



ජාතික லாடரீஸ் மஸ்விலா
தேசிய லாத்தர் சபை
NATIONAL LOTTERIES BOARD

லாடரீஸ் லாடரீஸ்
ஆண்ட றிக்கை 2015
ANNUAL REPORT

www.nlb.lk

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1

OVERVIEW



COPORATE PROFILE & GUIDING PRINCIPLES

CORPORATE PROFILE

NAME OF THE INSTITUTION

National Lotteries Board

LEGAL FORM

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 The certain sections of the above act were repealed and amended in 1997 under the Finance (amendment) Act.No. 35 of 1997 & in 1998 under finance act no 22 of 1998.

YEAR OF ESTABLISHMENT

1963

ACCOUNTING YEAR END

31st December

REGISTERED OFFICE

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

AUDITORS

Auditor General
Auditor General's Department,
306/72, Polduwa Road, Battaramulla.

BANKERS

Peoples Bank

GUIDING PRINCIPLES

VISION

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

MISSION

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





ORGANIZATIONAL GOALS

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



OBJECTIVES OF THE BOARD

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

CORE VALUES

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



CHAIRPERSON AND BOARD OF DIRECTORS



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

Mr. Mohamed
Kamil Hassan
Working Director

Mrs. Shyamila
Perera
Chairperson

Mr. Gamini
Saparamadu
Director

Mr. Chamindra
de Silva
Director

SENIOR MANAGEMENT



Mr. Nalaka Kaluwewa

MPA (Canberra) MMgt (Canberra)
 MBS(Colombo) PGDMB (Colombo)
 B.Sc.(SP) (Peradeniya)
 Sri Lanka Administrative Service (Class I)
 General Manager



Mr. Harsha Bandara

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



Mr. Prabath Sandya Theja

B.Sc. (Peradeniya)
 Additional General Manager



Mr. V. Sundareswaran

Deputy General Manager
 (Revenue Finance)



Mrs. Geetha Perera

Deputy General Manager
 (Operational Finance)



Mr. Rohana Wijewickrema (FCA)

Deputy General Manager
 (Corporate Finance)



Mr. Ravindra Fernando

Deputy General Manager
 (Supplies)



Mr. Asantha Kalyananda

Chief Marketing Officer
 B.Sc.(Sp) Peradeniya



Mrs. Shyamini Balasooriya

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

HISTORY AND MILESTONES

History

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

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

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



Milestones

1st decade 1963 - 1972

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

2nd decade 1973 - 1982

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

3rd decade 1983 - 1992

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

4th decade 1993 - 2002

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

5th decade 2003 - 2012

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

- 2006 Introduced the Suwasetha lottery after abolishing the Lotto lottery.
-Offered the highest ever Super Prize from the Mahajana Sampatha lottery (Rs.61.3mn).
- 2007 Introduced New Airport lottery
-The price of the Airport Super Draw lottery was increased from US \$ 25 to US \$ 50.
- 2008 The price of the passive lottery tickets were increased from Rs.10/- to Rs.20/- (02/09/08).
- 2010 Introduced the Jathika Sampatha Lottery in place of Shrama Vasana and Suwasetha Lotteries.
-Mahajana Sampatha lottery was introduced to Sundays too.
- 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 conducted. Due to poor performance this lottery was abolished.
- Offered five super prizes over Rs.10 mn within a 3 week period which included 4 back to back super prizes in a row.
- 2012 Introduced a new lottery named Sampath Rekha
-Govisetha Lottery was introduced to Thursdays too.
-Vasana Sampatha lottery was introduced to Mondays too.
- 2013 Super Prize of Govisetha lottery was increased from Rs.10 Mn to Rs.40 Mn.
-Super Prize of Sampath Rekha lottery was increased from Rs.5 Mn to Rs.10 Mn.
-Introduced Mega 50 lottery on behalf of 50th Anniversary of NLB.
- 2014 Introduced a new lottery named Power Lotto
- 2015 Implemented “Divisarana “ Insurance scheme for lottery sellers (June 2015)
-Introduced a new lottery named Neerogha (25.07.2015)
-31st Airport Superdraw draw was held (31.08.2015)
-Commenced drawing three passive lottery draws in a single day (from 01.09.2015)
-Held Dealer convention award ceremony for the 1st time named “Mahathma” (December 2015)

Current
 Decade
 2013 - 2022

PRODUCT PORTFOLIO

Passive Type Lotteries



மஹஜன சம்பத
MAHAJANA SAMPATHA

Description

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

Draw Days

Tuesday, Thursday, Friday, Sunday

Prizes

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

Contribution

16.5% of the turnover is contributed to Consolidated Fund



வசனா சம்பத
VASANA SAMPATHA

Description

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

Draw Days

Monday, Thursday

Prizes

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

Contribution

16.5% of the turnover is contributed to Consolidated Fund



கொவிசெத
Govisetha

Description

Introduced to the Market In 1995 on behalf of the Ministry of Agriculture and land with the objective of generating funds for the " Farmers Trust Fund ".

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

Draw Days

Monday, Thursday, Saturday

Prizes

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

Contribution

10% of the turnover is contributed to Agriculture Ministry



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 වාසනා සම්පත**
 சுபிரி வாசனா சம்பத
 SUPIRI WASANA SAMPATHA

Description

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

Draw Days

Wednesday, Saturday

Prizes

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

Contribution

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



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ஜாதிக சம்பத
 JATHIKA SAMPATHA

Description

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

Draw Days

Wednesday, Saturday

Prizes

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

Contribution

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



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சம்பத் ரேகா
 SAMPATH REKHA

Description

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

Draw Days

Tuesday, Friday, Sunday

Prize

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

Contribution

10 % of the turnover is contributed to Consolidated Fund



Description

This Lottery was introduced in July 2014 Price of this ticket is Rs.50/-.

Draw Days

Wednesday, Saturday

Prizes

A super prize of Rs.50 mn or more, and other attractive prizes

Contribution

10 % of the turnover is contributed to Consolidated Fund



Description

The Mega 50 lottery was introduced in October 2013 for the 50th Anniversary of National Lotteries Board AND 1ST draw was held on October 2013. Price of this ticket is Rs.100/-.

Second and third draws were named as Mega Million and these draws were held on December 2013 and March 2014 respectively. 04 th draw was named as Double Bonus and draw was held on 31.01.2015

Prizes

A super prize of Rs.100 Mn was offered. 35 nos. Zotye jeeps were offered as the first prizes for this draw and 18 jeeps were claimed.

Contribution

10 % of the turnover is contributed to Consolidated Fund.



Description

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

Draw Days

Tuesday, Friday, Sunday

Prizes

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

Contribution

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



Description

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

31st draw was held on 31st August 2015

Prize

A Super Luxury Porche Car.

Contribution

Net Surplus to Airport & Aviation Authority

INSTANT LOTTERIES



Description

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

Contribution

10 % of the turnover is contributed to Ministry of Housing



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



EXECUTIVE
STATEMENTS



CHAIRPERSON'S MESSAGE



It is my pleasure to address you through the Annual Report of National Lotteries Board for the year 2015 which was in fact the 1st operational year since assuming duties by me and the current board of directors.

Business Performance

NLB's lottery sales in year 2015 was Rs. 17,394 million compared to Rs.15,153 million achieved in 2014. This showed an increase of Rs. 2,241 million which is a 14.7 percent increase over the previous year. We are proud to mention that this was the highest ever turnover in NLB's 52 year career. The Board's lottery sales crossed Rs. 2 billion mark in November, for the first time in a single month in the history and repeated in December 2015.

The declared prizes amounted to Rs. Rs.8,367 million in 2015 as against Rs. 7,311 million in the previous year thus improving by Rs. 1,056 million. Similarly, the Commission paid to the agency network (both dealers and agents) also increased to Rs. 3,244 million in 2015 from Rs. 2,818 million in 2014, an increase of Rs. 426 million. The contribution to consolidated fund increased by Rs.242 million to Rs.2,130 million from Rs.1,888 million in 2014.

The Board's gross profit for the year was Rs.2,330 million as against Rs. 1,908 million in the previous year, an increase of Rs. 422 million. Other Income which comprises mainly interest income was Rs. 92 million in the current year which did not indicate a big difference from the previous year figure of Rs. 88 million. This was mainly due to low interest rates which however showed signs of picking up towards the end.

Operating expenses indicated an appreciable decrease to Rs.1,511 million in 2015 from Rs.1,887 million in 2014, a reduction of Rs. 376 million. This was mainly brought about by the decrease in Sales and marketing expenses to Rs. 847 million from Rs. 1,284 million in the previous year, a reduction of Rs. 437 million. The right marketing strategies adopted not only contributed to decrease in advertising expenses but also increased the revenue to greater heights.

The Board's profit before tax figure in 2015 was Rs. 911 million compared to Rs.109 million in 2014, an increase of Rs. 802 million. This is a 735 percent increase. Current year's profit before tax of Rs. 911 million was the highest ever figure in the history of NLB surpassing Rs. 582 million in 2012.

The Board recorded a net profit after tax of Rs. 241 million in the year under review as against the loss of Rs. 8 million recorded in the previous year, thus improving the bottom line by approximately Rs.250 million.

Overall Government contributions directly through the consolidated fund and indirectly through taxes showed an increase of Rs. 870 million (Rs. 3,626 million in the current year verses Rs. 2,756 million in the previous year)

The Board produced 34 super prize winners in year 2015 totaling to Rs. 860 million as against 29 such prize winners totaling to Rs. 775 million in the previous year. Seven super prizes were produced in the month of September 2015, the highest in a single month in the history. Further, we are proud to mention that the Sri Lankan lottery industry history's highest single super prize of Rs. 131.3 million was produced by Govisetha lottery in September 2015. Another Rs. 100 million super prize was offered in Double Bonus lottery in January 2015.

An insurance scheme called "Divisarana" was initiated with the participation of Hon Minister of Finance Ravi Karunanayake to provide relief measures to the sellers' network, the last link of the lottery selling agency network, in June 2015. Sellers were covered up to Rs.250,000 in case of accidental death, Rs.75,000/- for normal death and for hospitalization in accidental death up to fourteen days were paid at the rate of Rs. 1,000/-.

A new lottery called Neeroga to provide funds to alleviate kidney disease from the country was initiated with the participation of His Excellency the President Maithripala Sirisena, Hon Minister of Finance, Hon Minister of Health, Hon State Minister of Finance etc. in July 2015.

NLB commenced drawing three passive lotteries in a single day with the idea of providing multiple opportunities except on Sundays and Mondays from 1 September, 2015.

Dealer Network was felicitated with a Grand Award Ceremony titled "Mahathma" at Waters Edge in December 2015 with the participation of Hon Minister of Finance. Awards were given under several categories for the best performing dealers including the "Dealer of the year" which was won by Mrs. Priyanga Samaradivakara, district dealer, Kandy.

NLB conducted twelve dealer meetings in 2015. The Board has conducted four Audit and Management Committee meetings headed by a non executive Director namely Mr. Chamindra de Silva.

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

Next Year

The Board of directors decided to re launch all the brands with a logo change early next year to be more dynamic in keeping with the trends in corporate world.

It is expected to carry out a development program in North and East with a view to increase the lottery awareness of the people in those areas. This is expected to increase the market share in those areas as well.

We are planning to introduce some new lotteries to touch untapped markets and to change some prize structures to be more attractive to the lottery buyers.

The dealer meetings in districts will be continued to motivate agents and dealers, to discuss whatever issues faced and to provide solutions to them. This would strengthen the agency network.

The new strategies will be planned to increase sales while maintaining tight cost controls.

We have embarked on a mission for year 2016 to achieve an everest conquering target sale of Rs.20 billion which will never be an easy task, but hopefully we will be able to achieve it. It is being planned to move away from the Board to Brand strategy which will focus more on the brands than the institution as a new strategy.

The Mahathma Award initiated in 2015 to select the dealer of the year will be extended to agents too. It is also being planned to extend this to the employees.

My Gratitude

Firstly, I wish thank the entire distribution network, the dealers, the agents and the sellers all over for their valuable contribution to achieve the best ever performance and hope that they will not sit on their laurels and go on to do better next year. I look forward to their continued support in future.

My thanks are due to the members of the Director Board for valuable guidance given, the members of the management team and all the employees for their hard work, the members of our main banker Peoples Bank for the great services, the lottery printers, officials of the Auditor General's department and other audit firms for the support given.

It is our customers' confidence that made the record turnover possible and my heartfelt thanks to all of them and wish to state that we will not let their dreams fade away as have been done in the past.

I wish to thank Honorable Ravi Karunanayake, Minister of Finance, the Secretary to Ministry of Finance and other officials of the Finance Ministry for all the support given throughout the year.

Finally I wish state that it is the team work that took us to greater heights and a better harvest and as such everybody will reap the benefit.



Shyamila Perera,
Chairperson,
National Lotteries Board,
06th May, 2016,
Colombo.

WORKING DIRECTOR'S REPORT



The Directors of National Lotteries Board have pleasure in presenting their report with the Financial Statements for the year ended 31st December 2015.

Principal Activities

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

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

Going Concern

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

Review of Operations and future developments

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

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

Statutory Payments

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

Customer Satisfaction

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

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

Human Resource Development

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

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

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

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

Contribution to State

The Board remittances to state by way of direct remittances to consolidated fund and indirect remittances in the form of taxes was Rs.3,934.9.mn in 2015 (including Rs.50.0 mn special levy to Treasury) as against Rs.3,004.8 mn in 2014 which showed a 31.0% increase.

Property Plant and Equipment

During the year under review the Board invested Rs.163.5mn in property, plant and equipment compared to Rs. 128.5 mn in 2014.

Expenses

The total expenses in respect of the year under review was Rs.1,511.2 mn compared to Rs.1,887.8 mn in the previous year which is a 20.0% decrease and this represents 8.6% of the total turnover compared to 12.4 % last year.

This shows that through operating expenses have decreased it has reduced as a percentage on sales thus bringing positive results. The main reason for the decreasing expenses is sales, marketing and distribution expenses which was decreased by 34.0% compared with the last year.

Conclusion

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

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

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



M.K. Hassan,
Working Director,
National Lotteries Board,
06th May 2016,
Colombo .

REPORT OF THE AUDIT & MANAGEMENT COMMITTEE

Overview

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

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

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

Observers

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

Management personal were called for clarifications as and when needed .
 During the year 2015 the Committee met four times.

Duties and Role

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

Assessing the independence and monitoring the performance and functions of internal Audit.
 Reviewing the external audit reports.

Reviewing the Internal Controls.

During the year principal activities were as follows

Financial statements

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

Internal Audit Function

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

Audit Committee terms of reference

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

Compliance

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



Chamindra de Silva
Chairman,
Audit & Management Committee,
National Lotteries Board.
06th May 2016
Colombo.

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FINANCIAL STATEMENTS AND INFORMATION





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கணக்காய்வாளர் தலைமை அதிபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



මගේ අංකය
எனது இல.
My No.

PUR/G/NLB/1/15/4

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

18 November 2016

The Chairman,
National Lotteries Board

Report of the Auditor General on the Financial Statements of the National Lotteries Board for the year ended 31 December 2015 in terms of Section 14 (2) (c) of the Finance Act No.38 of 1971.

The audit of financial statements of the National Lotteries Board for the year ended 31 December 2015 comprising the Statement of Financial Position as at 31 December 2015 and the Statement of Income, Statement of Changes in Equity and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act No. 38 of 1971 and Section 11(b) of the Finance Act No. 11 of 1963. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2) (c) of the Finance Act appear in this report. A detailed report in terms of Section 13 (7) (a) of the Finance Act was furnished to the Chairman of the Board on 15 August 2016.

1.2 Managements Responsibility for the Financial Statements

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

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810).



Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements. Sub-sections (3) and (4) of Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

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

1.4 Basis for Qualified Opinion

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

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report the financial statements give a true and fair view of the financial position of the National Lotteries Board as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Sri Lanka Accounting Standards

The following observations are made.

(a) Sri Lanka Accounting Standard 01

The sum of Rs. 2,130,953,970 paid as contribution to the Consolidated Fund had been shown in the financial statements as sales cost instead of being identified as changes in equity.

(b) Sri Lanka Accounting Standard 02

The value of stock of instant lottery tickets valued at Rs. 268,463 of the year under review had been overstated in the accounts as a result of erroneous computations.

(c) Sri Lanka Accounting Standard 07

The following observations are made.

- i. Disposal of Properties, Plant and Equipment amounting to Rs. 601,492 which does not affect the financial movements and the profit from revaluation of properties, plant and equipment amounting to Rs.48,452,076 had been included in the cash flow statement as cash generated from investments.
- ii. The profit from transfer of foreign currency to local currency amounting to Rs.12,568,730 had not been shown as a Note of adjustment to the opening balance in the schedule of cash and cash equivalents.
- iii. The sum of Rs. 50,000,000 paid to the Treasury had been shown under operating activities instead of being shown under financial activities.

(d) Sri Lanka Accounting Standard 19

The matters to be disclosed in the financial statements with regard to the employees' gratuity, as per standard, had not been disclosed.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) Unsold tickets valued at Rs. 19,883,160 which were in the custody of an officer of the Mobile Publicity Unit of the Board had been accounted for, as credit sales. As a result, the income from sales and the debtors had been overstated in the accounts by similar amounts.
- (b) Sales stalls valued at Rs. 3,045,000 prepared for agents had not been handed over to them upto 31 December 2015. This had been accounted for, as credit sales.
- (c) A sum of Rs. 247,406,503 allocated as prizes of lottery draws but not gone to winners had not been accounted during the year under review.

2.2.3 Unexplained Variations

The following observations are made.

- (a) A sum of Rs. 14,011,346 had been shown as receivable from agents in the Financial Statements as at 31 December of the year under review. However, it was observed as Rs.13,584,864 in the schedules showing a difference of Rs. 426,482.
- (b) The value of instant lottery tickets recoverable by the Board as per Financial Statements amounted Rs. 54,857,689 and it was Rs. 54,877,894 as per schedule furnished to audit showing a difference of Rs. 20,205.
- (c) The instalments due from agents on behalf of the bicycles given to them on concessionary basis amounted to Rs. 1,259,010 as per financial statements and it was Rs. 1,078,113 as per schedule furnished to audit showing a difference of Rs.180,897.

- (h) Instalments amounting to Rs. 15,000 due to the Board for over 2 years on behalf of 03 bicycles issued to the Ratnapura District Distribution Agent had not been recovered.

2.4 Non – compliance with Laws, Rules, Regulations and Management Decisions

The following non – compliance with laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules, Regulations and Management Decisions	Non – compliance
<p>(a) Finance Act No.11 of 1963 as amended by the Finance Act (Revised) No. 35 of 1997</p> <p>(i) Sections 14(2) and 17(1) a</p> <p>(ii) 14(2),16(1) and 16(4)</p>	<p>A sum of Rs.82,630,582 belonging to the Supiri Vasana Sampatha Prize Reserve Account had been utilized for paying the prizes of other lotteries, contravening the provisions in the Act.</p> <p>The Board should enter into agreements while conducting lotteries for other Ministries, Departments and Authorities. However, agreements had not been entered into such agreements with the respective institutions for lotteries, namely, Govisetha, Supiri Vasana, Jathika Sampatha and Neeroga and a sum of Rs.4,368,361,086 had been paid as</p>

prizes during the year under review and the prize money amounting to Rs.104,927,000 relating to prizes not accepted for over 6 months had been transferred to the Consolidated Fund.

(iii) Section 17(2)

The balances of income derived from lotteries after deducting the respective expenses should be credited to the Consolidated Fund. However, a sum of Rs. 438,624,364 pertaining to previous years had been retained without being credited.

(iv) Section 20(2)(1)

Sales income of Rs.2,543,526,020 had been earned by the Board by conducting lotteries such as Sampath Rekha, Power Lotto, Neeroga and Double Bonus without framing rules for conducting the lotteries, obtaining the approval of the Minister in charge of the subject and by publishing it in the Gazette. Of this sales income, a sum of Rs. 1,217,946,470 had been allocated for prizes and a sum of Rs.475,678,527 had been spent on paying commissions to sales agents.

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

- (i) Paragraphs 10.1 and 10.2 of Chapter VIII Work should be performed for not less than 8 hours for payment of holiday pay. However, a sum of Rs.118,846 had been paid to 18 officers in contravention and holiday pay amounting Rs.50,023 had been paid to 03 officers who had performed 12 hours of work considering the number of days as two.
- (ii) Paragraphs 5.2.1 and 5.8 of Chapters XIX The official residence of the Board had been given for occupation of the Working Director from the month of February of the year under review. However, the rent of residence amounting to Rs.88,415 due from him had not been recovered. Expenditure on water and electricity amounting to Rs.116,566 had been incurred by the Board.

(iii) Paragraph 11 of Chapter XXIV

Payment of property loans for employees of the Board should be made through banks from 01 January 2005. However, property loans amounting to Rs. 1,877,400 had been paid to officers of the Board during the year under review by utilizing the Funds of the Board. The interest recoverable from officers on those loans should be increased by 4 per cent, 8 per cent and 11 per cent, according to the loan obtained. However, the Board had recovered the minimum interest rate of 4 per cent for the entire loan.

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

(i) Financial Regulation 395

The Board should prepare Bank Reconciliation Statements for all the accounts before 15th of the following month and furnish them to the Auditor General. However, bank reconciliation statements of 06 bank accounts for December of the year under review had not been prepared and furnished to the Auditor General even by 16 May 2016.



(ii) Financial Regulation 396 (d) Action had not been taken in terms of the Financial Regulation with regard to 93 cheques totalling Rs. 2,569,994 which had not been presented for payments for over 06 months.

(d) Public Administration Circulars

(i) Circular No. 13/2008 (iv) of 09 February 2011 A sum of Rs.2,783,900 had been overpaid to 09 officers who are entitled for official vehicles in excess of the monthly fuel limits.

(ii) Circulars No.25/2014 of 12 November 2014 and No. 07/2014 of 26 August 2016 and the letter of the Department of Management Services No.DMS/E1/04/4/016 of 26 August 2010 Vacancies should not be filled or posts should not be created without the approval of the Department of Management Services. However, contravening this, 09 officers had been recruited for 04 posts.

(e) Public Enterprises Circular

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

- Paragraph 9.7

A sum of Rs. 25,676,400 had been paid to officers who participates in lottery draws during the past years and the year under review as well with the approval of the Board of Directors, without obtaining the approval of the Treasury. The fees had also been increased during the

year under review with the approval of the Board of Directors.

- Paragraph 9.12

A sum of Rs. 12,079,998 had been paid to the staff as welfare allowances during the past years and the year under review as well with the approval of the Chairman on a request made by the Welfare Association for which the approval of the Treasury had not been obtained.

(ii) Circular No. 95 of 14 June 1994 and Circular No. PED/12 of 02 June 2003

A sum of Rs. 84,615,696 had been paid as incentive allowances during the year under review too with the approval of the Board of Directors for which the approval of the Treasury had not been obtained.

(iii) Paragraph 2.5 of the Public Enterprises Circular No.PED/03/2015 of 17 June 2015

A sum of Rs. 315,294 had been paid by the Board as incentive allowances to the Chairperson and the Working Director during the year under review, contravening the circular provisions.

(iv) Circular No.57 of 11 February 2011

Paragraph 02

A sum of Rs.753,535,738 had been spent on publicity activities during the year under review without

Rs.21,665,008 respectively had been incurred on donations and concessions on 06 instances and 17 Pereheras during the year under review.

Paragraph 8

Although the Board should use State media for the respective publicity continuously, it had paid Rs.3,570,000 to 02 private television channels, for publicity deviating from the procurement procedure.

- (v) Paragraph (d) of the Circular No.PEI/70/7/Vol.11 of 21 January 1993

Although it had been informed that the balance of lottery income remaining after deducting expenses allowed by the Deputy Secretary to the Treasury should be remitted to the Treasury, the Board had only remitted 16.5 per cent of 2 out of 9 types of lotteries and 10 per cent only of the remaining 07 lotteries conducted by the Board. Approval had not been obtained for the changes in those percentages.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial results of the Board for the year under review had resulted in a surplus of Rs.241,016,039 as against the deficit of Rs.8,663,584 of the previous year and a comparison of the financial results of the previous year with the year under review shows an improvement in financial results by

Rs.249,679,623. Although the expenditure on Income Tax had increased by Rs.551,931,733 the increase in gross income by Rs.421,753,575 and the decrease in sales, publicity and distribution expenditure by Rs.437,535,246 had mainly attributed to the above improvement in financial results.

An analysis of the financial results of the year under review and the past 4 years showed that financial surplus had occurred in all the years except the years 2013 and 2014 and the improvement in 2014 was 94 per cent whereas the improvement during the year under review was 2,882 per cent. While considering the Tax paid to the government, employees' remuneration and the depreciation for non - current assets, it was observed that there was an improvement in contributions from 2011 to 2013. However, there was minor deterioration in 2014. It had again improved by 39 per cent during the year under review and had become. Rs.4,297,528,212.

4. **Operating Review**

4.1 **Performance**

The objectives and functions of the National Lotteries Board established by the Finance Act No.11 of 1963 are as follows.

- (a) Increase the contributions to the Government increasing present level and profitability.
- (b) To maintain the market leadership position.
- (c) To improve the operating efficiency.
- (d) To improve the infrastructure facilities of the institute.
- (e) To improve the efficiency and the effectiveness among staff.
- (f) To achieve the customer stratification.

The following observations are made with regard to the fulfilment of the above objectives.

- (b) Out of the advance of Rs. 3,692,531 paid by the Board in March 2013 for purchase of furniture and household furniture, goods worth Rs.168,560 had not been supplied even as at 07 June 2016. Meanwhile, action had not been taken to settle the amount.

4.3 **Operating Activities**

The following observations are made.

- (a) The Board of Directors had decided to draw up a plan to obtain security bonds from agents on 23 April 2015. Such a plan had not been drawn up even by 10 June 2016. Out of the 94 lottery ticket agents who had been registered during the year under review, 24 agents pertaining to instant lotteries and 08 agents pertaining to drawing lottery tickets alone had furnished their security bonds. Lottery tickets exceeding the limits had been issued to 14 agents of instant lottery and 08 agents of drawing lottery tickets and the amounts were Rs.3,746,187 and Rs.5,307,369 respectively. Lottery tickets valued at Rs.43,051,822 had been issued to sales agents who had not furnished any security.
- (b) The Board had spent Rs. 401,630 for preparation of estimates and invitations for bids to select a publicity institution to organize publicity activities for the Mahathma Reward Celebrations of the year under review. However, the estimate prepared had been cancelled due to its deficiencies. Again, a contract valued at Rs. 4,703,500 had been awarded to the Magic Mango Firm to publicize the programme. The National Repuvahini which carry out lottery draw programmes had refused to accept this programme. As such, the Independent Television had been selected for this publicity work which had resulted in an additional expenditure of Rs. 51,960.

- (c) Printing of Mahajana Sampatha tickets had been entrusted to the State Printing Corporation by the Board with the approval of the Cabinet of Ministers. Board on that decision, printing of the newly introduced Sampath Rekha lottery had been entrusted to the same institution in October 2012 contravening 8.9.1 and 8.9.3 of the Government Procurement Guideline. A sum of Rs. 184,544,881 had been paid to that institution for printing of lottery tickets from October 2012 to November 2015.

4.4 **Transactions of Contentious Nature**

The following observations are made.

- (a) A sum of Rs. 64,680,000 had been paid in November 2014 to a supplier who had been selected in contravention of the Procurement Guideline in order to exhibit 150 publicity notice boards within a year. The photos which were affixed to the notice boards were not approved by the Management of the Board and as such 120 notice boards had been removed and kept aside by an external institution in the month of February 2015. A sum of Rs.4,194,801 had been paid to the same supplier again to install 91 of those notices.
- (b) The Board had conducted an islandwide publicity programme consisting of video shows and street dramas from November 2014 to January 2015 by utilizing 4 huge trucks incurring an expenditure of Rs.66,858,960. Meanwhile, a video tape had been prepared by spending Rs.2,484,720 from a selected supplier without calling for quotations, contravening the Procurement Guideline. An audit examination revealed that aspect of the publicity had not been highlighted in that video tape. Further, no evidence whatsoever had been furnished to audit to confirm whether the message delivered to customers through the streets drama group could coincide with the expected objectives of publicity.
- (c) A contract had been awarded to construct 400 lottery sales stalls at the rate of Rs.29,750 per stall. The following observations are made in this connection.

- (i) The production capacity of the manufacturer had not been explored and a written agreement had not been entered into in terms of 8.9.1 and 8.9.3 of the Procurement Guideline.
 - (ii) Orders for the manufacture had been handed over to the respective institution on 05 January 2016 and the supplies were expected before 23 March 2016. However, 92 trade stalls only had been supplied even by 30 May 2016.
 - (iii) The performance bond was valid from 01 January 2016 to 29 April 2016. Though the validity period had expired, action had not been taken to obtain extension of time.
- (d) The Board had selected a supplier through the procurement procedure to print a lottery ticket at Rs.0.537 (including tax) for a period of 03 years from 23 October 2013 to 23 October 2016 and during the year 2014 lottery tickets valued at Rs. 247,252,495 had been printed by the said institution.

The following observations are made.

- (i) According to paragraph 3.13 of the agreement entered into with the supplier, the lottery tickets should have been printed in special protective papers with water mark. However, the company concerned had not printed tickets in protective papers with water mark upto 11 October 2014 as per agreement.
- (ii) The Board had not taken proper action against the supplier in spite of the fact that they had violated the prime condition affecting the quality and safety of lottery tickets. Lottery tickets had been purchased upto 11 October 2014 as per agreement by paying at the rate of Rs.0.537 per ticket.

- (iii) An assessment had not been made regarding the action to be taken for the damage caused to the Board as a result of printing identical tickets twice and the damage caused to the Board by erroneous printing as referred to in Section 2.22 of the agreement.
 - (iv) According to paragraph 2.11 of the agreement, the supplier should furnish to the Board the tickets that are printed without error. However, it had not been furnished in the said manner and evidence had not been furnished to audit to show that the Board had been made aware of the letter and figures printed and the machines used by the printers in accordance with the agreement. Further, action had not been taken to take necessary action with regard to the two types of printing letters used for printing pointed out in audit and to take necessary action accordingly.
 - (v) The Board had not taken adequate action regarding 05 lottery tickets printed and supplied with identical group numbers and identical prize numbers.
- (e) Quotations should have been called for, from at least 05 institutions in terms of Section 2.14.1 of the Procurement Guideline and the Ministerial Procurement Committee should have selected the institution to publicize by notices about the changes made in the draw dates of Govisetha and Mahajana Sampatha Lotteries. However, contravening this, a sum of Rs. 12,995,928 had been paid to an institution selected by the Board without calling for any quotations.
- (f) A publicity programme for sale of instant lottery tickets had been conducted from October 2015 to March 2016 by the Board on a request made by one sales agent. The minimum number of tickets to be sold per day were 1000. The Board was bound to pay him Rs. 60,000 whenever he sells the minimum number of tickets and the expenditure on publicity should be met from his income. During the first stage of 30 days, 57,500 tickets had been sold for which the Board had paid Rs.1,800,000 to him. However, the income from sale of tickets was Rs.1,150,000. No analysis, whatsoever, had been done and again a sum of

Rs.900,000 had been paid to him under the second stage of 15 days of December 2015 while the income from sale of tickets amounted to Rs.400,500. Accordingly, while considering the institutional expenditure it came to light that the Board had spent a cost of Rs.2,552,702 allowing room for the agent to obtain a personal net profit of Rs.1,633,741.

- (g) A private publicity institution had been selected through a Board paper contravening the procurement procedure and without making any feasibility studies to conduct 02 musical shows for 04 days from 31 December 2014 to 03 January 2015 during the period of Presidential Election on the presumption of getting useful publicity to the Board. Advances amounting to Rs. 3,200,000 and Rs.3,757,500 had been paid for these shows. However, action had not been taken to settle the advances concerned even up to 14 March 2016, the date of audit. Further, in an examination of audit no confirmation was found whether those musical shows were held.
- (h) The sub - office of the People's Bank which maintains the bank account of the Board had recovered a service commission of 0.5 per cent from 25 April 2007 based of the sales income of lottery tickets. Accordingly, a sum of Rs. 29,743,395 had been recovered as bank charges during the year 2014. However, that was Rs.36,563,614 during the year under review. The bank had not furnished a schedule to the Board showing the computation of charges. Meanwhile, the Board too had not inquired into it.

4.5 Resources of the Board given to Other institutions

According to paragraph 8.3.9 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the resources of the Board cannot be utilized by the Line Ministry or other state institutions. However, contravening this, a vehicle and 03 officers of the Board who draw salaries from the Board had been released to the Ministry of Finance from the year 2006 and from February of the year under review respectively. However, action had not been taken to get the reimbursement of Rs.812,891 paid to those officers as employees' remuneration and incentives.

4.6 Staff Administration

The following observations are made.

- (a) The approved cadre as at 31 December 2015 was 342 and the actual cadre was 311 resulting 31 vacancies. 18 officers had been recruited on contract basis overriding the approved cadre.
- (b) According to the scheme of recruitment of the Board, the age of recruitment should not be less than 18 years and not more than 45 years. In spite of this, a person of 52 years of age as at 12 February 2015 had been recruited on contract basis and he had been entered on 01 October 2015. Similarly, the certificate of educational qualifications had not been filed in the personal file to confirm his minimum qualifications.
- (c) Action had not been taken to appoint a permanent officer for the post of Chief Financial Officer. Instead, an officer had been appointed on contract basis by extending the period of service annually.

4.7 Idle and Underutilized Assets

A large quantity of software purchased by the Board by spending Rs. 9,938,460 had been idle for over one year.

4.8 Market Share

Lotteries had been conducted by 2 state institutions, namely, the National Lotteries Board and the Development Lotteries Board. A comparison of the market share of the Development Lotteries Board with the National Lotteries Board showed an improvement of 4 per cent during the year under review as compared with the year 2011 resulting in 58.65 per cent. However, the increase had fluctuated annually. Details are as follows.

Year	Income from Sale of Lotteries		Market Share of the National Lotteries Board
	National Lotteries Board	Development Lotteries Board	
	Rs(mn)	Rs(mn)	%
2015	17,394	12,265	58.65
2014	15,153	12,592	54.62
2013	14,537	10,611	57.8
2012	12,024	10,668	52.98
2011	10,092	8,335	54.76

5. Accountability and Good Governance

5.1 Presentation of Financial Statements

According to paragraph 6.5.1 of the Circular No.PED/12 of 02 June 2003, the financial statements of the Board should be furnished to the Auditor General before 28th February of the year following the financial year. However, it had been furnished on 27 May 2016.

5.2 Action Plan

Action had not been taken to prepare a performance report and the human resources management plan for evaluation of the performance of the Action Plan for the year 2015.

5.3 Budgetary Control

The publicity expenses of the year under review had been estimated as Rs.1,296 million. However, the actual expenditure on publicity was Rs.753 million. Accordingly, significant variations of 58 per cent were observed and the budget had not been utilized as an efficient instrument of management control.

5.4 **Unresolved Audit Paragraphs**

The following observations are made.

- (a) The Committee on Public Enterprises had directed on 21 March 2013 to take action to consult the Attorney General for recovery of the overpaid employees' gratuity amounting to Rs.7,392,287. Action had not been taken to recover that amount or to show it as amount receivable in the financial statements.
- (b) The Committee on Public Enterprises which met on 04 November 2014 directed to select an Architect through the procurement procedure to construct a building in the 112 perches of land at Vauxall Street, belonging to the Board. However, action had not been taken accordingly even by 30 May 2016. During the year under review, rent amounting to Rs.36,273,720 had been paid to function the head office and stores and a sum of Rs. 13,823,720 had been paid for modernization of the office building and for rewiring the electrically system with the approval of the Board of Directors, without the approval of the Ministry, under 4 stages splitting the transactions. Further, the agreements entered into with those institutions for obtaining the office and stores on rent had not been registered at the office of the Land Registry.

06. **Systems and Controls**

Deficiencies observed during the course of audit were brought to the notice of the Chairman of the Board. Special attention is needed for the following areas of control.

Systems and Control Areas

Observations

- | | |
|----------------|---|
| (a) Accounting | i. A method to enable the accounts branch to get update information through the existing computerized information system had not been prepared. |
|----------------|---|



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ii. The surcharge recoverable from Sales Distributors when they return unsold tickets to the Board had not been accounted for. For example, the sum of Rs. 12,714 recoverable from Sales Distributors for the 780 unsold lottery tickets had not been taken into accounts.

(b) Printing of bills

Non introducing of a safety method to avoid erroneous printing and issuing of group numbers of lottery tickets in any other lottery bills.

(c) Human resources management

A human resources management plan had not been prepared.

H.M.Gamini Wijesinghe
Auditor General

STATEMENT OF INCOME

For the year ended 31st December

	Notes	2015 Rs.	2014 Rs.
Turnover	3	17,394,463,681	15,153,133,820
Less: Indirect taxes			
VAT		573,252,862	540,502,194
NBT		253,267,754	211,761,787
Net Turnover after VAT & NBT		16,567,943,065	14,400,869,839
Less Cost of Sales	4	14,238,007,279	12,492,687,628
Gross Profit		2,329,935,786	1,908,182,211
Add : Other Income	5	92,197,950	88,823,238
		2,422,133,736	1,997,005,449
Less: Expenses			
Sales, Marketing & Distribution Costs	6	847,064,057	1,284,599,303
Administrative Expenses	7	627,704,797	573,472,839
Finance Cost	8	36,563,614	29,743,395
Profit Before Tax		910,801,268	109,189,912
Less Income Tax Expense	9	669,785,229	117,853,496
Profit/ (Loss) for the year		241,016,039	(8,663,584)

The Accounting Policies represents Note No.01 & 2.

Statement of Comprehensive Income

For the year ended 31st December

	2015 Rs.	2014 Rs.
Profit (Loss) for the year	241,016,039	(8,663,584)
Other Comprehensive Income/ (Loss) for the year net of Tax		
Less: Loss on Revaluation of Investment Property - Mannar Circuit	-	(27,296,728)
Add: Gain on Revaluation Property , Plant & Equipment	48,452,076	49,463,782
Less: Adjustment against Revaluation Gain on Disposal of P.P.& E.	(863,700)	-
Less: Adjustment against Revaluation Gain on Issued Gold Coins.	(747,503)	-
Less: Reversal of Gold Coins Revaluation.	(687,833)	-
Add: Gain on Exchange Flutuaton	12,568,730	6,334,089
Total Comprehensive Income for the year net of tax	299,737,809	19,837,559

STATEMENT OF FINANCIAL POSITION

As at 31st December	Note	2015 Rs.	2014 Rs.
Assets			
Non Current Assets			
Property, Plant & Equipment	10	864,123,446	762,397,726
Income Tax Receivable from Consolidated Fund		566,693,690	1,215,320,896
Investment in Sri Lanka Savings Bank		5,336,575	5,336,575
Investment Property	11	37,464,022	43,997,011
Intangible Assets	12	19,832,484	33,713,255
Total Non Current Assets		1,493,450,217	2,060,765,463
Current Assets			
Inventories	13	56,797,842	150,996,078
Trade Receivables	14	104,784,716	370,260,544
Other Current Assets	15	788,535,634	741,632,583
Cash & Cash Equivalents	16	3,233,839,295	1,402,778,114
Total Current Assets		4,183,957,488	2,665,667,319
Total Assets		5,677,407,705	4,726,432,783
Equity & Liabilities			
Equity Attributable to Owners of the parent			
Retained Earnings	17	438,642,364	433,446,392
Other Components of Equity	18	1,342,203,514	643,643,970
		1,780,845,876	1,077,090,362
Non Current Liabilities			
Deferred Tax	19	47,425,591	46,870,270
Long term Provisions	20	596,032,858	1,243,861,388
Total Non current Liabilities		643,458,449	1,290,731,658
Current Liabilities			
Trade & Other Payables	21	2,144,585,386	1,974,159,396
Current Tax Payables	22	1,100,362,623	384,451,369
Bank Overdraft - People's Bank Board Expenditure A/C	23	8,155,373	-
Total Current Liabilities		3,253,103,382	2,358,610,765
Total Liabilities		3,896,561,831	3,649,342,423
Total Equity & Liabilities		5,677,407,705	4,726,432,783

These Financial Statements give a true and fair view of the state of affairs of National Lotteries Board as at 31 st December 2015 & its Profit /(Loss) for the year ended 31st December 2015.



Harsha Bandara
Chief Financial Officer

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

signed for and on behalf of the board by,



Shyamila Perera
Chairperson
Colombo
25.04.2016



M.K. Hassan
Working Director

STATEMENT OF CASH FLOW

For the year ended 31st December	2015 Rs.	2014 Rs.
Cash Flow from Operating Activities		
Profit before Taxation	910,801,268	109,189,912
Adjustment for		
Depreciation & Amortization	129,203,466	78,273,985
Provision for VAT & NBT	826,520,616	752,263,981
Profit on Disposal of Property, Plant & Equipments	705,073	(1,572,025)
Allocation for the Consolidated Fund	2,130,953,970	1,888,455,133
Allocation for Prizes	8,367,984,720	7,311,136,590
Adjustment for Gain on Exchange Fluctuation	12,568,730	6,334,089
Adjustment against Revaluation Gain on Disposal of P.P.& Gold Coin	1,611,203	-
Adjustment for Special Contribution to Treasury	(50,000,000)	-
Prizes Fund Loan Settlement	205,000,000	-
Increase/ (Decrease) in Revaluation Reserve	46,153,040	22,167,055
Increase/ (Decrease) in Prizes Reserve	247,406,503	56,377,929
Increase/(Decrease) in Provision for Gratuity	1,081,991	4,493,712
Decrease /(Increase) in IT on Receivable from Conso Fund	648,627,206	521,049,738
Operating profit before working capital changes	13,478,617,786	10,748,170,097
Changes in Working Capital		
(Increase) / Decrease in Inventories	94,198,236	(1,858,416)
(Increase) / Decrease in Trade Receivables	265,475,827	(128,581,629)
(Increase) / Decrease in Other Current Assets	46,903,051	(40,034,863)
Increase /(Decrease) in Trade & Other Payables & Long Term Provisions	(171,402,848)	98,677,308
	13,619,985,950	10,676,372,497
Payments made to the Consolidated Fund	(2,034,750,966)	(1,905,611,026)
Prizes Paid	(8,122,358,886)	(7,515,196,737)
Gratuity Payment	(283,315)	(1,137,525)
VAT & NBT Payment	(789,754,089)	(778,755,390)
Income Tax & Deferred Tax Payment	(638,712,386)	(985,216,486)
Net Cash Flow from Operating Activities	2,034,126,307	(509,544,666)
Cash Flow from Investing Activities		
Additions to Property, Plant & Equipment, Investment Property & Intangible Assets	(163,574,915)	(156,975,321)
Gain on Revaluation to Property, Plant & Equipment	(48,452,076)	(22,167,054)
Property, Plant & Equipment transfer to Disposalable Ac	601,492	-
Proceeds from Disposal of Property, Plant & Equipment	205,000	2,065,343
Net Cash Flow from Investing Activities	(211,220,499)	(177,077,032)
Net changes in Cash & Cash Equivalent during the year	1,822,905,809	(686,621,699)
Cash & Cash Equivalent at the beginning of the year	1,402,778,114	2,089,399,814
Cash & Cash Equivalent at the end of the year	3,225,683,923	1,402,778,115
Note to the Cash Flow Statement		
Cash & Cash Equivalent		
	2015	2014
Short Term Investments	2,832,657,866	990,787,939
Cash in Hand & Balance at Bank	401,181,429	411,990,175
Bank Overdraft - People's Bank Board Expenditure A/C	(8,155,373)	-
Net Cash & Cash Equivalent at the end of the year	3,225,683,923	1,402,778,115

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December	Accumulated Treasury Fund Rs.	Revaluation Reserve Rs.	Building Reserve Rs.	Prizes Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01/01/2014	21,263,101	264,984,446	-	603,851,440	435,775,888	1,325,874,874
Net Change in Prizes Reserves	-	-	-	56,377,929	-	56,377,929
Gain on Revaluation of Property, Plant & Equipment	-	49,463,782	-	-	-	49,463,782
Loss on Revaluation of Investment Property - Manner Bung	-	(27,296,728)	-	-	-	(27,296,728)
Loan receivable from Board Fund	-	-	-	(325,000,000)	-	(325,000,000)
Gain on Exchange Fluctuation	-	-	-	-	6,334,089	6,334,089
Profit/(Loss) for the year 2014	-	-	-	-	(8,663,584)	(8,663,584)
Balance as at 31/12/2014	21,263,101	287,151,500	-	335,229,369	433,446,393	1,077,090,362
Net Change in Prizes Reserves	-	-	-	247,406,503	-	247,406,503
Gain on Revaluation of Property, Plant & Equipment	-	48,452,076	-	-	-	48,452,076
Writoff issued Gold Coins Revaluation Gain	-	(863,700)	-	-	863,700	-
Reversal of Gold Coins Revaluation with inventories	-	(747,503)	-	-	747,503	-
Loan receivable from Board Fund	-	(687,833)	-	-	-	(687,833)
Prizes fund Loan settlement	-	-	-	205,000,000	-	205,000,000
Special Contribution to General Treasury	-	-	-	-	(50,000,000)	(50,000,000)
Transfer from retained Earnings	-	-	200,000,000	-	(200,000,000)	-
Gain on Exchange Fluctuation	-	-	-	-	12,568,730	12,568,730
Profit/(Loss) for the year 2015	-	-	-	-	241,016,039	241,016,039
Balance as at 31/12/2015	21,263,101	333,304,540	200,000,000	787,635,872	438,642,365	1,780,845,877

NOTES TO THE FINANCIAL STATEMENTS

Significant Accounting policies and Notes to the Financial Statement

1. CORPORATE INFORMATION

1.1 General.

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

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

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

1.2 Principle Activities and Nature of Operations.

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

1.3 Financial Period.

The financial period of the Board represents a twelve month period from 01st January 2015 to 31st December 2015.

1.4 Responsibility for Financial Statements.

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

These financial statements include the following components:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 GENERAL ACCOUNTING POLICIES

2.1.1 Basis of Preparation

These financial statements presented in Sri Lankan Rupees have been prepared on an accrual basis under the historical cost basis and on fair value basis where applicable in accordance with Sri Lanka Accounting Standards (SLFRS & LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka. The Financial statements for the year ended 31st December 2015 were authorized for issue by the Board of Directors on 06th May 2016.

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, 2015 and for the year then ended have been prepared in compliance with the Sri Lanka Accounting Standards (LKAS & SLFRS) issued by the Institute of Chartered Accountants of Sri Lanka and the requirement of the Finance Act No. 11 of 1963.

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

2.1.3 Going Concern

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

2.1.4 Comparative Information.

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

2.1.5 Foreign Currency Transaction.

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

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

2.1.6 Basis of Measurement.

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

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

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

2.1.7 Functional and Presentation Currency.

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

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

2.1.8 Materiality and Aggregation.

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

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

2.1.9 Significant Accounting Judgments, Estimates and Assumptions

a) Judgments.

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

b) Estimates and Assumptions.

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

2.2 ASSETS & BASES OF THEIR VALUATION

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

2.2.1 Property, Plant & Equipment

Basis of Recognition

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

Basis of Measurement

a) Cost.

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

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

b) Revaluation.

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

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

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

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

NLB's motor vehicles, computers & accessories, office equipments, furniture & fittings are subsequently carried at fair value, based on periodic valuations by the Government Valuer.

c) Depreciation.

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

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

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

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

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

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

d) Subsequent Cost.

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

e) De-recognition.

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

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

f) Restoration Costs.

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

2.2.2 Capital Work in Progress.

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

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

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

2.2.3 Intangible Assets.

Computer Software.

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

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

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

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

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

2.2.4 Leased Assets.

Finance Leases – where the Board is the lessee.

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

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

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

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

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

2.2.5 Investment property.

a) Basis of Recognition.

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

b) Basis of Measurement.

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

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

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

c) De-recognition.

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

d) Subsequent Transfers To/From Investment Property.

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

2.2 6 Impairment of non financial Assets.

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

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

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

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

2.2.7 Non Current Assets Held For Sale.

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

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

2.2.8 Financial Assets.

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

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

(a) Loans and receivables.

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

(b) Trade and Other Receivables.

Trade and other receivables are initially measured at fair value cost

2.2.9 Inventories

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

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

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

2.2.10 Cash and Cash Equivalents.

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

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

2.3 LIABILITIES & PROVISIONS

2.3.1 Liabilities.

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

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

Trade and Other Payables.

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

2.3.2 Provisions, Contingent Assets and Contingent Liabilities.

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

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

Income Tax on Contribution to the Consolidated Fund.

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

Reinstatement or Compensation.

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

Defamation.

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

2.3.3 Retirement Benefit Obligations

Defined Contribution Plans EPF & ETF.

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

Defined Benefit Plan Retiring Gratuity.

Provision is made in financial statements for retirement gratuities payable under the provision of Gratuity Act No. 12 of 1983 for all employees who have completed one year of continued service with the board. The board obtained an actuarial valuation report from an expert and provision for gratuity was made using the projected unit credit (PUC) method as recommended by LKAS 19.

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

2.3.4 Taxation

Current Tax.

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

Deferred Taxation.

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

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

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

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

2.4 INCOME STATEMENT

2.4.1 Revenue Recognition

a) Sale of Goods.

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

b) Interest.

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

c) Others.

Other income is recognized on an accrual basis.

2.4.2 Expenditure Recognition.

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

2.5 Risk Management.

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

a) Political Risk.

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

b) Legal Risk.

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

c) Reputational Risk.

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

d) Operational Risk.

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

e) Liquidity Risk.

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

f) Economic Risk.

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

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

2.6 GENERAL

2.6.1 Events Occurring after the Balance Sheet Date.

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

Contingencies & Unrecognized Contractual Commitments.

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

2.6.2 Comparative Figures

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

2.6.3 Treatment of Consolidated Fund payments in Income Statement.

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

2.6.4 Forfeited Prizes

A sum of Rs. 257,691,450/- was forfeited in 2015. This consists of Rs.126,530,660/- forfeited from 1.1.2015 to 30.6.2015 (for draws held from 1.7.2014 to 31.12.2014), Rs.69,571,180/- forfeited from 1.7.2015 to 30.9.2015 (for draws held from 1.1.2015 to 31.3.2015) and Rs. 61,589,610/- forfeited from 1.10.2015 to 31.12.2015 (for draws held from 1.4.2015 to 30.6.2015). Forfeited prizes always represent two financial years and payments made accordingly

2.6.5 Distribution of Funds

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

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

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

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

(b) Distribution of income for Scratch Lotteries.

	Samurdhi 10/-	Samurdhi 20/-	Sevana 10/-	Sevana 20/-
Prizes	49%	53%	49%	53%
Dealer Commission	15%	18%	15%	17.50%
Consolidated Fund	10%	10%	10%	10%
Board	26%	19.50%	26%	19.50%

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

Passive Lotteries

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

Instant Lotteries

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

Notes

For the year ended 31st December

Note - 03	2015	2014
Turnover	Rs.	Rs.
Mahajana Sampatha	4,734,072,600	4,330,554,920
Vasana Sampatha	1,350,011,000	1,410,087,400
Govisetha	4,510,796,200	2,552,142,200
Supiri Vasana Sampatha	1,747,288,400	1,834,803,800
Jathika Sampatha	1,319,314,600	1,248,200,400
Sampath Rekha	1,629,783,800	1,692,250,600
Double Bonus/Mega 50	176,692,800	124,573,600
Power Lotto	305,303,300	243,402,900
Neeroga	431,746,120	-
Colombo Airport Super Draw	39,578,321	-
Samurdhi	206,312,000	188,128,000
Sevana	943,564,540	1,489,596,000
Special Scratch	-	39,394,000
Total	17,394,463,681	15,153,133,820

Note - 04	2015	2014
Cost of Sales	Rs.	Rs.
Ticket Printing Charges	494,409,498	474,762,687
Agency Commission	3,034,113,221	2,645,231,319
Main Commission	210,545,870	173,101,900
Prize Declared	8,367,984,720	7,311,136,590
Consolidated Fund	2,130,953,970	1,888,455,133
Total	14,238,007,279	12,492,687,629

Note 04-01	2015	2014
Tickets Printing Charges	Rs.	Rs.
Opening Stock as at 1st January		
Passive Lottery	2,697,275	1,857,486
Sevana Lottery	12,183,469	23,395,443
Samurdhi Lottery	3,347,602	3,284,900
Special Scratch lottery	-	1,369,921
	18,228,346	29,907,750
Add: Purchase of Tickets During the year	497,426,320	463,083,284
	515,654,666	492,991,034
Less: Closing Stock as at 31st December		
Passive Lottery	2,755,034	2,697,275
Sevana Lottery	15,618,255	12,183,469
Samurdhi Lottery	2,871,880	3,347,602
	21,245,169	18,228,346
Total	494,409,497	474,762,687

Note 04-02	2015	2014
Agency Commission	Rs.	Rs.
Mahajana Sampatha	828,462,705	757,847,111
Vasana Sampatha	236,251,925	246,765,295
Govisetha	789,389,335	446,624,885
Supiri Vasana Sampatha	305,775,470	321,090,665
Jathika Sampatha	230,880,055	218,435,070
Sampath Rekha	285,212,165	296,143,855
Double Bonus/Mega 50	30,921,240	21,800,380
Power Lotto	53,428,078	42,595,508
Neeroga	75,555,571	-
Colombo Airport Super Draw	351,783	-
Samurdhi	32,761,100.00	31,154,900
Sevana	165,123,795	255,879,700
Special Scratch	-	6,893,950
Total	3,034,113,222	2,645,231,319

Note 04-03	2015	2014
Main Agency Commission	Rs.	Rs.
Mahajana Sampatha	58,685,412	51,281,733
Vasana Sampatha	16,761,345	16,721,975
Govisetha	56,147,991	30,369,953
Supiri Vasana Sampatha	21,758,016	21,700,617
Jathika Sampatha	16,432,623	14,779,507
Sampath Rekha	20,240,352	20,068,257
Double Bonus/Mega 50	2,215,460	1,543,221
Power Lotto	3,739,449	2,899,695
Neeroga	5,366,212	-
Samurdhi	1,650,496.00	1,505,024
Sevana	7,548,516	11,916,768
Special Scratch	-	315,152
Total	210,545,872	173,101,902

Note: 04-04	2015	2014
Prize Declared	Rs.	Rs.
Mahajana Sampatha	2,319,695,574	2,121,971,911
Vasana Sampatha	634,505,170	663,741,078
Govisetha	2,120,074,214	1,199,509,834
Supiri Vasana Sampatha	821,203,368	862,357,786
Jathika Sampatha	620,077,862	586,596,678
Sampath Rekha	765,998,386	795,358,042
Double Bonus/Mega 50	102,481,824	65,202,689
Power Lotto	146,545,584	116,833,392
Neeroga	202,920,676	-
Colombo Airport Super Draw	30,397,096	-
Samurdhi	103,995,760	96,879,840
Sevana	500,089,206	781,806,520
Special Scratch	-	20,878,820
Total	8,367,984,720	7,311,136,590

Note: 04-05	2015	2014
Consolidated Fund	Rs.	Rs.
Mahajana Sampatha	781,121,979	714,541,562
Vasana Sampatha	222,751,815	232,664,421
Govisetha	451,079,620	255,214,220
Supiri Vasana Sampatha	174,728,840	183,480,380
Jathika Sampatha	131,931,460	124,820,040
Sampath Rekha	162,978,380	169,225,060
Double Bonus/Mega 50	17,669,280	12,457,360
Power Lotto	30,530,330	24,340,290
Neeroga	43,174,612	-
Samurdhi	20,631,200	18,812,800
Sevana	94,356,454	148,959,600
Special Scratch	-	3,939,400
Total	2,130,953,970	1,888,455,133

Note No - 05	2015	2014
Other Income	Rs.	Rs.
Interest Income	88,713,366	83,751,232
Sundry Income	3,484,585	5,072,005
Total	92,197,951	88,823,237

Note No - 06	2015	2014
Sales Marketing & Distribution Costs	Rs.	Rs.
Distribution Costs	54,843,548	30,143,102
Marketing & Sales Promotion Expenses	753,535,738	1,209,168,822
Communication Expenses	38,684,771	45,287,379
Total	847,064,057	1,284,599,303

Note No 06 - 1	2015	2014
Distribution Expenses	Rs.	Rs.
Ticket Transport Charges	7,224,702	6,314,079
Agent relief Exp/Cost of Returned Tickets	284,316	91,642
Agents & Sellers Welfare	17,480	58,000
Dealers & Agents training & Conference	3,351,989	4,244,349
Scholarships to Agent's Children	2,332,500	1,247,500
Sales Incentive for Dealers & Agents	1,514,382	7,006,704
Agents Medical Expenses	9,330,547	2,096,000
Agents Additional Sales Promotional Expenses	28,794,132	9,084,829
Agents Appreciation Token for Prize Winners	1,993,500	-
Total	54,843,548	30,143,103

Note No 06 - 2	2015	2014
Marketing & Sales Promotional Expenses	Rs.	Rs.
Production & telecasting	260,852,864	216,426,714
Publication of Results	45,895,044	36,688,896
Promotional Advertising	298,749,100	321,786,376
Corporate Image Advertising	102,682,084	436,045,058
Outstation Draw Expenses	33,139,335	114,726,865
Sales booths to Agents & Other Maintenance Charges	9,382,829	8,026,111
Special Events & Special Draw Prizes	1,247,980	8,560,824
Public Relation Expenses	1,586,502	66,907,977
Total	753,535,738	1,209,168,821

Note No 06 - 3	2015	2014
Communication Expenses	Rs.	Rs.
Postage & Telegrams	251,820	693,850
Telephone, Faxes, and Internet	24,558,693	22,649,296
Printing & Stationery	12,699,928	20,670,959
Press Notices	1,174,330	1,273,275
Total	38,684,771	45,287,380

Note No - 07	2015	2014
Administrative Expenses	Rs.	Rs.
Personnel Emoluments	320,462,652	267,215,394
Establishment Expenses	142,489,474	138,286,479
Other Administrative Expenses	164,752,672	167,970,966
Total	627,704,798	573,472,839

Note No - 08	2015	2014
Finance Cost	Rs.	Rs.
Bank Charges	36,563,614	29,743,395
Total	36,563,614	29,743,395

Note No - 09	2015	2014
Income Tax	Rs.	Rs.
Current Year Income Tax	588,706,122	72,007,450
Deemed Dividend Tax	80,523,786	9,295,615
Total Current year Income tax	669,229,908	81,303,065
Deffered Tax Expenses	555,321	36,550,431
Total	669,785,229	117,853,496

Note :No - 10 - Propert Plant & Equipment
Note :No . 10 -1 - Free Hold Property

	Land Rs.	Buildings Rs.	Motor Vehicles Rs.	Computers & Accessories Rs.	Computers Software Rs.	Office Equipments Rs.	Draw Barrels Rs.	Furniture & Fittings Rs.	2015 Total Rs.	2014 Total Rs.
Cost										
Balance Beginning of the year	500,000,000	22,140,000	200,730,118	101,353,710	20,927,615	43,417,754	13,011,863	18,046,087	919,627,149	875,478,007
Additions During the year	-	-	2,500,000	10,841,384	-	2,232,351	139,967,528	8,033,652	163,574,915	128,558,337
Disposal during the year	-	-	-	(2,550,290)	-	(995,285)	-	(1,012,863)	(4,558,438)	(3,292,394)
Transferred during the year	-	-	-	(40,000)	-	-	-	(775,317)	(815,317)	(40,304,550)
Accumulated Depreciation- revaluation	500,000,000	22,140,000	203,230,118	109,604,804	20,927,615	44,654,820	152,979,391	24,291,559	1,077,828,309	960,439,400
Gain on revaluation	-	-	(44,042,591)	(16,057,873)	-	(3,340,615)	-	(584,473)	(64,025,552)	(90,276,033)
	-	-	37,390,002	8,841,068	-	1,788,934	-	432,072	48,452,076	49,463,782
Balance end of the year	500,000,000	22,140,000	196,577,529	102,387,999	20,927,615	43,103,139	152,979,391	24,139,158	1,062,254,833	919,627,149
Provision for Depreciation										
Balance Beginning of the year	-	648,000	75,997,521	41,004,434	16,151,230	17,240,443	2,605,289	3,582,505	157,229,422	207,420,918
Depreciation for the year	-	1,107,000	48,727,716	22,340,900	1,815,127	7,164,315	25,302,770	2,331,878	108,789,706	59,091,192
Depreciation on Disposal	-	-	-	(2,385,843)	-	(760,105)	-	(549,647)	(3,695,595)	(3,245,163)
Transferred during the year	-	-	-	(17,500)	-	-	-	(149,095)	(166,595)	(15,848,293)
Accumulated Depreciation - Revaluation	-	1,755,000	124,725,237	60,941,991	17,966,357	23,644,653	27,908,059	5,215,641	262,156,938	247,418,654
Balance end of the year	-	1,755,000	(44,042,591)	(16,057,873)	-	(3,340,615)	-	(584,473)	(64,025,552)	(90,189,231)
Written Down Value as at 31.12.2015	500,000,000	20,385,000	115,894,884	57,503,881	2,961,258	22,799,101	125,071,332	19,507,990	864,123,446	762,397,726
Written Down Value as at 31.12.2014	500,000,000	21,492,000	124,732,598	57,349,276	4,776,385	26,177,311	10,406,574	14,463,582	-	-
Rate of Depreciation	-	5%	25%	25%	25%	20%	20%	10%		

Land - Vauxhall Street
 Building - Narahenpita Chairmans Bungalow & Vauxhall Building

Note 10 - 2 - Lease Hold Property

Bulldings	2015 Rs.	2014 Rs.
Cost		
Balance Beginning of the year		71,693,168
Additions during the year	-	-
Transferred to Investment Property		(71,693,168)
Accumulated Depreciation - Revaluation	-	-
Gain on Revaluation	-	-
Balance end of the year	-	-
Provision for Depreciation		
Balance Beginning of the year	-	463,424
Transferred to Investment Property	-	(463,424)
Depreciation for the year	-	-
Accumulated Depreciation - Revaluation	-	-
Balance end of the year	-	-
Written Down Value as at 31.12.2015	-	-
Written Down Value as at 31.12.2014	-	-
	2015 Rs.	2014 Rs.
Grand Total (10-1 + 10-2)	864,123,446	762,397,726

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

Building Lease Hold Cost	2015 Rs.	2014 Rs.
Balance Beginning of the year	50,530,000	
Additions during the year	-	6,596,984
transferred during the year	-	71,693,168
	50,530,000	78,290,152
Accumulated Depreciation - Revaluation	-	(463,424)
Loss on Revaluation - Mannar Circuit	-	(27,296,728)
Balance end of the year	50,530,000	50,530,000
Provision for Depreciation		
Balance Beginning of the year	6,532,989	-
Amortization for the year	6,532,989	6,532,989
transferred during the year	-	463,424
	13,065,978	6,996,413
Accumulated Depreciation - Revaluation	-	(463,424)
Balance end of the year	13,065,978	6,532,989
Written Down Value as at 31.12.2015	37,464,022	43,997,011
Written Down Value as at 31.12.2014	-	43,997,011

Note No. 12
Intangible Assets

Computer Software	2015 Rs.	2014 Rs.
Balance Beginning of the year	62,124,550	-
Additions during the year	-	21,820,000
transferred during the year	-	40,304,550
	62,124,550	62,124,550
Accumulated Depreciation - Revaluation	-	-
Gain on Revaluation	-	-
Balance end of the year	62,124,550	62,124,550
Provision for Depreciation		
Balance Beginning of the year	28,411,295	-
Amortization for the year	13,880,771	12,649,804
transferred during the year	-	15,761,491
	42,292,066	28,411,295
Accumulated Depreciation - Revaluation	-	-
Balance end of the year	42,292,066	28,411,295
Written Down Value as at 31.12.2015	19,832,484	
Written Down Value as at 31.12.2014	-	33,713,255

Note No. - 13	2015	2014
Inventories	Rs.	Rs.
Printed Tickets Stocks	21,245,169	18,228,347
Prizes Stocks	29,751,855	125,337,068
Consumable Stocks	5,800,818	7,430,663
Total	56,797,842	150,996,078

Note No. - 14	2015	2014
Trade Receivables	Rs.	Rs.
Sweep/Trade Debtors	114,901,546	379,671,475
Return Cheques - Sevana & Samurdhi	697,199	1,403,097
	115,598,745	381,074,573
Less: Provision for Doubtful Debts	(10,814,029)	(10,814,029)
Total	104,784,716	370,260,544

Note No. - 15	2015	2014
Other Current Assets	Rs.	Rs.
Other Debtors	17,979,770	49,982,675
Accounts Receivables	9,837,192	5,823,737
Staff Loans	91,395,132	101,708,309
Deposits & Prepayments	20,696,334	16,934,409
Income Tax Receivable from Consolidated Fund	648,627,206	567,183,453
Total	788,535,634	741,632,583

Note No. 16	2015	2014
Cash & Cash Equivalent	Rs.	Rs.
Cash in Hand at Bank	401,181,429	411,990,175
Short term Deposits	2,832,657,866	990,787,939
Total	3,233,839,295	1,402,778,114

Note No. 17	2015	2014
Retained Earnings	Rs.	Rs.
Balance at the Beginning of the year	433,446,392	435,775,888
Profit/(loss) for the year	241,016,039	(8,663,584)
	674,462,431	427,112,304
Less Transfer from Building Reserve	(200,000,000)	
Less: Special Contribution to General Treasury	(50,000,000)	-
Add: Gain on Exchange Fluctuation	12,568,730	6,334,089
Add: Adjustment aginst Revaluation Gain on Disposal of P.P.&E	863,700	-
Add: Adjustment aginst Revaluation Gain on Issued Gold Coins	747,503	-
Balance at the end of the year	438,642,364	433,446,393

Note No. 18	2015	2014
Other Components of Equity	Rs.	Rs.
Accumilated Treasury Fund	21,263,101	21,263,101
Revaluation Reserve	333,304,541	287,151,501
Building Reserve	200,000,000	-
Prizes Reserve	787,635,872	335,229,369
Total	1,342,203,514	643,643,971

Note No. 19	2015	2014
Deffered Tax Liability	Rs.	Rs.
Balance at the Beginning of the year	46,870,270	10,319,839
Current year Defered Tax provision	555,321	36,550,431
Balance at the end of the year	47,425,591	46,870,270

Note No. 20	2015	2014
Long Term Provisions	Rs.	Rs.
Provision for Gratuity	29,339,168	28,540,492
Income tax Payable on Consolidated Fund	566,693,690	1,215,320,896
Total	596,032,858	1,243,861,388

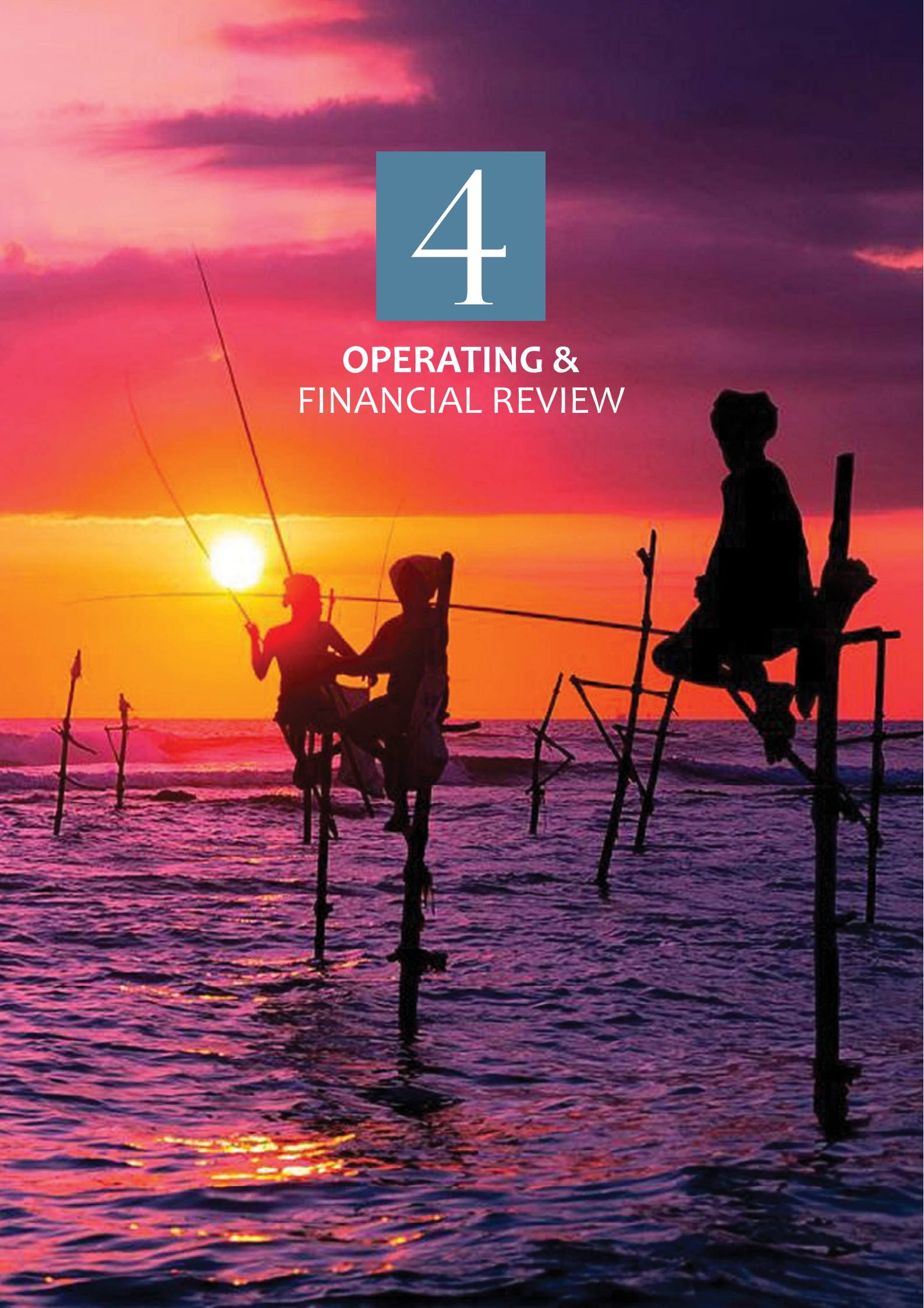
Note No. 21	2015	2014
Trade & Other payables	Rs.	Rs.
Payable to Consolidated Fund	267,440,560	171,237,556
Sweep Collection in Advance	171,265,310	287,666,170
Deferred Revenue , Expenditure - CASD	-	18,488,970
Loan due to Prizes Fund	120,000,000	325,000,000
Prizes Obligations	1,005,001,907	759,376,073
Trade & Other Creditors	186,945,963	98,870,282
Accrued Expenses	393,931,647	313,520,345
Total	2,144,585,387	1,974,159,396

Note No. 22	2015	2014
Current Tax Payables	Rs.	Rs.
VAT & NBT Payables	82,796,603	46,030,076
Income Tax payables	1,017,566,020	338,421,292
Total	1,100,362,623	384,451,368



4

OPERATING & FINANCIAL REVIEW



FINANCIAL HIGHLIGHTS

For the year ended 31st December

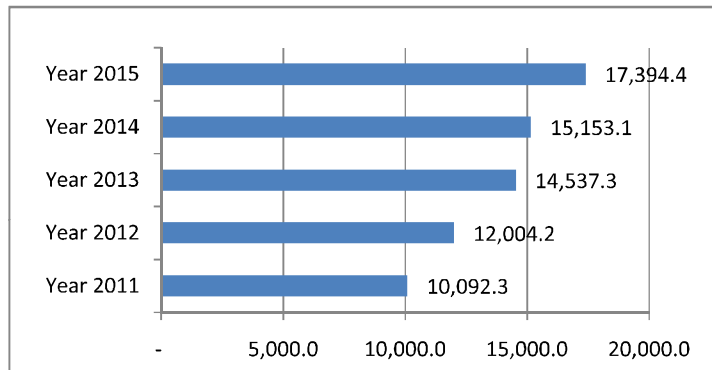
Description	2015 Rs.Mn	2014 Rs.Mn	Change Compared with 2014 (%)
Turnover	17,394.4	15,153.1	14.7
Contribution to Consolidated fund *	2,130.9	1,888.4	12.8
Agency Commission	3,244.6	2,818.3	15.1
Prizes Allocation	8,367.9	7,311.1	14.4
Value Added Tax	573.2	540.5	6.0
Nations Building Tax	253.2	211.7	19.6
Other Income	92.1	88.8	3.7
Expenses	1511.2	1887.8	(19.9)
Profit before Tax	910.8	109.1	734.8
Profit for the Year	241.0	(8.6)	2,902.3
Income tax / SRL	669.8	117.8	468.5
Total Assets	5,677.4	4,726.4	20.1
Total Net Assets/ Equity	1,780.8	1,077.0	65.3
Profit before Tax to Turnover %	5.23%	0.71%	-
Profit before Tax to Total Assets %	16.0%	2.30%	-
Liquidity Ratio	1.2:1	1.1:1	-

Contribution to State

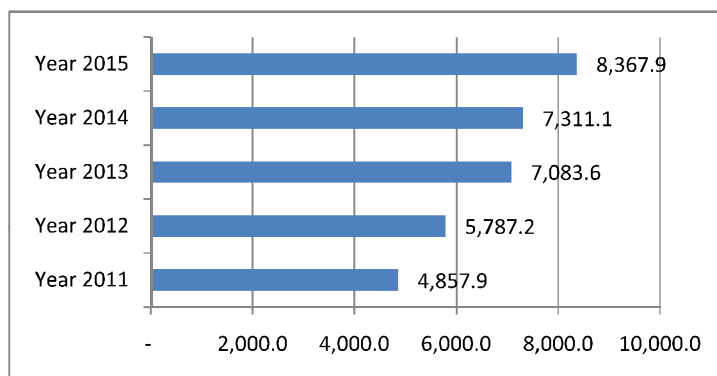
Description	2015	2014
	Rs.Mn	Rs.Mn
Direct Remittances		
Contribution to consolidated fund	2130.9	1,888.4
Special levy to treasury	50.0	-
	2,180.9	1,888.4
Indirect Remittances		
VAT	573.2	540.5
NBT	253.2	211.7
Income tax / SRL	669.	117.8
Forfeited prizes	257.7	246.4
	1,753.9	1,116.4
Total remittances to State	3,934.9	3,004.8

OVERALL PERFORMANCE

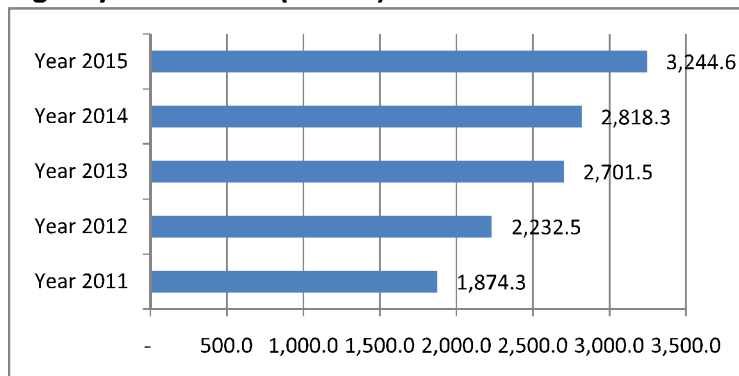
Turnover (Rs.Mn)



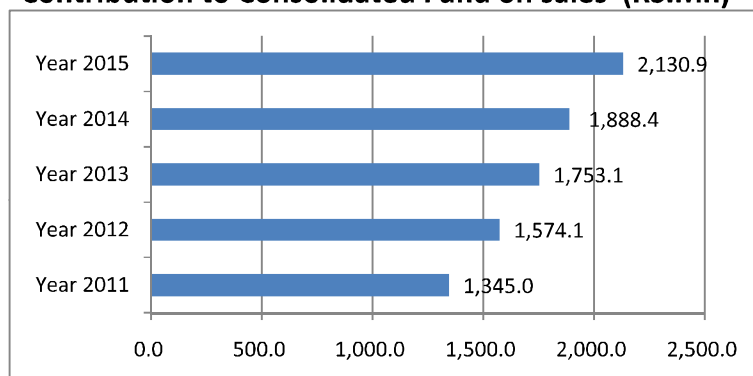
Prizes Declared (Rs.Mn)



Agency Commision (RS.Mn)



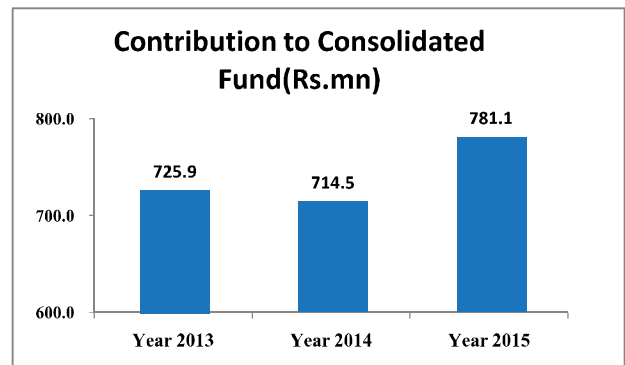
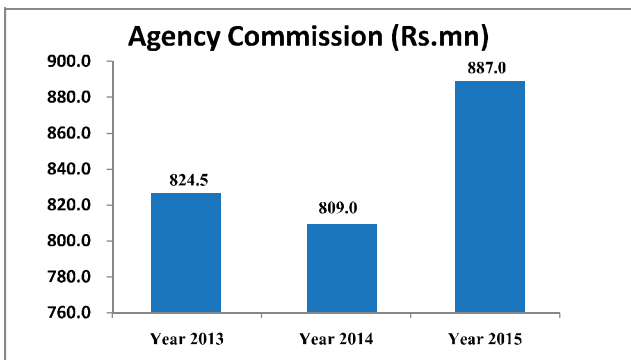
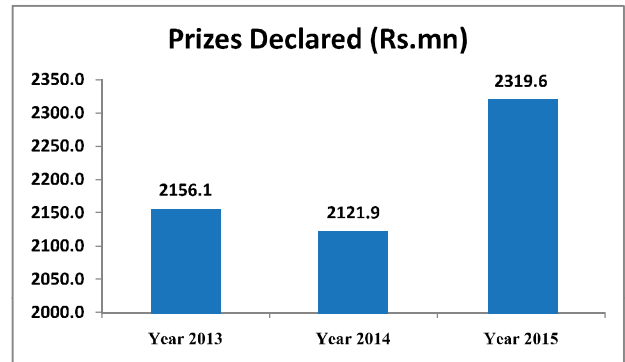
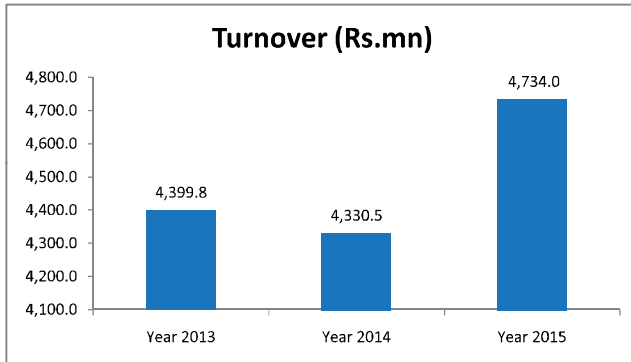
Contribution to Consolidated Fund on sales (RS.Mn)



PRODUCT WISE PERFORMANCE

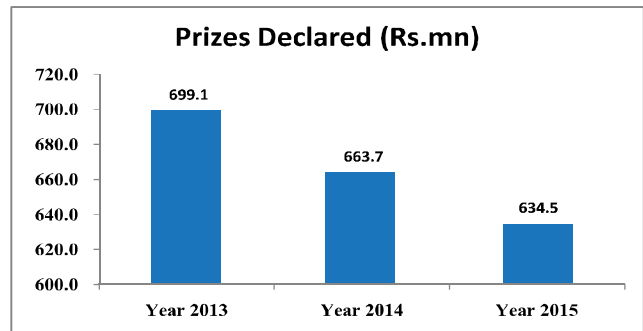
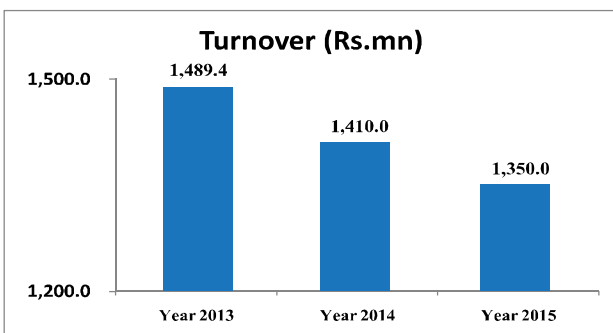
MAHAJANA SAMPATHA

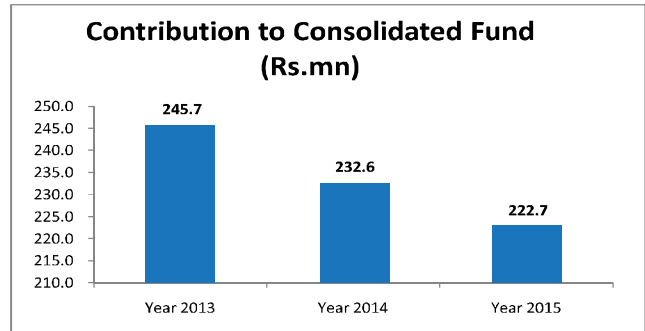
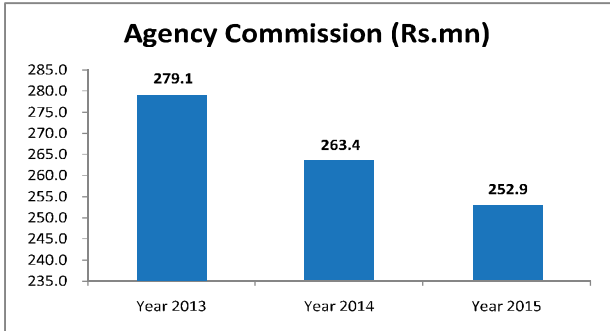
Description	2015 Rs. Mn	2014 Rs. Mn	2013 Rs. Mn
Turnover	4,734.0	4,330.5	4,399.8
Prizes Declared	2319.6	2121.9	2156.1
Agency Commission	887	809	824.5
Contribution to Consolidated Fund	781.1	714.5	725.9



VASANA SAMPATHA

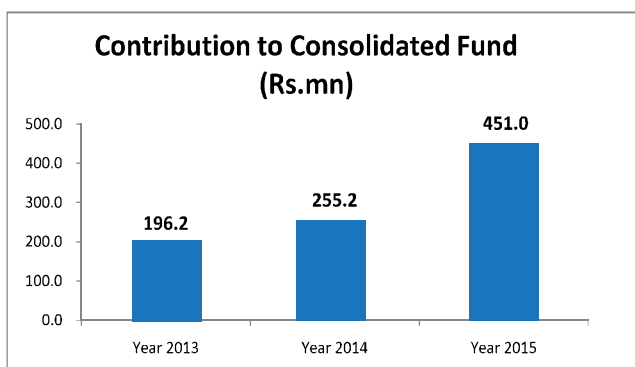
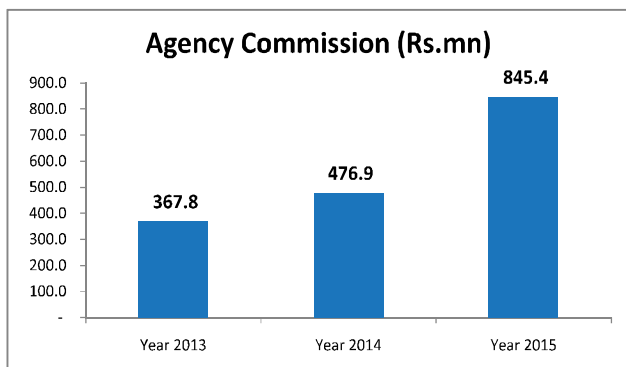
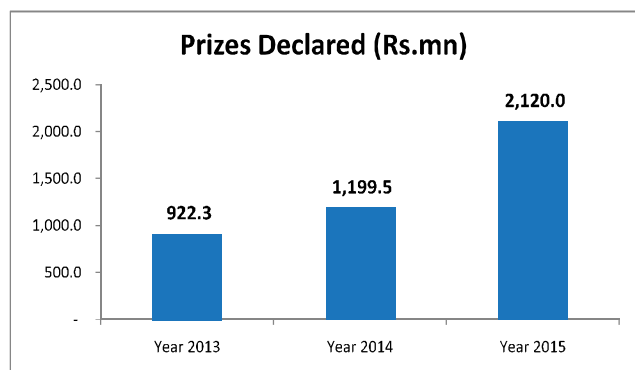
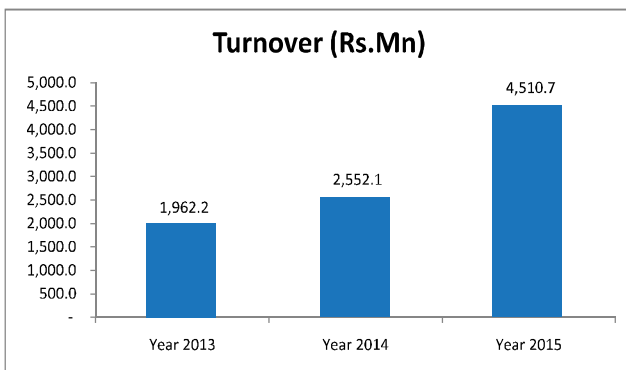
Description	2015 Rs.	2014 Rs.	2013 Rs.
Turnover	1,350.0	1,410.0	1,489.4
Prizes Declared	634.5	663.7	699.1
Agency Commission	252.9	263.4	279.1
Contribution to Consolidated Fund	222.7	232.6	245.7





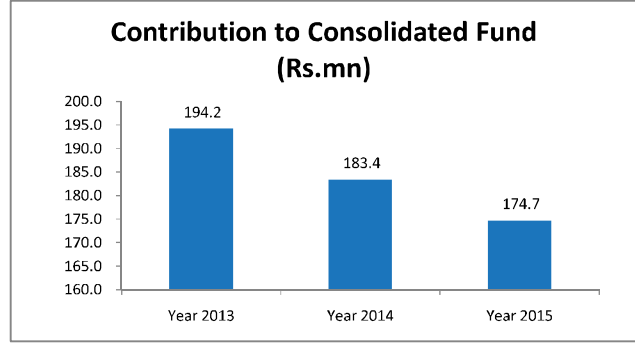
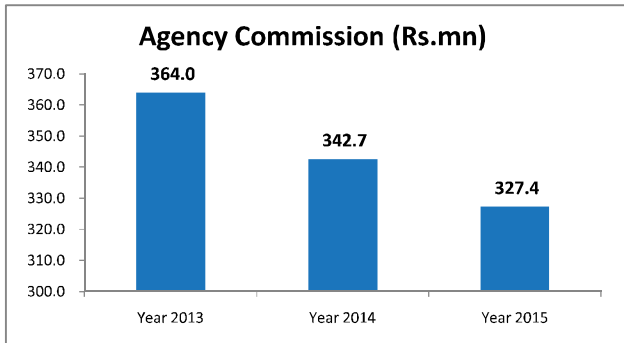
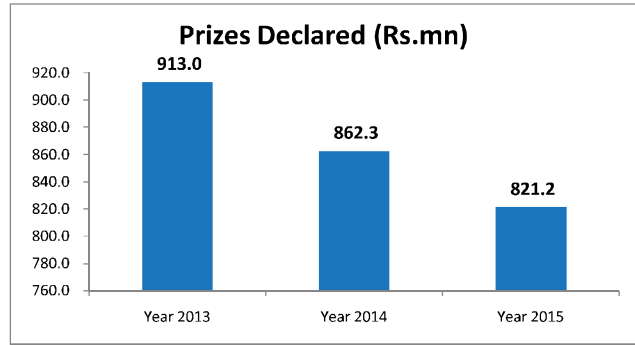
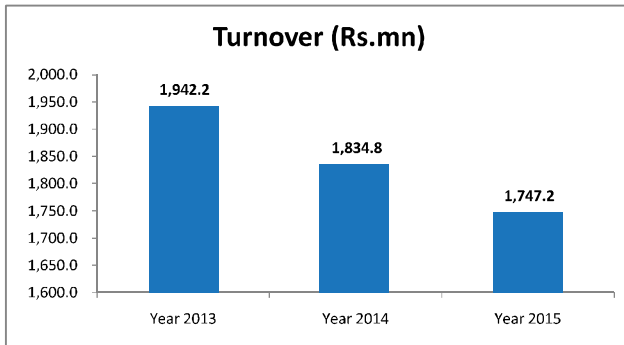
GOVISETHA

Description	2015 Rs.	2014 Rs.	2013 Rs.
Turnover	4,510.7	2,552.1	1,962.2
Prizes Declared	2,120.0	1,199.5	922.3
Agency Commission	845.4	476.9	367.8
Contribution to Consolidated Fund	451.0	255.2	196.2



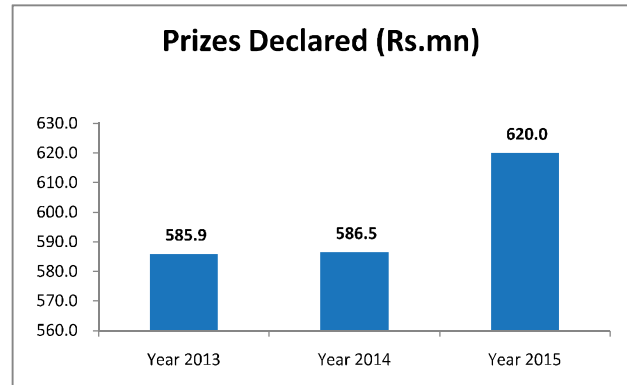
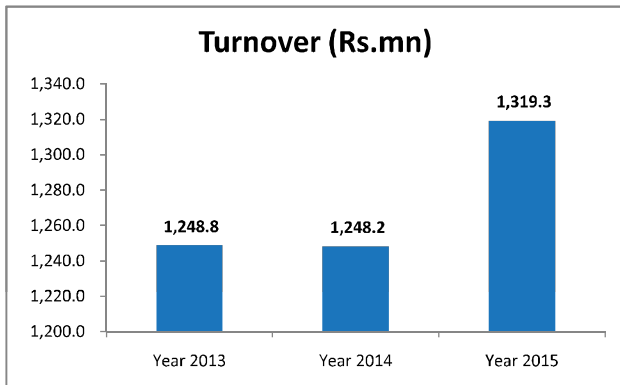
SUPIRI VASANA SAMPATHA

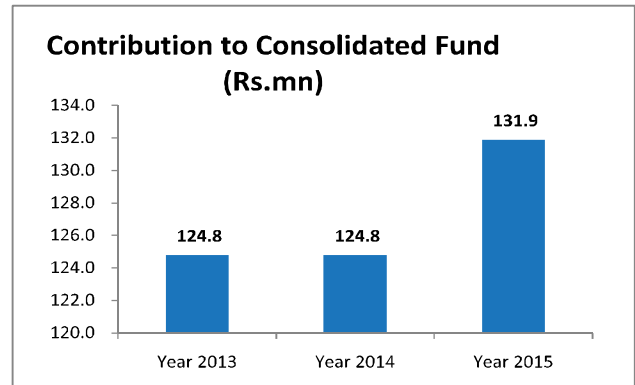
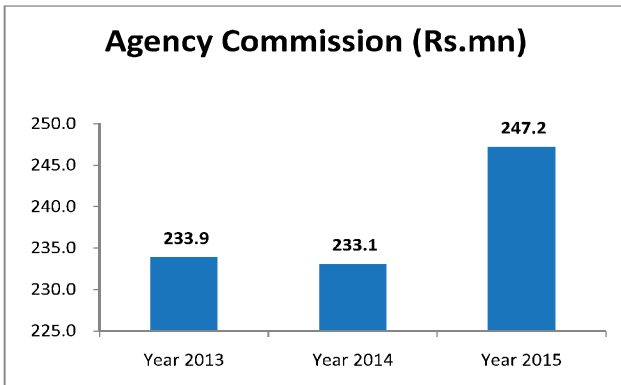
Description	2015 Rs.	2014 Rs.	2013 Rs.
Turnover	1,747.2	1,834.8	1,942.2
Prizes Declared	821.2	862.3	913.0
Agency Commission	327.4	342.7	364.0
Contribution to Consolidated Fund	174.7	183.4	194.2



JATHIKA SAMPATHA

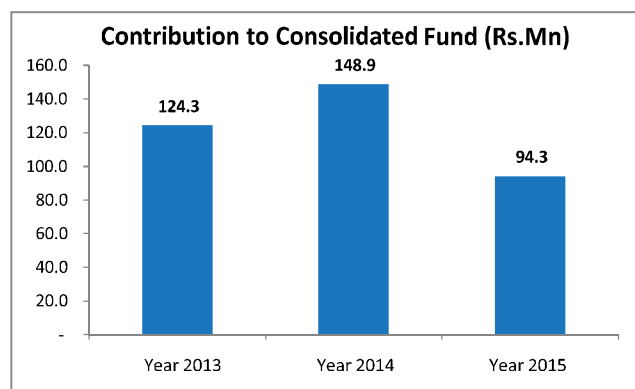
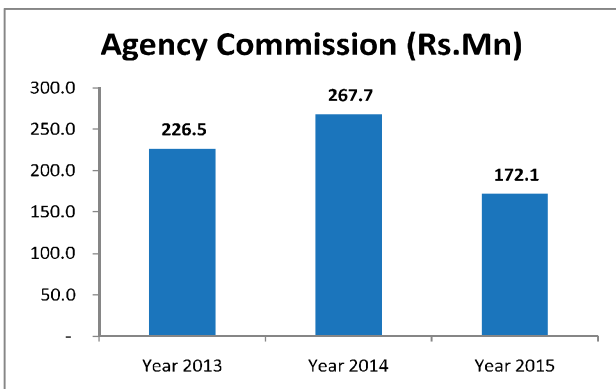
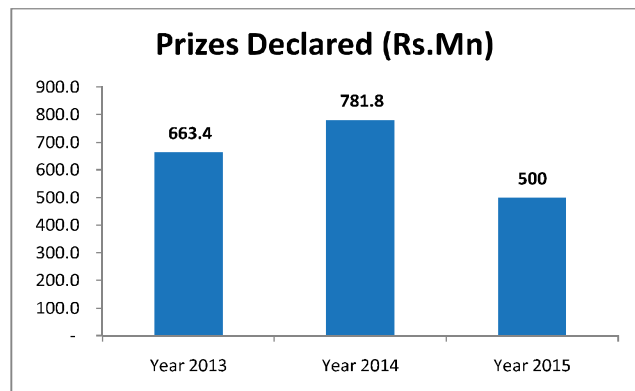
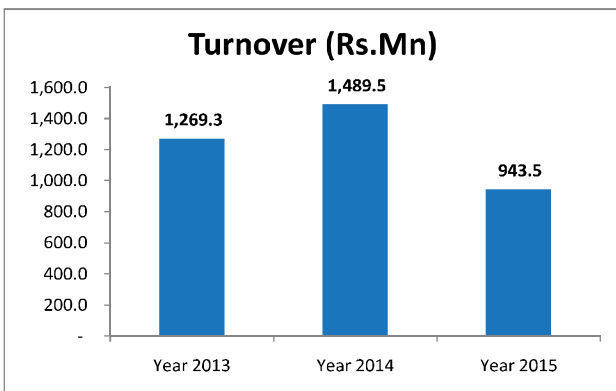
Description	2015 Rs.	2014 Rs.	2013 Rs.
Turnover	1,319.3	1,248.2	1,248.8
Prizes Declared	620.0	586.5	585.9
Agency Commission	247.2	233.1	233.9
Contribution to Consolidated Fund	131.9	124.8	124.8





SEVANA

Description	2015 Rs.	2014 Rs.	2013 Rs.
Turnover	943.5	1,489.5	1,269.3
Prizes Declared	500	781.8	663.4
Agency Commission	172.1	267.7	226.5
Contribution to Consolidated Fund	94.3	148.9	124.3



TEN YEAR OPERATIONAL ROUND UP

Figures in Rs.

Ten Year Operational Round up	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenue	6,409,015,752	6,079,850,149	6,832,519,239	8,580,538,712	8,862,869,826	10,092,330,623	12,004,268,616	14,537,362,545	15,153,133,820	17,394,463,681
Less: Indirect taxes	300,652,152	280,749,153	298,114,596	317,545,635	315,515,516	365,159,981	428,810,159	507,792,059	540,502,194	573,252,862
VAT				139,681,033	188,375,756	141,767,911	168,895,230	203,546,556	211,761,787	253,267,954
NBT	6,159,363,600	5,799,100,996	6,534,404,643	8,123,312,024	8,560,978,554	9,585,402,731	11,406,565,227	13,826,023,930	14,400,869,839	16,567,943,065
Net Turnover after VAT & NBT										
Less: Cost of Sales										
Ticket Printing Charges	394,484,461	315,362,150	289,619,018	271,803,581	293,504,383	376,528,826	393,049,086	459,877,814	474,762,687	494,409,498
Agency Commission	1,025,881,243	971,932,383	1,163,307,511	1,585,329,388	1,638,501,705	1,874,354,373	2,232,580,487	2,701,581,629	2,818,333,219	3,244,659,091
Prizes Declared	3,115,594,961	2,944,926,273	3,373,592,920	4,246,564,845	4,295,786,207	4,857,951,333	5,787,269,625	7,083,652,537	7,311,136,590	8,367,984,720
Contribution to Consolidated Fund on Sales	845,908,023	767,590,790	898,282,571	1,136,298,465	1,173,460,051	1,345,046,907	1,574,149,137	1,753,135,197	1,888,455,133	2,130,953,970
Gross Profit	777,494,912	799,289,400	809,602,623	883,315,745	959,726,208	1,131,521,292	1,419,514,892	1,877,776,753	1,908,182,210	2,329,935,786
Add: Other Income	136,114,584	191,205,560	257,996,742	340,680,571	212,424,233	178,866,137	275,197,318	220,209,583	88,823,238	92,197,950
	913,609,496	990,494,960	1,067,599,365	1,223,996,316	1,172,150,441	1,310,387,429	1,694,712,210	2,047,986,336	1,997,005,448	2,422,133,736
Less: Expenses										
Sales, Marketing & Distribution costs	432,035,352	488,011,003	557,650,809	583,815,438	500,848,485	531,801,210	674,909,121	1,069,000,355	1,284,599,303	847,064,057
Administrative Expenses	212,314,509	269,993,917	311,203,508	365,193,951	362,334,768	356,796,344	411,913,602	465,114,112	573,472,839	627,704,797
Finance Cost	44,893,795	21,746,255	25,717,200	30,483,249	29,936,142	25,807,844	26,094,291	37,190,847	29,743,395	36,563,614
Profit before Tax	689,243,656	779,751,175	894,571,175	979,492,638	893,119,395	914,405,398	1,112,917,014	1,571,305,314	1,887,815,537	1,911,332,468
Less: Income Tax Expense	166,051,524	140,065,071	129,986,050	198,991,306	231,393,156	186,878,002	269,604,238	610,087,951	117,853,496	669,785,229
Profit/(Loss) for the year	58,314,316	70,678,714	43,041,798	45,512,772	47,637,890	209,104,029	312,190,959	(133,406,928)	(8,663,585)	241,016,039
Direct & Indirect Contribution to Government										
Contribution to Consolidated Fund on Sales	845,908,023	767,590,790	898,282,571	1,136,298,465	1,173,460,051	1,345,046,907	1,574,149,137	1,753,135,197	1,888,455,133	2,130,953,970
Special Contribution to General Treasury	-	-	-	-	16,000,000	-	702,000,000	500,000,000	-	50,000,000
Contribution to Treasury on Forfeited Prizes	127,809,507	147,893,404	127,081,500	194,511,177	182,465,862	180,473,400	197,806,370	247,738,070	246,424,920	257,691,450
Indirect Contributions - Taxes	466,703,676	420,814,224	428,100,646	656,217,994	733,284,427	693,805,894	867,309,627	1,321,426,566	870,117,477	1,496,305,845
Total	1,440,421,206	1,336,298,418	1,453,464,717	1,987,027,636	2,105,210,340	2,219,326,201	3,341,265,134	3,822,299,833	3,004,997,530	3,934,951,265
Gross Profit as a % of Turnover	12.04%	13.15%	11.85%	10.29%	10.83%	11.21%	11.83%	12.57%	12.59%	13.39%
Profit Before Tax as a % of Turnover	3.47%	3.47%	2.53%	2.85%	3.15%	3.92%	4.85%	3.28%	0.72%	5.24%
Expenses as a % of Turnover	10.67%	12.83%	13.09%	11.42%	10.08%	9.07%	9.27%	10.81%	12.46%	8.69%
Profit/(Loss) for the year as a % on Turnover	0.90%	1.16%	0.63%	0.53%	0.54%	2.07%	2.60%	-0.9%	-0.1%	1.4%
Consolidated Fund Contribution on sales as a % Turnover	13.09%	12.63%	13.15%	13.24%	13.24%	13.33%	13.11%	12.06%	12.46%	12.25%
Total Contribution to Govt. as a % on Turnover	22.30%	21.98%	21.27%	23.16%	23.75%	21.99%	27.83%	26.29%	19.83%	22.62%
Growth rate of Turnover	4.75%	(5.88)%	12.37%	25.58%	3.29%	13.87%	18.94%	21.10%	4.24%	14.79%

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

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