



சுதிக லஃகரஃடீ ஡்ஷீவலுட  
தேசிய லஃத்தர் சபை  
NATIONAL LOTTERIES BOARD



லஃகரஃடீ லஃகரஃடீ  
வருடஃத அறிககை  
ANNUAL REPORT

2019





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01 OVERVIEW

## Corporate Profile

### **Name of the Institution**

National Lotteries Board

### **Legal Form**

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 The certain sections of the above act were repealed and amended in 1997 under the (amendment) Act.No. 35 of 1997 and in 1998 under the (amendment) Act no.22 of 1998.

### **Year of Establishment**

1963

### **Accounting Year End**

31<sup>st</sup> December

### **Registered Office**

**Address** : No. 32, Deshamanya N.W.J Mudalige Mawatha Colombo 01.

**Telephone** : 4607001, 4607000,

**Fax** : 114669443,114669475,114669458,11466416

**Email** : nlbgen@slt.net.lk

**Web Site** : [www.nlb.lk](http://www.nlb.lk)

### **Auditors**

Auditor General

National Audit Office

No. 306/72, Polduwa Road,

Battaramulla.

### **Bankers**

Peoples Bank

Bank of Ceylon

Sampath 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



## Chairman and Board of Directors



**Mr. Sudath Lokuliyana**

**Director**

(Up to 26<sup>th</sup> November 2019)

**Mr. Thusitha Halloluwa**

**Working Director**

(Up to 17<sup>th</sup> November 2019)

**Mrs. Shyamila Perera**

**Chairperson**

(Up to 22<sup>nd</sup> November 2019)

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

**Observer - Treasury Representative**

(Up to 13<sup>th</sup> December 2019)

**Mr. Charitha N. Wijayawardena**

**Director**

(Up to 20<sup>th</sup> November 2019)



**Mr. Lalith Piyum Perera**

**Chairman**

(From 27<sup>th</sup> December 2019)



**Mr. Kelum Priyankara Liyanage**

**Working Director**

(From 30<sup>th</sup> December 2019)

## Senior Management



**Miss. K.G.K. Wimalaweera**

Class One officer of Sri Lanka Planning Service  
Master of International Development, University Flinders, Australia.

General Manager  
( Up to 10.07.2019)



**Mr. Dharshana Wijesiriwardena**

Bsc (2<sup>nd</sup> upper)  
MA . Pg Dip (Business Studies)  
Pg Dip (Development Studies)  
SLAS (Class 01)

General Manager  
( From 11.07.2019)



**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 Project Finance)



**Mr. S.N.A. Sujeewa Nissanka**

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



**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  
(1<sup>st</sup> Class Hons Peradeniya)  
Deputy General Manager (Acting)  
(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

### 1<sup>st</sup> 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)

### 2<sup>nd</sup> Decade -1973- 1982

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

### 3<sup>rd</sup> 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

4<sup>th</sup> Decade -1993- 2002

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

5<sup>th</sup> Decade - 2003 - 2012

- 2004 Introduced Sarana lottery to generate financial assistance for Tsunami Victims.  
Established Welfare & Thrift funds to provide benefits to employees.
- 2005 Mahajana Samapatha was awarded most preferred brand for 2005 under banking, financial services category conducted by SLIM.
- 2006 Introduced the Suwasetha lottery after abolishing the Lotto lottery.  
Offered the highest ever Super Prize from the Mahajana 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.

## Current Decade (2013 – 2022)

- 2013 Super Prize of Govisetha lottery was increased from Rs.10 Mn to Rs. 40 Mn.  
Super Prize of Sampath Rekha lottery was increased from Rs.5 Mn to Rs.10 Mn.  
Introduced Mega 50 lottery on behalf of 50<sup>th</sup> 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)  
31<sup>st</sup> Airport Superdraw draw was held (31.08.2015)  
Commenced drawing three passive lottery draws in a single day (from 01.09.2015)  
Held Dealer convention award ceremony for the 1<sup>st</sup> time named "Mahathma" (December 2015)
- 2016 Achieved Rs. 20.0 Billion Sales target  
Introduced Doller 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)

Current Decade (2013 – 2022)

- 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. 40 Mn to 60Mn from 26<sup>th</sup> 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 2<sup>nd</sup> Runner up for the best commercial for “Mahajana Sampatha” in Sumathi Tele Awards held in September 2017.
- 2018 Product Mix was changed from 01<sup>st</sup> 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 2<sup>nd</sup> April 2018 and initial draw was held on 25<sup>th</sup> 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
- 2019 Daru Diri Sampatha Lottery was Introduced to the Market on 14.11.2019. First draw of this lottery to be held on 30<sup>th</sup> January 2020.
- Mahajana Sampatha 4000<sup>th</sup> draw (Rankirula) was held on 06.09.2019.

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
- Prize Structure of this lottery was changed from 14.03.2019 as follows .
  - Super Prize - Rs.10,000 000.00
  - First Prize - Rs. 1,000,000.00 and other attractive prizes
- Contribution : 16.5% of the turnover is contributed to Consolidated Fund





### Govisetha

- Description** : Introduced to the Market In 1995 on behalf of the Ministry of Agriculture and land with the objective of generating funds for the “Farmers Trust Fund”.  
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 Monday 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.
- 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.



### Neerogha

- Description :** This Lottery was introduced in 25<sup>th</sup> 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.
- Contribution :** 10 % of the turnover is contributed to National Kidney Fund.



### Mega Power

Description : This Lottery was introduced in 11<sup>th</sup> 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



### Sevana Passive

Description : This Lottery was introduced in 27<sup>th</sup> July 2017.

Price of this ticket is Rs.20/-.

Draw Days : Tuesday, Saturday.

Prizes : A super prize Rs. 14 Mn for a Build up a 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 2<sup>nd</sup> 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



### Dollar Fortune

- Description : This lottery was introduced in 30<sup>th</sup> 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



*I was appointed in December 2019 as the 24<sup>th</sup> Chairman of the National Lotteries Board in its 56-year glorious history and I consider as it is a privilege to address you through the Chairman's Message on the Annual Report for the financial year ended 31 December 2019.*

The year 2019 was an year which had achieved many great victories as a leader in the Lottery Industry in this country. Similarly, a year that provided sustainable values to all our customers moving through right strategies, right cultural vision and a right path.

### **Operational Performance**

Sales turnover has increased from Rs. 20 billion to Rs. 22 billion.

Profit before tax has increased by 77% as compared to the previous year

Profit after tax was Rs. 978.5 million

It has achieved a sales turnover of Rs. 22 billion in 2019 and this is reported as, the highest sales ever in the history of Lotteries Board during the past 56 years. Though the increase of sales turnover to 23 billion by 2020 was our primary goal, due to the encountered corona epidemic situation, this could be around Rs. 17 million.

Doing justice to the immense trust placed in the National Lotteries Board by the public, our prize patterns have been designed to return approximately 50% of the sale price to the public as prizes. Accordingly, a Rs. 10,607.7 million was allocated for the distribution among the people as prizes. Among these prizes it was able to generate 7998 millionaires, 386 one millionaires, 344 two millionaires and 43 grand prize winners who receive over a Rs. 10 million prizes. These prizes offer great investment opportunities for those who are

expecting to start a small, medium sized businesses. Meanwhile, there were many ten millionaires who have the financial ability to derive large business opportunities if needed. When looking at people who take out loans with interest to commence businesses, the National Lotteries Board plays a commendable role in the development process by providing the public with the opportunity to obtain cash directly.

Within our network of sales agents consisted of approximately 100 District Agents, 2,500 Dealers and nearly 12,000 Sales Assistants scattered all over the island a sum of Rs. 4,278.9 million was paid as agents' commissions in 2019 and ability to provide employment opportunities to the people by supporting the government which is looking for solutions to the unemployment of the people, the National Lotteries Board well demonstrates accountability to the people as a state institution. In this, that responsibility of the National Lotteries Board is more escalated by providing employment opportunities to work in the dealer network to the majority of the disabled people who need special attention but no attention whatsoever pay by the institutions.

Further, this year also drew high attention by carrying out providing death assistance, healthcare, medical facilities, and insurance coverage, granting incentives etc. by activating marketing promotion programmes, Grade 5 Scholarships and scholarships for their children who pass the Advanced Level for this dealer network to uplift their economic level as well as their level of welfare as in previous years.

The objective of raising funds for development activities in the country is foremost by overcoming all these and we have achieved that also in proper manner in 2019.

As mentioned above, Rs. 2,637.9 million was contributed directly to the government and there, our lottery contributions have been made as a sum of Rs. 2,443.6 million to the Consolidated Fund as a contribution from Mahajana Sampatha, Vasana Sampatha, Mega Power, Sevana (draw lotteries) and Dhana Nidhanaya, Rs. 731.5 million to the Ministry of Agriculture as 10% of the turnover of the Govisetha Lottery for development in the field of agriculture, Rs. 97.2 million as 10% of the turnover of the Neeroga Lottery to the National Kidney Fund which provides required funds for kidney patients since the disease was a national catastrophe, Rs. 60.2 million to the Ministry of Labour as 10% from the Saturday turnover of the Jathika Sampatha Lottery to provide required facilities to the labour workforce, Rs. 58.1 million as 10% of the turnover of the Sevana Instant Lottery to the Housing Development Authority to make true the home dream of the people, Rs. 60.8 million 10% of the turnover of the Jathika Sampatha on Wednesday to the Ministry of Health and Indigenous Medicine of to improve health and indigenous medicine, Rs. 35.5 million as 10% of the sales turnover of the Saturday Supiri Vasana Lottery to the Ministries for Sports and Social Services, Rs. 5.8 million as 10% of Samurdhi Lottery revenue to the Ministry of Samurdhi and Youth Affairs and Rs. 37.5 million as 10% of Monday sales turnover of the Supiri Vasana Lottery to the Ranaviru Seva Authority for the welfare of war heroes.

Likewise, indirect income payments amounting to Rs. 2,444.5 million has consisted of Rs. 2,055.5 million paid as tax revenue and Rs. 389.0 million as forfeited prize payments. As a whole, it was able to grant Rs. 5,082.3 million in 2019 as compared to the total contribution of Rs. 4,750.7 million stated in both ways as direct (contribution to the Consolidated Fund) and indirect (tax and forfeited prize payments) to the government in 2018.

The number of employees in the company in the year 2019 was 402 as compared to the 398 employees as at 31st December 2018. The average of contribution of each employee for the sales turnover was Rs. 51.3 million in 2018 and Rs. 55.0 million in 2019. Therefore,

our staff is considered to be the most valuable asset of the Board and taken steps to improve their financial and welfare level by continuing to provide incentive payments, healthcare facilities, transport facilities and other benefits for employee motivation activities.

Detailed reports on operational efficiency are provided further in our production stream and Operating and Financial Review.

### Future prospects

Since we can further contribute to the development of the country by further increasing our lottery contribution funds scattering across various sectors, we expect to exceed our sales target Rs. 23 billion. Although the corona epidemic threat, which had to face unexpectedly, though overcoming of those challenges is difficult, we are committed to face it positively.

Our expectation is to bring the sales of Daru diri Sampatha Lottery which was the latest member of our production stream and launched in late 2019 (November) to a higher level for the betterment of the future generation of the country.

It is stipulated to conduct a special lottery monthly as one of the main ways to increase sales.

As it had elapsed 50 years by 2020 since the initiation of the Mahajana Sampatha Lottery which was the flagship lottery in our product stream, the plans have been made to further elevate the Mahajana Sampatha lottery by grandly celebrating it.

It is expected to produce and submit the existing prizes structures to suit the modern market with the aim of achieving the sales target.

Further, we hope to adapt to the modern digitization using more Information Technology furthermore for the operational process and to motivate to purchase of e-lottery tickets through SMS services etc.

### Gratitude

Firstly, I wish to pay my sincere gratitude to the Hon. Minister of Finance and other officials and staff of the Ministry of Finance, the Line Ministry that has given



the necessary guidance dedicating its time to maintain the activities of the Board throughout the year. I would also like to thank all our officers and staff, including the senior management who had dedicated to improve operational efficiency of the National Lotteries Board.

Our thanks are conveying to the entire network including District Dealers in our sales network, Sales Agents, Sales Assistants, who have joined hands with us with dedication and confidence to enhance the overall performance and the entire customers who have supported us in purchasing our products on behalf of the Lotteries Board.

Further, I would like to express my sincere gratitude to the external agencies such as Banking Institutions, Printing Institutions, Advertising Agencies, all Supply Agencies and the officers and staff of the Government Audit Division including the Auditor General who have been in touch with us throughout the year and have actively contributed to our operational activities and look forward to their generous service in the year 2020 as well.



Lalith Piyum Perera, Attorney at Law,  
Chairman,  
National Lotteries Board,  
27.08.2020,  
Colombo.

## Performance Report of Chief Financial Officer



*The overall performance of the Board in 2019 was much better compared to the results in the previous year. With high expectations of the people to realize their dreams, It is observed that there is an increasing trend in sales revenue with the heavy super prizes on offer in all lotteries.*

The turnover in 2019 was Rs. 22,079.2 million compared to Rs. 20,438.6 million recorded in 2018 which showed an increase of 8 % percent. This indicated an increase of Rs. 1,640.6 million. Out of nine passive type lotteries, five lotteries contributed over Rs.1 billion in 2019. High contributions came from Govisetha lottery drawn on seven days a week recording a sales income of Rs. 7,315.9 million and Mahajana Sampatha drawn on five days a week recording Rs.6,269 million. Mega Power drawn three days a week recorded an income of Rs. 2,537.9 Million and Dhana Nidhanaya drawn three days a week recorded Rs.1,236.1 million. Jathika Sampatha, drawn 2 days a week too recorded a sales income of Rs. 1,211 million. Out of two scratch lotteries, sevana lottery sales in 2019 was Rs. 581.6 million.

The number of super prize winners produced in year 2019 was 43 compared to 38 in the previous year. The Board's direct contribution to state consolidated fund and National Kidney fund on sales in 2019 was Rs.2,637.9 million as against Rs. 2,426.9 million in 2018 which was an increase of Rs.211 million. The total contribution to the Government along with taxes in the current year stood at Rs.4,693.3 million, which was 21.25 percent on sales.

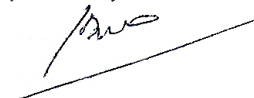
The Board paid a sum of Rs.4,278.9 million as agency commission in year 2019 compared to Rs. 3,826.2 million in 2018 which showed an increase of Rs.452.7 million. This proved that their income levels also increased over previous year. The Board's prize payments increased

to Rs.10,607.7 million from Rs.9,834.7 million in year 2018, an increase of Rs.773 Million and in percentage terms 7.8 percent. Our customer base was sure to have benefitted from this in realization of their dreams.

The Board's other income in 2019 was Rs.1,070.5 million, which included Rs.518 million recovery of income tax from consolidated fund dues, as against Rs. 414.3 million earned in 2018, This showed an increase of Rs.656.2 Million.

The Board's operating expenses were Rs. 2,342 million in 2019 which was 10.6 percent on sales compared to Rs.2,329.5 million in the previous year which was 11.3 percent on sales figure in 2018. This showed a reduction as a percentage of sales.

The net surplus before tax for year 2019 was Rs.1,841.1 million, 8.3 percent on sales as against Rs.1,038.1 million reported in 2018, which was 5 percent on sales. This was an increase of Rs. 803 million. The Board's bottom line in 2019 showed a net surplus after tax of Rs. 978.5 million which was a commendable improvement compared to previous year restated deficit figure of 38 million.



Dr. Harsha Bandara,  
Chief Financial Officer,  
National Lotteries Board,  
27.08.2020,  
Colombo.



*The Audit Committee was established in 2005 and since then the meetings were held as scheduled over the years.*

The Audit Committee was established in 2005 and since then the meetings were held as scheduled over the years. In year 2019, it was able to conduct only two Audit & Management Committee meeting due to several reasons such as, unexpected situations due to attack on the Easter Sunday and changes of ministry portfolios several times during the financial year. The committee was always helpful to address the issues highlighted in the Audit reports and provided fruitful instructions as and when necessary to reduce the management deficiency of National Lotteries Board.

The Committee comprised the following officials during the year under reviewed.

- Mr. A.M.P.M.B. Atapattu - Chairman (Observer- Treasury Representative)  
Mr. Charitha N. Wijewardane - Member (Non Executive Director)  
Mr. Sudath Lokuliyanaage - Member (Non Executive Director)

#### **Observers**

- Mrs.Thanuja Sammani - Internal Auditor  
Representative from Auditor General's Department.  
Mrs.S. Balasuriya - Secretary (DGM – Legal / Secretary to Board)

Officers of the NLB Management were called to the Audit and Management Committee meetings for investigations and further clarifications when and where necessary.

The role and terms of reference of the Audit Committee are to assist the Board of Directors in fulfilling their oversight responsibilities regarding the integrity of Board's financial statements, risk management, internal control, compliance with legal and regulatory requirements and strengthen the independent position of the external Auditor monitoring the performance, qualifications and independence of the internal audit functions.

During the year concerned, the Audit and Management Committee has closely reviewed the operational issues and matters highlighted in both audit reports issued by the Auditor General and Internal Auditor of National Lotteries Board.



H.C.D.L Silva,  
Chairman,  
Audit & Management Committee,  
National Lotteries Board,  
27<sup>th</sup> August 2020,  
Colombo .

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## 03 FINANCIAL STATEMENTS AND INFORMATION

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தேசிய கணக்காய்வு அலுவலகம்  
NATIONAL AUDIT OFFICE



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Date }

30 September 2020

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 2019 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 2019 comprising the statement of financial position as at 31 December 2019 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 2019 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 the 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

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##### Sri Lanka Financial Reporting Standard 13

The Accounting Policy of the Board applied for the Fair Value Measurement had not been disclosed in accordance with the Paragraph 91 of the Standards.

#### 1.2.1.2 Sri Lanka Accounting Standards

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##### (a) Sri Lanka Accounting Standards – No. 01

A sum of Rs. 51,734,747 which was identified as current liabilities in previous years had been recognized and brought to accounts as other income by restating during the year under review in non-compliance with Paragraph 69 of the Standard and it was also observed that this practice has been continuously followed by the Board since previous years.

##### (b) Sri Lanka Accounting Standards 07

(i) As a result of a sum of Rs.233,574,416 which was credited to prizes Reserves Account had been adjusted to the profit before tax in preparing cash flow statement, the cash flows generated from operating activities had been overstated by the same amount.

(ii) The increase in stocks had been understated by Rs.1,099,590 and the decrease in other current assets had been understated by the same amount in the cash flow statement as changes in the working capital.

##### (c) Sri Lanka Accounting Standards 08

Although the income and costs related to that should be separately disclosed as per the Note 2.1.8 of accounting policies presented pertaining to financial statements by the Board, it was observed that gift values of the purchased lotteries by the Board had been deducted from the relevant costs in contrary to that.

##### (D) Sri Lanka Accounting Standards 12

The provision of income tax amounted to Rs.788,696 for the value of omissions of stock which had been adjusted to the retained earnings as corrections made by the Board in respect of previous years amounted to Rs.1,099,590, accounts payable amounted to Rs. 3,912,369 that had not accounted for in the preceding year and the under provision for depreciation of the preceding year the previous year amounting to Rs. 3,967 had been deducted from the tax expenditure of the year under review non-compliance with Paragraph 62A of Sri Lanka Accounting Standards 12. Relevant disclosures had not been made in accordance with Sri Lanka Accounting Standards 01 and 08 regarding this retrospective adjustment.

(e) Sri Lanka Accounting Standard 16

Although the value of idle assets belonging to the Board amounting to Rs.350,153,304 had been fully written off, the carrying value of those assets further being used had not been disclosed in the financial statements in accordance with Paragraph 79 of the Standard.

(f) Sri Lanka Accounting Standards 19

Even though a provision of Rs. 61,842,602 had been made as employee gratuity by the Board at the end of the year under review an investment plan suitable for it had not been prepared. Similarly, the accounting policy for recognizing of operating losses had also not been disclosed in accordance with Paragraph 135 of the Standard.

(g) Sri Lanka Accounting Standards 24

The totals of following management and employee benefits had not been separately disclosed in the financial statements in terms of the Paragraph 17 of the Standard and Paragraph 25 of Sri Lanka Accounting Standard 19.

- Short-term employee benefits
- Post-employment benefits
- Other long-term benefits
- Social benefits

1.2.2 Accounting Deficiencies

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The following observations are made.

- (a) Even though the amount of Rs.233,574,416 remained from the provisions for prizes for the draws held during the year under review should be debited to the retained earnings and credited to the prizes reserves fund, as a result it was accounted for as an expense of the year under review, the profit of year had been understated by the said value.
- (b) Even though a sum of Rs.5,336,575 invested in a private bank by the Board had been taken over to the Government by Extra ordinary Gazette Notification No.1546/18 of 23 of April 2008, that amount had been further stated under investments without making appropriate accounting treatments for that.
- (c) The value of deferred tax asset amounting to Rs. 3,983,844 of the Board had been illustrated in the statement of financial position deducting from the liabilities.



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- (d) The following changes were observed as at 31 December 2019 in bank savings accounts which is being maintained in foreign currency.

	Balance as per the Cash Book	Balance confirmed by the Banks for the Audit	Difference
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	(US \$)	(US \$)	(US \$)
Dollar Fortune (US \$)	57, 589.88	56, 549.73	1, 040.15
Airport Super Draw (US \$)	377, 557.53	379,003.28	(1,445.85)

- (e) Although the tax written down value of motor vehicles and furniture purchased in 2015 should be zero at the end of the year under review when calculating differed taxes in the current year, due to that value was erroneously stated as Rs. 2,106,732, the provision for differed tax had been overstated by Rs.589,884 during the year under review.
- (f) Income tax expenditure had been calculated considering an impairment loss of Rs.1,355,557 which was not subjected to the deductions in computing income tax in the year 2017 and a disallowable expenses the Board itself spent to buy lotteries of the Board amounted to Rs. 16,325,700 as deductions. Actions had not been taken to correct that misstatement and to settle the tax payable for that even by the date of audit.
- (g) A sum of Rs. 3,526,260 receivable as penalty income for 176,313 lottery tickets which were not submitted to the Board by lottery distribution agents had not been accounted for during the year under review.
- (h) A number of 307,931 lottery tickets sold to agents had been purchased by the Board itself due to the curfew imposed in the North Western Province on 13th and 14th May 2019. In addition, due to poor maintenance of documentation, costs of 7431 lottery tickets amounting Rs.148,740 had been understated. A number of 13,169 lottery tickets had been issued to agents in excess when issuing lottery tickets to agents for a subsequent draw for lottery tickets purchased by the Board and the cost of them amounted to Rs. 214,655 had not been accounted for. The debtors of the year had been overstated by Rs. 4,898,052 due to the cost of 300494 lottery tickets undertaken by the Board was credited to the accrued expenses account without crediting to the debtors account and the accrued expenses had also been overstated by that amount. Accordingly, the value of provisions for bad debtors had been overstated by Rs. 244,961 as well.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAUS). 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

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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

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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.



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- 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 recommendations I made in the previous year in respect of the observations mentioned in the Paragraphs 1.2.1.1 (a), 1.2.1.2 (a) (b)(i) (f)(g) and 1.2.2 (a) (b) (f) in this report are not included in the financial statements submitted 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. But it had not entered into agreements with the relevant agencies on behalf of Govisetha, Supiri Vasana, Jathika Sampatha, Neeroga and Sevana Lotteries. Although the value of unclaimed prizes exceeding six months should be credited to the Consolidated Fund according to the provisions of the Act, only cash prizes of Rs. 389,032,360 which were not claimed as prizes during the year under review had been transferred to the Consolidated Fund. No measure whatsoever had been taken on unclaimed non-monetary, material prizes amounting to Rs.16,821,648. Likewise, a jeep valued at Rs. 2,350,000 purchased in 2013 and a van worth Rs. 8,500,000 purchased in 2016 for awarding prizes had been deployed for the utilization of the Board due to non-appearance of winners. The approval of the Ministry of Finance for that had not been obtained in terms of the Provisions.

(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. 1,601,530,457 relating to preceding years had been retained as at 31 December 2019 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 up to now regarding new lotteries such as Mega Power, Neeroga, Dhana Nidhanaya and Sevana and Daru diri Sampatha introduced since 2013. A sales income amounted to Rs. 6,013,524,440 had been earned from these lotteries. Out of that income, Rs. 2,919,790,331 had been reserved for prizes and a sum of Rs1,164,693,868 had been paid for the commissions of the sales agents.

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

Although 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, the body area of 06 Single Cabs which were purchased by spending Rs.20,750,000 in the year 2016 by the Board had been modified incurring a sum of Rs. 1,625,000 by upgrading as seen from the surface like Double Cabs.

(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 made payments considering each duty for more than 12 hours per day as two days in contrary to those provisions. The payments made so considering as two days in 18 instances during the year under review was Rs. 70,405. Further, the instances of payments of holiday pay by considering the working days of the week as public holidays were observed and the payments so made was Rs. 84,738.



(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 despite it had been emphasized by the Department of Public Enterprises as well without considering that a sum of Rs. 18,215,909 had been granted as Property Loans using the funds of the Board in the year under review. Likewise, every officer had been granted Loans at the minimum interest rate of 4 per cent without considering the interest to be recovered from the officers in accordance with provisions for the property loans.

(iii) Chapter XXIV

A person had been recruited for the post of Deputy General Manager Marketing / Promotion without considering the approved Scheme of Recruitment and the 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

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. 1,812,130 had been overpaid exceeding the monthly allowable fuel limit for the 04 officers who are entitled to official motor vehicles.

(ii) The allowances of Rs. 14,993,976 had been paid during the year under review as fuel allowance for the 24 Zonal Managers and 17 Sales Promotion Officers who are not entitled for the official vehicles and in case of using the personal motor vehicle, by adding to the salaries as an additional monthly allowance in contrary to the circular provisions.

(iii) An officer released to the Ministry of Finance had been paid Rs. 140,000 as fuel allowance during the year under review.



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#### (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 May 2020.

- Paragraph 8.3.9

Even though the resources belonging to the Board should not be provided to the Line Ministry or other Government Institutions, 06 officers and 04 motor vehicles owned by the Board valued at Rs. 20,126,786 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 incentives amounting to Rs. 2,050,000 paid by the Board as well to those officers.

- Paragraph 9.12

(i) A Fund had been inaugurated 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. 181,199,942 in the said Fund as at the end of the year under review.

(ii) Even though a welfare allowance of Rs. 7,695,000 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 was Rs. 105,509,897.



- (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 specific approval thereon had not been obtained. The amount paid so in the year under review was Rs. 5,791,000.
- (iii) A sum of Rs. 5,309,879 had been paid as overtime allowances, combine allowances and telephone allowances to Zonal Managers and Marketing Officers who are serving in the Board with the approval of the Board of Directors without obtaining the approval of the Department of Public Enterprises
- (iii) Circular No. PED/ 02/ 2015 of 25 May 2015
- The Board had provided the limits exceeding the approved limit in the circular for the telephones. Accordingly, the Board had incurred a sum of Rs. 25,500 for the telephone calls obtained by the 05 officers of the Board exceeding the approved limit. The necessary approval had not been obtained for this.
- (iv) Paragraph 2.5 of Circular No. PED/ 03/ 2015 of 17 June 2015
- A sum of Rs. 413,023 had been paid by the Board as incentive and bonuses to the Chairman and the Working Director during the year under review in contrary to Provisions in Circular.
- (v) Section 10 of Public Finance Circular No. 2/2015 of 10 July 2015
- Actions had not been taken to credit the income of Rs. 6,688,650 received from selling of 04 motor vehicles belonging to the Board of in the year 2019.
- (g) Letter No. PE1/70/7/Vo11 of 21 January 1993 of the Deputy Secretary to the Treasury
- Although a 16.5 per cent of the income received from all lotteries conducted on behalf of the Government should be remitted to the Consolidated Fund, since transmitting less than the prescribed percentage, that is 10 per cent of the value from 02 types of lotteries, such as Mega Power and Dhana Nidhanaya conducted in the year under review, the value that had not been remitted furthermore to the Treasury was Rs. 245,317,469.



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(h) Paragraph 2 (ii) of Management Services Circular No. 05/2017 dated 25 October 2017

Although the officers who receive other allowances are not entitled to pay a professional allowance as per the provisions, a professional allowance amounted to Rs.315,000 had been paid to an officer released to the post of Additional General Manager of the Board as a sum of Rs. 15,000 per month for the period from October 2017 to June 2019 .

- 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) The awarding of the procurement to the printer who had been selected from the procurement for the printing of two types of instant lotteries offered by the Board to the market had been carried out on 12 February 2020 . Nevertheless, due to the unavailability of the required printing materials to the printer it had not entered into agreements even by 30 June 2020 and printing works of it had been done by the previous printer.
  - (b) The printing works of 02 Lotteries called Sevana and Dhana Nidhana, which were launched in July 2016 and May 2018, had been handed over to two printers by a Decision of the Board of Directors without carrying out procurements procedure. Similarly, even though the procurement period for 04 types of lotteries out of 10 types of lotteries conducted by the Board during the year under review had ended in August 2019, the new procurement activities had not been commenced until 30 June 2020 and printers had been selected for the other 06 types of lotteries without following the formal procurement process.
  - (c) Even though the printing works of Mahajana Sampatha Lottery from the year 2008, printing works of Neeroga Lottery from the year 2015 and the printing works of Mega Power Lottery from the year 2018 on which operated by the Board had been carrying out by the State Printing Corporation up to now, a written agreement had not been entered into therefore. Although the minimum price received for printing of one ticket through the procurement process was Rs. 0.3448 , 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 lottery tickets had been Rs.52,396,404 approximately, the estimated loss which could occur from printing of Neeroga lottery tickets had been Rs.8,709,206 approximately and the estimated loss which could occur from printing of Mega Power lottery tickets had been Rs.21,529,523 at the end of the year under review .
  - (d) Even though the Board had instructed the printers to include and print all data in a QR Code for the safety of lottery ticket buyers, there have been instances where the printers had printed error QR Code while following the same security procedure and the Board did not have the equipment used to test that methodology. Similarly, the Board had not carried out the aforesaid examination for the lottery tickets submitted by the winners.



- (e) Although the monthly assessed value given by the Valuation Department for the 26000 square feet building leased by the Board in the year 2018 Rs. 3,750,000, the monthly rent which was being paid for that was Rs. 7,677,173. A building constructed on iron pillars adjacent to it with a 4885 square feet had been obtained with a monthly rent of Rs. 1,099,125. Actions had not been taken to obtain the documents such as plan for those buildings, the certificate of suitability for residence, the approval of the Municipal Council and the assessed value of the Valuation Department.

### 3. Other Audit Observations

#### 3.1 Management Inefficiencies

The following observations are made.

- (a) Although the Committee on Public Enterprises had made Directives on 21 March 2013 to the Board to recover the gratuity of Rs. 7,392,287 overpaid in previous years, actions had not been taken to recover the amount or to state in the financial statements as an the amount receivable. The Board had made arrangements to give written notices only to the relevant retired officers to reimburse the overpaid gratuity to the Board.
- (b) As per the Directive issued at the Committee on Public Enterprises held on 04 November 2014, a new building had to be erected on the 112-perches of land belonging to the Board in Vauxhall Street. Nevertheless only the selection of an architect had been carried out to design the building by the end of 2016 . This construction had not been commenced until 01 June 2020 and a sum of Rs. 101,532,720 as monthly rent for the building which was acquired to run the Board's offices and warehouses and a sum of Rs. 3,175,057 for the partition and renovating rooms in the building had been paid with the VAT in the year under review.

#### 3.2 Operational Inefficiencies

The following observations are made.

- (a) Private auditors had been appointed to audit 04 different Funds maintained for the staff and a sum Rs.180,000 in the year under review and Rs. 354,000 for the previous years had been paid using the funds of the Board without paying from the relevant Funds for those auditors as audit fees. The Board had not obtained the approval of the Ministry of Finance for this payment.
- (b) Despite the Board of Directors emphasizing the need to obtain surety bonds from registered sales agent of the Board, without activating it, credit insurance had been obtained for the period from July 2016 to July 2017 incurring an additional cost of Rs. 8,290,055 . Nevertheless, it was observed that the necessary actions had not been taken to recover a sum of Rs. 23,365,438 which was the unpaid loan balance for the years 2016 and 2017 from that.



- (c) Due to the decentralization of the centralized Sage ACCPAC computer software introduced by the Board in 2003 to maintain its accounts in 2016, the information such as inclusion of goods purchase orders remained in that centralized system and payment to the relevant suppliers by that ,stock updates, automated activities that took place through the system such as updating relevant ledger accounts control accounts and creditor accounts, up-to-date information due to decentralization, inventory and creditor analysis could not be able to obtain. The company that introduced this software had also refused to take responsibility for the risks associated with the changes.
- (d) Due to printing orders were issued without properly forecasting the need for lottery tickets to be printed by the Board during the year under review about 9 percent of printed lottery tickets remained unsold during the year.
- (e) Out of 650 public address equipment valued at Rs. 6,110,000 for which procurement activities were carried out in the year 2017, one hundred sixty nine public address equipment valued at Rs.1,588,600 had remained in the stores even by 12 June 2020 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 there for as well had not been carried out and their warranty period had also expired.
- (f) The draw of the Dollar Fortune Draw commenced National Lotteries Board without the consent of the Minister in charge of the subject or the Minister of Finance without a study on the lottery market in the year 2016 had not been carried even by 30 June 2020 . The number of printed lottery tickets of it were 30,000 and the number of lottery tickets sold as at 09 December 2019 were 6027. The number of tickets in store as at that date in hand was 21,942 again. Even though 2031 lottery tickets have been issued to various parties their information had not been provided to the Board.

### 3.3 Uneconomic Transactions

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The following observations are made.

- (a) It was observed in audit that new advertising agency was being made a 11.5 percent disproportionate payment out of the old advertisement broadcasting fee when re-broadcasting advertisement produced by old advertising agencies by the new advertising agencies selected from the procurement due to the Board's inability to acquire ownership of electronic broadcasting advertisements created by advertising agencies. Accordingly, the amount so paid was Rs. 7,371,544 with regard to the period from 01 October to 31 December 2019 when the new procurement activities commenced.
- (b) Without carrying out telecasting of daily lottery draws of the National Lotteries Board in the television and the activities related to publishing the results by the Board itself, with the assistance of advertising companies as an intermediary for the work, a service charge of 15 percent had been paid. Broadcasting of the Sevana Lottery by the Board staff themselves without such intermediary support, it was possible to save a sum of Rs. 4,464,672 from the money expected to be spent on it by the end of September 2019. However, as mentioned above, the Board had lost a sum of Rs. 1,262,806 which could have been saved for the last three months of the year 2019 due to the transfer of the lottery's advertising activities to a new advertising agency from 01 October 2019 . Further, a sum of Rs. 73,682,624 had been uneconomically spent for the other 08 lotteries in order to carry out those activities through advertising agencies.



- (c) Without taking actions to carry out the procurement of the lottery results of the Board to be advertised in newspapers and broadcast by radio stations, those activities had been done by the advertising agencies themselves. Those agencies had charged additional 15 percent from the bill value of the radio and newspaper companies for that. The agent commission paid for 08 Lotteries for the years 2017, 2018 and 2019 was Rs. 31,683,786. Handing over of the advertisements pertaining to newspaper and radio broadcast of one lottery ticket had been carried out by the Board itself. As a result, the agent commission saved by that from July 2017 to July 2019 was Rs. 2,271,588 .
- (d) Due to lack of focusing on the minimum number of squares that should be displayed the lottery winning results in a newspaper advertisement, the payments had been made at different rates for different sizes .The Board had obtained half of the pages of 04 daily newspapers and the amount paid so in the years 2017, 2018 and 2019 were Rs. 55,806,970, Rs. 67,052,788 and Rs. 42,686,370 respectively. Similarly, a formal study and evaluation had not been carried out on giving the result sheets pertaining to all lottery results to the lottery stalls and distributors all over the island the day after the draw and the press release and its square footage in publishing on websites.
- (e) Although the amount of Rs. 20,428,452 had to be paid for the tax liability of the Board on remittances made to the National Kidney Fund in the year 2018 had been identified as a replaceable value from the National Kidney Fund in the financial statements, the consent of the National Kidney Fund pertaining to that was not submitted to the audit.
- (f) As the Board prepared a Return Reimbursement Voucher to the Bank and submits to the Bank to make adjustments related to Agent Returns through Bank Accounts in re-issuing lottery tickets for lottery tickets returned by dealers, a 0.45 percent commission had also been charged by the bank. Accordingly, the commission paid twice during the period from 2014 to June 2020 had been Rs. 18,220,437 and information and schedules relevant to that calculation were not submitted to the audit and actions had not been taken to recover that money.
- (g) An advertising expense amounted to Rs.10,962,695 brought to accounts misidentifying as an expense payable in the previous year had been restated and accounted for as an other income in the year under review. As a result, a sum of Rs. 3,069,554 had to be paid in excess as income tax during the year under review .

### 3.5 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.
- (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 .



### 3.6 Accounts Receivable

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The following observations are made.

- (a) Actions had not been taken to recover the receivables for instant lottery tickets amounted to Rs. 12,799,984 sold on credit to 20 sales agents in the year 2016 .
- (b) There were receivables amounted to Rs. 4,662,778 for the Colombo Airport Super Draw Lottery and a sum of Rs. 19,508,730 from sales agents over a period of one year remaining within the trade debtor balances tallied to Rs. 273,559,415 as at the end of the year under review and there was a sum of Rs. 559,300 receivable from deceased sales agents within the balances of sales agents. Necessary adjustments as well had not been made regarding these values.
- (c) There was a debt balance amounted to Rs. 1,317,614 older than 09 years within the other loan balances as at the end of the year under review and there were payables amounted to Rs. 2,758,935 to 70 inactive sales agents and a sum of Rs. 722,731 receivable within that and actions had not been taken to settle them.
- (d) There was an unidentified credit balance remaining before the year 2016 amounted to Rs. 3,585,823, a sum of Rs. 4,979,245 payable to 04 creditors for more than a period of 09 years and also a sum of Rs. 169,311 payable to 14 officers of the staff as well and actions had not been taken to settle those balances.

### 3.7 Identified Losses

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There had been 135 misplaced lottery tickets valued at Rs. 627,750 cancelled in the 32nd draw of the Colombo Airport Super Draw Lottery which was drawn in 21 January 2018 and within that, it had been misplaced 66 lottery tickets by the private advertising institution and 69 lottery tickets by the staff of the Advertising Division of the Board. A sum of 26,140 US Dollars receivable for 1027 valid relevant lottery tickets had not been recovered. The market value of it had been Rs.5,607,420 .

W.P.C. Wickramarathne

Auditor General

## Statement of Income

For the year ended 31<sup>st</sup> December

	Note	Restated 2019 Rs.	Restated 2018 Rs.
<b>Gross Turnover - VAT Inclusive</b>	3	22,079,260,575	20,438,643,440
<b>Less: Indirect taxes</b>			
VAT		911,198,767	890,352,095
<b>Net Turnover</b>		<b>21,168,061,808</b>	<b>19,548,291,345</b>
Less: Cost of Sales	4	18,055,352,824	16,594,737,754
<b>Gross Profit</b>		<b>3,112,708,984</b>	<b>2,953,553,591</b>
Add : Other Income	5	1,070,594,943	414,302,302
		4,183,303,926	3,367,855,893
<b>Less: Expenses</b>			
Sales, Marketing & Distribution Costs	6	1,507,874,723	1,534,092,693
Administrative Expenses	7	809,263,882	752,237,186
Finance Cost	8	25,053,822	43,391,442
<b>Profit Before Tax</b>		<b>1,841,111,500</b>	<b>1,038,134,572</b>
Less Income Tax Expense	9	862,526,227	1,076,227,498
<b>Profit/ (Loss ) for the year</b>		<b>978,585,273</b>	<b>(38,092,926)</b>

Financial Statement of 2018 was restated to incorporate changes made to the calculation of provision for Income Tax which resulted in reduction of Income Tax Rs. 98,174,869/ and thereby net deficit was reduced by a similar amount.

## Statement of Comprehensive Income

For the year ended 31<sup>st</sup> December

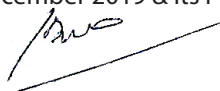
	Restated 2019 Rs.	Restated 2018 Rs.
<b>Profit (Loss) for the year</b>	<b>978,585,273</b>	<b>(38,092,926)</b>
<b>Other Comprehensive Income not to be reclassified to profit or loss in subsequent periods (net of tax)</b>		
Less : Actuarial Gains /(Losses) on defined benefit plans	(4,217,608)	(7,278,179)
Add : Deferred Tax attributable to remeasurment of Retirement benefit obligations	1,180,930	2,037,890
<b>Total Comprehensive Income for the Year Net of Tax</b>	<b>975,548,595</b>	<b>(43,333,215)</b>

## Statement of Financial Position

As at 31<sup>st</sup> December

	Note	Restated 2019 Rs.	Restated 2018 Rs.
<b>Assets</b>			
<b>Non Current Assets</b>			
Property, Plant & Equipment	10	616,679,884	674,931,737
Building - Work-in Progress - Head Office Building		26,997,762	26,997,762
Investment in shares Sri Lanka Savings Bank		5,336,575	5,336,575
Investment Property	11	27,372,295	29,635,743
Intangible Assets	12	886,822	2,516,664
Housing Loans		94,158,395	85,152,706
<b>Total Non Current Assets</b>		<b>771,431,733</b>	<b>824,571,187</b>
<b>Current Assets</b>			
Inventories	13	66,132,868	76,838,340
Trade Receivables	14	250,319,414	196,097,920
Other Current Assets	15	1,085,260,390	793,040,670
Cash & Cash Equivalents	16	5,860,049,121	5,006,918,994
<b>Total Current Assets</b>		<b>7,261,761,793</b>	<b>6,072,895,924</b>
<b>Total Assets</b>		<b>8,033,193,526</b>	<b>6,897,467,110</b>
<b>Equity &amp; Liabilities</b>			
<b>Equity Attributable to Owners of the parent</b>			
Retained Earnings	17	1,456,474,040	479,742,218
Other Components of Equity	18	3,223,725,936	2,990,151,520
<b>Total Equity</b>		<b>4,680,199,977</b>	<b>3,469,893,737</b>
<b>Non Current Liabilities</b>			
Deferred Tax (Asset) Liabilities	19	(3,983,844)	9,444,625
Retirement Benefit Obligation	20	61,842,602	52,031,249
Other Non Current Liabilities	21	-	4,115,137
<b>Total Non current Liabilities</b>		<b>57,858,758</b>	<b>65,591,011</b>
<b>Current Liabilities</b>			
Trade & Other Payables	22	2,865,731,783	2,627,898,566
Current Tax Payables	23	429,403,008	734,083,795
<b>Total Current Liabilities</b>		<b>3,295,134,791</b>	<b>3,361,982,361</b>
<b>Total Liabilities</b>		<b>3,352,993,549</b>	<b>3,427,573,372</b>
<b>Total Equity &amp; Liabilities</b>		<b>8,033,193,526</b>	<b>6,897,467,110</b>

These Financial Statements give a true and fair view of the state of affairs of National Lotteries Board as at 31<sup>st</sup> December 2019 & its Profit/(Loss) for the year ended 31<sup>st</sup> December 2019.

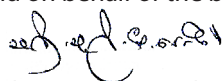


Harsha Bandara  
Chief Financial Officer



Kapila Senanayake  
A.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,



Lalith Piyum Perera - Chairman  
Colombo (27.08.2020)



Kelum Priyankara Liyanage - Director

## Statement of Cash Flow

For the year ended 31<sup>st</sup> December

	<b>Restated 2019 Rs.</b>	<b>Restated 2018 Rs.</b>
<b>Cash Flow From Operating Activities</b>		
Profit before Taxation	1,841,111,500	1,038,134,572
<b>Adjustments For</b>		
Depreciation & Amotization	80,283,584	103,519,648
Difined Benefit Plan cost	10,599,816	8,372,159
Profit / (Loss) on Disposal of Property, Plant & Equipments	(6,971,045)	82,494
Exchange Gains / (Losses)	476,484	(13,161,652)
Income from Circuit Bungalows & Hiring of Board Vehicles	(1,511,285)	(1,728,365)
Interest Income	(471,187,921)	(356,554,698)
Operating Profit before Working Capital changes	1,452,801,133	778,664,159
<b>Changes in Working Capital</b>		
(Increase) / Decrease in Inventories	10,705,472	20,855,673
(Increase) / Decrease in Trade Receivables	(54,286,862)	15,011,021
(Increase) / Decrease in Other Current Assets	(287,248,623)	(116,069,268)
Increase / (Decrease) in VAT & NBT Payables	(40,115,132)	(1,571,461)
Increase / (Decrease) in Prizes Obligations	224,533,482	265,591,377
Increase / (Decrease) in Government Contribution (Special Levy) Payables	(3,812,542)	32,628,303
Increase / (Decrease) in Trade & Other Payables	14,435,364	277,005,675
	1,317,012,293	1,272,115,479
Income Tax Payment	(1,120,151,660)	(498,037,403)
Increase / (Decrease) in Prizes Reserve	233,574,416	430,370,642
Difine Benefit Plan Cost Paid	(5,006,071)	(6,486,190)
<b>Net Cash Flow From Operating Activities</b>	<b>425,428,978</b>	<b>1,197,962,528</b>
<b>Cash Flow From Investing Activities</b>		
Additions to P.P.E., Investment Property, Intangible Assets & Wor-in Progress	(18,030,785)	(74,300,042)
Proceeds from Disposal of Property, Plant & Equipment	6,995,650	-
Income from Circuit Bungalows & Hiring of Board Vehicles	1,375,440	1,728,365
Staff Loans Granted	(33,698,218)	(53,882,974)
Staff Loans Recovered	23,636,366	40,193,259
Interest Received	453,320,660	323,233,563
<b>Net Cash Flow from Investing Activities</b>	<b>433,599,114</b>	<b>236,972,171</b>

For the year ended 31<sup>st</sup> December

	<b>Restated 2019 Rs.</b>	<b>Restated 2018 Rs.</b>
<b>Cash Flow From Finance Activities</b>		
Building Rent Paid - SL Ports Authority	(5,486,849)	4,115,137
<b>Net Cash Flow from Finance Activities</b>	<b>(5,486,849)</b>	<b>4,115,137</b>
Net Increase / (Decrease) in Cash & Cash Equivalent	853,541,243	1,439,049,836
Cash & Cash Equivalent at the beginning of the Year (Note)	5,006,507,878	3,567,869,159
<b>Cash &amp; Cash Equivalent at the End of the Year</b>	<b>5,860,049,121</b>	<b>5,006,918,994</b>
<b>Note to the Cash Flow Statement</b>		
<b>Cash &amp; Cash Equivalent</b>		
	<b>2019</b>	<b>2018</b>
Short Term Investments	5,319,125,587	4,384,966,899
Cash in Hand & Bank Balances	540,923,534	621,952,095
<b>Net Cash &amp; Cash Equivalent at the End of the Year</b>	<b>5,860,049,121</b>	<b>5,006,918,994</b>
<b>Note : Cash &amp; Cash Equivalent at the beginning of the Year</b>	5,006,918,994	3,555,067,133
Add : Exchange Gains / (Losses)	(411,116)	13,161,652
Less : Prior year Adjustment for exchange Gains/(Losses)	-	(359,625)
<b>Cash &amp; Cash Equivalent at the beginning of the Year</b>	<b>5,006,507,878</b>	<b>3,567,869,159</b>



## Statement of Changes In Equity

For the year ended 31<sup>st</sup> December

	Accumulated Treasury Fund Rs.	Revaluation Reserve Rs.	Building Reserve Rs.	Prizes Reserve Rs.	Retained Earnings Rs.	Restated Total Rs.
<b>Balance as at 01/01/2018</b>	21,263,101	321,118,964	50,000,000	1,487,398,814	653,427,833	2,533,208,712
Net Change in Prizes Reserves	-	-	-	430,370,642	-	430,370,642
Transfer from Retained Earnings / Building Reserve Reversed for Contribution to Treasury from Building Reserve	-	-	130,000,000	-	(130,000,000)	-
Adjustment for Exchange Gains/ (Losses)	-	-	550,000,000	-	-	550,000,000
Adjustment against Revaluation Gain on Disposal of P. P. & E.	-	-	-	-	(359,625)	(359,625)
Actuarial Gains/ (Losses) on defined benefit plans	-	-	-	-	7,225	7,225
Deferred Tax attributable to remeasurement of retirement benefit obligation (Previous year)	-	-	-	-	(7,278,179)	(7,278,179)
Profit / ( Loss ) for the Year 2018	-	-	-	-	2,037,890	2,037,890
<b>Balance as at 31/12/2018</b>	<b>21,263,101</b>	<b>321,118,964</b>	<b>730,000,000</b>	<b>1,917,769,456</b>	<b>479,742,218</b>	<b>3,469,893,739</b>
Net Change in Prizes Reserves	-	-	-	233,574,416	-	233,574,416
Adjustment T-Shirt/ Cash Vouchers-2018	-	-	-	-	1,099,590	1,099,590
Depreciation Adj. for Apura Regional Office- 2018	-	-	-	-	(3,967)	(3,967)
Adjustment for Accrue Expenses 2018	-	-	-	-	(3,912,396)	(3,912,396)
Adjustment for Sales Booths Recoveries Normal & Special 2018	-	-	-	-	4,000,000	4,000,000
Actuarial Gains/ (Losses) on defined benefit plans	-	-	-	-	(4,217,608)	(4,217,608)
Deferred Tax attributable to remeasurement of retirement benefit obligation (Previous year)	-	-	-	-	1,180,930	1,180,930
Profit / ( Loss ) for the Year 2019	-	-	-	-	978,585,273	978,585,273
<b>Balance as at 31/12/2019</b>	<b>21,263,101</b>	<b>321,118,964</b>	<b>730,000,000</b>	<b>2,151,343,872</b>	<b>1,456,474,041</b>	<b>4,680,199,979</b>

# Notes to the Financial Statements

## Significant Accounting Policies and Notes to the Financial Statements

### Notes No. 01

#### 1. Corporate Information

##### 01.1 Reporting Entity

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 2019 to 31st December 2019.

##### 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 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.

### Notes No. 02

#### 02. 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 2019 were authorized for issue by the Board of Directors on 27th August 2020.

### **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 2019 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.

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

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

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

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

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

### 2.1.8 Materiality and Aggregation.

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

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

### 2.1.9 Significant Accounting Judgments, Estimates and Assumptions

#### a) Judgments.

In the process of applying the Accounting Policies, Management has made the following 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;

	<b>Per annum %</b>
Freehold Buildings	05
Draw Barrels, Lottery Equipment	20
Motor Vehicles	25
Furniture and Fittings	10
Computers	25
Air Conditioners, General & Office Equipment	20
Promotional Equipment	33.33

**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.

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.

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 District Dealer (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.

**(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% was charged as a bad debts as at 31/12/2019 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 needed 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 maintained 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.

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.

### 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 subsequent amendments thereto. Income Tax due/paid on contribution made to the Consolidated Fund was received/recoverable in installments basis from future remittances to the respective fund as agreed with the authorities concerned.

#### **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 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 31.12.2019. The Board expects to carry out actuarial valuation every year. The key assumptions used by the actuary include the following.

#### 2019

Method of Actuarial Valuation	- Projected Unit Credit Method (PUC)
Discount Rate	- 2019-10.5%
	- 2018-11%
Future Salary increment	- 5% p.a. with next increment on anniversary of Date of joining and thereafter annually.
Future Allowance increment	- 10% increment on 01.01.2020.
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. Funds available under the retirement benefit plan was invested in fixed deposits.

## 2.5 Income Statement

### 2.5.1 Revenue Recognition

- a) 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.

- 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 Government Contribution (Special Levy)

In terms of Section 9 (2) (f) of the Finance Act, No. 38 of 1971, payments made to the Government Contribution (Special Levy) 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. 2,637,962,164/40 to the Government Contribution (Special Levy) during the year under review with compared to previous year payment of Rs. 2,426,947,887/80.

## 2.6 General

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

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

### 2.6.2 Comparative Figures

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

### 2.6.3 Property, Plant & Equipment fully depreciated but still in use

Board Property, Plant and Equipment with a cost of Rs. 350,153,304.70 (2018 - Rs. 331,224,398.14 ) have been fully depreciated and continue to be in use by the Board.

### 2.6.4 Loans and Receivables

- 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.

### 2.6.5 Provision for Bad Debts

A provision of 5% amounting to Rs.7,061,115.83 on unsecured trade debtors was made as a provision of bad debts as at 31/12/2019 after eliminating the value of bank guarantees obtained against individual debtor balances.

### 2.6.6 Provisions, Contingent Assets and Contingent Liabilities.

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.

#### (a) 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.

#### (b) 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.

#### (c) Recovery of Dues

The Board may have to pay Rs.22,191,120/- and Rs.15,067,307.50 as recovery of dues for two persons who had filed action against the Board in the commercial High Courts' of Colombo.

#### (d) Retention Money – Mannar Circuit

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.

#### (e) Overdue Rental – Sri Lanka Port Authority

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. The amount is payable in 24 monthly installments and Rs. 6,858,561.15 have already been settled as at 31 December 2019. Balance Payable amounting to Rs.4,115,137/- as at 31 December 2019 shown as a current liability.

### 2.6.7 Forfeited Prizes

A sum of Rs. 389,032,360/- was forfeited in 2019 and was remitted to consolidated fund. This consists of Rs.201,657,600/- forfeited from 01.01.2019 to 30.06.2019 (for draws held from 01.07.2018 to 31.12.2018), Rs.100,210,500/- forfeited from 01.07.2019 to 30.09.2019 (for draws held from 01.01.2019 to 31.3.2019) and Rs. 87,164,260/- forfeited from 01.10.2019 to 31.12.2019 (for draws held from 01.04.2019 to 30.06.2019). Forfeited prizes always represent two financial years and payments are made accordingly.

### 2.6.8 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. Subsequently on 01 of July 2019 Agency Commission too increased again from 17.5% to 18.75%.

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

	Mahajana Sampatha	Vasana Sampatha	Govisetha	Supiri Vasana	Jathika Sampatha	Dana Nidanaya	Neeroga	Mega Power
Prizes	49%	47%	47%	47%	47%	47%	49%	48%
Dealer Commission	18.75%	18.75%	18.75%	18.75%	18.75%	18.75%	18.75%	18.75%
Government Contribution	16.50%	16.50%	10%	10%	10%	10%	10%	10%
Board	15.75%	17.75%	24.25%	24.25%	24.25%	24.25%	22.25%	23.25%

	Sevana Passive	MS Ran Kirula
Prizes	49%	58%
Dealer Commission	18.75%	18.75%
Government Contribution	10%	10%
Board	22.25%	13.25%

Mahajana Sampatha Ran Kirula additional lottery was conducted in 2019.

The Board conducts the 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%	18.75%	15%	18.75%	18.75%	18.75%
Government Contribution	10%	10%	10%	10%	10%	10%
Board	26%	18.25%	26%	18.25%	18.25%	18.25%

Entrance ticket for Enterprise Sri Lanka exhibition was also provided and sold. While sales were accounted under special scratch, a prize of 70.96% was given under their entrance ticket.

(c) **Government Contribution to the Consolidated Fund and National Kidney Fund remitted to the relevant Ministries through the Consolidated Fund is given below.**

<b>Passive Lotteries</b>	<b>%</b>	<b>Consolidated Fund / Ministries</b>
Mahajana Sampatha	16.5%	Consolidated Fund
Vasana Sampatha	16.5%	Consolidated Fund
Govisetha	10%	Ministry of Agriculture
Supiri Vasana (Monday)	10%	Ranawiru sewa Authority
Supiri Vasana (Saturday)	10%	Ministry of Sports & Ministry of Social Services
Jathika Sampatha (Wednesday)	10%	Ministry of Health and Indigenous Medical Services
Jathika Sampatha (Saturday)	10%	Ministry of Labour
Neeroga	10%	National Kidney Fund
Mega Power	10%	Consolidated Fund
Sevana-Passive	10%	Consolidated Fund
Dhana Nidanaya	10%	Consolidated Fund
<b>Instant Lotteries</b>	<b>%</b>	<b>Consolidated Fund / Ministries</b>
Samurdhi	10%	Ministry of Samurdhi & Youth Affairs
Sevana	10%	Ministry of Housing
Dinana Ratak	10%	Consolidated Fund

<b>Note - 03</b>	<b>Restated</b>	<b>Restated</b>
<b>Turnover - VAT Inclusive</b>	<b>2019</b>	<b>2018</b>
	<b>Rs.</b>	<b>Rs.</b>
Mahajana Sampatha	6,197,815,160	5,587,471,880
Vasana Sampatha	423,948,600	382,685,840
Govisetha	7,315,939,080	6,634,857,840
Supiri Vasana	730,935,400	864,350,280
Jathika Sampatha	1,211,017,800	1,053,829,200
Sampath Rekha	-	130,955,400
Neeroga	972,134,280	976,351,200
Mega Power	2,537,941,360	2,181,488,360
Delashapathi Double Dreams (Supiri Delakshapathi)	-	124,677,000
Govesetha Supiri Warama	-	81,907,200
Sevana Passive	685,619,240	690,770,400
Dhana Nidhanaya	1,236,173,560	909,205,560
Mahajana Sampatha Ran kirula	71,274,720	-
Colombo Air Port Lottery	-	26,241,280
Samurdhi	58,220,000	70,750,000
Sevana - Scratch	581,656,000	694,392,000
Special - Scratch	56,585,375	28,710,000
<b>Total</b>	<b>22,079,260,575</b>	<b>20,438,643,440</b>

<b>Note - 04</b>	<b>Restated</b>	<b>Restated</b>
<b>Cost of Sales</b>	<b>2019</b>	<b>2018</b>
	<b>Rs.</b>	<b>Rs.</b>
Ticket Printing Charges	530,636,181	506,763,590
Agency Commission	4,004,929,695	3,573,332,444
Main Commission	274,059,380	252,957,219
Prize Declared	10,607,765,403	9,834,736,614
Government Contribution(Special Levy)	2,637,962,164	2,426,947,888
<b>Total</b>	<b>18,055,352,824</b>	<b>16,594,737,754</b>



<b>Note 04-01</b>	<b>Restated</b>	<b>Restated</b>
<b>Tickets Printing Charges</b>	<b>2019</b>	<b>2018</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Opening Stock as at 1<sup>st</sup> January</b>		
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
Add : Purchase of Tickets During the year	522,150,451	516,785,483
	<b>536,652,599</b>	<b>521,265,738</b>
<b>Less : Closing Stock as at 31<sup>st</sup> December</b>		
Passive Lottery	1,181,368	6,409,196
Sevana Lottery	3,666,784	3,152,679
Samurdhi Lottery	-	889,559
Special - Scratch	1,168,265	4,050,714
	6,016,417	14,502,148
<b>Total</b>	<b>530,636,181</b>	<b>506,763,590</b>

<b>Note 04-02</b>	<b>Restated</b>	<b>Restated</b>
<b>Agency Commission</b>	<b>2019</b>	<b>2018</b>
	<b>Rs.</b>	<b>Rs.</b>
Mahajana Sampatha	1,125,174,745	977,807,579
Vasana Sampatha	76,763,823	66,970,022
Govisetha	1,327,276,760	1,161,100,122
Supiri Vasana	132,720,885	151,261,299
Jathika Sampatha	220,218,298	184,420,110
Sampath Rekha	-	22,917,195
Neeroga	176,180,754	170,861,460
Maga Power	460,915,958	381,760,463
Delakshapathi Double Dreams (Supiri Delakshapathi)	-	21,818,475
Govesetha Supiri Warama	-	14,333,760
Sevana Passive	124,582,165	120,884,820
Dhana Nidhanaya	224,062,498	159,110,973
Mahajana Sampatha Ran kirula	13,364,010	-
Colombo Air Port Lottery	-	3,440,066
Samurdhi	8,733,000	10,612,500
Sevana - Scratch	105,264,300	121,518,600
Special - Scratch	9,672,500	4,515,000
<b>Total</b>	<b>4,004,929,695</b>	<b>3,573,332,444</b>

<b>Note 04-03</b> <b>Main Agency Commission</b>	<b>Restated</b> <b>2019</b> <b>Rs.</b>	<b>Restated</b> <b>2018</b> <b>Rs.</b>
Mahajana Sampatha	77,446,454	69,819,831
Vasana Sampatha	5,297,943	4,782,799
Govisetha	91,371,145	82,840,762
Supiri Vasana	9,135,865	10,800,694
Jathika Sampatha	15,133,283	13,171,756
Sampath Rekha	-	1,643,162
Neeroga	12,149,282	12,196,986
Mega Power	31,672,977	27,238,521
Delakshapathi Double Dreams (Supiri Delakshapathi)	-	1,557,884
Govesetha Supiri Warama	-	1,011,518
Sevana Passive	8,528,341	8,630,238
Dhana Nidhanaya	15,521,033	11,353,649
Mahajana Sampatha Ran kirula	876,299	-
Samurdhi	582,200	707,500
Sevana - Scratch	5,816,560	6,943,920
Special - Scratch	528,000	258,000
<b>Total</b>	<b>274,059,380</b>	<b>252,957,219</b>

<b>Note 04-04</b> <b>Prize Declared</b>	<b>Restated</b> <b>2019</b> <b>Rs.</b>	<b>Restated</b> <b>2018</b> <b>Rs.</b>
Mahajana Sampatha	3,036,929,428	2,737,898,918
Vasana Sampatha	199,277,562	179,840,625
Govisetha	3,438,925,828	3,118,015,865
Supiri Vasana	343,544,498	406,243,452
Jathika Sampatha	569,325,986	495,051,364
Sampath Rekha	-	61,549,038
Neeroga	476,345,797	478,418,868
Mega Power	1,218,211,853	1,047,113,073
Delakshapathi Double Dreams (Supiri Delakshapathi)	-	61,091,730
Govesetha Supiri Warama	-	47,506,176
Sevana Passive	335,953,428	338,477,496
Dhana Nidhanaya	581,001,573	427,326,613
Mahajana Sampatha Ran kirula	41,339,338	-
Colombo Air Port Lottery	-	18,000,000
Samurdhi	28,527,800	34,667,500
Sevana - Scratch	308,277,680	367,796,960
Special - Scratch	30,104,633	15,738,936
<b>Total</b>	<b>10,607,765,403</b>	<b>9,834,736,614</b>

<b>Note 04-05</b>	<b>Restated 2019 Rs.</b>	<b>Restated 2018 Rs.</b>
<b>Government Contribution (Special Levy)</b>		
<b><u>Contribution to the Consolidated Fund</u></b>		
Mahajana Sampatha	1,022,639,501	921,932,860
Vasana Sampatha	69,951,519	63,143,164
Govisetha	731,593,908	663,485,784
Supiri Vasana	73,093,540	86,435,028
Jathika Sampatha	121,101,780	105,382,920
Sampath Rekha	-	13,095,540
Maga Power	253,794,136	218,148,836
Delakshapathi Double Dreams (Supiri Delakshapathi)	-	12,467,700
Govesetha Supiri Warama	-	8,190,720
Sevana Passive	68,561,924	67,015,460
Dhana Nidhanaya	123,617,356	90,920,556
Mahajana Sampatha Ran kirula	7,127,472	-
Samurdhi	5,822,000	7,075,000
Sevana - Scratch	58,165,600	69,439,200
Special - Scratch	5,280,000	2,580,000
	<b>2,540,748,736</b>	<b>2,329,312,768</b>
<b><u>Contribution to National Kidny Fund</u></b>		
Neeroga	97,213,428	97,635,120
	<b>97,213,428</b>	<b>97,635,120</b>
<b>Total</b>	<b>2,637,962,164</b>	<b>2,426,947,888</b>

<b>Note No - 05</b>	<b>Restated 2019 Rs.</b>	<b>Restated 2018 Rs.</b>
<b>Other Income</b>		
Interest Income	471,187,921	356,554,698
Sundry Income	599,407,021	57,747,605
<b>Total</b>	<b>1,070,594,943</b>	<b>414,302,302</b>

<b>Note No - 06</b>	<b>Restated 2019 Rs.</b>	<b>Restated 2018 Rs.</b>
<b>Sales Marketing &amp; Distribution Costs</b>		
Distribution Costs	442,803,322	484,118,410
Marketing & Sales Promotion Expenses	1,037,345,636	1,023,507,765
Communication Expenses	27,725,765	26,466,517
<b>Total</b>	<b>1,507,874,723</b>	<b>1,534,092,693</b>

<b>Note No 06 - 1</b>	<b>Restated</b>	<b>Restated</b>
<b>Distribution Cost</b>	<b>2019</b>	<b>2018</b>
	<b>Rs.</b>	<b>Rs.</b>
NBT	281,800,099	286,551,044
Motor Vehicles - Fuel	9,694,568	9,694,288
Motor Vehicles - Repairs	4,461,004	4,848,968
Motor Vehicles - Insurance	1,846,065	1,570,383
Motor Vehicles - Revenue License	250,545	265,885
Motor Vehicles - Tires and Tubes	560,102	977,376
Motor Vehicles - Maintenance and Others	3,211,133	2,612,901
Motor Vehicles - Depreciation	13,511,418	19,290,936
Tickets Transport Charges	13,124,333	14,587,955
Agent Relief Expencc /Cost of Returned Tickets	6,147,526	221,420
Agent's & Sellers Welfare	96,190	46,750
Dealers & Agents Training & Conference	2,570,385	2,751,482
Scholarships to Agents' Children	201,500	80,000
Sales Incentive for Dealers & Agents	2,770,000	59,669,480
Agent & Sellers Medical Expenses	6,304,000	4,429,500
Agent Additional Sales Promotional Expenses	88,609,781	67,030,885
Agent Appreciation Token for Prize Winners	2,784,000	4,607,400
Paym. to Asarana Sarana Fund ( Neeroga Incentive)	4,860,671	4,881,756
<b>Total</b>	<b>442,803,322</b>	<b>484,118,410</b>

<b>Note No 06 - 2</b>	<b>Restated</b>	<b>Restated</b>
<b>Marketing &amp; Sales Promotional Expenses</b>	<b>2019</b>	<b>2018</b>
	<b>Rs.</b>	<b>Rs.</b>
Production & Telecasting	423,600,959	414,678,755
Publication of Lottery Results	101,335,057	103,484,017
Brand Promotional Advertising	381,192,008	382,658,894
Corporate Advertising	33,034,386	27,206,108
CSR - Corporate Social Responsibility	72,519,753	45,185,250
Out Station Draw Expenses	-	27,000
BTL Advertising Exp	20,468,374	20,221,208
Public Relation Expenses	1,586,120	727,837
Sales Booth to Agents	3,608,980	29,318,697
<b>Total</b>	<b>1,037,345,636</b>	<b>1,023,507,765</b>

<b>Note No 06 - 3</b>	<b>Restated</b>	<b>Restated</b>
<b>Communication Expenses</b>	<b>2019</b>	<b>2018</b>
	<b>Rs.</b>	<b>Rs.</b>
Postage & Telegrams	142,040	820,839
Telephone, Faxes, and Internet	13,276,041	13,226,499
Printing & Stationery	13,557,958	10,592,548
Press Notices	749,727	1,826,632
<b>Total</b>	<b>27,725,765</b>	<b>26,466,517</b>

<b>Note No - 07</b>	<b>Restated</b>	<b>Restated</b>
<b>Administrative Expenses</b>	<b>2019</b>	<b>2018</b>
	<b>Rs.</b>	<b>Rs.</b>
Personnel Emoluments	458,633,719	420,862,040
Establishment Expenses	181,332,236	166,194,330
Other Administrative Expenses	169,297,927	165,180,817
<b>Total</b>	<b>809,263,882</b>	<b>752,237,186</b>

<b>Note No - 08</b>	<b>Restated</b>	<b>Restated</b>
<b>Finance Cost</b>	<b>2019</b>	<b>2018</b>
	<b>Rs.</b>	<b>Rs.</b>
Bank Charges	24,577,338	41,591,442
Exchange Losses	476,484	-
WHT on Lott.Prizes Paid By NLB - CASD	-	1,800,000
<b>Total</b>	<b>25,053,822</b>	<b>43,391,442</b>

<b>Note No - 09</b>	<b>Restated</b>	<b>Restated</b>
<b>Income Tax</b>	<b>2019</b>	<b>2018</b>
	<b>Rs.</b>	<b>Rs.</b>
Current Year Income Tax	874,773,766	1,077,406,469
Deemed Dividend Tax	-	29,480,544
<b>Total Current year Income tax</b>	<b>874,773,766</b>	<b>1,106,887,013</b>
Notional Tax Credit	-	(1,200,455)
	<b>874,773,766</b>	<b>1,105,686,558</b>
Deffered Tax Expenses	(12,247,539)	(29,459,060)
<b>Income Tax Expense</b>	<b>862,526,227</b>	<b>1,076,227,498</b>

As per the notice published in the IRD web site on 18.02.2020 with effect from 01<sup>st</sup> April 2019 any sum paid to the consolidated fund by a Public Corporation is not liable for Income Tax

**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.	Restated 2019 Total Rs.	Restated 2018 Total Rs.
<b>Cost</b>											
Balance Beginning 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
Last Year Adjustment	-	-	-	-	-	-	-	-	-	-	(51,000)
Additions during the Year	-	104,500	-	5,463,772	-	2,777,272	-	6,152,529	3,668,940	18,167,013	67,422,706
Disposal during the Year	-	-	(8,950,000)	-	-	(38,850)	-	-	-	(8,988,850)	(53,990)
Transferred during the Year	-	1,086,820	-	-	-	-	-	-	-	1,086,820	-
<b>Balance end of the Year</b>	<b>500,000,000</b>	<b>23,331,320</b>	<b>285,192,209</b>	<b>126,686,260</b>	<b>21,954,215</b>	<b>51,633,236</b>	<b>162,980,392</b>	<b>35,836,126</b>	<b>13,389,940</b>	<b>1,221,003,698</b>	<b>1,210,738,715</b>
<b>Provision for Depreciation</b>											
Balance Beginning 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
Last Year Adjustment	-	-	-	-	-	-	-	-	-	-	(7,225)
Depreciation for the Year	-	1,165,260	27,022,837	7,608,166	256,650	4,352,022	30,125,288	3,187,739	3,749,533	77,467,496	98,811,651
Depreciation on Disposal	-	-	(8,950,000)	-	-	(14,245)	-	-	-	(8,964,245)	(22,496)
Transferred during the Year	-	13,585	-	-	-	-	-	-	-	13,585	-
<b>Balance End of the Year</b>	<b>-</b>	<b>6,254,845</b>	<b>242,677,314</b>	<b>114,350,859</b>	<b>21,932,827</b>	<b>44,775,458</b>	<b>154,103,307</b>	<b>15,399,668</b>	<b>4,829,536</b>	<b>604,323,814</b>	<b>535,806,978</b>
Written Down Value as at 31.12.2019	500,000,000	17,076,475	42,514,895	12,335,402	21,388	6,857,779	8,877,084	20,436,458	8,560,404	616,679,884	-
Written Down Value as at 31.12.2018	500,000,000	17,064,000	69,537,732	14,479,796	278,038	8,457,134	39,002,372	17,471,669	8,640,997	-	674,931,737
Rate of Depreciation	-	5%	25%	25%	25%	20%	20%	10%	33%		

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

Fair value Measurement

As per the valuation carried out as at 01st January 2015 by the Government Valuer for Department of Valuation, the asset were valued on a market value existing use basis.

Assets	Valuation Technique	Significant unobservable inputs	Sensitivity of the input to the fair value
Period Land & Building	Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued..The involves evaluation of recent active market prices of similar assets, making appropriate adjustment for difference in size, nature& location of the property.	Price per perch of land	Estimated fair value would increase (decrease) if: Price per perch increases (decreases)

Property Plant & Equipment - Free Hold property

Land carried revalued amount

Location	last Revaluation Date	Extent	Cost Amount as at 31.12.2013 Rs	W.D.V. Amount as at 31.12.2013 Rs	Revaluation Amount as at (31.12.2013) Rs.	Revaluation Surplus (2013) Rs.	W.D.V. Amount as at 31.12.2019 Rs.
Land - Vauxhall Street No 55/57, Vauxhall Street, Colombo 02	31.12.2013	112.05P	312,151,670	312,151,670	500,000,000	187,848,330	500,000,000
Chairman Bungalow- Narahenpita D8//1/2 Mangala Path, Main Town, Colombo 02	31.12.2013	0.1415Ha	2,322,929	182,876	9,900,000	9,717,124	6,930,000

Carrying amount has been adjusted for depreciation for Building

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

<b>Building-Lease Hold</b>	<b>Restated 2019 Rs.</b>	<b>Restated 2019 Rs.</b>
<b>Cost</b>		
Balance Beginning of the year	51,616,820	50,530,000
Additions during the year	-	1,086,820
Transferred during the year (to the P.P.E)	(1,086,820)	-
<b>Balance end of the year</b>	<b>50,530,000</b>	<b>51,616,820</b>
<b>Accumulated Amortization</b>		
Balance Beginning of the year	21,981,077	20,785,213
Transferred during the year (to the P.P.E.)	(9,618)	-
Amortization for the year	1,186,246	1,195,864
<b>Balance end of the year</b>	<b>23,157,705</b>	<b>21,981,077</b>
<b>Written Down Value as at 31.12.2019</b>	<b>27,372,295</b>	
<b>Written Down Value as at 31.12.2018</b>		<b>29,635,743</b>

Fair value Measurement

As per the valuation carried out as at 01st January 2015 by the Government Valuer for Department of Valuation, the asset were valued on an market value existing use basis.

<u>Assets</u>	<u>Valuation Technique</u>	<u>Significant unobservable inputs</u>
Investment Property	Market comparable method This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of property being revalued..The involves evaluation of recent active market prices of similar assets, making appropriate adjustment for difference in size, nature& location of the property.	Price per perch of land.

Investment Property

<b>Location</b>	<b>last Revaluation Date</b>	<b>Extent</b>	<b>Cost Amount as at 31.12.2013 Rs</b>	<b>W.D.V. Amount as at 31.12.2013 Rs</b>	<b>Revaluation Amount as at 31.12.2013 Rs.</b>	<b>Revaluation Surplus (2013) Rs.</b>	<b>W.D.V. Amount as at 31.12.2019 Rs</b>
Anuradapura Circuit Bungalow 01 <sup>st</sup> Lane Harischandra Mv	31.12.2013	IR 18.52 P	3,759,162	477,067	16,030,000	15,552,933	-
Manna Circuit Bungalow Jubilee Road, Murungan	31.12.2014	0.2683 Ha	55,663,168	55,199,744	34,500,000	(20,699,744)	27,372,295

Carrying amount has been a adjusted for amortization for investment property



**Note No. 12 - Intangible Assets**

<b>Computer Software</b>	<b>Restated 2019 Rs.</b>	<b>Restated 2018 Rs.</b>
<b>Cost</b>		
Balance Beginning of the year	68,643,916	68,643,916
Additions during the year	-	-
<b>Balance end of the year</b>	<b>68,643,916</b>	<b>68,643,916</b>
<b>Accumulated Amortization</b>		
Balance Beginning of the year	66,127,252	62,615,119
Amortization for the year	1,629,842	3,512,133
<b>Balance end of the year</b>	<b>67,757,094</b>	<b>66,127,252</b>
<b>Written Down Value as at 31.12.2019</b>	<b>886,822</b>	
<b>Written Down Value as at 31.12.2018</b>		<b>2,516,664</b>

Government Vluer informed NLB that there is no necessity to value intangible assets

<b>Note No. - 13 Inventories</b>	<b>Restated 2019 Rs.</b>	<b>Restated 2019 Rs.</b>
Printed Tickets Stocks	7,040,239	15,602,769
Prizes Stocks	51,950,582	55,649,912
Consumable Stocks	7,142,048	5,585,659
<b>Total</b>	<b>66,132,868</b>	<b>76,838,340</b>

<b>Note No. - 14</b>	<b>Restated</b>	<b>Restated</b>
<b>Trade Receivables</b>	<b>2019</b>	<b>2018</b>
	<b>Rs.</b>	<b>Rs.</b>
Sweep/Trade Debtors	273,559,415	212,276,806
Return Cheques - Sevana	603,899	603,899
	274,163,315	212,880,705
Less : Provision for Doubtful Debts	(23,843,901)	(16,782,785)
<b>Total</b>	<b>250,319,414</b>	<b>196,097,920</b>

<b>Note No. - 15</b>	<b>Restated</b>	<b>Restated</b>
<b>Other Current Assets</b>	<b>2019</b>	<b>2018</b>
	<b>Rs.</b>	<b>Rs.</b>
Other Debtors	10,977,212	8,780,309
Accounts Receivables	80,189,408	58,796,010
Staff Loans	49,033,361	47,977,199
Deposits & Prepayments	122,086,791	133,769,099
Deferred Revenue, Expenditure - DF/CASD	(9,485,635)	(6,281,945)
Income Tax Recoverable from CF & NKF	282,459,254	-
Building Reserve Receivable by Treasury	550,000,000	550,000,000
<b>Total</b>	<b>1,085,260,390</b>	<b>793,040,670</b>

<b>Note No. - 16</b>	<b>Restated</b>	<b>Restated</b>
<b>Cash &amp; Cash Equivalent</b>	<b>2019</b>	<b>2018</b>
	<b>Rs.</b>	<b>Rs.</b>
Cash in Hand at Bank	540,923,534	621,952,095
Short term Deposits	5,319,125,587	4,384,966,899
<b>Total</b>	<b>5,860,049,121</b>	<b>5,006,918,994</b>

<b>Note No. 17</b>	<b>Restated</b>	<b>Restated</b>
<b>Retained Earnings</b>	<b>2019</b>	<b>2018</b>
	<b>Rs.</b>	<b>Rs.</b>
Balance at the Beginning of the year	479,742,218	653,427,833
Profit for the year	978,585,273	(38,092,926)
	<b>1,458,327,493</b>	<b>615,334,910</b>
Less : Transfer to Building Reserve	-	(130,000,000)
Less: Adjustment /Reversal for Exchange Gains/(Losses)	-	(359,625)
Less:Actuarial Gains/ (Losses) on defined benefit plans	(4,217,608)	(7,278,179)
Add:Deferred Tax attributable to re measurement of Retirement benefit Obligation	1,180,930	2,037,890
Add:Adjustment T-Shirt/ Cash Vouchers-2018	1,099,590	-
Less:Depriciation Adj. for A'pura Regional Office- 2018	(3,967)	-
Less:Adjustment for Accrude Expenses 2018	(3,912,396)	-
Add:Adjustment for Sales Booths Recoveries Normal & Special 2018	4,000,000	-
Add : Depriciation of Disposal of Fixed Assets	-	7,225
<b>Balance at the end of the year</b>	<b>1,456,474,040</b>	<b>479,742,218</b>

<b>Note No. 18</b>	<b>Restated</b>	<b>Restated</b>
<b>Other Components of Equity</b>	<b>2019</b>	<b>2018</b>
	<b>Rs.</b>	<b>Rs.</b>
Accumulated Treasury Fund	21,263,101	21,263,101
Revaluation Reserve	321,118,964	321,118,964
Building Reserve	730,000,000	730,000,000
Prizes Reserve	2,151,343,872	1,917,769,456
<b>Balance at the end of the year</b>	<b>3,223,725,936</b>	<b>2,990,151,520</b>

<b>Note No. 19</b>	<b>Restated 2019 Rs.</b>	<b>Restated 2018 Rs.</b>
<b>Deferred Tax (Assets) / Liability</b>		
Balance at the Beginning of the year	9,444,625	40,941,576
Current Year Deferred Tax Provision	(12,247,539)	(29,459,060)
Add: Deferred Tax attributable to remeasurment of Retirement benefit Obligation	(1,180,930)	(2,037,890)
<b>Balance at the end of the year</b>	<b>(3,983,844)</b>	<b>9,444,625</b>
<b>Movement in Deferred Tax (Assets)/Liability</b>		
Balance at the Beginning of the year	9,444,625	40,941,576
Recognized in Profit/(Loss)	(12,247,539)	(29,459,060)
Recognized in other comprehensive income	(1,180,930)	(2,037,890)
<b>Balance at the end of the year</b>	<b>(3,983,844)</b>	<b>9,444,625</b>
<b>Composition of Deferred Tax (Assets)/Liability</b>		
Deferred tax assets attributable to :		
Define benefit Obligations	(17,315,929)	(14,568,719)
Accelerated depreciation for tax purposes on property, plant & Equipment	13,332,085	24,013,344
<b>Net Deferred Tax (Assets)/Liability</b>	<b>(3,983,844)</b>	<b>9,444,625</b>

<b>Note No. 20</b>	<b>Restated 2019 Rs.</b>	<b>Restated 2018 Rs.</b>
<b>Retirement benefit obligation</b>		
<b>Balance at the beginning of the year</b>	<b>52,031,249</b>	<b>42,867,101</b>
Interest Cost	5,723,425	4,286,699
Current Service Cost	4,876,391	4,085,460
Charge to P&L	10,599,816	8,372,159
Actuarial Losses	4,217,608	7,278,179
	14,817,424	15,650,338
Payment made during the year	(5,006,071)	(6,486,190)
<b>Balance at the end of the year</b>	<b>61,842,602</b>	<b>52,031,249</b>

### Sensitivity Analysis

Value appearing in the financial statement are very sensitivity to the changes of financial and non financial assumptions used.

The sensitivity analysis was carried for the change of discount rate and salary escalation rate.

Simulation made for retirement obligation shows that a rise or fall by 1% of the discount rate and salary has the following effect on the retirement benefit obligation.

<b>Variable</b>	<b>Restated - 2019</b>		<b>Restated - 2018</b>	
	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
<b>Discount Rate</b>				
Sensitivity level	1%	1%	1%	1%
Impact on defined benefit obligation Rs	57,874,746	66,374,799	48,808,447	55,702,566
<b>Salary Escalation Rate</b>				
Sensitivity level	1%	1%	1%	1%
Impact on defined benefit obligation Rs	66,556,266	57,655,426	55,853,513	48,629,209
Distribution of Present Value of Define Benefit Obligation in future years are as follows			<b>Restated 2019</b>	<b>Restated 2018</b>
Within the next 12 months			5,792,476	6,428,460
Between 2 to 5 years			28,431,592	23,322,945
After 5 Year			27,618,534	22,279,844
			<b>61,842,602</b>	<b>52,031,249</b>

The weighted Average duration Defined Benefit Obligation is 7.51 years

<b>Note No. 21</b> <b>Other Non Current Liabilities</b>	<b>Restated 2019 Rs.</b>	<b>Restated 2018 Rs.</b>
Building Rent Payable - SL Ports Authority	-	4,115,137
<b>Total</b>	<b>-</b>	<b>4,115,137</b>

<b>Note No. 22</b> <b>Trade &amp; Other payables</b>	<b>Restated 2019 Rs.</b>	<b>Restated 2018 Rs.</b>
Payable to Government Contribution(Special Levy)	222,132,393	225,944,935
Sweep Collection in Advance	159,061,463	190,136,865
Prizes Obligations	1,610,073,169	1,385,539,687
Trade & Other Creditors	278,709,704	317,676,365
Accrued Expenses	595,755,054	508,600,715
<b>Total</b>	<b>2,865,731,783</b>	<b>2,627,898,566</b>

<b>Note No. 23</b> <b>Current Tax Payables</b>	<b>Restated 2019 Rs.</b>	<b>Restated 2018 Rs.</b>
VAT & NBT Payables	11,596,961	51,712,093
Income Tax payables	417,806,047	682,371,702
<b>Total</b>	<b>429,403,008</b>	<b>734,083,795</b>



## 04 OPERATING & FINANCIAL REVIEW





## Financial Highlights

### For the year ended 31<sup>st</sup> December

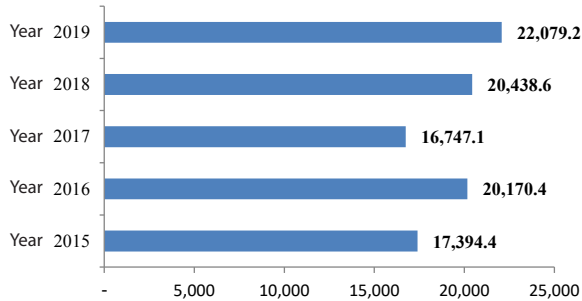
Description	Restated 2019 Rs. Mn	Restated 2018 Rs. Mn	Change Compared with 2018 (%)
Turnover	22,079.26	20,438.64	8.02
Contribution to Consolidated fund	2,637.96	2,426.94	8.69
Agency Commission	4,278.97	3,826.28	11.83
Prizes Allocation	10,607.76	9,834.73	7.86
Value Added Tax	911.19	890.35	2.34
Nations Building Tax	281.80	286.55	(1.65)
Other Income	1,070.59	414.30	158.40
Expenses	2,342.18	2,329.71	0.53
Profit before Tax	1,841.11	1,038.13	77.34
Profit for the Year	978.58	(38.09)	2675.44
Income tax	862.52	1,076.22	(19.85)
Total Assets	8,033.19	6,897.46	16.46
Total Net Assets/ Equity	4,680.19	3,469.897	34.88
Profit before Tax to Turnover %	8.33	5.07	-
Profit before Tax to Total Assets %	22.91	15.05	-
Liquidity Ratio	2.20:1	1.80:1	-

### Contribution to State

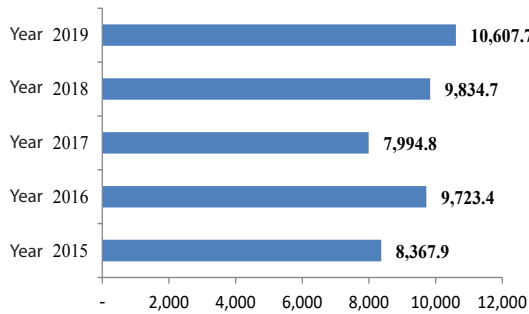
Description	Restated - 2019 Rs. Mn	Restated - 2018 Rs. Mn
<b>Direct Remittances</b>		
Contribution to consolidated fund	2,637.9	2,426.9
	<b>2,637.9</b>	<b>2,426.9</b>
<b>Indirect Remittances</b>		
VAT	911.2	890.3
NBT	281.8	286.5
Income tax	862.5	1,076.2
Forfeited prizes	389.0	361.1
	<b>2,444.4</b>	<b>2,614.1</b>
<b>Total remittances to State</b>	<b>5,082.3</b>	<b>5,041.0</b>

# Overall Performance

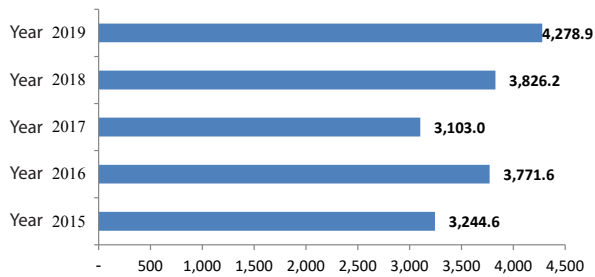
## Turnover (Rs. Mn)



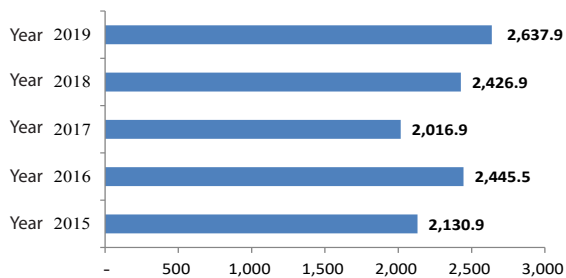
## Prizes Declared (Rs. Mn)



## Agency Commission (RS. Mn)



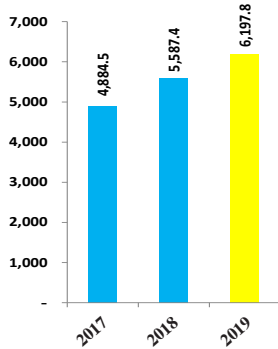
## Contribution to Consolidated Fund (RS. Mn)



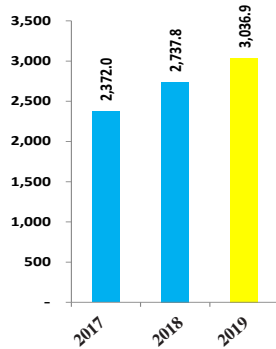
### Mahajana Sampatha

Description	2019 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn
Turnover	6,197.8	5,587.4	4,884.5
Prizes Declared	3,036.9	2,737.8	2,372.0
Agency Commission	1,202.5	1,047.6	905.8
Contribution to Consolidated Fund	1,022.6	921.9	798.7

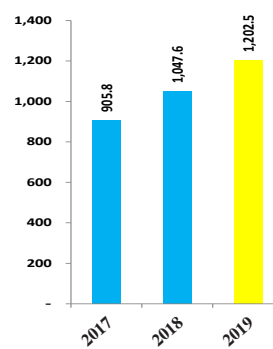
Turnover (Rs. Mn)



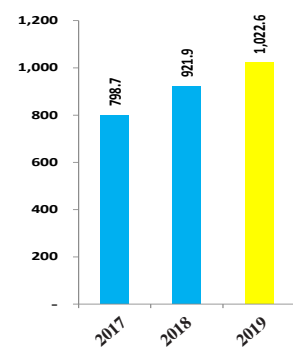
Prizes Declared (Rs. Mn)



Agency Commission (Rs. Mn)



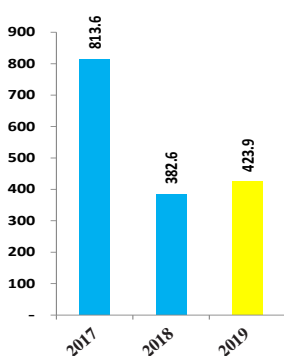
Contribution to Consolidated Fund (Rs. Mn)



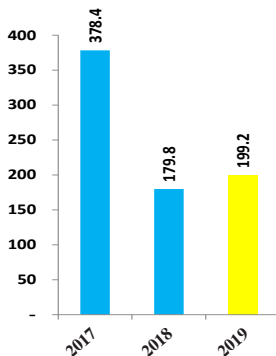
### Vasana Sampatha

Description	2019 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn
Turnover	423.9	382.6	813.6
Prizes Declared	199.2	179.8	378.4
Agency Commission	81.9	71.6	150.5
Contribution to Consolidated Fund	69.9	63.1	132.8

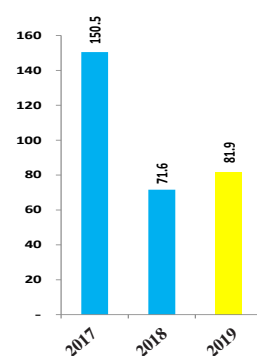
Turnover (Rs. Mn)



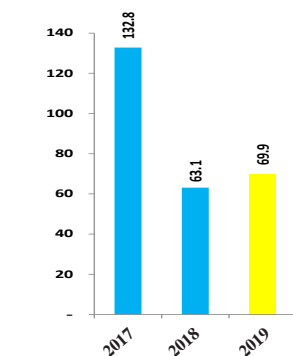
Prizes Declared (Rs. Mn)



Agency Commission (Rs. Mn)



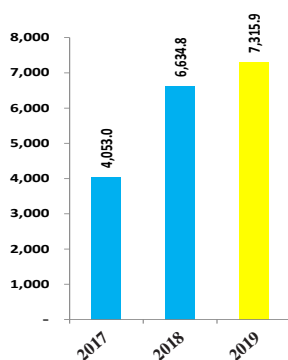
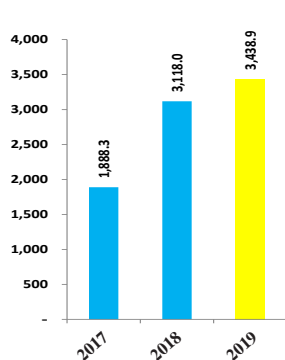
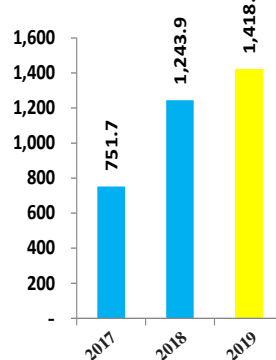
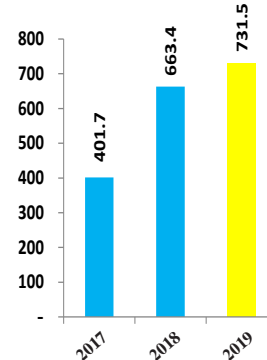
Contribution to Consolidated Fund (Rs. Mn)



## Govisetha

Description	2019 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn
Turnover	7,315.9	6,634.8	4,053.0
Prizes Declared	3,438.9	3,118.0	1,888.3
Agency Commission	1,418.5	1,243.9	751.7
Contribution to Consolidated Fund	731.5	663.4	401.7

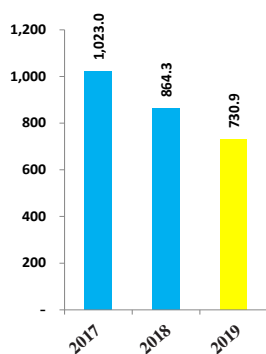
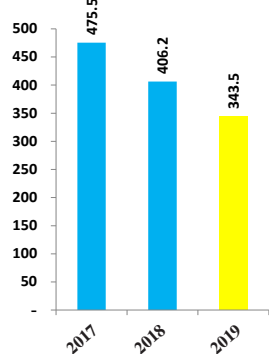
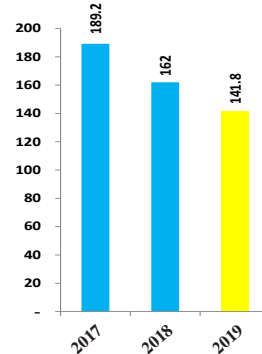
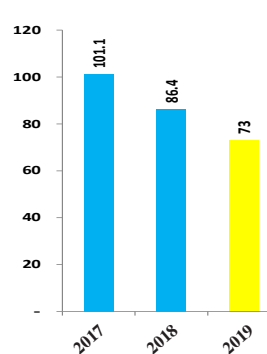
Turnover (Rs. Mn)

Prizes Declared  
(Rs. Mn)Agency Commission  
(Rs. Mn)Contribution to  
Consolidated Fund (Rs. Mn)

## Supiri Vasana

Description	2019 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn
Turnover	730.9	864.3	1,023.0
Prizes Declared	343.5	406.2	475.5
Agency Commission	141.8	162.0	189.2
Contribution to Consolidated Fund	73.0	86.4	101.1

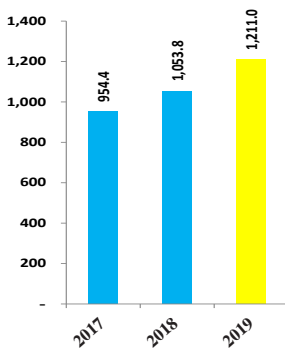
Turnover (Rs. Mn)

Prizes Declared  
(Rs. Mn)Agency Commission  
(Rs. Mn)Contribution to  
Consolidated Fund (Rs. Mn)

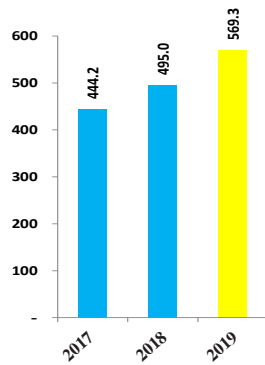
### Jāthika Sampatha

Description	2019 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn
Turnover	1,211.0	1,053.8	954.4
Prizes Declared	569.3	495.0	444.2
Agency Commission	235.3	197.5	176.8
Contribution to Consolidated Fund	121.1	105.3	94.5

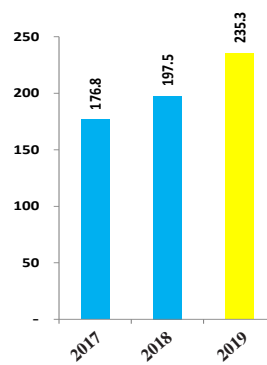
Turnover (Rs. Mn)



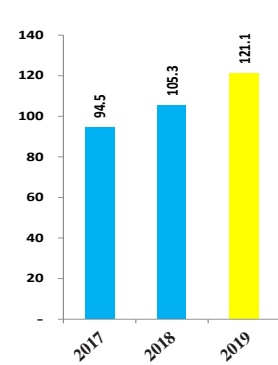
Prizes Declared (Rs. Mn)



Agency Commission (Rs. Mn)



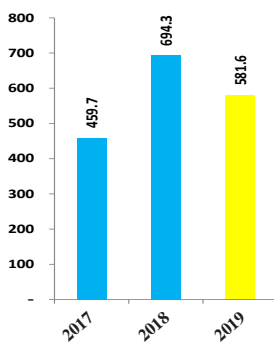
Contribution to Consolidated Fund (Rs. Mn)



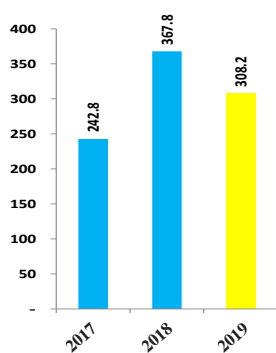
### Sevana

Description	2019 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn
Turnover	581.6	694.3	459.7
Prizes Declared	308.2	367.8	242.8
Agency Commission	111.0	128.4	84.7
Contribution to Consolidated Fund	58.1	69.4	45.9

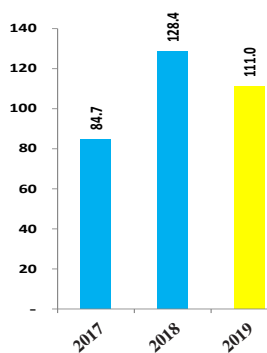
Turnover (Rs. Mn)



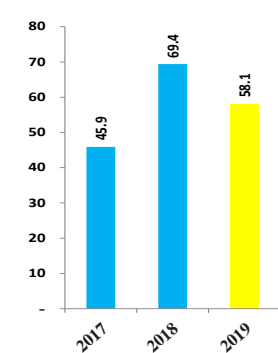
Prizes Declared (Rs. Mn)



Agency Commission (Rs. Mn)

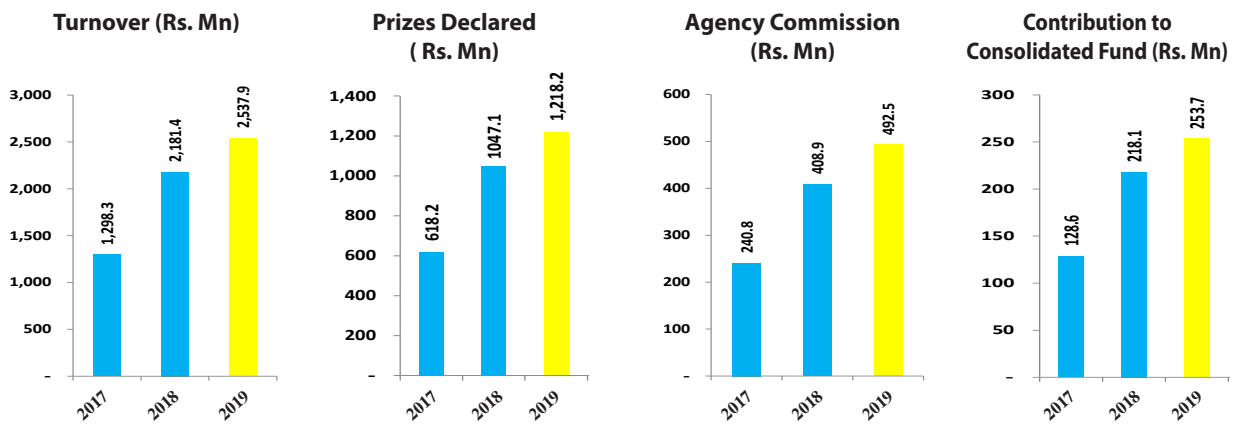


Contribution to Consolidated Fund (Rs. Mn)



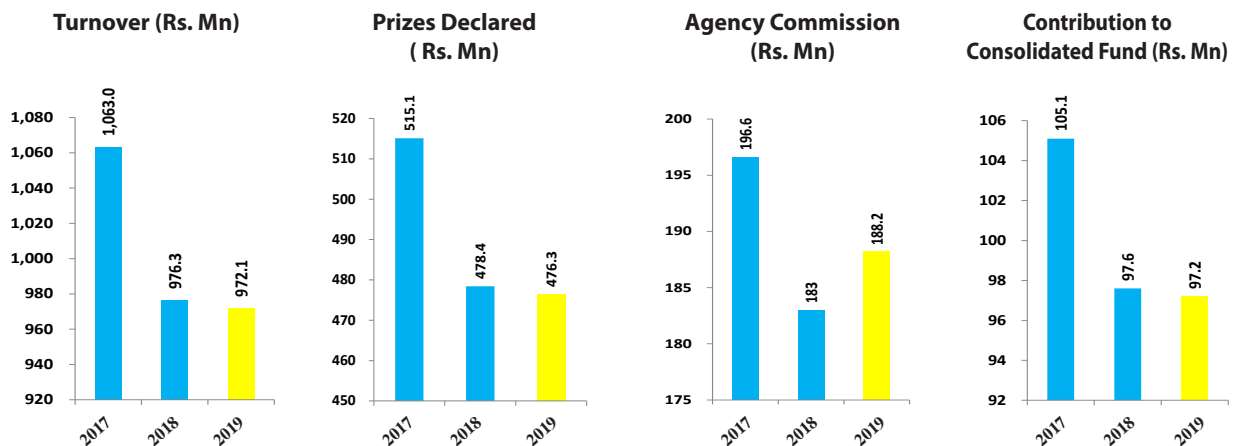
### Mega Power

Description	2019 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn
Turnover	2,537.9	2,181.4	1,298.3
Prizes Declared	1,218.2	1,047.1	618.2
Agency Commission	492.5	408.9	240.8
Contribution to Consolidated Fund	253.7	218.1	128.6



### Neeroga

Description	2019 Rs. Mn	2018 Rs. Mn	2017 Rs. Mn
Turnover	972.1	976.3	1,063.0
Prizes Declared	476.3	478.4	515.1
Agency Commission	188.2	183.0	196.6
Contribution to Consolidated Fund	97.2	97.6	105.1



Figures in Rs.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenue</b>	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	22,079,260,575
Less: Direct Taxes	-	-	-	-	-	-	-	130,831,250	-	-
Excise duty	-	-	-	-	-	-	-	-	-	-
<b>Net Turnover after direct &amp; indirect taxes</b>	<b>8,862,869,826</b>	<b>10,092,330,623</b>	<b>12,004,268,616</b>	<b>14,537,362,545</b>	<b>15,153,133,820</b>	<b>17,394,463,681</b>	<b>20,170,417,750</b>	<b>16,616,348,970</b>	<b>20,438,643,440</b>	<b>22,079,260,575</b>
Less: Cost of Sales	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	911,198,767
Ticket Printing Charges	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	281,800,099
Agency Commission	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	20,886,261,709
Prizes Declared	293,504,393	376,528,826	393,049,086	459,877,814	474,762,687	494,409,498	609,845,653	453,128,924	506,763,590	530,636,181
Contribution to Consolidated Fund on Sales	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	4,278,989,075
<b>Gross Profit</b>	<b>4,295,796,207</b>	<b>4,857,951,933</b>	<b>5,797,269,625</b>	<b>7,083,652,637</b>	<b>7,911,136,580</b>	<b>8,367,984,720</b>	<b>9,723,421,266</b>	<b>7,994,845,746</b>	<b>9,834,736,614</b>	<b>10,607,765,403</b>
Less: Expenses	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	2,637,962,164
Sales, Marketing & Distribution costs	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	16,594,737,755	18,055,352,823
Administrative Expenses	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	2,667,002,546	2,830,908,886
Finance Cost	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	1,070,594,943
Profit before Tax	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	3,081,304,848	3,901,503,829
Less: Income Tax Expense	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	1,226,074,624
<b>Profit/ (Loss) for the year</b>	<b>362,334,768</b>	<b>356,796,344</b>	<b>411,913,602</b>	<b>465,114,112</b>	<b>573,472,839</b>	<b>602,377,490</b>	<b>693,449,471</b>	<b>666,740,574</b>	<b>752,237,186</b>	<b>809,263,882</b>
Direct & Indirect Contribution to Government	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	25,053,822
Special Contribution to General Treasury	893,119,395	914,405,398	1,112,917,014	1,571,305,314	1,887,815,537	1,511,332,468	1,979,890,858	1,833,689,543	2,043,170,277	2,060,392,328
Contribution to Treasury on Forfeited Prizes	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	1,841,111,502
Indirect Contributions - (Direct/Indirect Taxes)	231,399,156	186,878,002	269,604,238	610,087,951	117,853,496	669,785,229	482,128,237	484,610,312	1,076,227,498	862,526,227
<b>Total</b>	<b>47,637,890</b>	<b>209,104,029</b>	<b>312,190,959</b>	<b>(133,406,928)</b>	<b>(8,663,585)</b>	<b>241,016,039</b>	<b>414,761,431</b>	<b>139,805,208</b>	<b>(38,092,925)</b>	<b>978,585,275</b>
Profit Before Tax as a % of Turnover	10.85%	11.21%	11.83%	12.57%	12.59%	13.39%	13.02%	12.36%	13.05%	12.81%
Expenses as a % of Turnover	3.15%	3.92%	4.85%	3.28%	3.72%	5.24%	4.45%	3.73%	5.08%	5.08%
Profit/ (Loss) for the year as a % on Turnover	10.03%	9.06%	9.27%	10.81%	12.46%	8.69%	9.82%	10.95%	10.00%	9.33%
Consolidated Fund Contribution on sales as a % Turnover	0.54%	2.07%	2.60%	-0.9%	-0.1%	1.4%	2.1%	0.8%	-0.2%	4.4%
Total Contribution to Govt. as a % on Turnover	13.24%	13.33%	13.11%	12.06%	12.46%	12.25%	12.12%	12.04%	11.87%	11.95%
Growth rate of Turnover	23.75%	21.99%	27.89%	26.29%	19.83%	22.62%	23.97%	23.58%	24.67%	23.02%
	3.29%	13.87%	18.94%	21.10%	4.24%	14.79%	15.96%	-16.97%	22.04%	8.03%

### Notes

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

2018 Profit / (Loss) for the year before restatement was Rs.(136,267,795) .

NBT Included under distribution expenses shown under Indirect Taxes on top for comparison. Direct/Indirect contribution to government before restatement was Rs.5,139,438,405.

2019 Profit for the year before restatement was Rs.605,583,060/-.

Income Tax recovery from CF/NKF of Rs.518,058,629/- and 28% taxes thereon (Rs. 145,056,416/-) adjusted in restated figures.

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