Consolidated Fund)	2,426,947,888	2,016,986,336
Total	16,594,737,754	13,567,962,820

Note 04-01 Tickets Printing Charges	2018 Rs.	2017 Rs.
Opening Stock as at 1st January		
Passive Lottery	1,222,684	3,205,874
Sevana Lottery	2,296,500	351,857
Samurdhi Lottery	961,071	-
	4,480,255	3,557,731
Add: Purchase of Tickets During the year	516,785,483	454,051,448
	521,265,738	457,609,180
Less: Closing Stock as at 31st December		
Passive Lottery	6,409,196	1,222,684
Sevana Lottery	3,152,679	2,296,500
Samurdhi Lottery	889,559	961,071
Special - Scratch	4,050,714	-
	14,502,148	4,480,255
Total	506,763,590	453,128,924

Note 04-02 Agency Commission	2018 Rs.	2017 Rs.
Mahajana Sampatha	977,807,579	845,313,442
Vasana Sampatha	66,970,022	140,537,630
Govisetha	1,161,100,122	701,579,755
Supiri Vasana	151,261,299	176,608,340
Jathika Sampatha	184,420,110	165,009,780
Sampath Rekha	22,917,195	200,243,365
Neeroga	170,861,460	183,494,980
Maga Power	381,760,463	224,728,390
Delakshapathi Double Dreams (Supiri Delakshapathi)	21,818,475	72,673,435
Govisetha Supiri Warama	14,333,760	-
Sevana Passive	120,884,820	67,989,404
Dhana Nidhanaya	159,110,973	-
Ran kirula/Raja Dinuma	-	17,724,000
Supiri Govisetha	-	12,764,254
Colombo Air Port Lottery	3,440,066	-
Samurdhi	10,612,500	7,654,500
Sevana - Scratch	121,518,600	80,201,700
Special - Scratch	4,515,000	-
Total	3,573,332,444	2,896,522,975

Note 04-03 Main Agency Commission	2018 Rs.	2017 Rs.
Mahajana Sampatha	69,819,831	60,598,744
Vasana Sampatha	4,782,799	10,086,329
Govisetha	82,840,762	50,259,749
Supiri Vasana	10,800,694	12,699,974
Jathika Sampatha	13,171,756	11,849,909
Sampath Rekha	1,643,162	14,375,232
Neeroga	12,196,986	13,170,528
Mega Power	27,238,521	16,107,338
Delakshapathi Double Dreams (Supiri Delakshapathi)	1,557,884	5,227,769
Govisetha Supiri Warama	1,011,518	-
Sevana Passive	8,630,238	4,849,766
Dhana Nidhanaya	11,353,649	-
Ran kirula/Raja Dinuma	-	1,244,600
Supiri Govisetha	-	901,364
Samurdhi	707,500	510,300
Sevana - Scratch	6,943,920	4,597,240
Special - Scratch	258,000	-
Total	252,957,219	206,478,839

Note: 04-04 Prize Declared	2018 Rs.	2017 Rs.
Mahajana Sampatha	2,737,898,918	2,372,091,340
Vasana Sampatha	179,840,625	378,424,733
Govisetha	3,118,015,865	1,888,310,156
Supiri Vasana	406,243,452	475,597,249
Jathika Sampatha	495,051,364	444,237,734
Sampath Rekha	61,549,038	539,473,959
Neeroga	478,418,868	515,182,269
Maga Power	1,047,113,073	618,214,996
Delakshapathi Double Dreams (Supiri Delakshapathi)	61,091,730	204,039,392
Govesetha Supiri Warama	47,506,176	-
Sevana Passive	338,477,496	190,370,331
Dhana Nidhanaya	427,326,613	-
Ran kirula/Raja Dinuma	-	58,742,380
Supiri Govisetha	-	42,304,388
Colombo Air Port Lottery	18,000,000	-
Samurdhi	34,667,500	25,004,700
Sevana - Scratch	367,796,960	242,852,120
Special - Scratch	15,738,936	-
Total	9,834,736,614	7,994,845,746

Note: 04-05 Special Levy (Consolidated Fund)	2018 Rs.	2017 Rs.
Mahajana Sampatha	921,932,860	798,765,451
Vasana Sampatha	63,143,163	132,851,236
Govisetha	663,485,784	401,768,152
Supiri Vasana	86,435,028	101,190,904
Jathika Sampatha	105,382,920	94,518,667
Sampath Rekha	13,095,540	114,781,698
Neeroga	97,635,120	105,139,434
Maga Power	218,148,836	128,694,525
Delakshapathi Double Dreams (Supiri Delakshapathi)	12,467,700	41,640,692
Govisetha Supiri Warama	8,190,720	-
Sevana Passive	67,015,460	29,138,316
Dhana Nidhanaya	90,920,556	-
Ran kirula/Raja Dinuma	-	10,128,000
Supiri Govisetha	-	7,293,860
Samurdhi	7,075,000	5,103,000
Sevana - Scratch	69,439,200	45,972,400
Special - Scratch	2,580,000	-
Total	2,426,947,888	2,016,986,336

Note: 05 Other Income	2018 Rs.	2017 Rs.
Interest Income	356,554,698	310,402,912
Sundry Income	57,747,605	77,381,747
Total	414,302,302	387,784,659

Note No - 06 Sales Marketing & Distribution Costs	2018 Rs.	2017 Rs.
Distribution Costs	197,567,366	159,608,928
Marketing & Sales Promotion Expenses	1,023,507,765	940,272,167
Communication Expenses	26,466,517	30,484,704
Total	1,247,541,649	1,130,365,798

Note No 06 - 1 Distribution Costs	2018 Rs.	2017 Rs.
Motor Vehicles - Fuel	9,694,288	8,607,700
Motor Vehicles - Repairs and Maintenance	7,264,012	6,514,885
Motor Vehicles - Insurance	1,570,383	985,118
Motor Vehicles - Revenue License	265,885	312,079
Motor Vehicles - Tires and Tubes	977,376	913,459
Motor Vehicles - Other Expenses	197,858	153,587
Motor Vehicles - Depreciation	19,290,936	27,813,755
Tickets Transport Charges	14,587,955	9,425,924
Flood Relief Expense -Agent	-	6,200,000
Agent Relief Expen /Cost of Returned Tickets	221,420	62,075
Agent's & Sellers Welfare	46,750	4,000
Dealers & Agents Training & Conference	2,751,482	1,524,238
Scholarships to Agents' Children	80,000	393,000
Sales Incentive for Dealers & Agents	59,669,480	3,694,000
Credit Insurance Expenses	-	3,734,621
Agent & Seller Medical Insurance Expenses	4,429,500	6,291,540
Agent Additional Sales Promotional Expenses	67,030,885	56,555,800
Agent Appreciation Token for Prize Winners	4,607,400	4,640,475
Payment. to Asarana Sarana Fund (Neeroga Incentive)	4,881,756	5,256,972
Emergency Ticket pur.for NLB Good will Retention	-	16,525,700
Total	197,567,366	159,608,928

Note No 06 - 2 Marketing & Sales Promotional Expenses	2018 Rs.	2017 Rs.
Production & Telecasting	414,678,755	385,286,690
Publication of Lottery Results	103,484,017	90,576,240
Brand Promotional Advertising	382,658,894	364,576,147
Corporate Advertising	27,206,108	43,554,337
CSR - Corporate Social Responsibility	45,185,250	28,028,623
Out Station Draw Expenses	27,000	-
BTL Advertising Exp	20,221,208	7,662,400
Sales Booth ect.to Agents	29,318,697	17,521,320
Public Relation Expenses	727,837	3,066,411
Total	1,023,507,765	940,272,167

Note No 06 - 3 Communication Expenses	2018 Rs.	2017 Rs.
Postage & Telegrams	820,839	223,304
Telephone, Faxes, and Internet	13,226,499	18,128,569
Printing & Stationery	10,592,548	10,192,118
Press Notices	1,826,632	1,940,713
Total	26,466,517	30,484,704

Note No - 07 Administrative Expenses	2018 Rs.	2017 Rs.
Personnel Emoluments	420,862,040	375,410,032
Establishment Expenses	166,194,330	131,239,262
Other Administrative Expenses	165,180,817	160,091,280
Total	752,237,186	666,740,574

Note No - 08 Finance Cost	2018 Rs.	2017 Rs.
Bank Charges	41,591,442	36,583,170
WHT on Lott.Prizes Paid By NLB - CASD	1,800,000	-
Total	43,391,442	36,583,170

Note No - 09 Income Tax	2018 Rs.	2018 Rs.
Current Year Income Tax	1,203,861,428	414,635,439
Deemed Dividend Tax	-	52,445,020
Total Current year Income tax	1,203,861,428	467,080,459
Under/(Over) Provision of Taxes in respect of prior year	-	35,621,740
	1,203,861,428	502,702,199
Deffered Tax Expenses	(29,459,060)	(18,091,887)
Income Tax Expense	1,174,402,368	484,610,312

Note :No - 10 - Property Plant & Equipment- Free Hold Property

	Land Rs.	Buildings Rs.	Motor Vehicles Rs.	Computers & Accessories Rs.	Computers Software Rs.	Office Equipment Rs.	Draw Barrels Rs.	Furniture & Fittings Rs.	Promotional Equipment Rs.	2018 Total Rs.	2017 Total Rs.
COST											
Balance Beginning of the Year	500,000,000	22,140,000	245,387,709	116,355,918	21,954,215	46,850,285	162,980,392	27,752,480	-	1,143,420,998	1,113,609,995
Last Year Adjustment	-	-	-	-	-	-	-	(51,000)	-	(51,000)	-
Additions during the Year	-	-	48,754,500	4,866,570	-	2,098,519	-	1,982,117	9,721,000	67,422,706	39,144,930
Disposal during the Year	-	-	-	-	-	(53,990)	-	-	-	(53,990)	(5,000,000)
Transferred during the Year	-	-	-	-	-	-	-	-	-	-	(856,392)
Impairment during the Year	-	-	-	-	-	-	-	-	-	-	(3,477,535)
Balance end of the Year	500,000,000	22,140,000	294,142,209	121,222,488	21,954,215	48,894,814	162,980,392	29,683,597	9,721,000	1,210,738,715	1,143,420,998
PROVISION FOR DEPRECIATION											
Balance Beginning of the Year	-	3,969,000	186,022,604	92,497,981	20,796,067	32,840,762	91,433,867	9,464,767	-	437,025,048	317,506,264
Last Year Adjustment	-	-	-	-	-	-	-	(7,225)	-	(7,225)	(10,816)
Depreciation for the Year	-	1,107,000	38,581,873	14,244,711	880,110	7,619,415	32,544,152	2,754,387	1,080,003	98,811,651	126,101,719
Depreciation on Disposal	-	-	-	-	-	(22,496)	-	-	-	(22,496)	(3,593,750)
Transferred during the Year	-	-	-	-	-	-	-	-	-	-	(856,392)
Impairment during the Year	-	-	-	-	-	-	-	-	-	-	(2,121,978)
Balance End of the Year	-	5,076,000	224,604,477	106,742,692	21,676,177	40,437,681	123,978,019	12,211,929	1,080,003	535,806,978	437,025,048
Written Down Value as at 31.12.2018	500,000,000	17,064,000	69,537,732	14,479,796	278,038	8,457,133	39,002,372	17,471,669	8,640,997	674,931,737	-
Written Down Value as at 31.12.2017	500,000,000	18,171,000	59,365,105	23,857,937	1,158,148	14,009,524	71,546,524	18,287,714	-	-	706,395,950
Rate of Depreciation	-	05%	25%	25%	25%	20%	20%	10%	33%		

Land - Vauxhall Street
 Building - Narahenpita Chairman's Bungalow & Vauxhall Building

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

Building Lease Hold	2018 Rs.	2017 Rs.
Cost		
Balance Beginning of the year	50,530,000	50,530,000
Additions during the year	1,086,820	-
Balance end of the year	51,616,820	50,530,000
Accumulated Amortization		
Balance Beginning of the year	20,785,213	19,598,967
Amortization for the year	1,195,864	1,186,246
Balance end of the year	21,981,077	20,785,213
Written Down Value as at 31.12.2018	29,635,742	
Written Down Value as at 31.12.2017		29,744,787

Note No. 12
Intangible Assets

Computer Software	2018 Rs.	2017 Rs.
Cost		
Balance Beginning of the year	68,643,916	67,058,916
Additions during the year	-	1,585,000
Balance end of the year	68,643,916	68,643,916
Accumulated Amortization		
Balance Beginning of the year	62,615,119	54,971,197
Amortization for the year	3,512,133	7,643,922
Balance end of the year	66,127,252	62,615,119
Written Down Value as at 31.12.2018	2,516,664	
Written Down Value as at 31.12.2017		6,028,797

Note No. - 13 Inventories	2018 Rs.	2017 Rs.
Printed Tickets Stocks	15,602,769	6,187,558
Prizes Stocks	55,649,912	83,733,913
Consumable Stocks	5,585,659	7,772,542
Total	76,838,340	97,694,014

Note No. - 14 Trade Receivables	2018 Rs.	2017 Rs.
Sweep/Trade Debtors	212,276,806	223,894,561
Return Cheques - Sevana	603,899	615,399
	212,880,705	224,509,960
Less: Provision for Doubtful Debts	(16,782,785)	(13,401,019)
Total	196,097,920	211,108,941

Note No. - 15 Other Current Assets	2018 Rs.	2017 Rs.
Other Debtors	8,780,309	10,526,632
Accounts Receivables	58,796,010	23,362,672
Staff Loans	47,977,199	41,381,416
Deposits & Prepayments	133,769,099	12,102,340
Deferred Revenue, Expenditure - CASD	(6,281,945)	(318,575)
Building Reserve Receivable by Treasury	550,000,000	550,000,000
Total	793,040,670	637,054,485

Note No. 16 Cash & Cash Equivalent	2018 Rs.	2017 Rs.
Cash in Hand at Bank	621,952,095	370,860,458
Short term Deposits	4,384,966,899	3,184,206,675
Total	5,006,918,994	3,555,067,133

Note No. 17 Retained Earnings	2018 Rs.	2017 Rs.
Balance at the Beginning of the year	653,427,833	522,548,543
Profit for the year	(136,267,795)	139,805,208
	517,160,038	662,353,751
Less : Transfer to Building Reserve	(130,000,000)	-
Less: Adjustment /Reversal for Exchange Gains/(Losses)	(359,625)	1,522,862
Less: Actuarial Gains/ (Losses) on defined benefit plans	(7,278,179)	(11,952,532)
Add: Deferred Tax attributable to re measurement of Retirement benefit Obligation	2,037,890	(4,781,013)
Add : Depreciation of Disposal of Fixed Assets	7,225	-
Add : Adjustment against Revaluation Gain on Disposal of P.P. & E.	-	6,284,766
Balance at the end of the year	381,567,349	653,427,833

Note No. 18 Other Components of Equity	2018 Rs.	2017 Rs.
Accumulated Treasury Fund	21,263,101	21,263,101
Revaluation Reserve	321,118,964	321,118,964
Building Reserve	730,000,000	50,000,000
Prizes Reserve	1,917,769,456	1,487,398,814
Balance at the end of the year	2,990,151,520	1,879,780,878

Note No. 19 Deffered Tax Liability	2018 Rs.	2017 Rs.
Balance at the Beginning of the year	40,941,576	54,252,450
Current Year Deferred Tax Provision	(29,459,060)	(18,091,887)
Add:Deferred Tax attributable to remeasurment of		
Retirement benefit Obligation	(2,037,890)	4,781,013
Balance at the end of the year	9,444,626	40,941,576

Note No. 20 Retirement benefit obligation	2018 Rs.	2017 Rs.
Balance at the beginning of the year	42,867,101	29,270,262
Interest Cost	4,286,699	2,927,015
Current Service Cost	4,085,460	3,263,870
Charge to P& L	8,372,159	6,190,885
Actuarial Losses	7,278,179	11,952,532
	15,650,338	18,143,417
Payment made during the year	(6,486,190)	(4,546,578)
Balance at the end of the year	52,031,249	42,867,101

Note No. 21 Other Non Current Liabilities	2018 Rs.	2017 Rs.
Building Rent Payable - SL Ports Authority	4,115,137	-
	4,115,137	-

Note No. 22 Trade & Other payables	2018 Rs.	2017 Rs.
Payable to Special Levey (Consolidated Fund)	225,944,935	193,316,632
Sweep Collection in Advance	190,136,865	154,140,597
Building Reserve Payable by Treasury	-	550,000,000
Prizes Obligations	1,385,539,687	1,119,948,310
Trade & Other Creditors	317,676,365	171,872,137
Accrued Expenses	508,600,715	413,395,536
Total	2,627,898,566	2,602,673,211

Note No. 23 Current Tax Payables	2018 Rs.	2017 Rs.
VAT & NBT Payables	51,712,093	53,283,554
Income Tax payables	780,546,572	74,722,547
Total	832,258,665	128,006,102

04. OPERATING & FINANCIAL REVIEW



Financial Highlights

For the year ended 31st December

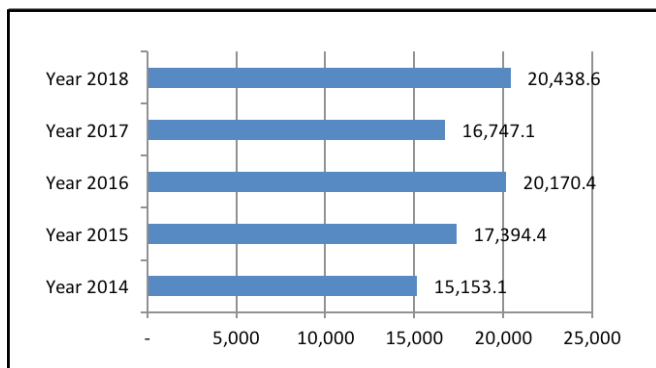
Description	2018 Rs.Mn	2017 Rs.Mn	Change Compared with 2017 (%)
Turnover	20,438.6	16,747.1	22.0
Contribution to Special Levy (Consolidated fund)	2,426.9	2,016.9	20.3
Agency Commission	3,826.2	3,103.0	23.3
Prizes Allocation	9,834.7	7,994.8	23.0
Value Added Tax	890.3	742.2	19.9
Nations Building Tax	286.5	235.7	21.5
Other Income	414.3	387.7	6.8
Expenses	2,042.8	1,833.6	11.4
Profit before Tax	1,038.1	624.4	66.2
Profit for the Year	(136.2)	139.8	(197.4)
Income tax	1,174.4	484.6	142.3
Total Assets	6,897.4	5,347.6	28.9
Total Net Assets/ Equity	3,371.7	2,533.2	33.1
Profit before Tax to Turnover %	5.08%	3.7%	-
Profit before Tax to Total Assets %	15.05%	11.6%	-
Liquidity Ratio	1.7:1	1.6:1	-

Contribution to State

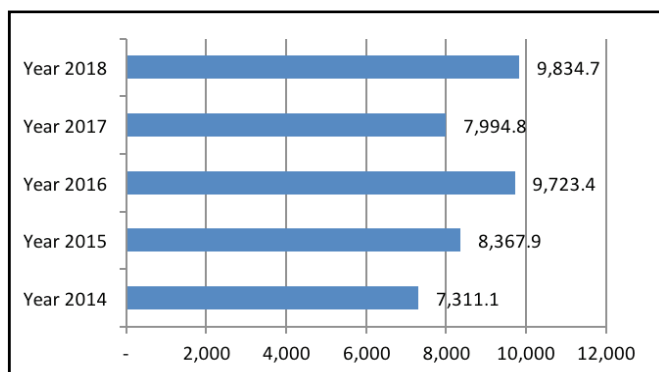
Description	2018 Rs.Mn	2017 Rs.Mn
Direct Remittances		
Contribution to Special Levy (consolidated fund)	2,426.9	2,016.9
Direct taxes (Excise Duty)	-	130.8
	2,426.9	2,147.7
Indirect Remittances		
VAT	890.3	742.2
NBT	286.5	235.7
Income tax	1,174.4	484.6
Forfeited prizes	361.1	339.0
	2,712.3	1,801.5
Total remittances to State	5,139.2	3,949.2

OVERALL PERFORMANCE

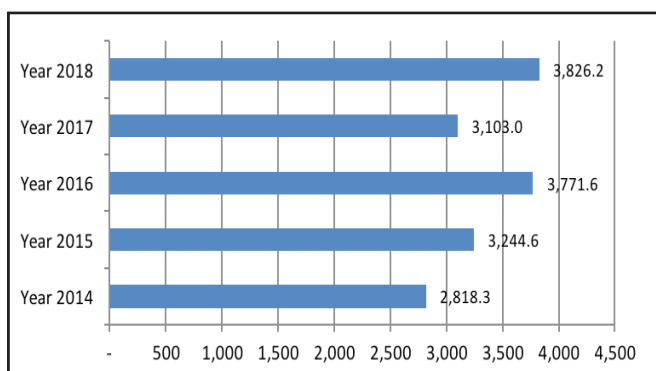
Turnover (Rs.Mn)



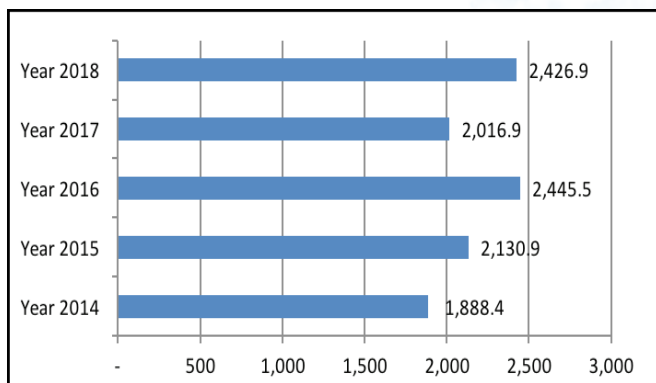
Prizes Declared (Rs.Mn)



Agency Commission (RS.Mn)



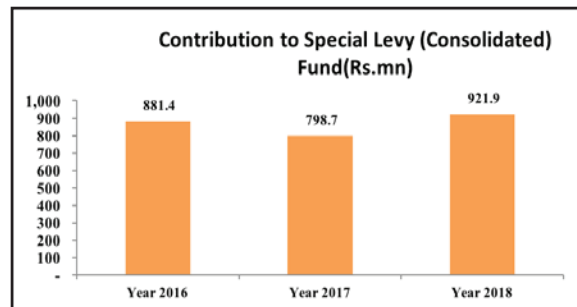
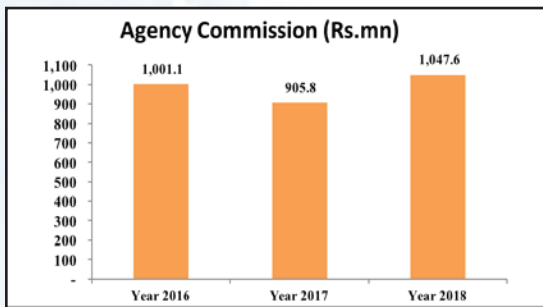
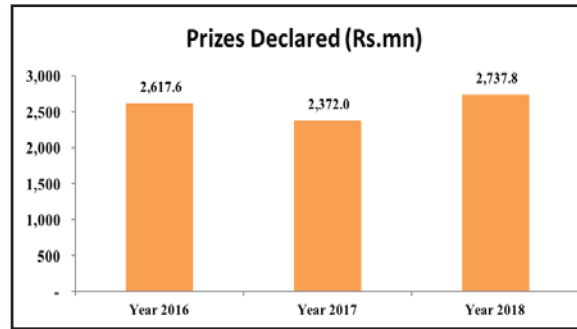
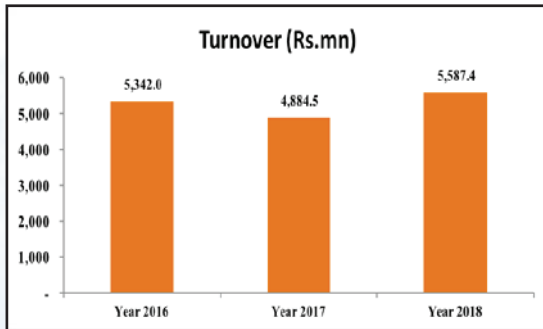
Contribution to Special Levy (Consolidated Fund) (RS.Mn)



Product wise Performance

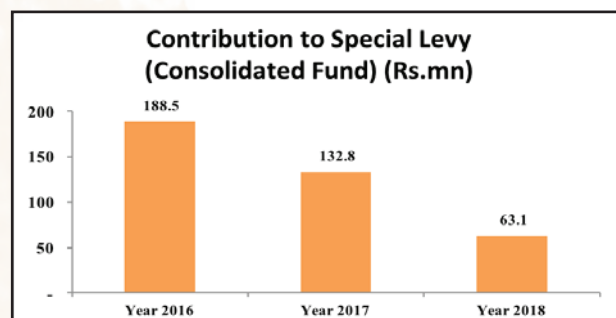
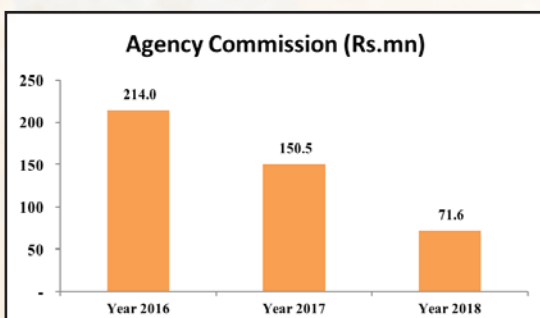
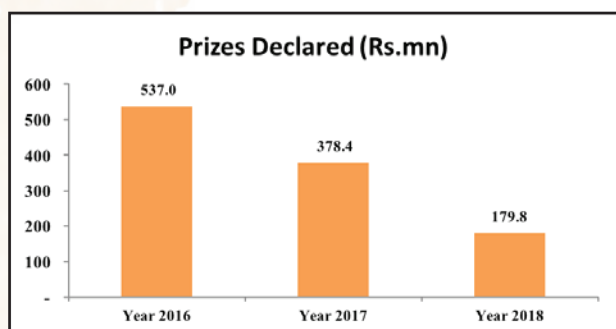
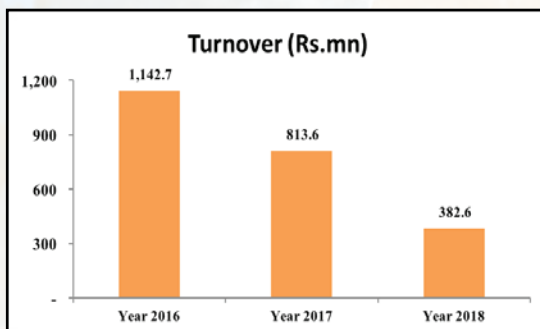
MAHAJANA SAMPATHA

Description	2018 Rs. Mn	2017 Rs. Mn	2016 Rs. Mn
Turnover	5,587.4	4,884.5	5,342.0
Prizes Declared	2,737.8	2,372.0	2,617.6
Agency Commission	1,047.6	905.8	1,001.1
Contribution to Special Levy (Consolidated Fund)	921.9	798.7	881.4



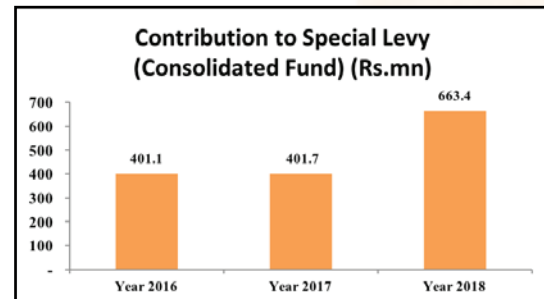
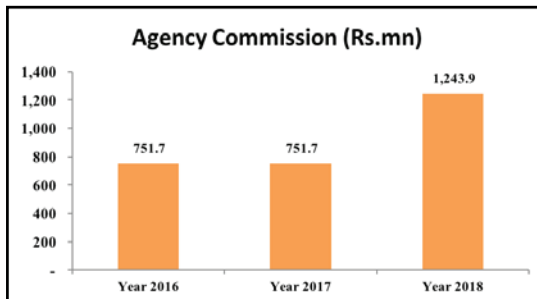
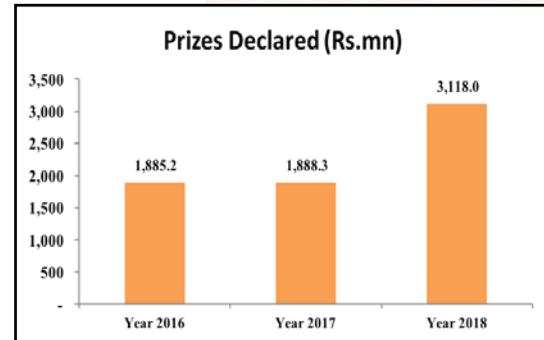
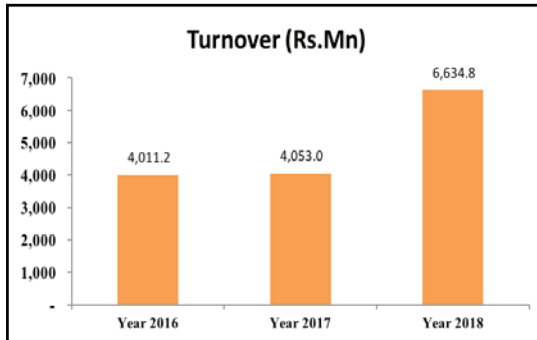
VASANA SAMPATHA

Description	2018 Rs. Mn	2017 Rs. Mn	2016 Rs. Mn
Turnover	382.6	813.6	1,142.7
Prizes Declared	179.8	378.4	537.0
Agency Commission	71.6	150.5	214.0
Contribution to Special Levy (Consolidated Fund)	63.1	132.8	188.5



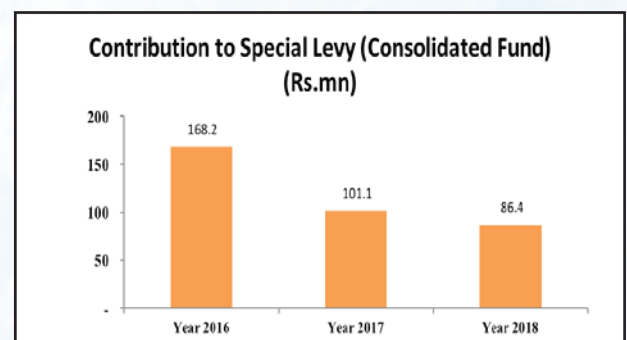
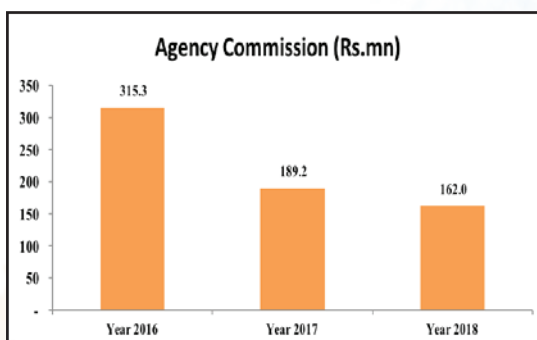
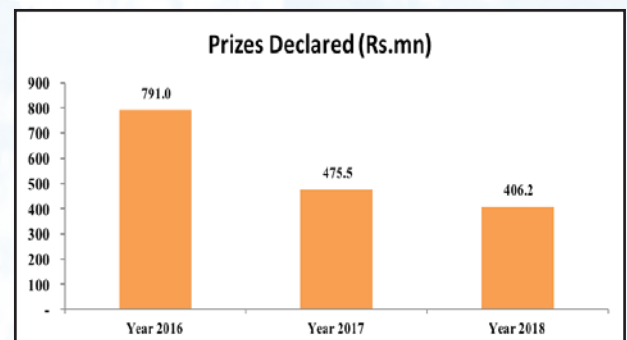
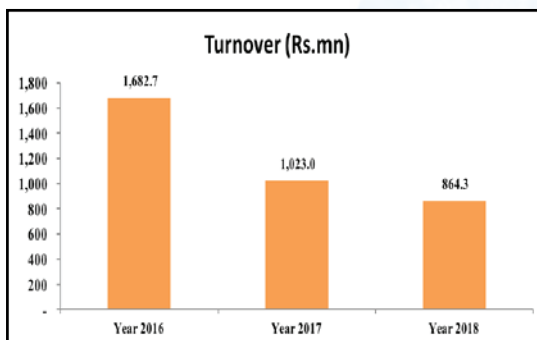
GOVISETHA

Description	2018 Rs. Mn	2017 Rs. Mn	2016 Rs. Mn
Turnover	6,634.8	4,053.0	4,011.2
Prizes Declared	3,118.0	1,888.3	1,885.2
Agency Commission	1,243.9	751.7	751.7
Contribution to Special Levy (Consolidated Fund) (Rs.Mn)	663.4	401.7	401.1



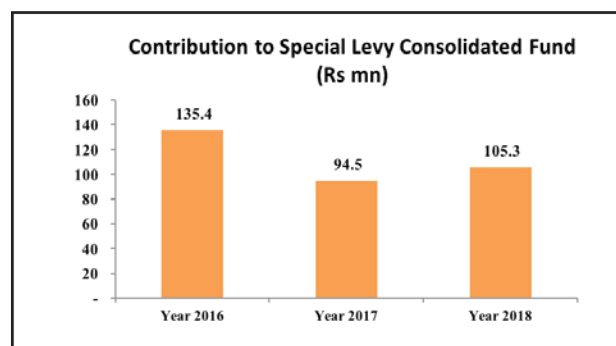
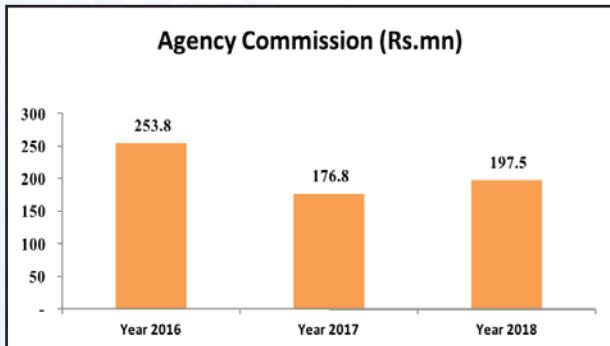
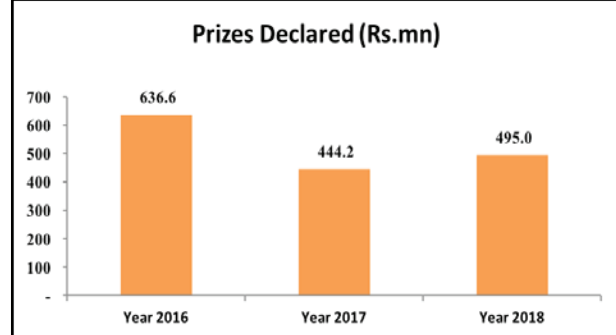
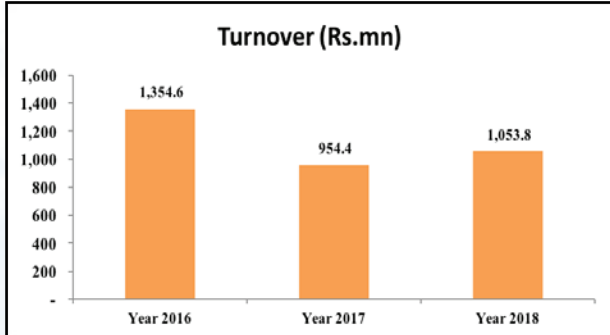
SUPIRI VASANA

Description	2018 Rs. Mn	2017 Rs. Mn	2016 Rs. Mn
Turnover	864.3	1,023.0	1,682.7
Prizes Declared	406.2	475.5	791.0
Agency Commission	162.0	189.2	315.3
Contribution to Special Levy (Consolidated Fund)	86.4	101.1	168.2



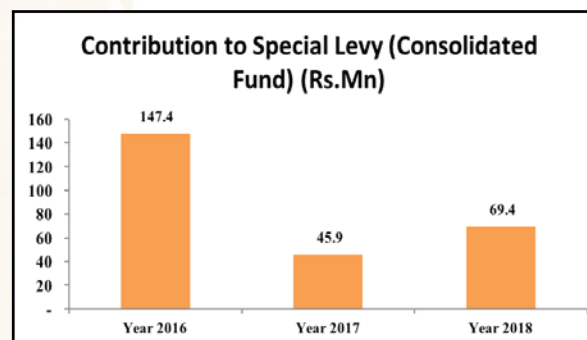
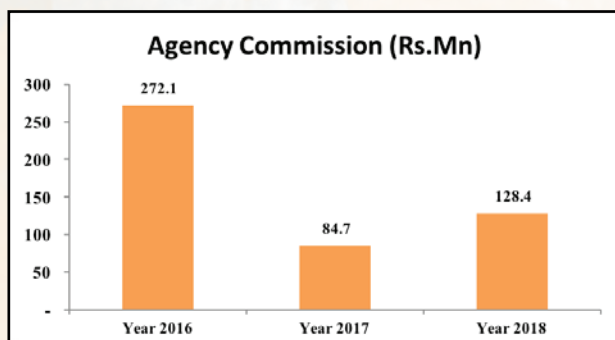
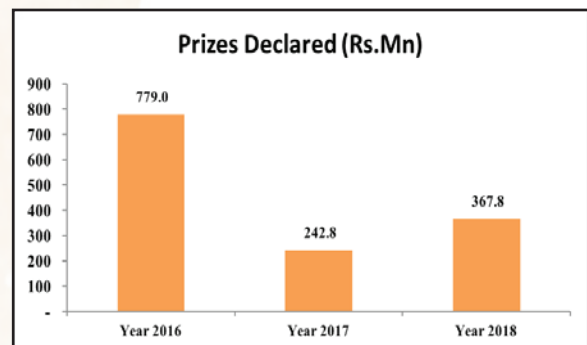
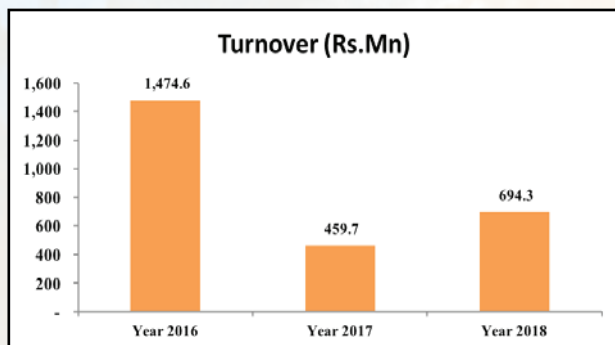
JATHIKA SAMPATHA

Description	2018 Rs. Mn	2017 Rs. Mn	2016 Rs. Mn
Turnover	1,053.8	954.4	1,354.6
Prizes Declared	495.0	444.2	636.6
Agency Commission	197.5	176.8	253.8
Contribution to Special Levy (Consolidated Fund)	105.3	94.5	135.4



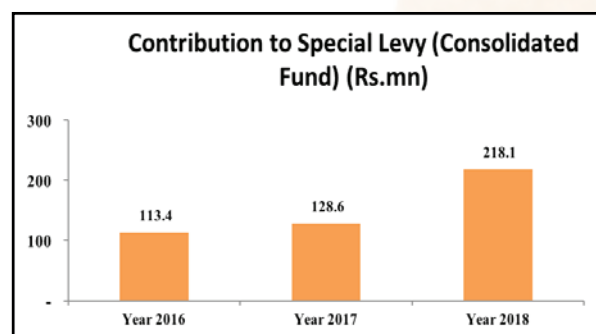
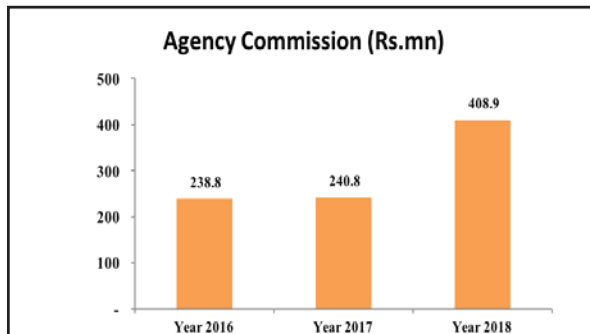
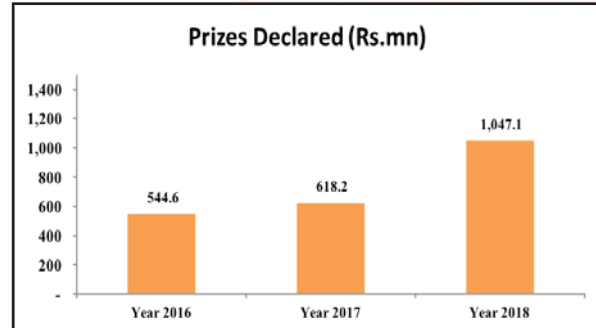
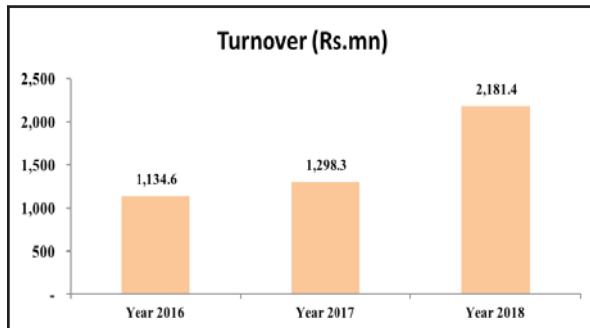
SEVANA

Description	2018 Rs. Mn	2017 Rs. Mn	2016 Rs. Mn
Turnover	694.3	459.7	1,474.6
Prizes Declared	367.8	242.8	779.0
Agency Commission	128.4	84.7	272.1
Contribution to Special Levy (Consolidated Fund)	69.4	45.9	147.4



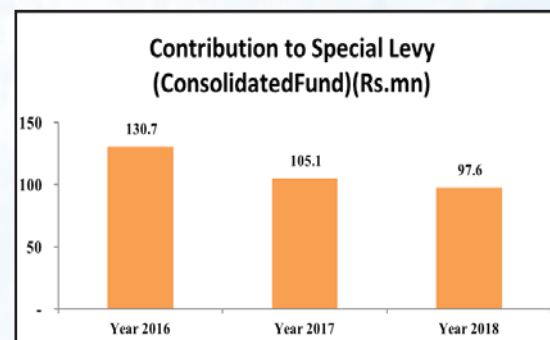
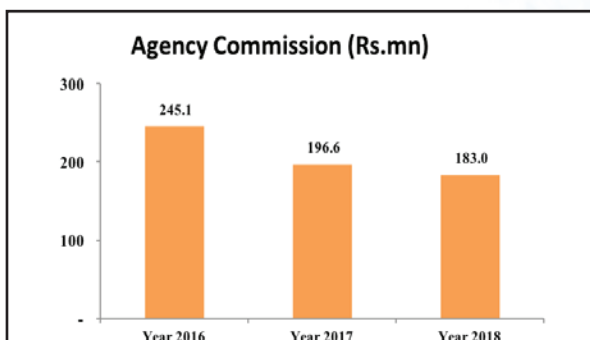
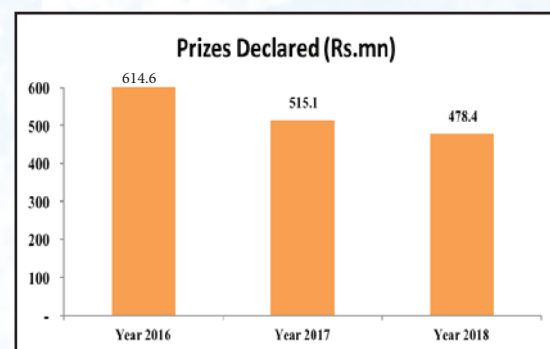
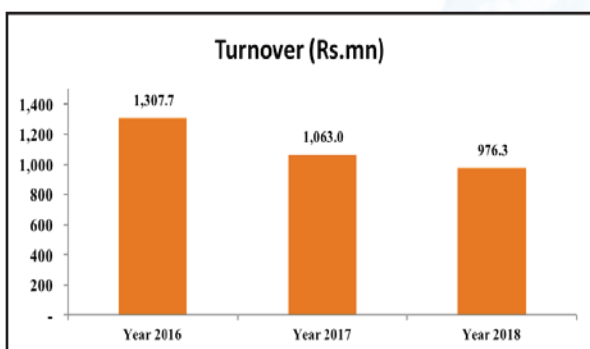
MEGA POWER

Description	2018 Rs. Mn	2017 Rs. Mn	2016 Rs. Mn
Turnover	2,181.4	1,298.3	1,134.6
Prizes Declared	1,047.1	618.2	544.6
Agency Commission	408.9	240.8	238.8
Contribution to Special Levy (Consolidated Fund)	218.1	128.6	113.4



NEEROGA

Description	2018 Rs. Mn	2017 Rs. Mn	2016 Rs. Mn
Turnover	976.3	1,063.0	1,307.7
Prizes Declared	478.4	515.1	614.6
Agency Commission	183.0	196.6	245.1
Contribution to Special Levy (Consolidated Fund)	97.6	105.1	130.7



TEN YEAR OPERATIONAL ROUND UP

Figures in Rs.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue	8,580,538,712	8,862,869,826	10,092,330,623	12,004,268,616	14,537,362,545	15,153,133,820	17,394,463,681	20,170,417,750	16,747,180,220	20,438,643,440
Less: Direct Taxes	-	-	-	-	-	-	-	-	-	-
Excise duty	-	-	-	-	-	-	-	-	130,831,250	-
Less: Indirect Taxes	8,580,538,712	8,862,869,826	10,092,330,623	12,004,268,616	14,537,362,545	15,153,133,820	17,394,463,681	20,170,417,750	16,616,348,970	20,438,643,440
VAT	317,545,635	315,515,516	365,159,981	428,810,159	507,792,059	540,502,194	573,252,862	706,868,280	742,298,500	890,352,095
NBT	139,681,053	186,375,756	141,767,911	168,895,230	203,546,556	211,761,787	253,267,754	285,776,997	235,767,246	286,551,044
Net Turnover after direct & indirect taxes	8,123,312,024	8,360,978,554	9,585,402,731	11,406,563,227	13,826,023,930	14,400,869,839	16,567,943,065	19,177,772,473	15,638,283,224	19,261,740,301
Less: Cost of Sales										
Ticket Printing Charges	271,803,581	293,504,383	376,528,826	393,049,086	459,877,814	474,762,687	494,409,498	609,845,633	453,128,924	506,763,590
Agency Commission	1,585,329,388	1,638,501,705	1,874,354,373	2,232,580,487	2,701,581,629	2,818,333,219	3,244,659,091	3,771,736,589	3,103,001,814	3,826,289,663
Prizes Declared	4,246,564,845	4,295,786,207	4,857,951,333	5,787,269,625	7,083,652,537	7,311,136,590	8,367,984,720	9,723,421,286	7,994,845,746	9,834,736,614
Contribution to Special Levy (Consolidated Fund) on Sales	1,136,298,465	1,173,460,051	1,345,046,907	1,574,149,137	1,753,135,197	1,888,455,133	2,130,953,970	2,445,594,544	2,016,986,336	2,426,947,888
	7,239,996,279	7,401,252,346	8,453,881,439	9,987,048,335	11,998,247,177	12,492,687,629	14,238,007,279	16,550,598,052	13,567,962,820	16,594,737,754
Gross Profit	883,315,745	959,726,208	1,131,521,292	1,419,514,892	1,827,776,753	1,908,182,210	2,329,935,786	2,627,174,421	2,070,320,404	2,667,002,547
Add: Other Income	340,680,571	212,424,233	178,866,137	275,197,318	220,209,583	88,823,238	92,197,950	249,546,105	387,784,659	414,302,302
	1,223,996,316	1,172,150,441	1,310,387,429	1,694,712,210	2,047,986,336	1,997,005,448	2,422,133,736	2,876,720,526	2,458,105,063	3,081,304,849
Less: Expenses										
Sales, Marketing & Distribution costs	583,815,438	500,848,485	531,801,210	674,909,121	1,069,000,355	1,284,599,303	872,391,364	1,246,168,647	1,130,365,799	1,247,541,649
Administrative Expenses	365,193,951	362,334,768	356,796,344	411,913,602	465,114,112	573,472,839	602,377,490	693,449,471	666,740,574	752,237,186
Finance Cost	30,483,249	29,936,142	25,807,844	26,094,291	37,190,847	29,743,395	36,563,614	40,212,740	36,583,170	43,391,442
	979,492,638	893,119,395	914,405,398	1,112,917,014	1,571,305,314	1,887,815,537	1,511,332,468	1,979,830,858	1,833,689,543	2,043,170,277
Profit before Tax	244,503,678	279,031,046	395,982,031	581,795,197	476,681,023	109,189,911	910,801,268	896,889,668	624,415,520	1,038,134,573
Less: Income Tax Expense	198,991,306	231,393,156	186,878,002	269,604,238	610,087,951	117,853,496	669,785,229	482,128,237	484,610,312	1,174,402,368
Profit/ (Loss) for the year	45,512,372	47,637,890	209,104,029	312,190,959	(133,406,928)	(8,663,585)	241,016,039	414,761,431	139,805,208	(136,267,795)
Direct & Indirect Contribution to Government										
Contribution to Special Levy (Consolidated Fund) on Sales	1,136,298,465	1,173,460,051	1,345,046,907	1,574,149,137	1,753,135,197	1,888,455,133	2,130,953,970	2,445,594,544	2,016,986,336	2,426,947,888
Special Contribution to General Treasury	-	16,000,000	-	702,000,000	500,000,000	-	50,000,000	550,000,000	-	-
Contribution to Treasury on Forfeited Prizes	194,511,177	182,465,862	180,473,400	197,806,370	247,738,070	246,424,920	257,691,450	365,393,530	339,076,910	361,185,010
Indirect Contributions - (Direct/Indirect Taxes)	656,217,994	733,284,427	693,805,894	867,309,627	1,321,426,566	870,117,477	1,496,305,845	1,474,773,514	1,593,507,308	2,351,305,507
Total	1,987,027,636	2,105,210,340	2,219,326,201	3,341,265,134	3,822,299,833	3,004,997,530	3,934,951,265	4,835,761,588	3,949,570,554	5,139,438,405
Gross Profit as a % of Turnover	10.29%	10.83%	11.21%	11.83%	12.57%	12.59%	13.39%	13.02%	12.36%	13.05%
Profit Before Tax as a % of Turnover	2.85%	3.15%	3.92%	4.85%	3.28%	0.72%	5.24%	4.45%	3.73%	5.08%
Expenses as a % of Turnover	11.42%	10.08%	9.06%	9.27%	10.81%	12.46%	8.69%	9.82%	10.95%	10.00%
Profit/ (Loss) for the year as a % on Turnover	0.53%	0.54%	2.07%	2.60%	(0.9%)	(0.1%)	1.4%	2.1%	0.8%	(0.7%)
Special Levy (Consolidated Fund) Contribution on sales as a % Turnover	13.24%	13.24%	13.33%	13.11%	12.06%	12.46%	12.25%	12.12%	12.04%	11.87%
Total Contribution to Govt. as a % on Turnover	23.16%	23.75%	21.99%	27.83%	26.29%	19.83%	22.62%	23.97%	23.58%	25.15%
Growth rate of Turnover	25.58%	3.29%	13.87%	18.94%	21.10%	4.24%	14.79%	15.96%	(16.97%)	22.04%

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

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