



TRANSCENDING RELATIONSHIPS

Annual Report
2017

Development Lotteries Board

TRANSCENDING RELATIONSHIPS

Our relationships with stakeholders provide us with strength and purpose to continue to seek sustainable success. As we move forward in an upward trajectory, we in turn create value for all stakeholders. In view of this, in 2017, we focused our energy on building and nurturing relationships. As we unravel our journey during the year that passed, we are happy to share developments, strategic shifts and activities that shaped our course.



ABOUT US

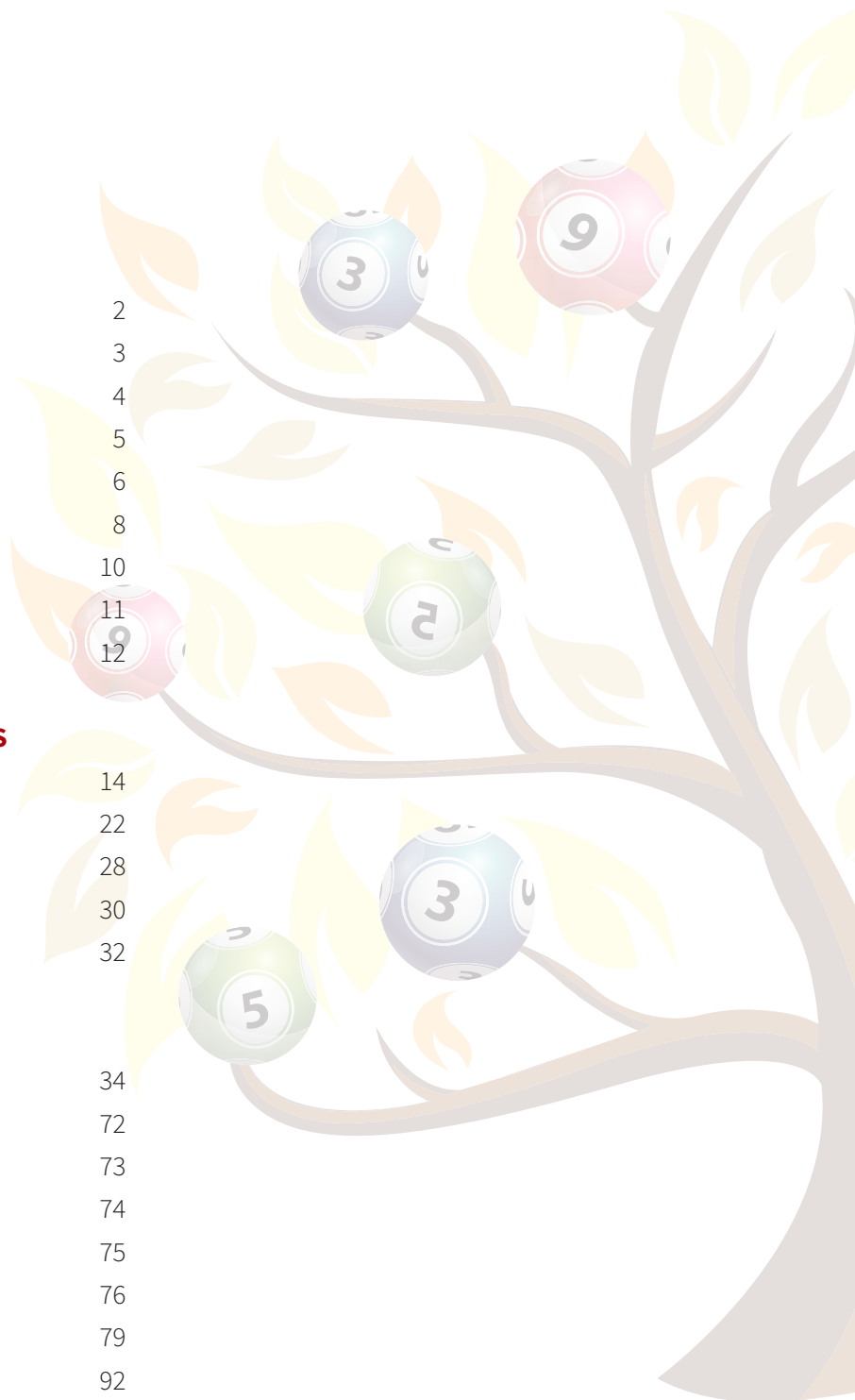
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Corporate Information

NAME OF THE BOARD

Development Lotteries Board

LEGAL FORM

The Board was incorporated under the Act of Parliament No. 20 of 1997 Development Lotteries Board Act.

DATE OF COMMENCEMENT

19th January 1983

REGISTERED OFFICE

No. 356, Dr Colvin R De Silva Mawatha, Union Place, Colombo 02.

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CURRENT BOARD OF DIRECTORS

- Mr. S.A.P. Suriyapperuma – Chairman/CEO
- Mr. H.R. Wimalasiri – Working Director
- Mr. D.N. Nanayakkara – Director
- Mr. H.C.D.L. Silva – Director
- Mr. M.P. Bandara – Director

AUDITOR

Auditor General

BANKERS

People's Bank, Bank of Ceylon
Sampath Bank PLC

Vision

To be a Premier fortune making public entity in Sri Lanka.

Goals

Increase the market share. Maximise the contribution made to the President's Fund. Acquire and utilise modern technology effectively. Fulfill the expectations of Stakeholders.

Mission

"Conducting innovative and attractive lotteries using state of the art technology, upholding trust and being excellent in fulfilling the aspirations of stakeholders at all times".

Core Values

INTEGRITY

The lotteries that we offer and the way we conduct business is fair, honest and trustworthy.

POSITIVE ATTITUDE

The DLB employees hold an optimistic approach to every challenge they face when carrying out lottery business.

RESULT ORIENTATION

The DLB employees are confident in their roles and focus on achieving the given targets in an effective manner.

INNOVATION

The employees of DLB are encouraged to seek ideas that will improve the business and to decide and act quickly in response to strategic and competitive market changes.

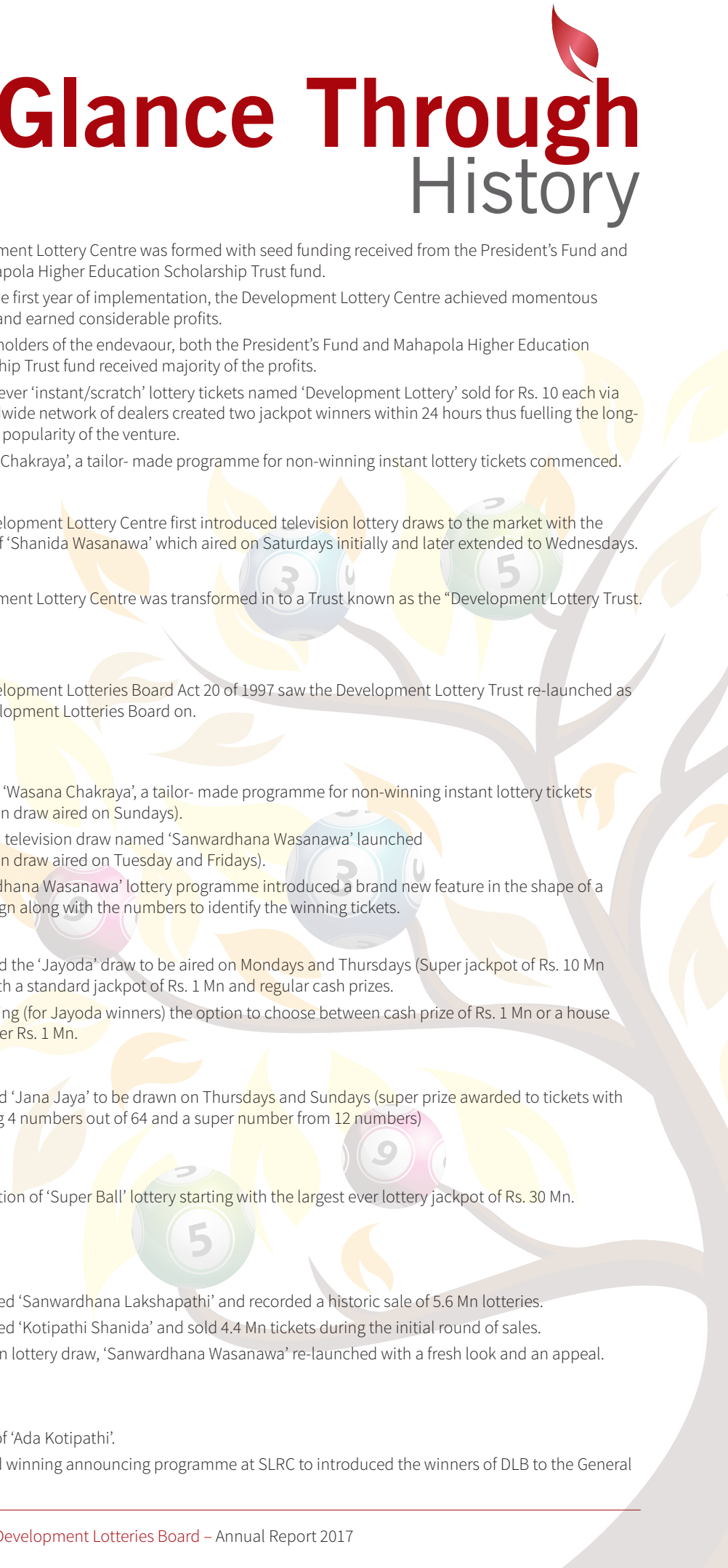
TEAM WORK

The DLB employees work together to achieve organisational goals while fostering openness, mutual respect and individual development.

ORIENTATION TOWARDS EXCELLENCE

The employees strive to maximise the quality of service continuously.

Glance Through History

- 
- 1983 »**
- Development Lottery Centre was formed with seed funding received from the President's Fund and the Mahapola Higher Education Scholarship Trust fund.
 - Within the first year of implementation, the Development Lottery Centre achieved momentous success and earned considerable profits.
 - As shareholders of the endeavour, both the President's Fund and Mahapola Higher Education Scholarship Trust fund received majority of the profits.
 - The first ever 'instant/scratch' lottery tickets named 'Development Lottery' sold for Rs. 10 each via an islandwide network of dealers created two jackpot winners within 24 hours thus fuelling the long-standing popularity of the venture.
 - 'Wasana Chakraya', a tailor-made programme for non-winning instant lottery tickets commenced.
- 1987 »**
- The Development Lottery Centre first introduced television lottery draws to the market with the launch of 'Shanida Wasanawa' which aired on Saturdays initially and later extended to Wednesdays.
- 1993 »**
- Development Lottery Centre was transformed into a Trust known as the "Development Lottery Trust."
- 1997 »**
- The Development Lotteries Board Act 20 of 1997 saw the Development Lottery Trust re-launched as the Development Lotteries Board on.
- 1998 »**
- Restated 'Wasana Chakraya', a tailor-made programme for non-winning instant lottery tickets (television draw aired on Sundays).
 - A second television draw named 'Sanwardhana Wasanawa' launched (television draw aired on Tuesday and Fridays).
 - 'Sanwardhana Wasanawa' lottery programme introduced a brand new feature in the shape of a zodiac sign along with the numbers to identify the winning tickets.
- 2004 »**
- Launched the 'Jayoda' draw to be aired on Mondays and Thursdays (Super jackpot of Rs. 10 Mn along with a standard jackpot of Rs. 1 Mn and regular cash prizes).
 - Introducing (for Jayoda winners) the option to choose between cash prize of Rs. 1 Mn or a house worth over Rs. 1 Mn.
- 2010 »**
- Launched 'Jana Jaya' to be drawn on Thursdays and Sundays (super prize awarded to tickets with matching 4 numbers out of 64 and a super number from 12 numbers)
- 2012 »**
- Introduction of 'Super Ball' lottery starting with the largest ever lottery jackpot of Rs. 30 Mn.
- 2016 »**
- Introduced 'Sanwardhana Lakshapathi' and recorded a historic sale of 5.6 Mn lotteries.
 - Introduced 'Kotipathi Shanida' and sold 4.4 Mn tickets during the initial round of sales.
 - Television lottery draw, 'Sanwardhana Wasanawa' re-launched with a fresh look and an appeal.
- 2017 »**
- Launch of 'Ada Kotipathi'.
 - Standard winning announcing programme at SLRC to introduced the winners of DLB to the General Public.

Milestones

1983

Introduced instant lottery first time in Sri Lanka.

1987

Introduction of the first Television Lottery Draw “Shanida Wasanawa”.

1993

Conversion from “Development Lottery Centre” to “Development Lottery Trust”.

1997

Conversion from “Development Lotteries Trust” to “Development Lotteries Board” with a Government owned corporate body under the “Development Lotteries Board Act No. 20 of 1997”.

- Achieved a turnover level of 2 Bn.

2008

Sheltered in DLB’s own House at No. 356, Dr. Colvin R De Silva Mawatha, Colombo 02.

- Achieved a Turnover level of 5 Bn.

2004

“JAYODA” was launched with pioneering feature of option for cash prize or a house

- Achieved a turnover level of 3 Bn.

1999

Updating Computer System to cope with Y2K issues, with the assistance of The World Bank.

1998

Again started second stage of “Wasana Chakraya” Television Draw. This was for non winning instant scratch lottery tickets. The “Sanwardhana Wasanawa” lottery was launched, together with “Windows” Instant Lottery and “UREKA” Instant lottery for Rs. 100 with a Super Luxury Motor Car as the winning prize.

2010

“Jana Jaya” Lottery, with a Super Jackpot prize was introduced.

2011

“Niyatha Jaya” Lottery was launched.

2012

“Super Ball” was launched with 30 Mn super jackpot.

2013

Launch of Highway Dream lottery with highest jackpot value.

2017

Launch of “Ada Kotipathi”

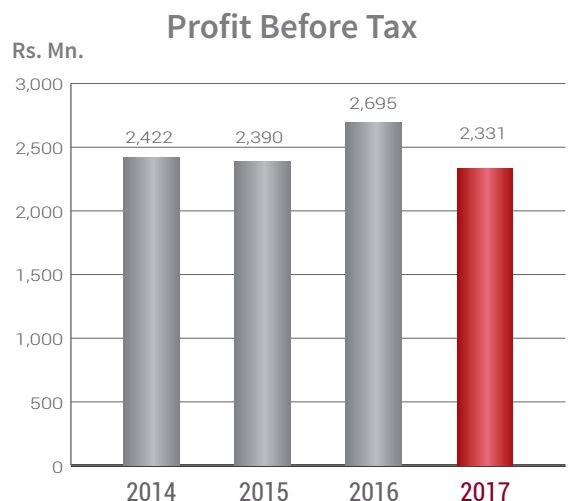
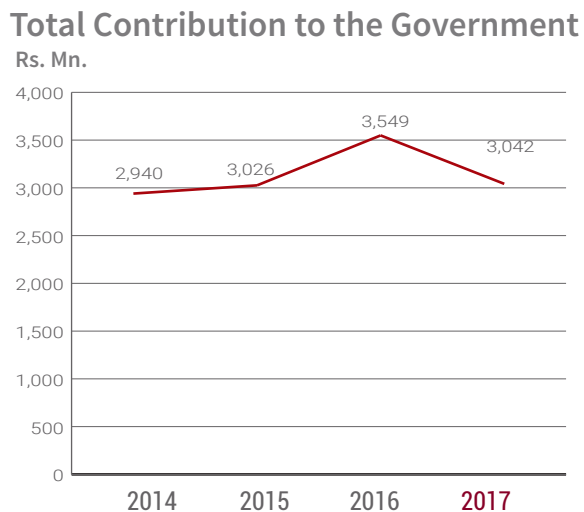
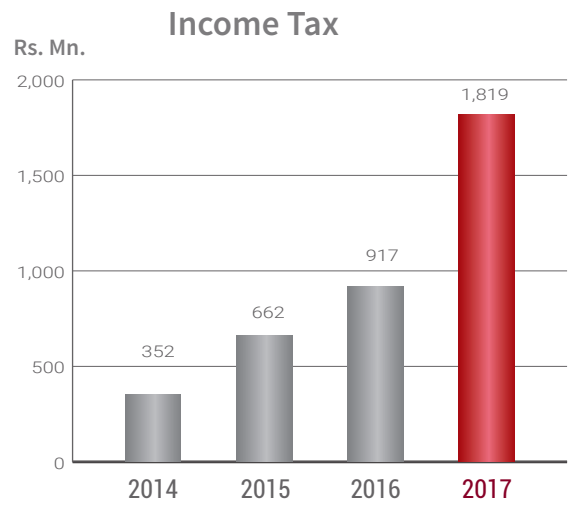
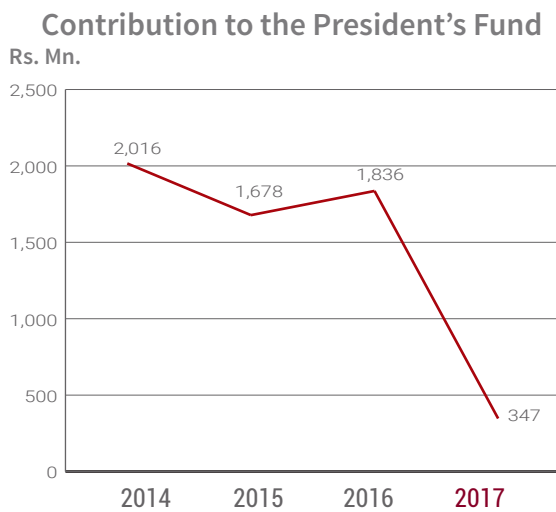
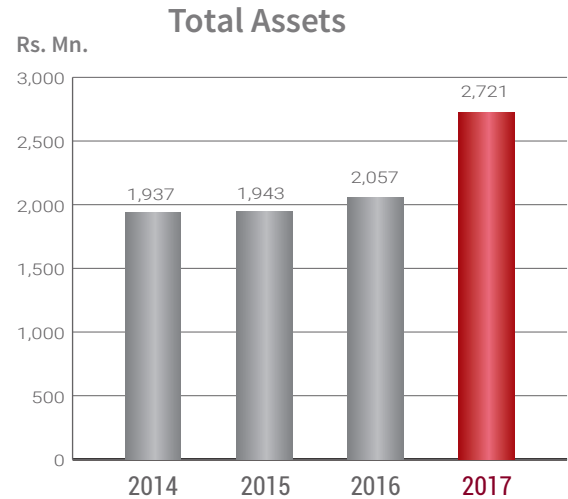
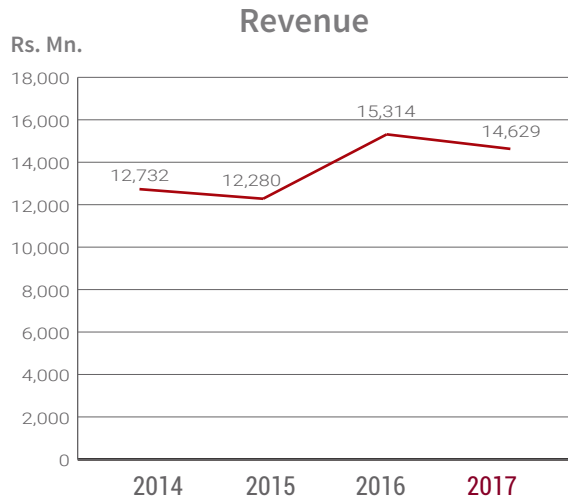
2016

Launch of “Sanwardana Lakshapathi”, “Kotipathi Shanida” and “Sanwardana Wasanawa”.

2014

Launch of SMS lottery selling.

Financial Highlights



Year Ended 31st December	2017	2016
Operating Results		
Revenue	13,981,500,306	14,759,875,240
Gross Profit	5,864,333,040	6,236,580,852
Profit Before Tax	2,331,187,173	2,695,497,748
Tax Expenses	1,819,191,890	917,136,130
Net Profit	507,036,703	1,783,386,637
Contribution to the President's Fund	346,541,000	1,836,020,000
Statement of Financial Position		
Assets		
Property, Plant & Equipment	670,526,398	699,667,579
Held to Maturity Financial Assets	1,050,939,528	673,087,287
Inventories	58,355,403	39,733,884
Trade Debtors & Other Receivable	195,356,468	65,861,572
Prepayments & Deposits	6,473,731	6,402,121
Cash in Hand & at Bank	739,482,123	572,045,926
Total Assets	2,721,133,651	2,056,798,369
Liabilities		
Employee Benefits Liabilities	43,110,120	31,004,453
Dealer & Distributor Deposit Payable	33,482,881	30,696,381
Credit Voucher Payable	247,427,740	101,500,760
Trade & Other payable	776,332,866	576,301,096
President's Fund Payable	107,862,341	(52,633,363)
Prize Payable	698,488,245	560,093,693
Equity		
President's Fund	2,200,000	2,200,000
Mahapola Trust Fund	2,200,000	2,200,000
Prize Reserve Account	810,029,458	805,435,349
Total Equity & Liabilities	2,721,133,651	2,056,798,369
Profitability Ratio		
Net Profit Ratio	17%	18%
Gross Profit Ratio	42%	42%
Liquidity Ratio		
Current Asset Ratio	1:0.6	1:0.6
Quick (Liquid) Assets Ratio	1:0.5	1:0.5

Chairman's Message



The 2017 financial year was the one that tested our strength in terms of relationship building, brand power and crisis management. As we conclude this eventful year, it gives me great pleasure to summarise our achievements and present the Audited Financial Statements and the Annual Report for 2017. During the year under review, Development Lotteries Board not only succeeded in effectively managing a critical crisis related to the unexpected increase in the price of tickets but, also managed to implement a series of strategic decisions to build and strengthen the business partnerships and increase customer confidence.

FINANCIAL OVERVIEW

In 2017, the revenue from the gross sale of tickets was at Rs. 14.6 Bn which was a marginal decline of 4.4 % in comparison to the previous financial year. Driven by focused marketing strategies, the sale of lotteries, 'Kotipathi Shanida' and 'Development Fortune' increased whilst the latest introduction to the Development Lottery portfolio, 'Ada Kotipathi' recorded the fifth highest number of tickets sold during the year.

During the 1st quarter of the financial year 2017, we recorded a Rs. 1,181 Mn loss of sales due to an operational crisis that

followed the directive issued by the Ministry of Finance to increase the ticket prices by Rs. 10.00. However, we succeeded in turning around the situation through fruitful dialog with lottery sales agents and the newly established union of lottery sales agents. We managed to post a profit before tax (PBT) of Rs. 2.3 Bn which is a decrease of 13% in comparison to the previous financial year. Development Lotteries Board contributed Rs. 1,819 Mn as income tax recording an increase of Rs. 902 Mn in comparison to 2016. As a result, the after tax profit for the year 2017 was Rs. 507 Mn. This was a decline of 71.5% in comparison to the previous financial year.

Development Lotteries Board was first established with the primary objective of creating a sustainable scheme for the generation of funds for the President's Fund and the Mahapola Higher Education Scholarship Trust Fund. Hence, contributing to these funds is one of our prime objectives. During the year under review we successfully managed to pay off our accumulated default tax, of Rs. 1,931 Mn which had been a long-out standing burden. As a result this enabled us to present a healthy balance sheet as at the end of the year. Due to paying off the accumulated default tax our contribution to the President's Fund was also limited to Rs. 437 Mn, which was a reduction of Rs. 1, 399 Mn from the previous year.

BUILDING RELATIONSHIPS AND STRATEGIC DEVELOPMENTS

During the year 2017, we demonstrated our strength and ability in building long lasting relationships with agents and the general public through effectively addressing their concerns and opening up communication channels. As mentioned above, the challenges that we identified following ticket price increase in the first quarter steered us towards building a stronger rapport with lottery agents. Upon identifying the common misconception that jackpot winning was a rare if not a no-existent occurrence we took the initiative to build customer confidence through the airing of the 'Wasanawata Vinadiyak' programme on the national television both in Sinhala and Tamil languages to appeal to viewers by introducing super jackpot and jackpot winners of each week. This was an important strategic decision that focused on showcasing the results in place of investing in advertisements to increase the sale of tickets.

As part of our relationship building efforts, for the first time in years, we organised Distributor conferences to encourage them to air their viable solutions to the challenges they face.

Seeking to infuse fresh energy to the North and the East, DLB provided new lottery sale outlets to agents in these two regions.

After many years we managed to revive another tradition. We restarted the system of providing monthly scholarships to University students whose parents are current sales agents of DLB.

In 2017, DLB organised a get-together of Lottery Presenters at SLRC, enabling them to share ideas and opinions. We used this opportunity to recognise and appreciate the Presenters' valuable contribution.

Striving to build the staff potential, we conducted a series of employee engagement and training sessions.

Moreover, we re-organised the distribution network and streamlined the supply of tickets to maintain a steady availability of tickets. Currently, we maintain a stock of tickets at the head office for up to 14 days to ensure that our dealers have access to tickets at any given time.

In the year 2017, our growth strategies headed towards a new direction with increased focus on the dealer network and to develop sales and the dealer network in the Northern and Eastern regions of the country. In line with this, we provided lottery sales outlets free of charge to agents in these two regions.

Moreover, during the year under review, we shifted our focus to develop our IT and Digital front. Towards this end we laid the groundwork to introduce a mobile lottery and develop a mobile application to allow the general public to receive notifications and interact with the Developments Lotteries Board.

DLB also took the initiative to facilitate a number of Corporate Social Responsibility events including support extended to various religious, social and culturally significant institutions.

APPRECIATION

Finally I take this opportunity to extend my heartfelt gratitude to our stakeholders and thank them for their continued support. I am also grateful to the Ministry of Finance, my Board of Directors, working Director, General Manager, Deputy General Managers and Assistant General Managers for their unstinted support and guidance. Our journey of 35 years would not have been possible without the cooperation and commitment of former and current employees of the Development Lotteries Board. I would also like to extend my gratitude towards the Draw Judges, staff of the President's Fund, Mahapola Higher Education Trust Fund, Distributors, Dealers, Sales Assistants, Media, Banks, Auditors and all Suppliers.

In the years to come, Development Lotteries Board will remain committed to serving all stakeholders and will continue our journey with a strong focus on building mutually beneficial sustainable relationships.



Mr. S.A.P. Suriyapperuma
Chairman/CEO





Board of Directors (2017)

Mr. S.A.P. Suriyapperuma <i>Chairman/CEO</i>	2017.09.06 – to date
Mr. Romesh Jayawardana <i>Chairman/CEO</i>	2015.10.29 – 2017.09.04
Mrs. R.I. Wimalasena <i>Vice Chairman</i>	2015.02.16 – 2017.06.15
Mr. H.R. Wimalasiri <i>Working Director</i>	2017.09.06 – to date
Dr. Wickrama Wirasooriya <i>Director</i>	2015.03.17 – 2017.11.05
Mr. M.S.D. Ranasiri <i>Director</i>	2015.02.27 – 2017.02.13
Mr. D.N. Nanayakkara <i>Director</i>	2015.03.11 – to date
Mr. H.G. Sumanasinghe <i>Director</i>	2017.02.14 – 2017.06.08 2017.09.26 – 2018.09.13
Ms. S.M. Mohomad <i>Director</i>	2017.06.22 – 2017.08.17
Mr. D.C. Dissanayaka <i>Director</i>	2017.11.06 – 2018.05.15



Board of Directors (Present)

Mr. S.A.P. Suriyapperuma
Chairman/CEO

Mr. H.R. Wimalasiri
Working Director

Mr. D.N. Nanayakkara
Director

Mr. H.C.D.L. Silva
Director

Mr. M.P. Bandara
Director

Review of the Board of Directors

During the financial year 2017, Development Lotteries Board concentrated on strengthening relationships with stakeholders. Fulfilling the organisation's functions and objectives, DLB earned a PAT of Rs. 507 Mn out of which DLB contributed Rs. 346 Mn to the President's Fund and the Mahapola Higher Education Trust Fund. The Board of Director's review for the Annual Report 2017 details key strategies that took place during the year.

In 2017, DLB successfully paid off the default tax accumulation which enabled the organisation to present a clean balance sheet at the end of the financial year.

In terms of strengthening relationships, DLB created more transparent and direct communication channels with agents to effectively address their concerns and hence paved the way to increase sales volumes. We implemented an unconventional approach to inspire confidence in the general public.

Accordingly, the 'Wasanawata Vinadiyak' programme which aired on national television introduced jackpot winners weekly to the public in both Sinhala and Tamil languages. This was part of our wider focus on improving sales. Adapting to the changing market, we laid the foundation to introduce a mobile lottery and an application to enable the public to receive notifications and interact with DLB.

During the year under review, the Board of Directors looked into improving integral aspects of the organisation including staff, the agent network as well as the product portfolio. DLB took steps to maintain a stock of tickets both at the head office and the respective agents to ensure an uninterrupted supply to the market. The organisation identified training requirements of the staff and carried out development and training programmes accordingly. During the year under review, we introduced a new lottery ticket, 'Ada Kotipathi' to appeal to a new audience. This new product captured the public's attention, consequently recording one of the highest number of tickets sold during the year. DLB paid a sum of Rs. 7,263 Mn in cash prizes to customers.

Having carefully considered the sustainable operation of the organisation during the year, the Board will take measures to implement necessary actions in the near future to steer the organisation on an upward trajectory.

Concluding the review of the Board of Directors, we would like to express our sincere gratitude to the senior management and staff of the Development Lotteries Board for their unwavering commitment. Further, the board wishes to express our gratitude to auditors for their support. Our loyal customers remain an integral part of our success and we would like to thank them on behalf of the entire organisation. We wish to assure all our stakeholders that in the year 2018, we will continue to take far sighted actions to ensure the sustainability of our organisation and its efforts.



D.N. Nanayakkara
Director

Management Team

Mr. J.M. Saman Jayasingha
General Manager

Mr. Anura Jayarathna
Deputy General Manager - Marketing

Miss. Vijitha Somarathne
Deputy General Manager - Finance

Mr. Chanaka Dodangodage
Assistant General Manager - Marketing

Mr. Kapila Bulathsinghala
Assistant General Manager - Marketing

Mrs. Asankha S. Gunasingha
Assistant General Manager - Marketing

Mr. Kasun Jayasooriya
Assistant General Manager - Finance

Mr. Nishan Perera
Assistant General Manager - Finance

Mr. Sunil Jayarathna
Assistant General Manager - Sales

Mr. Madura Harshana
Assistant General Manager - Information Technology

Mr. Wasantha Senadeera
Internal Auditor

Junior Managers

Mr. Nuwan Abeyrathna
Administrative Officer

Major J.M.D.A. Krishantha
Chief Security Officer

Mr. N.V. Indika Upul
Finance Office

Mrs. R.D. Chandra Rajapaksha
Finance Office

Mrs. Niranjala Gunasekara
Finance Office

Mrs. Wathsala Rupasinghe
Finance Office

Mr. G. Roshan Priyantha
Sales Officer

Mr. C.C. Illapperuma
Sales Officer

Mr. G.A.R.S. Ranathunga
Sales Officer

Mr. M.B.M.N.K. Balagalla
Sales Officer

Mr. M.K. Ajith Indika Kamalsiri
Sales Officer

Mr. I.D.P. Kumarasiri
Sales Officer

Mr. I. A. Umesh Gayanga Illeperuma
System Analyst/Program Analyst

Mrs. Chamila Thewarapperuma
Human Resource Officer

Mr. Chaminda Karunarathna
Procurement Officer



Management Discussion & Analysis



Operational Review

SRI LANKAN ECONOMIC OUTLOOK FOR 2017

In the year 2017, the country's real GDP growth slowed down to a 3.1% from the growth of 4.5% recorded in 2016. Adverse weather conditions continued to affect Agricultural related activities which posted a contraction of 0.8%. The growth of Industry related activities by 3.9% mainly arose from the increase in manufacturing activities, construction activities, and mining and quarrying. Industry related activities contribute 26.8% to the overall value of real GDP. Nevertheless, construction activities which continued to grow during the post conflict period, supporting economic growth began to decline in 2017 considerably. The Services sector grew by 3.2% in the year 2017 (year-on-year basis) mainly driven by financial service activities, wholesale and retail trade, and other personal service activities. The Services sector account for 56.8% of real GDP. The growth of the services sector however declined during the year due to the reduction of public administration and defense activities.

During the year 2017, headline inflation hovered well above the target. Meanwhile core inflation stabilised during the latter part of the year as a result of the tight monetary policy stance of the Central Bank. Headline inflation recorded twin peaks in the first and the last quarter of the year 2017 as measured by the year-on-year change in both the National Consumer Price Index and the Colombo Consumer Price Index. The sharp peaks were driven by the combined factors of food inflation (due to unfavourable weather conditions) and revisions introduced to Value Added Tax (VAT) and Nation Building Tax (NBT). Moreover, higher commodity prices in the global market contributed to high levels of inflation.

National Consumer Price Index based core inflation decreased to 2.7% (YoY) by the latter part of 2017 in comparison to 6.7% in the latter part of 2016. Core inflation based on CCPI declined to 4.3% by the end of the year in comparison to 5.8% at the end of the previous year.

The country's external sector showed signs of improvement driven by increased foreign exchange inflows. Positively influenced by the reinstatement of the European Union's Generalised System of Preferences plus (EU GSP+) facility, earnings from the export of goods posted a growth. Nevertheless, trade deficit expanded during the year due to high import expenditure driven by fuel and rice imports.

LOOKING AHEAD

The Department of Census and Statistics estimate that the country's real GDP growth will increase to 6.0% by the year 2022 driven by higher private sector participation. The Sri Lankan government plans to incorporate a growth strategy based on a knowledge based social market economy to steer Sri Lanka ahead.

PRINCIPLE ACTIVITIES

In the year 2017, Development Lotteries Board contributed Rs. 346.5 Mn to the President's Fund and the Mahapola Higher Education Trust Fund. Development Lotteries Board (DLB) contribute to poverty alleviation, educational development and other development activities of the nation through generating funds specifically for the purpose.

DLB is governed by the Development Lotteries Board Act No. 20 of 1997 to generate funds for the President's Fund and the Mahapola Higher Education Scholarship Trust Fund as well as numerous other development projects. Aspiring to provide a variety of appealing products to the public, DLB has produced a comprehensive portfolio over the years. Listed below is a table of DLB's products.

Product Portfolio



Operational Review Contd.

PRODUCT PORTFOLIO

Lottery	Game Methodology	Draw Dates and Time	Prize Structure	
			Game	Tier (Rs.)
Saturday Fortune	Four Winning Numbers Out of 75 balls.	Blue Ticket - Monday Purple Ticket - Wednesday Green Ticket - Saturday	Game	Tier (Rs.)
			04 nos + English Letter	30,000,000
			04 nos	1,000,000
	Bonus Number One (01) number is selected out of balance 71 balls from same machine.	At 9.30 P.M. on Monday, Wednesday and Saturday on Sri Lanka Rupawahini	03 nos + Bonus Number	100,000
			03 nos + English Letter	10,000
			03 nos	1,000
	English Letter One (01) ball is selected out of 26 alphabets, from a separate machine.	At 10.00 P.M. on Monday, Wednesday and Saturday on Channel Eye.	02 nos + Bonus Number	500
			02 nos + English Letter	1,000
			02 nos	100
			01 no + Bonus Number	100
			01 nos + English Letter	40
			01 no	20
			English Letter	20
Lagna Wasana	First Stage Out of 61 balls, four are drawn.	Blue Ticket - Tuesday Red Ticket - Friday Purple Ticket - Sunday	Game	Tier (Rs.)
			04 nos + Zodiac sign	2,000,000
	Second Stage Out of 12 Zodiac symbols one is drawn.	At 9.30 P.M. on Tuesday, Friday and Sunday on Sri Lanka Rupawahini	04 nos	500,000
			03 nos + Zodiac sign	10,000
			03 nos	1,000
			02 nos + Zodiac sign	200
		At 10.00 P.M. on Tuesday, Friday and Sunday on Channel Eye.	01 no + Zodiac sign	60
			02 nos	60
			01 nos	20
			Zodiac sign	20
Jayoda	Four Winning Numbers Out of 68 balls, Four (04) numbers are selected from one machine.	Yellow Ticket – Monday Orange Ticket - Thursday	Game	Tier (Rs.)
			04 nos + English Letter	20,000,000
			04 nos	1,000,000
	English Letter One (01) ball is selected out of 26 alphabets, from a separate machine.	At 9.30 P.M. on Monday, Thursday on Sri Lanka Rupawahini	03 nos + English Letter	50,000
			03 nos	2,000
			02 nos + English Letter	1,000
			02 nos	100
			01 nos + English Letter	40
			01 no	20
			English Letter	20
			01 nos + English Letter	40
			01 no	20

Lottery	Game Methodology	Draw Dates and Time	Prize Structure	
			Game	Tier (Rs.)
Galaxy Star	<p>Four Winning Numbers Out of 60 balls, Four (04) numbers are selected from one machine.</p> <p>Star Sign One (01) ball is selected out of 12 Numbers, from a separate machine.</p>	<p>Yellow Ticket - Sunday Blue Ticket - Wednesday At 9.30 P.M. on Wednesday and Sunday on Sri Lanka Rupawahini</p> <p>At 10.00 P.M. on Wednesday and Saturday on Channel Eye.</p>	04 nos + lucky Star number	2,000,000
			04 nos	500,000
			03 nos + lucky Star number	10,000
			03 nos	1,000
			02 nos + lucky Star number	200
			01 no + lucky Star number	60
			02 nos	40
			01 no	20
			Lucky Star number	20
			Niyatha Jaya	<p>Four Winning Numbers Out of 65 numbers, Four (04) numbers are selected from one machine.</p> <p>One English Letter One (01) letter is selected out of 26 English Letters, from a separate machine.</p>
04 nos + English Letter	10,000,000			
04 nos	1,000,000			
03 nos + English Letter	50,000			
03 nos	1,000			
02 nos + English Letter	1,000			
02 nos	60			
01 nos + English Letter	40			
01 no	20			
English Letter	20			
Super Ball	<p>Four Winning Numbers Out of 73 balls, Four (04) numbers are selected from one machine.</p> <p>English Letter One (01) ball is selected out of 26 alphabets, from a separate machine.</p>	<p>Blue Ticket - Saturday Green Ticket - Thursday Purple Ticket - Monday At 9.30 P.M. on Monday, Thursday and Saturday on Sri Lanka Rupawahini</p> <p>At 10.00 P.M. on Monday, Thursday and Saturday on Channel Eye.</p>	Game	Tier (Rs.)
			04 nos + English Letter	40,000,000
			04 nos	1,000,000
			03 nos + English Letter	100,000
			03 nos	2,000
			02 nos + English Letter	1,000
			02 nos	100
			01 nos + English Letter	40
			01 no	20
			English Letter	20
Instant				
Sanwardhana Lakshapathi	<p>Three Winning Numbers Out of 50 numbers, Three (03) numbers are selected from one machine.</p>	At 9.45 P.M. on Monday on Sri Lanka Rupawahini	<p>Any 3 Numbers</p> <p>Any 2 Numbers</p> <p>Any Single Number</p>	<p>100,000</p> <p>200</p> <p>20</p>

Operational Review Contd.

Lottery	Game Methodology	Draw Dates and Time	Prize Structure	
			Game	Tier (Rs.)
Kotipathi Shanida	First Stage Out of 80 balls, four are drawn.	Purple Ticket - Tuesday Orange Ticket - Friday Green- Ticket - Sunday	04 nos + English Letter	75,000,000
			04 nos	1,000,000
	Second Stage Out of 26 English Letters, one is drawn.	At 9.30 P.M. on Tuesday, Friday and Sunday on Sri Lanka Rupawahini	03 nos + English Letter	100,000
			03 nos	2,000
			02 nos + English Letter	1,000
			02 nos	100
		At 10.00 P.M. on Tuesday, Friday and Sunday on Channel Eye.	01 no + English Letter	60
			01 no	20
			English Letter	20
Development Fortune	First Stage Out of 65 balls, four are drawn.	Blue Ticket - Thursday Red Ticket - Saturday	Any month	20.00
			Any 1 Number (Other than super number)	20.00
	Second Stage Out of 12 Months, one is drawn.	At 9.30 P.M. on Thursday and Saturday on Sri Lanka Rupawahini	Any 1 Number + Lucky Month	40.00
			Any 2 Number	100.00
	Third Stage Out of 6 numbers one is drawn	At 10.00 P.M. on Thursday and Saturday on Channel Eye.	Any 2 Number + Lucky Month	200.00
			Any 3 Number	1,000.00
			Any 3 Number + Lucky Month	5,000.00
			4 Number	500,000.00
			4 Number + Super Numbers	1,000,000.00
			Any 4 Number + Lucky Month	2,000,000.00
			Any 4 Number + Lucky Month + Super Number	5,000,000.00
Dasa Lakshapathi	First Stage Three winning numbers are drawn out of 55 balls	Red Ticket - Wednesday At 9.30 P.M. on Wednesday on Sri Lanka Rupawahini	3 nos + English letter+ Special day	2,500,000/Car
			3 nos + English letter	1,000,000
	Second Stage One ball depicting a letter from the English alphabet is drawn using a separate machine	At 10.00 P.M. on Wednesday on Channel Eye.	03 nos	100,000
			2 nos + English letter	1,000
			02 nos	200
	Third Stage A special day is drawn using a separate machine		1 no + English letter	100
			01 no	20

Lottery	Game Methodology	Draw Dates and Time	Prize Structure	
			Game	Tier (Rs.)
Ada Kotipathi	Stage One Four winning numbers are drawn out of 75 balls.	Monday - Red Ticket	04 nos + English Letter	50,000,000
		Tuesday - Dark Blue Ticket	04 nos	1,000,000
	Wednesday - Green Ticket	03 nos + English Letter	100,000	
	Thursday - Purple Ticket	03 nos	1,000	
	Friday - Orange Ticket	02 nos + English Letter	1,000	
	Saturday - Pink Ticket	02 nos	100	
	Sunday - Light Blue Ticket	01 nos + English Letter	40	
		01 no	20	
		English Letter	20	

BUILDING RELATIONSHIPS

During the year under review, DLB laid the groundwork to build rapport with all stakeholders including agents, dealers and the general public. The organisation opened up communication channels and sought to address the real concerns of all stakeholders to strengthen relationships and build trust.

BUILDING TRUST AMONGST AGENTS

DLB used one of the biggest challenges of the year in the form of unexpected ticket price increase to open an honest dialog with Agents islandwide and build trust. Building on this, DLB launched a growth strategy that focused on strengthening the dealer network. Striving to develop the dealer network in the North and the East, DLB provided lottery sale Outlet free of charge to agents in the two regions.

BUILDING TRUST WITH THE PUBLIC

During the year under review, DLB initiated the TV programme 'Wasanawata Vinadiyak' (A minute to celebrate luck) to introduce jackpot winners to the public. The programme airs on national television on in both Sinhala and Tamil mediums. This strategy looked beyond mere advertising and sought to communicate stories of real life winners in order to build confidence.

BUILDING STAFF POTENTIAL

DLB conducted a series of comprehensive training programmes to build staff potential.



Operational Review Contd.

HIGHLIGHTS OF PERFORMANCE INDICATORS

	2016	2017
Highest Jackpot	98,560,620	104,565,936
Average Number of Winners Per Month	15,336,386	14,375,639
Total Sales (Annual)	14,759,875,240	13,981,500,306
Total Prize Payout	7,755,659,066	7,263,436,665
Number of Prize Winners	184,036,631	172,507,676
Number of Millionaires Created	540	507
Contribution to the President Fund	1,836,020,000	346,541,000

INTRODUCTION OF ADA KOTIPATHI

The newest addition to the product portfolio, Ada Kotipathi became a popular product amongst the public resulting in the 5th highest amount of lottery tickets sold during the year.

MARKETING AND OPERATIONAL HIGHLIGHTS

In the year 2017, we streamlined our marketing and sales activities to reach desired results and strengthen sustainability of the business. During the year, DLB succeeded in enhancing efficiency of marketing and sales activities which resulted in a considerable contribution to the President's Fund as well as more cash rewards to lottery winners.

MARKETING DEVELOPMENT ACTIVITIES 2017

Introduction of new lottery ticket

- 'Dasa lakshapathi'
DLB re-launched the 'Sanawardana Lakshapathi' lottery on April, 05 2017 under the new brand name 'Dasa Lakshapathi' to increase sales and successfully tackle competition.
- 'Ada Kotipathi'
DLB launched a new lottery ticket dubbed 'Ada Kotipathi' on August, 31 2017. The new lottery ticket draws numbers to select winner 7 days a week.
- DLB re-launched the 'Lagna Wasanawa' lottery ticket under the name 'Raashi Adhistam' in the North and East regions to appeal to the regional mindset.
- DLB commenced drawing numbers for the 'Shanida Wasana' (Saturday Fortune) lottery ticket on Mondays in addition to Wednesdays and Saturdays.

Promotional Activities

- Launched and began airing (electronic media) the 'Wasanawata Vinadiyak' (a minute for fortune) from July 2017 to boost customer confidence through introducing winners on screen.
- 'Ticket ekai – Chance dekai' initiative (One ticket – Two chances at winning) – In a bid to increase sales and appeal to the mass audience, DLB ran the 'Ticket ekai – Chance dekai' programme for two months starting from July, 2017. During this period, a number of selected lottery tickets went through a second draw using the left over numbers following the first draw. In line with the two month programme, we carried out a street promotional campaign islandwide. The selected lottery tickets were:
 - 'Shanida Wasanawa' (Saturday Fortune)
 - 'Lagna wasanawa'
 - 'Jayoda'
 - Galaxy star
 - 'Niyatha Jaya'
 - Super Ball
 - 'Dasa Lakshapathi'
 - 'Kotipathi Shanida'
 - Development Fortune
 - Ada Kotipathi
- 'Kotipathi Shanida' mega month - Kotipathi Shanida promotion
In October, 2017, DLB printed and sold oversized 'Kotipathi Shanida' lottery tickets to attract a wider audience. The campaign was a success with 2.2 Mn tickets being sold. The draw took place on 31, October 2017.
- Five galaxies out of 'Galaxy Star' – Galaxy Star promotion
DLB conducted the 'Five galaxies out of 'Galaxy star' promotion for two months beginning from November 2017. The promotion involved drawing five numbers out of seven printed on the 'special numbers' column following the first draw to increase the number of winners.
- Super Ball lucky November – Super Ball promotion
On November 30, 2017, DLB printed and sold oversized Super Ball lottery tickets after including an additional winning pattern to the draw to attract a wider audience. The campaign was a success with 2.6 Mn tickets being sold.
- New Year Dream – 'Shanida Wasanawa' promotion
On December 30, 2017, DLB printed and sold oversized 'Shanida Wasanawa' lottery tickets dubbed 'New Year Dream' for Rs. 100. The draw took place on 30 December, 2017 and the campaign was a success with 1 Mn tickets being sold.

Appointing Distributors Agents

District	No. of Agents Appointed
Galle	1
Matara	1
Anuradhapura	1
Polonnaruwa	1
Badulla	1
Ratnapura	1
Gampaha	1
Total	7

Appointing Sales Agents

District	No. of Representatives
Colombo	198
Kalutara	49
Kandy	55
Matale	35
Nuwara Eliya	20
Galle	56
Matara	62
Jaffna	23
Monaragala	10
Rathnapura	66
Hambantota	34
Kilinochchi	06
Mannar	01
Batticaloa	09
Amapara	11
Trincomalee	08
Kurunegala	57
Puttalam	18
Anuradhapuraya	52
Polonnaruwa	14
Badulla	34
Kegalle	42
Gampaha	138
Vavuniya	10
Mullaitivu	07
Total	1015

Computerising the Distribution Agent Network

In 2017, DLB computerised the Distribution Agent network which enabled them to connect directly to the Head Office. As a result, efficiency of the distribution operations increased.

Introducing an Incentive Scheme for Both Distribution Agents and Sales Representatives

DLB commenced an incentive scheme for both Distributors Agents and Sales Representative till 31 December 2017 in an effort to increase sales.

Medical Aid

In 2017, DLB provided medical support to Agents and Sales Assistants. Accordingly, 113 Sales Agents and Sales Assistants collectively received Rs. 2, 237,400 in medical aid.

University Scholarships

In 2017, DLB offered scholarships to children of Sales Agents. Accordingly, 33 University students collectively received Rs. 589,500 in scholarship funds.

Group Meetings for Sales Agents

DLB organised district-wise group meetings for Sales agents.

Establishing Sales Booths and Providing Sales Booth Stickers

DLB allocated and provided Rs. 645,000 to build new sales booths for 43 Sales Agents. Accordingly, each Sales Agents received Rs. 15,000.

DLB built 59 new sales booths in Colombo and Kalutara at a cost of Rs. 1,991, 250.

DLB invested Rs. 298,755 in 2017 to provide sale booth stickers.

Corporate Social Responsibility

DLB spent Rs. 2.5 Mn in CSR programmes.

DLB provided assistant to flood affected Sales Agents and Sales Assistant in Colombo, Kalutara, Gampaha, Kegalle, Galle, Matara, Hambantota and Ratnapura districts. DLB spent Rs. 3.9 Mn to provide dry goods, new sales booths, mega phone kits and to compensate for the lottery tickets that were destroyed in the floods.

Recognition and Appreciation of Development Lottery TV Presenter

DLB held a festive event to present TV Presenter of Development Lottery draws with token of appreciation for their service. The event was held on 28 October 2017 at the Hilton Colombo.



Sustainability Report

Sustainability Report

SUSTAINABLE OPERATIONS AND CORE VALUES

Development Lotteries Board contributes to the sustainable development of the country through funding poverty alleviation programmes, higher education and other development programmes. As such, our economic and social spheres remain closely intermingled. In terms of the organisation's operations, we focus on identifying and finding viable solutions for problems that affect the smooth functioning of day today activities as well as future progress. We consistently strive to establish a business process that adds value to the lives of our customers, employees, suppliers and the general public. Our organisational sustainability agenda mainly revolves around fostering employee interest, gender equality at the work place and social engagement for positive and long-term growth.

Ensuring Continued Availability of Lottery Tickets

In 2017, we identified a gap in the provision of lottery tickets to agents to sustain continuous sale of tickets. Addressing this issue, DLB re-organised the distribution network and streamlined the supply of tickets to maintain a steady availability of tickets. At present, we ensure that we maintain an additional stock of tickets at the head office for 10 days. Agents and distributors maintain a stock for four days.

Human Resource Development

We believe that employee wellbeing is directly linked to the success of our operations. Our employee development agenda is designed to identify potential of each employee and assist them to achieve their career goals.

Staff Development Framework





Sustainability Report Contd.

Training and Development

In 2017, DLB conducted a number of training programmes that focused on developing employee talent in line with the identified goals of the organisation.

Overseas Training Programmes

Employee	Designation	Training Programme	Country	Duration of the Training Course
Mrs. S. Gunasinghe	Assistant General Manager (Marketing)	Modern Strategic Management Concept for Organisations and Projects	Thailand	09 days
Mr. S.M.A.W. Udaya Kumara	Internal Auditor			
Mr. Nishan Perera	Assistant General Manager (Finance)			

Local Training

Employee	Designation	Training Programme	Place	Duration of the Training Course
Mr. A.T.M. Amarasinghe	Management Assistant	Diploma in Multimedia	Wijaya Graphics	03 days
Mrs. Ayanthi Saranga	Management Assistant	Clerical Skills	Skills Development Fund premises	03 days
Mrs. Dinusha Rajapakshe				
Mr. Madhura Buddhika				
Mrs. Thilini Piyumika				
Ms. Anuradha Godampala				
Mr. Samantha Kumara				
Mrs. Avanthi Sureka				
Mrs. Pavithra Kodikara				
Mr. Jagath Mundanayake				
Mr. Sudarshana Nedagamuwa				
Mrs. S.U. Jayasekera				
Mrs. Himali Vithanage				
Mrs. W.M. Prarthana				
Mr. Nuwan Abeyratne	Administrative Officer	Certificate Course in Disciplinary Mechanism	National Institute of Labour Studies	06 days
Mrs. R.D.C. Rajapakse	Finance Officer	Basic Store Management	National Institute of Labour Studies	01 day
Miss J.D.C.L. Perera	Management Assistant	Risk Assessment, Account Planning and Internal Management	Sawsiripaya	01 day
Miss K.M.N.M. Karunanayake				
Mr. Chinthaka Pushpakumara	Driver	Defensive Driving and Road Rules	Prag Institute	01 day
Mr. S.P. Marasinghe				
Mr. Jagath Pushpakumara				

Employee	Designation	Training Programme	Place	Duration of the Training Course
Mr. H.A.R.S. Perera	Management Assistant	Contract Management and Payroll	Skills Development Fund Premises	01 day
Mr. Chaminda Karunaratne	Procurement Officer	Stores Management &	Skills Development	02 days
Mrs. Chandra Rajapakse	Finance Officer	Purchasing Procedures	Fund Premises	02 days
Mr. Susantha Jayalal	Office Assistant	Attitude and Professional Skills Development	Skills Development Fund Premises	02 days
Mr. Kamal Suraweera				
Mr. Upali Shantha				
Mr. Subash Perera				
Mr. Ranjan Saliya				
Mr. Devinda Lakmal				
Mr. U.N.C. Perera				
Mr. Suranga Kothalawala				
Mr. Ranjith Sisira Kumara				
Mr. S.A. Piyaratne				
Mr. Vipul Thushara				
Mr. Rohan Sampath				
Mr. Indika Ranaweera				
Mr. Diluk Chamal				
Mr. Gihan Sankalpa				
Ms. Priyanganie Rajapakse	Management Assistant	Personal Filing	Prag Institute	01 days
Mrs. Sandya Amarakoon	Management Assistant	Office Management and Financial Regulations	National Institute of Labour Studies	02 days
Ms. Thushani Wickramasinghe				
Mrs. G.D.S. Premathilake				
Mrs. K.M.I. Dharmasiri				
Mrs. T.P. Panditha				
Mrs. Anuradha Godampala				
Mr. Venushka Perera				
Miss Avanthi Sureka				
Mr. A.P.G. Larsurus				

Moreover, we provided our employees with opportunities to obtain training overseas to further develop their skills and competencies.

Financial Assistance to Pursue Higher Education

Name	Designation	Diploma or Post Graduate Programme
Mr. I.D.P. Kumarasiri	Sales Officer	MBA – Management

Gender Equality

DLB is an equal opportunity provider. Both men and women enjoy the same benefits, salary scheme and equal opportunities for growth at DLB. Striving to achieve true sustainability, we ensure that our recruitment process and career development processes take gender balance into account.

Retirement Benefit Plan

Employees of DLB are included in the Employees Provident Fund and the Employees Trust Fund. DLB's provision for Gratuity adheres to the requirement of Gratuity Act No. 12 of 1983.

Sustainability Report Contd.

DEPARTMENT OF MANAGEMENT SERVICES – CADRE INFORMATION REQUISITION FORM

Ministry : Ministry of Finance and Mass Media

Institute : Development Lotteries Board

Address : 356, Dr. Colvin R de Silva Mawatha, Union Place, Colombo 02.

CADRE POSITION AS AT 31.12.2017								
Designation		Approved Cadre	Existing Cadre	Vacancies	Excess	Existing Permanent	Cadre Contract	Details Secondment
Chairman/CEO		1	1			1		
Working Director		1	1			1		
General Manager	H.M - 2.1	1	1					1
Deputy General Manager (Marketing)	H.M - 1.1	1	1			1		
Deputy General Manager (Finance)	H.M - 1.1	1	1			1		
Asst. General Manager (Marketing)	M.M-1.1	3	3			3		
Asst. General Manager (Finance)	M.M- 1.1	3	2	1		2		
Asst. General Manager (Sales)	M.M- 1.1	1	1			1		
Asst. General Manager (HRM/Adm)	M.M- 1.1	1	0	1				
Asst. General Manager (Procurement)	M.M- 1.1	1	0	1				
Asst. General Manger (Info. Tech)	M.M- 1.1	1	1			1		
Internal Auditor	M.M- 1.1	1	1			1		
Administrative Officer	J.M- 1.1	1	1			1		
Transport Officer	J.M- 1.1	1	0	1				
Chief Security Officer	J.M- 1.1	1	1			1		
Sales Officer	J.M- 1.1	6	6	0		6		
Finance Officer	J.M- 1.1	4	4			4		
Sys./Prog. Analyst	J.M- 1.1	1	1			1		
Procurement Officer	J.M- 1.1	1	1			1		
Human Resource Officer	J.M- 1.1	1	1			1		
Sales Promotion Assistant	MA - 3	25	14	11		12	2	
Public Relation Officer	MA - 3	1	1				1	
IT Assistant	MA - 3	2		2				
Finance Assistant	M.A-2.2	2	0	2				
Chief Management Assistant	MA-1.2	1	1			1		
Personel Assistant	MA-1.2	1	1				1	
Management Assistant	MA-1.2	109	111		2	88	23	
Management Assistant (Tamil)	MA-1.2	2	3		1	3		
Sales Coordinator * (Contract)	MA-1.1	5	9		4	2	7	
Driver	P.L - 3	37	36	1		32	4	
KKS	P.L -1	48	67		19	52	15	
Electrician	P.L -1	1	0	1				
Security Assistant	P.L -1	3	16		13	16		
Total		269	287	21	39	233	53	1
Transport consultant			1					
Sales Consultant			1					
			289					

Age Category	No. of Employees		
	Male	Female	Total
< 25	31	10	41
< 35	72	33	105
< 45	63	27	90
< 55	40	13	53
	206	83	289



Corporate Governance

The Corporate Governance System adopted by the Development Lotteries Board revolves around steering the organisation in the right direction to create long term value. The Corporate Governance framework acts as a comprehensive and an evolving guiding system for the Board to ensure transparency and accountability in providing leadership to the rest of the team.

GOVERNANCE FRAMEWORK

Board of Directors

(Guides the Senior Management to successfully execute strategies, overlooks smooth functioning of the organisation and maintains the liaison with various stakeholders to meet the ultimate objectives)



Chairman/CEO

(Provides leadership to the Board and guidance to implement adopted strategies)



Senior Management

(Ensures effective management of strategies and the smooth functioning of the organisation)

THE BOARD OF DIRECTORS

The Board acts as the highest body of the organisation and it is accountable for the appropriate operations and management of DLB. The Chairman who also acts as the CEO heads the Board of Directors.

The Board consists of Chairman and 4 Directors appointed as follows:

1. Representing the President's Fund
2. Representing the Mahapola Trust Fund
3. Representing the Ministry of Finance
4. Two members appointed by the Minister in charge out of which one must be the Chairman

RESPONSIBILITIES OF THE CHAIRMAN/CEO

- The Chairman should ensure the prevalence of corporate governance.
- Chair Board Meetings and ensure that proper proceedings are followed.
- All Directors should be treated equally and they should be encouraged to play a productive role, rendering maximum input in their specialised areas of knowledge.
- Unless the Chairman is the Chief Executive Officer, he or she must play a supervisory role and refrain from engaging in operating activities.
- The Chairman must ensure that the Board has total overall decision making power over activities of the enterprise.
- The Chairman must ensure a clear division of responsibilities and facilitate balance of power and authority.

ROLE OF THE BOARD OF DIRECTORS

The Board steers the organisation in the identified direction in line with Government policies and ensures the effective management of the operations. The Board is held accountable for the proper and transparent utilisation of resources, maintenance of accurate accounts and the compilation of accurate reports in accordance to all statutory and regulatory requirements.

The Board should ensure the following:

- Strategic aims of the Organisation are in place.
- Leadership is given for the achievement of strategic aims.
- The CEO and the management team possess the required skills, knowledge and competencies.
- An effective system of internal – control and risk management's in place.
- Management functions of the organisation are effectively supervised.
- Sufficient reporting is made to shareholders on financial aspects and disclosures necessary on a regular basis.
- Resources and assets are utilised responsibly.
- The Board should appoint an Audit Committee and such other Committees; introduce a Code of Conduct and Ethics and a Corporate Governance Strategy.
- The Board should be accountable for all their actions in conformity with relevant statutes, guidelines and circulars etc.
- The Performance of the CEO and Senior Management Staff should be assessed at least annually.

BOARD MEETINGS

During Board meetings, the Board monitors and investigates organisational operations and results through meticulously weighing these against the approved budget and applicable standards. The Board follows a standard agenda along with any other pertaining matters which require the attention of the Board. The Board meets once a month and Special Board meetings are held whenever necessary.

During the year ended 31st December 2017/18 meetings were held and attendances are given below:

Board Member	Designation	No. of Board Meetings	Presence at Board Meetings
Mr. A.S.P. Suriyapperuma (From 06.09.2017 to date)	Chairman/CEO	02	02
Mr. Romesh Jayawardena (From 29.10.2015 to 04.09.2017)	Chairman/CEO	06	06
Mrs. R.I. Wimalasena (From 16.02.2015 to 15.06.2017)	Vice President	04	04
Mr. H.R. Wimalasiri (From 06.09.2017 to date)	Working Director	02	02
Dr. Wickrama Weerasooriya (From 17.03.2015 to 05.11.2017)	Trustee Mahapola Higher Education Trust Fund	06	06
Mr. M.S.D. Ranasiri (From 27.02.2015 to 13.02.2017)	Director General Treasury Operations Department – Ministry of Finance	01	01
Mr. D.N. Nanayakkara (From 11.03.2015 to date)	Additional Secretary President's Office	08	08
Mr. H.G. Sumanasinghe (From 14.02.2017 to 08.06, 2017 and from 26.09.2017 to 13.09.2018)	Director General Department of Management Services	05	05
Mrs. S.M. Mohamed (From 22.06.2017 to 17.08.2018)	Additional Secretary Ministry of Foreign Affairs	02	02
Mr. D.C. Dissanayake (From 06.11.2017 to 15.05.2018)	Secretary Ministry of Higher Education and Road Development	01	01

Development Lotteries Board was under the management of the Ministry of Foreign Affairs from 09.06.2017 to 17.08.2017.

COMMITTEES OF DEVELOPMENT LOTTERIES BOARD

1. Management Committee
2. Audit and Management Committee
3. Tender Board Committee
4. Staff Welfare Committee
5. Advertising Committee
6. DLB's Cultural & Art Society

COMPLIANCE OFFICER

The Head of Finance Division, DGM Finance represents the Compliance officer to ensure compliance with the regulatory and statutory requirements and the laws and regulations of governing the Board.

THE MANAGEMENT

The day to day operations of the Board are entrusted to the top management and senior management teams headed by the Chairman and the CEO. The teams ensure that risks and opportunities are identified and steps are taken to achieve targets within defined time and budgets.

Risk Management Report

Development Lotteries Board engages a comprehensive risk management approach that involves risk identification and mitigation. We work towards creating a culture of risk awareness to influence organisational behaviour and decision making. Our risk management model revolves around a set of evolving strategies that strives to establish long-term sustainability.

RISK MANAGEMENT SYSTEM

DLB strives to consistently provide necessary information and guidance to Stakeholders, Management and Board of Directors in order to enhance their understanding of risk factors and the tools to mitigate such risks.



The ultimate goal is to address business risks at the strategic and business planning, project management and business process levels. DLB achieves this end through implementing the following processes.

- Providing a common understanding of risks across business functions and units.
- Providing management with an on-going assessment of potential risks to facilitate improved priority setting and decision making.
- Raising employee awareness and responsibility for managing these risks.

ENTERPRISE RISK MANAGEMENT (ERM)

Development Lotteries Board's risk management framework aligns with globally accepted the Enterprise Risk Management (ERM) standards.

RISK MANAGEMENT FRAMEWORK

Tools

Risk identification
Risk Alleviation

Processes

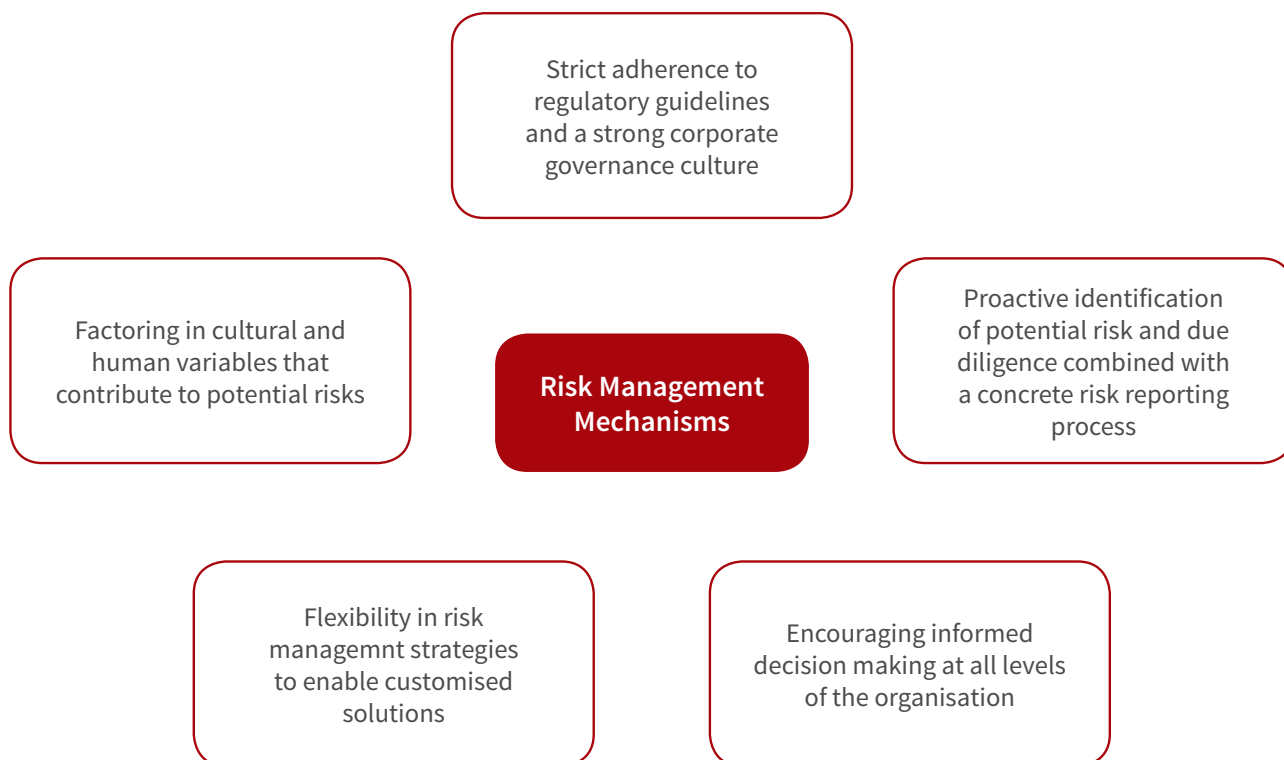
Planning
Leading
Organising

Risk Factors

Accidental
Financial
Strategic
Operational
Other

DLB incorporates numerous strategies in order to safeguard the interest of all stakeholders including employees, beneficiary organisations and customers. The strategies implemented also take into account the long-term interest of the organisation and all stakeholders.

RISK MANAGEMENT PROCESS



DLB is exposed to a specific set of risks which are reviewed below:

Risk	Description
Prize Pay-Out Risk	A standard prize pay-out ratio must be maintained at all levels of Lottery consignments. The risk may be that due to probability of occurrences there would have been increased prize ratio which might affect cash flow. In addition, DLB takes an Insurance coverage taken from the printers to cover above risk.
Economic Risk	The buying patterns of DLB customers are influenced by socio-economic and political changes in the country.
Financial Risks	Risks related to inefficient management of cash flow and financial information can compromise the organisations profitability and effectiveness. DLB utilises conventional financial risk management practices such as ensuring adequate insurance coverage and coordinating cost control strategies across the organisation.
Liquidity Risk	Liquidity risk may arise due to an early win of high tier prizes. DLB maintains high liquid assets to mitigate this risk.
Operational Risk	Potential losses resulting from system failures, human error, criminal activity and internal systematic breakdown are included in operational risks. Such instances can damage customer confidence and harm the organisational image. DLB constantly strengthens internal controls to minimise operational risk. In addition, the management of DLB conducts periodical risk assessments of operating units, business processes and large scale units to alleviate the threat of operational risk.
Reputation Risk	DLB's dependence on visual media and public interest places the organisation at considerable reputation loss risk. DLB conducts effective marketing campaigns to retain the interest of the public and adheres to strict systematic transparency to mitigate this risk.
Legal Risk	Failure to successfully defend potential legal action instituted against DLB increases the risk of legal damage. DLB has taken necessary precautions in consultation with accredited legal professionals to minimise such actions.
IT Risk	Accurate and timely information derived from the IT system is an integral part of DLB's operational process. DLB has initiated an action plan to upgrade the organisational IT system.



Audit and Management Committee Report

We are pleased to present our report for the financial year ended 31st December 2017.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee comprises by following Two Non-Executive Directors:

1. Mr. H.G. Sumanasinghe – Chairman of Audit and Management Committee
2. Mr. D.N. Nanayakkara – Member of Audit and Management Committee

The General Manager, DGM Marketing, DGM Finance, Internal Auditor, Administration Officer and other required officers are attending to the meeting. The Superintendent of Audit from Auditor Generals Department participates as observer to the committee.

ROLE OF THE AUDIT COMMITTEE

Development Lotteries Board is required to maintain a sound system of Internal Controls to safeguard stakeholder's interest and assets of the Board. The guidelines issued by the Ministry of Finance and relevant authorities are also followed by the Committee. The activities undertaken by the audit committee in respect of its principal responsibilities during the year ended 31st December 2017 are summarised below:

1. Observe the compliance and integrity of Annual Financial statements and review significant financial reporting judgements contained in them prior to their issuance. This included a review of accounting policies, notes and practices, major judgmental areas and compliance with legal and regulatory requirements. The Audit Committee discussed these matters with the Auditor Generals representative as a part of the review of the findings from the audit of the financial statements.
2. The internal auditor submits periodic internal audit reports carried out in line with the approved annual audit plan. The internal audit reports highlight the gaps in the systems and procedures in place and recommend improvements to the existing system and procedures where necessary after negotiating with the implementation of recommendations and reports progress to the management and audit committee. The audit committee receives regular reports from internal audit, which include summaries of the key findings of each audit in the period. Management comments are also part of it and committee reviews root causes for audit observations and preventive measures to avoid repetitions.

3. With the assistance of internal audit and government audit, the committee assess the effectiveness of the Board's operational and financial controls and procedures, which include authorisation limits for expenditure, revenue process and capital expenditure, signing authorities, IT application controls and developments, organisational structure, policies, segregation of duties and reviews by management. Liquidity status of the Board's Financial Position Statement was regularly monitored. The gaps identified thereon will be reported to the board with recommendation for improvement. Committee pays special attention to COPE directives issued to the Board.

NUMBER OF MEETINGS OF AUDIT COMMITTEE

There were five (05) meetings conducted for the year 2017 and attendance is given below:

Name of Director	Attendance	Excused
Mr. M.S.D. Ranasiri	01/01	Nil
Mrs. S.M. Mohamad	01/01	Nil
Mr. H.G. Sumanasinghe	03/03	Nil
Mr. D.N. Nanayakkara	05/05	Nil

Mr. H.G. Sumanasinghe
Chairman
Audit & Management Committee



Financial Information



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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



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எனது இல. }
My No. }

PUR/F/DLB/1/17/FS1

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Your No. }

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திகதி }
Date }

31 January 2019

The Chairman
Development Lotteries Board

Report of the Auditor General on the Financial Statements of the Development Lotteries Board for the year ended 31 December 2017 in terms of Section 14(2)(c) of the Finance Act, No. 38 of 1971

The audit of financial statements of the Development Lotteries Board for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No.38 of 1971 and Section 14(3) of the Development Lotteries Board Act, No. 20 of 1997. 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 issued to the Chairman of the Board on 15 November 2018.

1.2 Management’s Responsibility for the Financial Statements

The 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 matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the



Development Lotteries Board as at 31 December 2017 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 non-compliances were observed.

(a) Sri Lanka Accounting Standard 1

- (i) In terms of Section 32 of the Standard, assets and liabilities and income and expenses should not be set off against each other unless otherwise required or permitted by Sri Lanka Accounting Standards. However, the loss from sale of motor cycles amounting to Rs.189,638 had been indicated by setting off against other income by the Board. Further, debit balances of eight bank accounts totalling Rs.844,650,423 had been set off against the credit balances of three bank accounts totalling Rs.105,184,705 and shown under cash and cash equivalents of the statement of financial position as Rs.739,482,123. However, these balances had been shown in notes for accounts separately.
- (ii) In terms of paragraph 54 of the Standard, intangible assets should be separately presented in the statement of financial position. However, the computer software, website development etc. to the total value of Rs.2,243,478, had been indicated under property, plant and equipment by the Board.
- (iii) In terms of paragraph 66 of the Standard, the assets which are expected to be realized within 12 months after the reporting period shall be classified as current assets. Nevertheless, the value of 11 fixed deposits amounting to Rs.1,012,526,906 realized within one year, had been indicated under non-current assets of the statement of financial position.



(b) Sri Lanka Accounting Standard 7

Even though the interest income received as cash receipts in the year under review had been Rs.119,182,529, it had been indicated as Rs.120,768,549 under investing activities of the cash flow statement. As such, the cash flow arising from investing activities had been overstated by Rs1,586,020.

(c) Sri Lanka Accounting Standard 16

(i) In terms of paragraph 51 of the Standard, even though the assets costing Rs.165,556,090 had been fully depreciated as the useful life of non-current assets had not been reviewed annually, they were being further used. Accordingly, action had not been taken to revise the estimated error in terms of Sri Lanka Accounting Standard 8.

(ii) In terms of provisions of paragraph 34 of the Standard, the lands and buildings and machinery belonging to the Board had not been revalued and the fair value thereof had not been indicated in the financial statements even after 31 December 2010 and 31 December 2012 respectively.

(iii) In terms of provisions of paragraph 55 of the Standard, the Board had begun the depreciation of an asset when it was available for use. However, it had been indicated in the financial statements that the policy on depreciation of the Board is that the assets are depreciated proportionately in the year of purchase and provision for depreciation is not made for the year of sale.

(d) Sri Lanka Accounting Standard 19

In terms of paragraph 63 of the Standard, liabilities and assets for employees' gratuity should be recognized separately and the current net gratuity value arising from setting off them against each other had been indicated in the



statement of financial position. Gratuity assets and liabilities relating thereto had been indicated separately in the statement of financial position.

2.2.2 Accounting Deficiencies

The following observations are made.

- (a) The value of investment of gratuity of Rs.38,412,622 had been indicated in the value of fixed deposits amounting to Rs.1,050,939,528 shown in the statement of financial position. As such, the value of fixed deposits and the value of investment of gratuity had been overstated and understated by the same amount respectively.
- (b) The depreciation for constructions relating to the Reception Counter and the Information Technology Unit which had been used from March and April of 2017, amounting to Rs.230,999 and Rs.209,171 for the year 2017, had not been brought to account respectively.
- (c) Even though only a sum of Rs.13,612 should be adjusted as depreciation for the air conditioner for the year 2017, which was purchased at a cost of Rs.72,600 on 01 April 2017, a sum of Rs.54,698 had been depreciated and as such, the expenditure on depreciation had been overstated by Rs.41,086 in the account.

2.2.3 Unexplained Differences

According to the information presented to Audit, a difference of Rs.3,709,070 was observed between the total value of all allowances granted to the staff and the value of allowances indicated in the financial statements. Moreover, a difference of Rs.2,828,300 was observed between the information presented by the Finance Division and the Administration Division relating to payments made for the staff for conducting of lottery draws and reasons for these differences had not been explained.



2.2.4 Lack of Evidence for Audit

The following observations are made:

- (a) Evidence indicated against 04 balances of Expenditure Accounts totalling Rs.13,249,192 indicated in the financial statements, had not been made available to Audit.

<u>Item</u>	<u>Value</u>	<u>Evidence not made available</u>
	Rs.	
(i) Expenditure on hiring of motor vehicles	9,317,866	Monthly Running Charts Special approval of the Secretary to the Ministry for hiring of motor vehicles
(ii) Expenditure on training for the staff	1,740,549	Training Plan for the year 2017 Basis for determining payments relating to the resource person allowance of Rs.100,000 Attendance Register of participants for training programmes Letter on calling for Training for Multi Media Diploma Course Circulars/ Internal Memo Cabinet Decision and Paper Agreement entered into between the Board and the Trainer



(iii) Overtime for drivers of mobile vehicles	1,047,590	Documents for confirmation of arrival and departure relating to payment of overtime for drivers who involve in mobile sale of lotteries
(iv) Expenditure on fuel, service, repair and maintenance of motor cycles provided to Sales Promotion/ Field Officers	1,143,187	Running charts, log entries or documents for confirmation of running places and duties relating to motor cycles
	<u>13,249,192</u>	

- (b) It had been requested through many audit queries and request information letters since the year 2016 to submit duly completed Board of Directors' Papers and Decisions relating to the year under review, to the Audit expeditiously. Moreover, attention was paid thereon even in the Audit Committee Meetings held during the said period. However, a methodology of submitting those reports after completion of transactions and a period of delay between 02 and 04 months had been followed therefor. As such, the doubt whether the possibility of minimizing certain losses and risks shown in this report had been deprived of to the Board, could not be ruled out in Audit.

2.3 Accounts Receivable

The following observations are made.

- (a) The agreement entered into for obtaining the building of No.234, Vauxhall Street to the Board on rental basis, had been breached unilaterally by the Board. As such, the sum of Rs.5,700,000 recoverable to the Board, could not be recovered over a period of 14 years.
- (b) Six years had elapsed after providing officers with motor cycles on payment basis in the year 2012 by the Board. However, action had not been taken to recover a



total sum of Rs.1,049,315 comprising sums of Rs.192,187 recoverable for motorcycles and Rs.856,498 granted for the construction of sales outlets over a period between 01 year and 05 years.

2.4 Non-compliances with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed

Reference to Laws, Rules and Regulations	Non-compliances
(a) The Development Lotteries Board Act, No. 20 of 1997 Sections 11(a) and 18(2)	Even though the key function of the Board is generating funds for the President's Fund, the outstanding amount of Rs.17,862,341 to be remitted to the said Fund by 03 March 2018, had not been duly remitted.
(b) Paragraph 03 of the Circular No.SEC 2011/ 1 of 28 February 2011 issued as an annexure relating to Section 133 of the Inland Revenue Act, No.10 of 2006	Even though the percentage of withholding tax recovered on interest income had been 10 per cent, without considering it, withholding tax had been recovered as 10 per cent from one state bank and as 8 per cent from 2 other state banks. However, action had not been taken to call for explanations from relevant banks in respect of recovery of two percentages of withholding tax from the same institution and to pay the accurate amount.
(c) Government Gazette Notification under Section 03 of the Manufacturing Tax (Special Provisions) Act, No.13 of 1989	Despite having powers to increase the price of every lottery by 15 per cent or Rs.5 or whichever is more, the Board had to incur an unusual fruitless printing cost of Rs.11.2 million due to increasing the price of a lottery by 50 per cent or Rs.10.



(d) Establishments Code of the Democratic Socialist Republic of Sri Lanka and Public Administration Circulars

Section 11 of Chapter XXIV of the Establishments Code and Public Administration Circulars No. 15/2007 (i) of 12 June 2007 and No. 15/2007 (ii) of 26 December 2014

In terms of provisions of Circulars, a total sum of Rs.2,642,120 comprising Rs.241,040 for two officers and Rs.2,401,080 for 05 officers had been paid exceeding the approved loan limit and property loan had been granted twice for three officers. Further, legal fees amounting to Rs.42,094 that should be incurred by the debtors, had been incurred by the Board.

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

(i) Financial Regulations 103 and 103(1)(f)

In case of accidents, it should be reported to the Auditor General and the Police as well as the responsible parties thereon should be fixed and in case of losses of certain types a register should be maintained to recover them. Nevertheless, action had not been taken accordingly. Sixty one accidents relating to 42 motor vehicles had occurred from the year 2015 to the year 2017 and the loss sustained by the Board had been Rs.2,010,948. The said loss which cannot be recovered from an insurance firm had been recovered from the Fund of the Board without being recovered from responsible parties.

(ii) Financial Regulation 135

In the recommendation, authorization, approval and certification of payments of 4 vouchers totalling Rs.1,549,705, payments had been made without confirming the accuracy of relevant documents.



- (iii) Financial Regulations 260 and 389 In terms of provisions, vouchers relating to payments should be handed over to the proper person or institution. However, 04 cheques valued at Rs.1,448,575 comprising 03 cheques valued at Rs.1,417,500 and an open cheque valued at Rs.31,075 incurred for training programmes had been obtained by the staff of the Board.
- (iv) Financial Regulation 757(2) Even though a board of survey had been conducted in terms of provisions, a report thereon had not been furnished to the Auditor General.
- (v) Financial Regulation 1179 In terms of provisions, fees which can be payable to an officer should not exceed his monthly salary. Nevertheless, there were instances in which fees and allowance for conducting lottery draws had been paid exceeding the monthly salary of officers of the Board. Allowances so paid exceeding monthly salaries during the year under review amounted to Rs.23,567,305.
- (f) Public Enterprises Circulars
-
- (i) Section 2 of the Circular No.PED/1/2015 of 25 May 2015 Official motor vehicles had been allocated for 08 officers who had not fulfilled qualifications in terms of provisions and fuel allowance amounting to Rs.1,471,440 had been paid therefor.
- (ii) Section 2.5 of the Circular No.PED/3/2015 of 17 June 2015 Provisions of the said circular emphasized that except for the allowance entitled to Board

members including the Chairman, Working Director, no additional allowances whatsoever can be paid. However, a sum of Rs.1,142,000 had been paid in the year under review to the Chairman, Working Director and Board members for the participation in conducting lottery draws.

3. Financial Review

3.1 Financial Results

According to the financial statements presented, the financial result of the Board for the year under review had been a surplus of Rs.507,036,703 as compared with the corresponding surplus of Rs.1,783,386,637 for the preceding year, thus indicating a deterioration of Rs.1,276,349,934 or 72 per cent in the financial result of the year under review as compared with the preceding year. The payment of total outstanding income tax of Rs.1,208,002,376 remained from the year 2001 to the year 2009, made during the year 2017 had been the main reason for this deterioration.

An analysis of financial results of the year under review and 04 preceding years revealed that the surplus which was Rs.2,126,428,341 in the year 2013 had declined up to Rs.1,727,063,739 as at the end of the year 2015 and it had improved up to Rs.1,783,386,637 in the year 2016. However, it was observed that the financial result had declined by Rs.1,276,349,934 or 72 per cent in the year under review as compared with the preceding year. After adjusting the employees' remuneration, depreciation on the non-current assets, and the Government tax to the financial result, the contribution which was Rs.3,086,604,730 in the year 2013 had improved by Rs.721,228,361 or 23 per cent in the year 2016. However, it had again declined by Rs.256,524,904 or 7 per cent in the year 2017.

3.2 Analytical Financial Review

An analysis on ratios of operations, profitability and liquidity of the Board in the year under review and the preceding year, is given below.

	2017 -----	2016 -----
Operating Ratios	Percentage	Percentage
Selling & distribution expenses on the sales income	25	24
Cost of sales on the sales income	58	58
Profitability Ratios		
Gross Profit Ratio	42	42
Net Profit Ratio(Before Tax)	17	18
Net Profit Ratio(After Tax)	3.6	12
Ratio on awarding Prizes on the net profit (Before Tax)	13	10
Ratio on awarding Prizes on the net profit (After Tax)	59	16
Income Tax Ratio on the Net Profit(Before Tax)	78	34
Income Tax Ratio on the Net Profit(After Tax)	358	51
Selling and Distribution expenses as a percentage of the total operating expense	89	90
Liquidity Ratios		
Current Ratio	1:1.7	1:2
Quick ratio	1:1.8	1:2

The following observations are made.

- (a) The selling and distribution expenses incurred by the Board in the preceding year and in the year under review had taken a high value such as 24 per cent and 25 per cent of the sales price. Further, a significant increase of 411 per cent and 353 per

cent were observed in the actual expenditure on selling and distribution than the budgeted expenditure on selling and distribution respectively of the Board in the preceding year and in the year under review. The actual expenditure on selling and distribution had been 90 per cent and 89 per cent respectively as a percentage of total operating expenses. Moreover, incurring such a high cost had directly affected the net profit of the Board and it was observed that it had adversely affected the contribution made to the President's Fund.

- (b) Almost 59 per cent of the net profit after tax earned in the year under review by the Board consisted of prize moneys which were not obtained by winners and it was 13 per cent of the net profit before tax.
- (c) Fifty one per cent and 358 per cent out of the net profit after tax of the Board of the preceding year and the year under review had been paid as income tax and it was 34 per cent and 78 per cent of the net profit before tax respectively. The income tax payable relating to each year in preceding years had not been paid accurately and as such, those outstanding taxes had to be settled. Therefore, the payment of income tax in the year under review and in the preceding year had been an amount as high as a percentage of the net profit.
- (d) The new lottery ticket named "Ada Kotipathi" which conducts draws every day from 30 August of the year under review as compared with the preceding year had been introduced to the market. Nevertheless, the income from sale of lottery tickets had decreased by Rs.778,374,934 representing 5.3 per cent and the decrease in the sales cost by Rs.406,127,121 or 4.8 per cent as compared with the income, had mainly attributed to the continuous existence of the gross profit ratio.
- (e) The current and quick ratio of the preceding year and the year under review had taken a similar value such as 1:2. Accordingly, it was observed that there are current liabilities in the Board exceeding the current assets. As such, it was not observed that the attention of the Board had been paid even in the year under review on the management of the working capital.

3.3 Legal Action instituted against or by the Board

One case claiming compensation amounting to Rs.8,095,000 for a motor vehicle had been filed by an external institution and 02 cases requesting the reinstatement of an officer who was dismissed from the service had been filed in Courts.

4. Operating Review

4.1 Performance

4.1.1 Planning

The following observations are made.

- (a) The following deficiencies were observed in the Corporate Plan of the Board prepared for the years from 2017 to 2021.
- (i) Details on estimated quantities, costs and the management responsible for time periods etc. of objectives and targets expected to be achieved from the year 2017 to the year 2021 had not been included therein.
 - (ii) In terms of paragraph 5.1.3 of the said Circular, copies of the Corporate Plan should be presented to the Auditor General at least 15 days before the beginning of the following financial year. Nevertheless, those copies had been presented only on 01 June 2017.
 - (iii) In the preparation of the Corporate Plan as mentioned in paragraph 9.2 of the said Circular, a Human Resources Plan should be prepared on the requirement of the Board. However, it had not been prepared by the Board. Even though the audit had made aware thereon in preceding years, the attention of the Management had not been paid thereon.
 - (iv) Out of targets pointed out in the Corporate Plan, one is to maximize the contribution to the President's Fund. Further, it is the key function of the Board as well in terms of Section 11(1) of the Development Lotteries

Board Act, No.20 1997. However, strategies adhered for reaching the said target had not been pointed out in the Corporate Plan.

- (b) The Action Plan had not been prepared in detail by the Board for the year 2017 including the targets expected to be implemented in the year 2017, action taken therefor, estimated quantities and costs and relevant time periods and budgeted provisions thereon. Further, it was not observed that the Action Plan had been prepared concurrently with the Corporate Plan and the Annual Budget of the Board and a suitable methodology as well had not been introduced for examining the progress of the Action Plan in a timely manner.

4.1.2 Function and Review

- (a) The following observations are made in respect of selling of lottery tickets and remittance of proceeds therefrom to the President's Fund.
 - (i) A number of 1,190 lottery draws had been conducted for 10 lotteries launched by the Board during the year under review and the income collected through the selling of lottery tickets had been Rs.13,981,500,306. Moreover, a sum of Rs.7,263,436,665 out of the income collected during the year had been allocated as prizes and the sum remitted to the President's Fund amounted to Rs.507,036,703 representing 3.6 per cent including sums of Rs.376,145,499 and Rs.130,891,204 received from income from selling of lottery tickets and from other income.
 - (ii) No money whatsoever had been remitted from the "Dasa Lakshapathi" Lottery to the President's Fund and the sum remitted from the remaining 09 lotteries ranged as less as between 0.98 per cent and 5.6 per cent from the income collected from each lottery.
 - (iii) A cost of Rs.12,078,580,888 had been incurred during the year under review by the Board for collecting income and out of the said cost, 3.2 per cent representing a sum of Rs.386,509,683 had been incurred for publicity.

- (iv) Fifty per cent of the income received from sale of lottery tickets is allocated for prizes by the Board. A sum of Rs.6,920,946,975 had been awarded as prizes to 172,507,676 winners during the year under review and it had been an improvement of 3 per cent as compared with the preceding year. Further, proper action had not been taken to award prizes valued at Rs.297,376,550 to relevant winners, which should be obtained before elapse of 06 months by winners during the year under review.
- (b) The following observations are made in respect of the performance of sales income received in relation to the cost of publicity, incurred for selling of lottery tickets of the Board.
- (i) Even though the cost of publicity of lotteries such as “Saturday Fortune, Lagna Wasana and Super Ball” had increased by 34 per cent, 2.6 per cent and 6.5 per cent respectively in the year under review as compared with the preceding year, the sales income had gone down by 8.5 per cent, 26 per cent and 27 per cent respectively.
 - (ii) The cost of publicity of lotteries such as “Galaxy Star and Dasa Lakshapathi” had gone down by 9 per cent and 11 per cent as compared with the preceding year and the sales income thereof had gone down by 34 per cent and 50 per cent.
 - (iii) Out of the sales income from “Galaxy star and Dasa Lakshapathi” lottery tickets, 3.4 per cent and 9 per cent had been incurred respectively as expenditure on publicity of those tickets while the expenditure on publicity of other lottery tickets had been 2 per cent of the sales income.
 - (iv) The expenditure on publicity of the “Kotipathi Saturday Fortune” had decreased by 0.27 per cent in the year under review as compared with the preceding year. However, the sales income had increased by 34 per cent.

- (c) The net profit remitted to the President’s Fund in the year 2014 had been Rs.2,353 million and it had been Rs.507 million in the year under review. As such, the remittance to the said Fund had decreased continuously by 81 per cent from 19.17 per cent to 3.6 per cent from the year 2014 to the year 2017. The settlement of outstanding lease rents of preceding years, during the year under review had been the reason for this position.

	Year			
	2017	2016	2015	2014
	Rs.	Rs.	Rs.	Rs.
Sales Income	13,981,500,306	14,759,875,240	11,874,659,603	12,271,477,490
Profit after tax	507,036,703	1,783,386,637	1,727,063,739	2,353,246,338
Income after deducting tax as a percentage of sales	3.6	12.08	14.54	19.17

- (d) Except for two lottery tickets introduced by the Board to the market, the sale of all other lottery tickets had significantly decreased in the year 2017 as compared with the year 2016 while the overall lottery sale of the Board had decreased by Rs.685 million as compared with the year 2016. The decrease in the sale of lottery tickets ranged between 8.5 per cent and 50.4 per cent and the sale of 05 lotteries had dropped by an amount more than 25 per cent.

- (e) The expenditure on conducting lottery draws relating to every lottery ticket had increased in the year under review as compared with the year 2016. Moreover, it was observed that among those increases, the expenditure relating to three lotteries such as “Saturday Fortune, Sanwardana Lakshapathi and Kotipathi Shanida” had increased by 36 per cent, 49 per cent and 94 per cent respectively.

4.2 Management Activities

The following observations are made.

- (a) Quotations had been called for in the year 2014 for the construction of a stores complex by the Board and agreements as well had been entered into with the Primedare Company on 31 December 2014 to the estimated value of Rs.14.5 million. However, the Chairman of the Board had notified the contractor that the said agreement is breached and the contract will be suspended on 12 March 2015 and thereafter, a compensation of Rs.2,500,000 incurred therefor had to be paid on 07 March 2017 to the contractor (through Amicable Settlement) . Therefore, a loss totalling Rs.3,536,501 comprising Rs.996,501 as consultancy fees and Rs.40,000 as judgement fees had to be sustained by the Board due to the decision taken by the Management.
- (b) The Transport Officer who had been appointed in an improper manner in the year 2015 had been terminated by stating that the said appointment is illegal. However, the said officer had filed a case on 19 May 2015 by making a request to reinstate him in his post and that case is on trial in the Court. Moreover, the legal fees incurred therefor as at 31 December 2017 had been Rs.854,000 and it was observed in audit that the said fees was an expenditure which had to be incurred by the Board due to improper recruitments made by the Top Management.
- (c) A forged lottery had been printed on behalf of the Lottery “Niyatha Jaya” of which the Jack Pot was Rs.10,441,580 in the 402nd wining draw conducted on 17 May 2016, by an employee of the Digiscan Printing and Packaging by which the said Lottery is printed. In terms of Clause 6 of the agreement entered into with the said Institution, a compensation of Rs.500,000 can be recovered in case of an offence or fraud committed due to software bug. However, no action whatsoever had been taken to recover compensation therefor.
- (d) Out of the total value of various types of allowances amounting to Rs.123,505,364 paid among 251 officers of the year under review, 21 per cent representing Rs.26,456,847 had been distributed only among 22 officers due to anomalies of

distribution of allowances. Out of expenditure on allowances of conducting of lottery draws amounting to Rs.32,423,800 indicated in the financial statements of the year under review, distribution of Rs.13,670,850 representing 42 per cent among 23 officers of the Top Management including an officer of the Board of Directors had been the main reason for the said situation.

4.3 Operating Activities

The following observations are made.

- (a) The Board had used 08 vans as mobile motor vehicles for the sale of instant lotteries without the approval of the Board of Directors. Even though a sum of Rs.7.07 had been spent for one lottery ticket in the selling of lotteries by mobile motor vehicles, the cost incurred in the selling of lottery tickets by sales agents had been Rs.2.67. Accordingly, an additional cost of Rs.9,690,120 had to be incurred for 2,202,300 lottery tickets at a rate of Rs.4.40 per ticket due to sale of instant lottery tickets by mobile motor vehicles. However, it had been reported by the Board that this decision has been taken to face the competition of the market as a sales promotion.
- (b) The Board had introduced a Lottery named "Ada Kotipathi" to the market so as to be implemented from 30 August 2017. A sum of Rs.279,496,493 had been paid as sales agent commission and distribution commission including Rs.25,813,683 paid as special incentive for dealers to increase the sale of this new lottery ticket. However, the sale of all other lotteries had dropped and accordingly, it was not observed that a survey on competition in the market and behavior of consumers had been carried out in introducing new lotteries. Moreover, out of all types of lotteries, the number of lottery tickets remaining without being sold from October to 31 December 2017 stood at 32.5 million and the printing cost thereof had been approximately Rs.14.5 million.
- (c) According to the annual classification reports, profit before tax computed separately from each type of lottery out of 08 types of lotteries and instant lotteries

implemented by the Board, had dropped by an amount ranging from 31 per cent to 85 per cent in the year under review as compared with the preceding year. The total profit before tax so dropped had been Rs.2,950,124,307 in the year under review as compared with the preceding year.

- (e) Twenty two sales agents had deviated from furnishing bank security of Rs.12.2 million as agreed at the meeting held on 23 March 2017 under the theme of “Improvement of financial feasibility of Sales Agents” .

Even though lottery tickets valued at Rs.108 million had been given to distributors on credit basis during the year under review, adequate security deposits had not been available with the Board for recovery of them and as such, the risk of loans granted to distributors had been Rs.105 million. Even though the said steps had been taken to minimize the risk relating to lottery tickets granted on credit basis, those objectives had not been achieved.

- (f) A cost of Rs.346,417,188 had been incurred for printing 800,940,150 lottery tickets drawn during the year under review and lotteries had been printed without considering projections of the entire market including matters such as laws, rules, behavior of customers, movement of lotteries in the market, effect occurred through the benefit structure of each lottery. As such, 119,656,730 lottery tickets printed at a cost of Rs.51,748,146 during the year under review had remained without being sold and that expenditure had become fruitless.

4.4 Transactions of Contentious Nature

The following observations are made.

- (a) It was observed during the audit test checks carried out on providing fuel for motor vehicles that 112 litres of fuel valued at Rs.10,678 had been provided in 13 instances exceeding the capacity of fuel tank. The manner in which fuel had been provided exceeding the capacity of fuel tank was a matter of contentious nature in Audit.



- (b) Quotations had been submitted by a supplier registered in the Board for sales promotion items (umbrellas and mugs) on 22 June 2017. The accuracy of the address indicated by the relevant supplier had not been confirmed and no telephone numbers whatsoever had been mentioned therein. However, it was observed at the physical inspection carried out by the Audit that there was no such address or institution therein.

The said supplier had appeared as an Area Manager of the Kandurata Umbrella Industries (Pvt) Ltd. in the instance of purchasing promotion items on 20 December 2016 and submitted quotations by using Letterheads of the Kandurata Umbrella Industries (Pvt) Ltd. However, the said Company had assured the Audit that such an Area Manager is not therein, those Letterheads are not owned by them and that no branches whatsoever are located in the said address.

Further, all documents submitted by the said Company are photocopies and no originals had been presented to audit at any instance. Moreover, it was further observed in audit that the signatures placed on those submitted letters were different from each other. As such, the purchase of sales promotion items valued at Rs.1,905,230 during the year 2017 from such a forged institution was a transaction of contentious nature.

- (c) The Sales Division had notified the stores to issue Y-144(Part B) out of types of instant lotteries to the market on 29 March 2017 and to issue 100 boxes of lottery tickets with 25 umbrellas per box at the same instance. However, according to the inventory of instant lotteries of the stores, this stock of instant lotteries (Y/144-(B) had been issued on 28 February 2017. Further, information such as the correct date of issue of lottery tickets, number of umbrellas issued and register of distribution had not been made available. However, the Board had reported to Audit that the stocks of lotteries remained at the main stores had been transferred to the sub-stores on 28 February 2017.

4.5 Idle and Underutilized Assets

The following observations are made.

- (a) Despite having kept 19 motor cycles valued at Rs.3,405,757 which were in running condition including 03 motor cycles with 04 year guarantee period, purchased in the years 2016 and 2017, in the stores without being utilized for a period between 02 months and 2 ½ years, 12 motor cycles valued at Rs.2,892,999 had been purchased at a rate of 06 motor cycles per year in the years 2016 and 2017.
- (b) Unserviceable stocks valued at Rs.1,594,664 included in the stock balance valued at Rs.58,355,403 indicated in the financial statements.

4.6 Identified Losses

The following observations are made.

- (a) A Cab motor vehicle valued at Rs.8,095,000 had been taken over from a motor vehicle agency of the year 2008 and registered in favour of the Board by the then Chairman without approval of any officer of the Board. Nevertheless, that motor vehicle had been misplaced from that date. Legal fees of Rs.2,244,685 had been incurred by the Board by 31 December 2017 for the case filed by the said agency due to failure in paying money to the relevant agency up to now and the Board was unable to obtain relevant assets up to now. However, the value of the said motor vehicle had been indicated as assets in the financial statements in the year 2013 and depreciated annually and the contribution lost to the President's Fund from the year 2013 to the date of this report had been Rs.10,339,635.
- (b) It was observed that vouchers valued at Rs.690,500 including 121 gift vouchers valued at Rs.590,500 received as sales promotion items from the SATHOSA in the year 2009 and 32 expired gift vouchers valued at Rs.100,000 received from STC Institute on 18 February 2013 had remained in the safe without being used. Even though those institutions had been asked on 12 June 2017 for renewal of these vouchers, they had not agreed to therefor, thus indicating a fruitless

expenditure to the Board. However, this expenditure had been further shown as sales promotion items in accounts.

4.7 Commencement of Projects on Lands/Properties not vested properly

Even though it had been agreed to obtain the land of 01 acre in extent belonging to the Tissamaharama Divisional Secretariat Division from the Tissamaharama Divisional Secretariat on long term lease basis, a sum of Rs.492,392 had been spent by the Board for development activities of that land with the aim of constructing a circuit bungalow, without entering into a proper agreement.

4.8 Resources of the Board given to other Government Institutions

In terms of Section 8.3.9 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the Board is not permitted to deploy its resources on behalf of the line Ministry or any other Government institutions. Nevertheless, 11 persons recruited to the staff of the Board had been released to the Ministry of Finance and Mass Media from the date of recruitment itself. This staff had not made any contribution for activities of the Board. However, a sum totalling Rs.7,101,415 comprising Rs.3,376,415 and Rs.3,725,000 had been paid in the year 2016 and up to 19 June 2017 respectively as employees remuneration from the Fund of the Board.

4.9 Staff Administration

The following observations are made.

- (a) The approved cadre of the Board as at 31 December 2017 stood at 269 while the actual cadre stood at 289. Twenty one vacancies existed therein and excess cadre stood at 39. Failure in making recruitments by identifying functions for essential posts of the Board so as to suit them and making recruitments for unnecessary posts exceeding the limit had been the reason for vacancies and excess cadre.

- (b) According to the Scheme of Recruitment and Promotion approved on 16 December 2015 by the Department of Management Services in terms of provisions of Management Services Circular No.30 of 2006, the methodology of recruitment to the staff should be carried out by calling for applications through a newspaper advertisement or public notice and on results of a written competitive examination and /or a structured interview conducted by a Board. decided by the Appointing Authority as decided by the Board of Directors of the Lotteries Board. However, no applications had been called for through public notices or newspaper advertisements in making recruitments during the year 2017.
- (c) Action had not been taken up to 30 July 2018, the date of audit to appoint the Assistant General Manager (Procurement) and as such, many instances were observed, in which procurements valued at Rs.386,847,211 had been made contrary to Guidelines of the Procurement Guidelines during the year under review.
- (d) Public Relation Officers at a monthly salary of Rs.60,000 and Rs.22,104 in the years 2016 and 2017 respectively, an officer of 70 years of age as a Private Assistant at a monthly salary of Rs.30,000 and another officer at a monthly salary of Rs.60,000 had been recruited on contract basis without approving the Schemes of Recruitment and Promotion.
- (e) Even though the approval of the Cabinet of Ministers should be obtained in the recruitment of officers older than 60 years, recruitments had been made on contract basis for the posts such as Private Assistant, Driver, Management Assistant and Sales Consultant on the payment of monthly allowance of Rs.30,000, Rs.25,918, Rs.50,000 and Rs.100,000.
- (f) The approval of the Department of Management Services had not been received for the posts mentioned in paragraphs (d) and (e) above and it was observed that recruitments had been made by paying allowances with severe anomalies for the same post without following a proper methodology.

- (g) Eighteen Field Officers had been appointed so as to cover all districts to assist in the achievement of sales targets of lottery tickets sold by the Board and to examine sales outlets and they should present an Advance Programme every month. Even though 04 officers had been appointed for supervision through GPS Technology whether they perform duties according to the said programme, such supervision had not been carried out.
- (h) A Driver had been recruited on contract basis from 24 March 2017 and his service had been abolished on 30 September. This officer had not actively participated in any activity of the Board within a period of 06 months of his service period of the Board. However, a sum of Rs.279,744 had been paid as salaries, overtime, incentive and attendance allowances by the Board.
- (i) A sum of Rs.104,716,157 had been paid for the period from the year 2014 to 31 December 2017 for obtaining services from a private institution for conducting lottery draws without entering into a proper agreement. Even though a Division with a post of Assistant General Manager (Information Technology) and 03 persons of the staff, had been established for this purpose, attention had not been paid on the possibility of carrying out this process internally.
- (j) The per capita cost per employee which was Rs.782,817 in the year 2016 had become Rs.948,218 in the year 2017, thus indicating an increase by Rs.165,401 or 21 per cent.

4.10 Utilization of Motor Vehicles

- (a) The approval of the Treasury had been obtained on 15 November 2015 for disposal of the luxury motor vehicle of the make Hyundai purchased at a cost of Rs.10,098,026 in the year 2009. This motor vehicle had been used for requirements of the Top Management of the Board as a pool vehicle without any technical defect from 01 November 2015 to 16 December 2016. Even though the Audit had pointed out that adequate reasons for such disposal were not available, thereafter, that motor vehicle had been utilized carelessly and as such, the motor

vehicle agency had estimated an expenditure on repair of Rs.852,755 for a gear system or an expenditure on installation of a new gear system valued at Rs.1,167,637. However, the said motor vehicle had been kept in an unprotected manner without taking action to repair or dispose over a period of 2 ½ years from that date. Moreover, the Audit had continuously pointed out regarding this matter and as such, this motor vehicle had been repaired by spending a sum of Rs.396,900 and entered to the vehicle pool again on 03 October 2018, thus resulting an excess market value of Rs.5,000,000 to the Board.

- (b) A motor vehicle purchased on 14 September 2001 at a cost of Rs.1,425,000 had been used as a pool vehicle from March 2017. However, only 06 repair works out of 14 works estimated at a cost of Rs.239,749 and only works at a cost of Rs.26,927 out of an estimated cost of Rs.92,139 had been repaired on 20 April 2016 and 15 June 2016 respectively. However, this motor vehicle of which only a part had been repaired without properly repairing defects existed, had been disposed of on 05 April 2018.
- (c) Repairs of a motor vehicle purchased on 24 May 1999 at a cost of Rs.2,943,000 had been carried out only through private institutions and only on 17 October 2016, an estimate valued at Rs.1,901,864 had been obtained after exhibiting the said vehicle to the agency for repairs. Only in that instance, the said motor vehicle had been disposed of on the recommendation made by the Transport Instructor that this is not economically effective on the price purchased from the sales agent.
- (d) The assessed value of 02 motor vehicles mentioned in (b) and (c) above had been Rs.1,200,000 and Rs.2,500,000 respectively and the sales prices thereof had been Rs.1,850,000 and Rs.3,550,000 respectively (highest demand price is Rs.3,650,000) and as such, those motor vehicles had been sold more than the assessed value by 54 per cent and 42 per cent. Accordingly, assessed values given to these motor vehicles were of contentious nature in audit.

- (e) The Board had to incur a high cost on motor vehicles due to obtaining them on hire basis from private institutions. Four motor vehicles had been obtained so on hire basis during the year 2017 and an expenditure of Rs.9,495,518 had been incurred therefor.
- (f) Eight vans belonging to the Board had been used as mobile vehicles for sale of instant lottery tickets and handing over of those motor vehicles to drivers, observing places where sales are carried out, through GPS Technology, keeping motor vehicles under the custody of sales officers or sales promotion officers at night etc. should be carried out. However, those functions had not been carried out.
- (g) The distance which can be run per litre of fuel as mentioned by the agent company in respect of 11 motor cycles purchased in the years 2016 and 2017 and provided to Field Officers, ranged between 65 and 70 km. However, the Field Officers had obtained fuel by indicating that about 35 km can be run per litre of fuel. The total distance run by 11 motor cycles by 23 April 2018 was 293,312 km and the quantity of fuel consumed was 8,281 litres. However, as mentioned by the agent company, the quantity of fuel spent therefor was 4,512 liters, thus incurring an excess expenditure on fuel of Rs.440,915 for 3,769 litres.

4.11 Market Share

Sales Income from Lotteries

Year	Development Lotteries Board Rs. Millions	National Lotteries Board Rs. Millions	Market Share of the Development Lotteries Board (Percentage)
2017	14,629	16,747	47
2016	15,314	20,170	43
2015	12,280	17,394	41
2014	12,232	15,153	45
2013	10,611	14,537	42
2012	10,668	12,024	47

The following observations are made.

- (a) When considering the sales income from lotteries in 06 years, the Development Lotteries Board had acquired a less amount as compared with the market share of the National Lotteries Board.
- (b) The market share of the Board which was 47 per cent in the year 2012 had fluctuated from 42 per cent to 43 per cent from the year 2013 to the year 2016 and it had again improved up to 47 per cent in the year 2017.

5. Sustainable Development

5.1 Achievement of Sustainable Development Goals and Targets

Every Government Institution should act in terms of the 2030 “Agenda” of the United Nations for Sustainable Development. However, the Development Lotteries Board had not been aware of the manner in implementing the functions that come under its scope, relating to the year under review.

However, the Development Lotteries Board had not been aware of the 2030 “Agenda” as above and as such, the sustainable development goals, targets relating to those functions and focal points to reach those targets and indices for measuring the achievement of targets had not been identified.

6. Accountability and Good Governance

6.1 Presentation of Financial Statements

Even though the financial statements should be presented to Audit within 60 days after the close of the year of accounts in terms of paragraph 6.5.1 of the Public Enterprises Circular No. PED/12 of 02 June 2003, the draft financial statements for the year under review had been presented on 28 February 2018 and the final financial statements had been presented to Audit only on 03 August 2018 after a delay of 05 months.

6.2 Internal Audit

The following observations are made.

- (a) An Internal Audit Unit had been established in the Board and a staff comprising 05 persons had been attached to it. However, adequate staff so as to cover the scope of the Board, had not been attached to that Unit.
- (b) Even though internal audit queries had been presented to the Chairman of the Board, it was observed that action had not been taken thereon in an efficient manner.

6.3 Procurement and Contract Process

6.3.1 Procurements

The following observations are made.

- (a) About 50 per cent procurements which should have been carried out in the year under review had not been implemented due to failure in proper identification of requirement of procurements in terms of Guideline 4 of the Government Procurement Guidelines 2006. Moreover, contrary to the Procurement Plan, procurements valued at Rs.98.5 million had been implemented without prior approval. Out of that, procurements valued at Rs.56 million had been commenced without budget provisions in terms of paragraph 4.1.1(d) of the Procurement Guidelines. Further, in terms of provisions of Guideline 4.2.1 of the Procurement Guidelines, the Procurement Category and Procurement Method had not been included in the Procurement Plan and the Procurement Plan had not been approved by a responsible officer.
- (b) The following observations are made in respect of 10 procurements valued at Rs.386,847,211.
 - (i) Purchase of Sales Promotion Items - Rs.5,731,645
 - In the purchase of umbrellas and mugs as sales promotion items, a period of 07 days should be given for submission of bids under the

Shopping Method in term of paragraph 6.2.2 of the Procurement Guidelines. However, only 03 days had been given therefor.

- In terms of paragraph 5.3.18 (b) of the Procurement Guidelines, Value Added Tax should not be considered in the evaluation of bids. However, in the evaluation of quotations of 2,500 umbrellas, the quotations with Value Added Tax of one institution had been compared with quotations exempted from Value Added Tax of another institution. As such, a sum of Rs.138,043 had to be over paid.

(ii) Providing Lunch for the Staff – Rs.7,806,187

- A supplier had been selected for providing lunch for the staff of the Board from the year 2015 up to now, contrary to the procurement procedure and a sum of Rs.7,816,187 had been spent therefor in the year 2017. Further, an excess expenditure amounting to Rs.593,125 had been incurred by the Board due to ordering lunch exceeding the number arrived in each month.

(iii) Purchase of Motor Vehicles for the Super Prize of the Dasa Lakshapathi – Rs.8,643,740

The estimated value relating to purchase of 04 motor vehicles for the super prize of the Lottery Dasa Lakshapathi had not been included in the Procurement Plan and in the Budget Estimate of the year 2017. Action had not been taken relating to conditions such as calling for sealed quotation at least from 5 institutions for purchases up to Rs.10 million in terms of Guideline 3.4 of the Procurement Guidelines and the Supplement 33 dated 15 March 2017, obtaining bid securities in terms of Guideline 5.3.11 and entering into agreements in terms of Guideline 8.9.1. Further, an expert on motor vehicles had not been appointed to the Technical Evaluation Committee and the Assistant General Manager (Finance) had recommended to purchase of those motor cars on 18 February 2017 before receiving the approval of the Technical Evaluation Committee on 27 February 2017.

(iv) Purchase of Roneo Machines - Rs.742,500

Even though Minor Procurements and Technical Evaluation Committee had been appointed for purchases less than Rs.10 million by the Ministry of Finance and Mass Media, approval and recommendations of those Committees had not been obtained for these purchases. Further, action had not been taken in terms of Guidelines such as preparation of bidding documents in terms of Guideline 5.3.1(d), maintaining a record pertaining to the issuance of the bid documents in terms of Guideline 6.1.4, obtaining sealed bidding documents in terms of Guideline 6.3.1, submission of bid securities in terms of Guideline 5.3.11, appointment of Bid Opening Committee in terms of Guideline 6.3.3, Recording the proceedings of the bid opening and placing signatures therein by members in terms of Guideline 6.3.6, completion of activities within the bid validity period in terms of Guideline 5.3.10, entering into a proper agreement with the supplier in terms of Guideline 8.9.1(b) and submission of Performance Securities in terms of Guideline 5.4.10.

(v) Purchase of T-Shirts – Rs.10,384,200

In terms of Guideline 4.2.3 of the Procurement Manual and Supplement 31 dated 15 March 2017, in the purchase of goods valued from Rs.5 million to Rs.25 million, a maximum time period of 04 weeks can be allocated for procurement process of those goods. Nevertheless, 193 days had been spent for these purchases valued at Rs.10,384,200.

(vi) Purchase of CCTV Camera System – Rs.3,961,977

Out of 29 institutions by which quotations had been submitted for the purchase of CCTV Camera System, 09 institutions had submitted quotations in compliance with specifications. However, reasons for non-evaluation of 5 institutions out of them had not been made available to Audit. Further, differences between information submitted by bidders and information included in the report of the Technical Evaluation Committee were observed. Moreover, a Performance Security had not been submitted by the institution to whom the contract was awarded firstly, within 7 days from that date and in terms of Guideline 5.3.13 (d) of the Procurement

Guidelines, the bid security valued at Rs.50,000 had not been recovered by the Board.

(vii) Conducting Employees Training Workshops – Rs.1,740,549

A private institution had been selected and a sum of Rs.401,340 had been paid for obtaining food, accommodation and hall facilities for two Employees Training Workshops conducted during the year review without following the procurement process.

(viii) Expenditure on Publicity of Lotteries – Rs.302,609,501

A sum of Rs.302,609,501 had been spent for publicity of lotteries by the Board during the year under review and details on selecting publicity agencies had not been included in the Procurement Plan of the Board. Further, in the selection of publicity agencies, a sum of Rs.6,956,000 had been paid for designing and publicity of advertisements contrary to Guidelines 3.7.1, 7.4.4, 5.1.1 and 5.2.3 of the Instructional Guidelines 2007.

(ix) Printing of Lottery Tickets – Rs.346,417,189

- In the procurement process of selecting a supplier for printing of lottery tickets, action had not been taken in accordance with the Procurement Plan and Time Schedule in terms of Guidelines 4.2.1 and 4.2.2 of the Procurement Guidelines. Moreover, in terms of Guideline 5.3.2, main eligibility criteria and qualification requirements of the successful bidder had not been included in the invitation to bid. Further, despite having given instructions by the Secretary to the Ministry of Finance to keep bids in a safe manner without opening at the instance in which Procurement Committees and Technical Evaluation Committees had not been appointed, bids had been opened without following the said instructions and opening of bids had not been recorded properly in terms of Guideline 6.3.6.

- According to the special Term No.5 of bidding documents, institutions by which lottery tickets are printed and supplied to the National Lotteries Board, should not be selected for printing purposes. However, a supplier who had carried out printing purposes of the National Lotteries Board had been selected for printing of 03 lotteries.
 - A bidder who had not fulfilled qualifications that should be possessed by a qualified bidder according to the Annexure A of bidding documents, had been selected for printing of 03 lotteries.
 - The agreement relating to printing purposes for the year 2016/2017 had expired on 31 July 2017 and even though the newspaper advertisement for inviting bids for selecting a new supplier for the year 2017/2018 had been published on 31 July 2017, printing purposes of the new supplier had been commenced from January 2018. Accordingly, printing purposes had been carried out by the old bidder within the period from 01 August 2017 to 31 December 2017, thus incurring an excess cost of Rs.9,125,619.
- (x) **Construction of Information Technology Unit – Rs. 2,788,948**
- Even though quotations had been called for from 09 registered suppliers, only one institution had submitted quotations. In terms of Guideline 6.2.2 of the Procurement Guidelines, time period of 7 days should be given for submission of bids. Nevertheless, only 03 days had been given therefor. In terms of Guideline 7.12 of the Procurement Guidelines, when lack of effective competition is clearly evident, bids received should be rejected and bids should be re-invited. Nevertheless, action had not been taken accordingly. Further, in terms of Guideline 8.9.1, a proper agreement had not been entered into with the selected contractor.

6.4 Budgetary Control

The following observations are made.

- (a) In the preparation of Budget of the Board presented for the year 2017, it had been prepared by considering sales value of a lottery ticket as Rs.30. However, the sales price of a lottery ticket had been revised as Rs.20 from 01 February 2017 and as such, the revised budget had not been prepared and presented. As a result, actual income and expenditure could not be reconciled with the budgeted income and expenditure. Accordingly, the budget had not been prepared in a realistic manner and reviewed from time to time and as such, it was observed that the budget had not been made use of as an effective instrument of management control.
- (b) Even though the budgeted balance sheet as well should be included in the budget in terms of Section 5.2.1 of the Public Enterprises Circular No.PED/12 of 02 June 2003, the budgeted balance sheet had not been included in the budget of the Board.
- (c) The estimated expenditure for printing of lottery tickets drawn for the year 2017 and instant lotteries according to the budget, had been Rs.307 million while according to the Procurement Plan, that expenditure had been Rs.468 million. The estimated expenditure for lotteries “Ada Kotipathi and Sanwardhana Vasana” amounting to Rs.24 million had not been included in the said amount of Rs.468 million. However, the actual expenditure for the year 2017 had been Rs.346 million and as such, it was not observed that the budget had been prepared concurrently with the Procurement Plan and the Action Plan.

6.5 Unresolved Audit Paragraphs

There were 19 unresolved audit paragraphs including 13 audit paragraphs with the financial value of Rs.297,416,453 on which adequate attention had not been paid up to the year under review despite having pointed out by the Audit reports in the preceding year.

6.6 Performance of Social Responsibilities

(a) Contribution of the Board to the President's Fund

It was problematic in audit whether the social responsibilities which should be carried out by the Board had been properly carried out due to failure in taking follow up action to confirm whether action is being taken in terms of Section 11(1)(b) of the Development Lotteries Board Act, No.20 of 1997. The following observations are made.

- (i) Contributions out of the proceeds of lotteries remitted to the President's Fund by the Board should be made to the Mahapola Higher Education Scholarship Trust Fund in terms of Section 11(1)(b) of the Development Lotteries Board Act, No.20 of 1997. However, moneys of Rs.972 million including the sum of Rs.254 million contributed on behalf of the Development Lotteries Board of the year 2017 receivable from the President's Fund to the Mahapola Higher Education Scholarship Trust Fund since the year 2012, had not been received to the said Fund.
- (ii) Approval of the Mahapola Fund or Development Lotteries Board Act had not been received to incur Higher Education Scholarships valued at Rs.263 million which should be awarded from the contribution payable to the Mahapola Higher Education Scholarship Trust Fund, by the President's Fund on behalf of the said Fund. It was not observed that the Board had been made aware on matters such as moneys remitted to the President's Fund and the Mahapola Higher Education Fund, moneys set off against the payment of tax, moneys receivable to the Mahapola Higher Education Scholarship Trust Fund etc. The Mahapola Higher Education Scholarship Trust Fund had followed a policy for recording only money received and the Board had not taken follow up

action and as such, it was problematic in audit whether objectives had been performed in terms of Section 11(1)(b) of the Development Lotteries Board.

- (iii) Action had been taken contrary to provisions of Section 8.3.9 of the Public Enterprises Circular No.PED/12 of 02 June 2003 and as such, the contribution lost to the President's Fund from the Board as per paragraph 4.8(a) of this report had been Rs.7,101,415.

(b) Transparency of Conducting of Lottery Draws

A number of 1,190 lottery draws had been conducted by the Board in the year under review and an expenditure of Rs.466,033,872 had been incurred therefor. However, it was not observed that the attention of the Board had been paid to obtain audit supervision or representatives for 961 out of 1,190 lottery draws.

(c) Prizes to Winners

- It was not observed that the structural performance of conducting lottery draws of the Development Lotteries Board had been prepared so as to ensure existence of equal opportunities in distribution of prizes in the entire economy in order to reduce inequalities within the country according to Sustainable Development Goals (SDG-10). The number of draws conducted by the Board within the period from January to October of the year under review stood at 946 and the quantity of winning lottery tickets relating to draws was 25 per cent. When considering the prizes structure, the percentage of winners less than Rs.250 was 99.98 per cent.
- Even though action had been taken to award the first prize in cash valued at Rs.2,500,000 of the Dasa Lakshapathi Lottery, it had been decided to award motor car therefor. Even though the money allocated as prizes for 04 draws of the year 2017 had been Rs.10,000,000, the expenditure incurred for 04 motor cars had been Rs.8,643,740. As such, the value lost to winners was Rs.1,356,260.



6. Systems and Controls

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

<u>Areas of Systems and Controls</u>	<u>Observations</u>
(a) Accounting	<p>(i) Introducing an internal control methodology of recognizing money credited directly by agents and transactions based for cheques issued but not submitted for payments and a methodology of maintenance of the cash book.</p> <p>(ii) Failure in indicating specific and clear balances in the cash book and unusual deterioration in the working capital due to an unusual difference between the balances of financial statements and balances in bank statements.</p> <p>(iii) Failure in maintaining a process of recording notes for accounts properly in making payments to sales agents for lottery tickets less than Rs.100,000 in winning instances.</p> <p>(iv) Recording notes in the cash book considering unreceived cash as cash received.</p>
(b) Maintenance of books and registers	<p>(i) Even though 03 current accounts were operated for cash receipts, only one cash receipt book had been maintained therefor.</p>



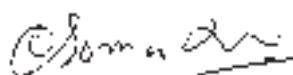
- (ii) Maintenance of cash book without checking relevant receipts when crediting cash to the bank by sales agents.
- (c) Accounting
- Satisfaction of following matters indicated in the financial statements was problematic in audit due to weaknesses in financial administration and reporting and non-implementation of computerized systems of the Board.
- (i) Accuracy of expenditure incurred for sale of each lottery.
- (ii) Accuracy of balances in each bank account.
- (iii) Accuracy of income from sale of lottery tickets indicated in financial statements.
- (iv) Accuracy of money receivable
- (v) Accuracy of expenditure on prizes
- (vi) Accuracy of balance indicated in the cash receipt book
- (d) Management of Fixed Assets
- High cost of repair of motor vehicles and being subjected to decay and disposal of motor vehicles due to weaknesses in control over motor vehicles.
- (e) Procurement
- Non-implementation of a proper internal control system in the Board in respect of procurement activities.

H.M.Gamini Wijesinghe
Auditor General

Statement of Comprehensive Income

For the year ended 31st December	Notes	2017 Rs.	2016 Rs.
Revenue	01	13,981,500,306	14,759,875,240
Cost of Tickets	02	387,696,730	444,990,802
Prize Payout	03	7,263,436,665	7,755,659,066
Draw Cost	04	466,033,872	322,644,520
Gross Profit		5,864,333,040	6,236,580,852
Other Income	05	130,891,204	119,504,280
Distribution Cost	06	3,541,283,837	3,561,410,194
Administrative Expenses	07	419,811,037	382,654,564
Surplus after operating Expenses		2,034,129,369	2,412,020,373
Finance Cost	08	318,747	343,166
Prize Write back		297,376,550	283,820,540
Profit before Tax		2,331,187,173	2,695,497,748
Income Tax	09	1,819,191,890	917,136,130
Profit after Income Tax		511,995,283	1,778,361,617
Other Comprehensive income			
Defined Benefit Plan Actuarial Gain/Loss	17.1	(4,958,579)	5,025,020
Total Comprehensive Income for the Year	10	507,036,703	1,783,386,637

The Accounting policies and Notes form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf.



W.A.V.C. Somarathne
Deputy General Manager (Finance)



S.A.P. Suriyapperuma
Chairman/CEO

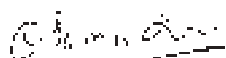


H.R. Wimalasiri
Director

Statement of Financial Position

As at 31st December	Notes	2017 Rs.	2016 Rs.
Assets			
Non Current Assets			
	11		
Property Plant & Equipment		668,942,803	694,764,004
Capital Work in Progress		1,583,595	4,903,575
		670,526,398	699,667,579
Held to Maturity Financial Assets	12	1,050,939,528	673,087,287
		1,050,939,528	673,087,287
Total Non Current Assets		1,721,465,926	1,372,754,866
Current Assets			
Inventories	13	58,355,403	39,733,884
Trade Debtors & Other Receivable	14	195,356,468	65,861,572
Prepayment & Deposits	15	6,473,731	6,402,121
Cash & Cash Equivalent	16	739,482,123	572,045,926
Total Current Assets		999,667,725	684,043,502
Total Assets		2,721,133,651	2,056,798,369
Equity & Liabilities			
Contributed Capital			
President Fund		2,200,000	2,200,000
Mohapola Trust Fund		2,200,000	2,200,000
Prize Reserve Account		810,029,458	805,435,349
Presidents' Fund Payable		107,862,341	(52,633,363)
Default Tax Liabilities		-	(1,256,728,883)
Total Equity		922,291,799	(499,526,897)
Non Current Liabilities			
Employee Benefit Liabilities	17	43,110,120	31,004,453
Dealer & Distributor Deposit Payable	18	33,482,881	30,696,381
Provision for Default Tax		-	1,256,728,883
Total Non Current Liabilities		76,593,001	1,318,429,716
Current Liabilities			
Trade & Other Payable	19	776,332,866	576,301,096
Prize Payable	20	698,488,245	560,093,693
Credit Vouchers Payable		247,427,740	101,500,760
Total Current Liabilities		1,722,248,852	1,237,895,549
Total Equity & Liabilities		2,721,133,651	2,056,798,369

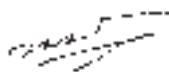
The Accounting policies and Notes form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf.



W.A.V.C. Somarathne
Deputy General Manager (Finance)



S.A.P. Suriyapperuma
Chairman/CEO



H.R. Wimalasiri
Director

Statement of Cash Flows

for the year ended 31st December		Note	2017 Rs.	2016 Rs.
Cash Flow from Operating Activities				
Profit Before Tax			2,331,187,173	2,700,522,768
Adjustments for				
Depreciation on Fixed Assets			50,756,984	52,808,665
Depreciation on Disposal Fixed Assets				(22,973,877)
Prize Reserve A/C			4,594,109	(128,590,886)
Provision for Gratuity			7,147,088	1,020,106
Gratuity Paid				(319,136)
Interest Income			(120,768,549)	(80,395,703)
Profit from Sale of Fixed Assets			(70,072)	(14,861,360)
Income Tax paid			(189,429,176)	(90,089,232)
Prior Income Tax Paid			(1,275,522,890)	(663,280,768)
President's Fund Paid			(346,541,000)	(1,886,020,000)
Operating Profit Before Working Capital Changes			461,353,667	(132,179,423)
Increase/Decrease in Operating Assets				
Increase/Decrease in Inventories			(18,621,520)	(7,130,188)
Increase/Decrease in Debtors			(129,494,896)	(37,955,850)
Decrease in Deposit and Prepayments			(71,610)	(770,857)
Increase/Decrease in Operating Liabilities				
Increase in Creditors			(153,440,175)	(70,742,675)
Increase/Decrease in Prize Payable			138,394,552	351,224,372
Decrease in Credit Vouchers			145,926,980	(102,204,970)
Net Cash flow from Operating Activities			444,046,998	240,408
Cash from Investment Activities				
Fixed Assets Additions (Property Plant and Equipment)			(22,384,334)	(22,115,908)
Fixed Assets Disposal (Property Plant and Equipment)			70,726	22,973,877
Profit from sale of Fixed Assets				14,861,360
Interest Income			120,768,549	80,395,703
Investments in Fixed Deposits			(377,852,241)	134,427,529
Increase in Dealer Distributor Deposits			2,786,500	2,316,000
Net cash from Investing Activities			(276,610,801)	232,858,560
			167,436,197	233,098,968
Net Cash Increase/Decrease in Cash & Cash Equivalents			167,436,197	233,098,968
Cash & Cash Equivalents at the Beginning of the Year			572,045,926	338,946,957
Cash & Cash Equivalents at the End of the Year		16	739,482,123	572,045,926
Cash at Banks				
	Bank of Ceylon		494,028,703	277,821,603
	People's Bank		207,669,261	267,064,631
	Sampath Bank		37,767,755	27,145,287
Cash in Hand			16,404	14,404
			739,482,123	572,045,926

Statement of Changes in Equity

For the Year ended 31st December 2017	Presidents' Fund & Mahapola Trust Fund Rs.	Prize Reserve Account Rs.	Retain Earnings Rs.	Default tax liabilities Rs.	Total Rs.
Balance as at 01.01.2016	4,400,000	934,026,234	99,010,739	(1,557,163,004)	(519,726,031)
Prior Year Adjustments					
Income Tax			(49,010,739)	300,434,121	251,423,382
President Fund			(50,000,000)		(50,000,000)
Additions During the Year		(128,590,886)	1,783,386,637		1,654,795,752
Appropriation to President Fund			(1,836,020,000)		(1,836,020,000)
Prior Year Income Tax Adjustments					-
Balance as at 31.12.2016	4,400,000	805,435,349	52,633,363	(1,256,728,883)	(499,526,897)
Prior Year Adjustments					
Income Tax				1,256,728,883	1,256,728,883
President Fund					-
Additions During the Year		4,594,109	507,036,703		511,630,813
Appropriation to President Fund			(346,541,000)		(346,541,000)
Balance as at 31.12.2017	4,400,000	810,029,458	107,862,341	-	922,291,799

Accounting Policies

1. REPORTING ENTITY

Development Lotteries Board incorporated under an act of Parliament named Development Lotteries Board act of 20 of 1997. The address of the Board's registered office is No. 356, Dr. Colvin R De Silva Mawatha Union Place, Colombo 02. During the year, the principal activity of the Board was sale of Lotteries.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements have been prepared in accordance with new Sri Lanka Accounting Standards hereinafter referred to as SLFRS /LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka, the requirements of the Finance Regulations and Administrative Regulations of the Government of Sri Lanka.

2.2 Basis of Measurement

The Financial Statements have been prepared on historical cost basis, except as indicated below.

Investments on Fixed Deposits	– Fair Value
Land & Building	– Revalued Amounts
Gratuity Provision	– Gratuity formula and recognised at present value of the defined benefit obligation

2.3 Functional & Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Board's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest Rupee.

2.4 Use of Estimates & judgments

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual results may differ from these judgments and estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and any future period affected.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, Plant and Equipment

3.1.1 Recognition and Measurement

Property, plant & equipment are tangible items that are held for servicing, or for administrative purposes and are expected to be used during more than one period.

a. Recognition

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

b. Measurement

Items of Property, Plant & Equipment are stated at cost or valuation less accumulated depreciation.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

Expenditure on repairs or maintenance of Property, Plant & Equipment made to restore or maintain future economic benefits expected from the assets have been recognised as an expense when incurred.

c. Subsequent Expenditure

Expenditure incurred to replace a component of an item of Property, Plant & Equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. The cost of replacing part of an item of Property, Plant & Equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day-to-day servicing of Property, Plant & Equipment are recognised in profit or loss as incurred.

d. Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of Property, Plant & Equipment. The estimated useful lives of the assets are as follows.

Buildings/Studio	10%
Furniture & Fittings	25%
Office Equipment	25%
Machinery	12.50%
Motor Vehicles/ Three wheel	20%
Computers & Accessories	33.33%
Branded Stalls	16.66%
Motor Bicycles	25%
Application Software	33.33%
Mobile Phone	50%

Board provides depreciation from the date the assets are available for use up to the date of disposal.

Board has requested a valuation from Department of Valuation. Initial assessment has been done but the Board has not received the final report

3.2 Inventories

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Accordingly, the costs of inventories are accounted as follows:

Lagna Wasana	Average Cost
Saturday Fortune	Average Cost
Jayoda	Average Cost
Galaxy Star	Average Cost
Niyatha Jaya	Average Cost
Instant	FIFO
Sanwardana Lakshapathi	Average Cost
Kotipathi Shanida	Average Cost
Development Fortune	Average Cost
Super Ball	Average Cost
Ada Kotipathi	Average Cost

3.3 Liabilities and Provisions

3.3.1 Liabilities

Liabilities classified as current liabilities on the balance sheet are those, which fall due for payment on demand or within one year from the balance sheet date.

Non-current liabilities are those balances that fall due for payment after one year from the balance sheet date.

3.3.2 Provisions

A provision is recognised if, as a result of a past event, the Board has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Litigation Against the Board

1. HC (Civil) 445/2011 – A supplier has filed a case against the board claiming Rs. 8,095,000.
2. 01.22.2015 – An individual has filed a case against the board over a labour dispute for reinstating employment.

3.3.3 Prize Allocation

50% of the Gross Sales has been allocated for the prize expenses. Board maintains a Prize Reserve accounts to credit not won prizes in terms of the requirement mentioned in the DLB act. Prize Reserve accounts can be utilised only for the purpose of payment of prizes in subsequent periods.

3.4 Employee Benefits

a. Defined Contribution Plans

A defined contribution plan is a post-employment plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay a further amount. Obligations for contributions to defined contribution plans are recognised as expense in the profit and loss in the period during which related services are rendered by employees.

Employees' Provident Fund

The Board and Employees' contribute 15% & 10% respectively on the salary of each employee respectively. Said provident fund is being managed by the Central Bank of Sri Lanka.

Employees Trust Fund

The Board contributes 3% of the salary of each employee to the Employees' Trust Fund contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

Accounting Policies

b. Defined Benefit Plans

Retiring Gratuity

A defined benefit plan is a post employment benefit plan other than a defined contribution plan.

According to the paragraph 57 of LKAS 19 the Public Corporations engaged in the sale of goods or the provision of services may opt to use a qualified actuary or use the Gratuity formula method.

Therefore, the Board uses a gratuity formula method to calculate the gratuity liability.

However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continues service.

Any gains or losses arising are recognised immediately in the income statement.

3.5 Capital Commitments & Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitment and contingent liabilities of the Group are disclosed in the respective notes to the Financial Statements.

3.6 Events After the Balance Sheet Date

The materiality of the events after the balance sheet date has been considered and appropriate adjustments and provisions have been made in the Financial Statements wherever necessary.

4. INCOME STATEMENTS

4.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Board and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of agent commissions.

Sales has been dropped during the year 2017 due to trade union action taken by Lottery Agents Association over the tickets price change from Rs. 20.00 to 30.00 in January 2017.

4.2 Expenditure

All expenditure incurred in running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year. For the purpose of presentation of Income Statement, the Board is of the opinion that function of expense method present fairly the elements of the board's performance, hence such presentation method is adopted.

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

Repairs and renewals are charged to revenue in the year in which the expenditure is incurred.

4.3 Income Tax

Default Tax liability for the year ended 2017 was at 1,208 Mn. The Board has fully settled outstanding areas of default tax liability. IRD has agreed to remove the penalty for the period 2001-2013. Total tax cost has been allocated in the segment report based on gross sales. Income tax computed for the year has been based on the rate applicable for the Board as per the Inland Revenue Act No. of 2006 amendment there to.

5. HELD TO MATURITY FINANCIAL ASSETS HELD (HTM)

Investments in fixed deposits have been classified under HTM investments. Financial Assets with fixed maturities are classified as HTM when Board has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortised cost.

This Financial Statements has been approved by the Board of Directors on 13.03.2018.

Notes to the Financial Statements

For the Year ended 31st December	2017	2016
NOTE 01 - REVENUE		
Gross Sales		
Saturday Fortune	2,274,727,300	2,485,582,000
Lagna Wasana	2,152,860,200	2,899,247,100
Jayoda	972,621,300	1,425,290,000
Instant	696,945,000	761,737,500
Galaxy Star	749,787,500	1,136,907,800
Niyatha Jaya	913,533,700	1,240,590,000
Super Ball	2,013,764,100	2,744,155,000
Sanwardana Lakshapathi/Dasa Lakshapathi	496,286,600	1,000,223,000
Kotipathi Shanida	2,105,058,400	1,572,472,100
Development Fortune	762,801,800	48,386,000
Ada Kotipathi	1,490,929,400	
Total Sales	14,629,315,300	15,314,590,500
Less : Sales Return	537,815	520,988
Net Total Sales	14,628,777,485	15,314,069,513
Less: VAT	647,277,179	554,194,272
Revenue After Taxes	13,981,500,306	14,759,875,240

Notes to the Financial Statements

Note 01 -I -Segment Report

	Saturday Fortune	Lagna Wasanawa	Jayoda	Galaxy Star	Niyatha Jaya
SALES	2,274,613,550	2,152,834,109	972,574,483	749,778,946	913,522,325
TAXES - VAT 11%,15%	100,644,462	95,256,107	43,033,347.65	33,175,349	40,420,476
Revenue	2,173,969,088	2,057,578,002	929,541,135	716,603,597	873,101,849
COST OF SALES	54,094,496	52,497,853	22,638,941	19,560,876	23,165,756
PRIZE	1,130,038,125	1,065,162,950	481,954,675	371,403,725	452,171,675
DRAW COST	57,434,046	59,845,172	39,344,476	40,194,571	40,584,845
Gross Profit	932,402,421	880,072,027	385,603,043	285,444,424	357,179,573
Add - Other Income	20,352,139	19,262,515	8,702,125	6,708,658	8,173,755
Advertising Expenses	45,587,339	42,239,560	19,985,332	25,520,013	16,070,460
Marketing Related Expenses	35,059	33,182	14,990	11,556	14,080
Corporate & Others	7,422,830	7,025,423	3,173,838	2,446,781	2,981,131
Dealer Commission	394,414,515	371,116,960	168,030,740	129,467,800	157,570,810
Distributor Commission	28,060,534	26,438,756	11,948,853	9,219,515	11,225,453
Administration & Finance Expenses	65,325,548	61,828,115	27,931,760	21,533,205	26,235,818
Selling & Distribution Expenses	69,754,906	66,020,331	29,825,656	22,993,251	28,014,721
Add - Prize Write Back	48,079,360	60,904,340	27,832,900	25,257,760	20,535,730
Profit Before Taxes	390,233,190	385,536,556	161,226,898	106,218,722	143,776,585
Income Tax	282,864,274	267,720,140	120,946,512	93,240,312	113,602,959
Profit After Taxes	107,368,916	117,816,416	40,280,386	12,978,410	30,173,626
Other Comprehensive income					
Defined benefit plan actuarial gain/Loss	(771,004)	(729,726)	(329,664)	(254,146)	(309,648)
Total Comprehensive income for the Year	106,597,911	117,086,690	39,950,722	12,724,264	29,863,978

Super Ball	Sanwardana Lakshapathi	Kotipathi Sanida	Development Fortune	Ada Kotipathi	Instant	Total 2017
2,013,672,008	496,280,100	2,104,979,458	762,762,363	1,490,815,145	696,945,000	14,628,777,485
89,098,623	21,958,826	93,138,690	33,749,824	65,963,859	30,837,614	647,277,179
1,924,573,384	474,321,274	2,011,840,768	729,012,538	1,424,851,286	666,107,386	13,981,500,306
49,926,752	13,591,694	52,419,610	19,706,839	38,814,372	41,279,542	387,696,730
997,446,375	245,778,300	1,043,094,400	377,699,550	745,464,700	353,222,190	7,263,436,665
58,642,766	23,516,682	60,070,844	40,859,307	45,541,161		466,033,872
818,557,491	191,434,597	856,255,914	290,746,843	595,031,052	271,605,654	5,864,333,040
18,017,360	4,440,474	18,834,335	6,824,828	13,339,091	6,235,926	130,891,204
34,120,637	44,332,277	56,520,724	19,506,547	28,295,264	6,367,428	338,545,580
31,037	7,649	32,444	11,757	22,978	10,742	225,475
6,571,290	1,619,529	6,869,257	2,489,150	4,865,032	2,274,366	47,738,628
347,690,880	85,667,655	363,667,820	131,639,640	260,912,645	119,010,225	2,529,189,690
24,742,746	6,086,881	25,910,068	9,364,500	18,583,848	5,386,890	176,968,041
57,831,462	14,252,869	60,453,757	21,906,081	42,815,324	20,015,846	420,129,784
61,752,688	15,219,276	64,552,787	23,391,409	45,718,390	21,373,008	448,616,423
52,015,400	12,619,900	37,122,730	13,008,430			297,376,550
355,849,512	41,308,835	334,206,122	102,271,016	207,156,662	103,403,075	2,331,187,173
250,414,349	61,715,939	261,769,075	94,854,892	185,393,402	86,670,037	1,819,191,890
105,435,164	(20,407,104)	72,437,046	7,416,124	21,763,260	16,733,038	511,995,283
(682,555)	(168,219)	(713,505)	(258,546)	(505,328)	(236,237)	(4,958,579)
104,752,608	(20,575,323)	71,723,541	7,157,578	21,257,933	16,496,801	507,036,703

Notes to the Financial Statements

For the Year ended 31st December	2017	2016
NOTE 02 - COST OF TICKETS		
Instant	41,279,542	56,425,445
Saturday Fortune	54,094,496	70,619,103
Lagna Wasana	52,497,853	34,464,559
Jayoda	22,638,941	55,393,767
Niyatha Jaya	23,165,756	33,265,095
Super Ball	49,926,752	62,393,016
Galaxy Star	19,560,876	27,275,871
Sanwardhana/Dasa Lakshapathi	13,591,694	41,542,968
Kotipathi Shanida	52,419,610	61,561,492
Development Fortune	19,706,839	2,049,486
Ada Kotipathi	38,814,372	
	387,696,730	444,990,802
NOTE 03 - PRIZE PAYOUT		
Saturday Fortune	1,130,038,125	1,242,791,000
Lagna Wasana	1,065,162,950	1,449,623,550
Instant	353,222,190	479,232,566
Jayoda	481,954,675	712,645,000
Galaxy Star	371,403,725	568,453,900
Niyatha Jaya	452,171,675	620,295,000
Super Ball	997,446,375	1,372,077,500
Sanwardana/Dasa Lakshapathi	245,778,300	500,111,500
Kotipathi Shanida	1,043,094,400	786,236,050
Development Fortune	377,699,550	24,193,000
Ada Kotipathi	745,464,700	
	7,263,436,665	7,755,659,066
NOTE 04 - DRAW COST		
Saturday Fortune	57,434,046	42,159,602
Lagna Wasana	59,845,172	58,295,390
Jayoda	39,344,476	38,928,603
Galaxy Star	40,194,571	37,734,686
Niyatha Jaya	40,584,845	39,947,396
Super Ball	58,642,766	57,225,911
Sanwardana Lakshapathi/Dasa Lakshapathi	23,516,682	15,754,544
Kotipathi Shanida	60,070,844	30,957,748
Development Fortune	40,859,307	1,640,640
Ada Kotipathi	45,541,161	
	466,033,872	322,644,520

For the Year ended 31st December	2017	2016
NOTE 05 - OTHER INCOME		
Sampath Repo Interest	424,843	353,860
Registration Fees	71,750	48,250
Sales of Receipt Books	97,305	33,930
Staff Loan Interest	1,586,020	1,149,063
Miscellaneous Receipt	9,282,578	19,928,885
Investment Interest Income	90,609,105	60,516,783
Non Refundable Deposit	638,500	919,500
Fine On Cancel Tickets Not Return	-	35,000
Interest Sweep Account	20,228,177	14,345,609
7 Day Call Interest Income	6,334,384	5,179,452
Paper Shredding Income	1,090,520	982,675
Disposal Items	25,260	191,062
Rent Income-Bus	462,328	436,943
Profit on Sale of Motor Vehicle	-	14,697,950
Profit on Sale of Office Equipment	-	25,109
Profit on Sale of Computers	-	70,000
Supplier Deduction	100,000	500,000
Studio Rent Income	60,000	21,910
Profit on Sale of Furniture & Fittings	54,072	68,301
Profit/Loss Sales on Motor Bike (Dealers)	(189,638)	
Profit on Sale of Application Software	16,000	
Total Other Income	130,891,204	119,504,280

For the Year ended 31st December	2017	2016
NOTE 06 - DISTRIBUTION EXPENSES		
Note '06-I - Advertising		
Saturday Fortune	45,587,339	33,993,155
Lagna Wasana	42,239,560	41,166,929
Jayoda	19,985,332	35,879,009
Instant	6,367,428	6,760,580
Galaxy Star	25,520,013	28,163,234
Niyatha Jaya	16,070,460	48,827,588
Super Ball	34,120,637	32,053,014
Sanwardana / Dasa Lakshapathi	44,332,277	49,839,900
Kotipathi Shanida	56,520,724	56,675,161
Development Fortune	19,506,547	14,159,661
Ada Kotipathi	28,295,264	
Corporate & Others	44,812,653	22,606,210
CSR Project	2,515,600	12,255,000
Seasonal Promotion	-	1,842,325
Web Advertising	410,375	
	386,284,208	384,221,765

Notes to the Financial Statements

For the Year ended 31st December	2017	2016
Note '06-II - Marketing Related Activities		
Marketing Related Expenses	-	10,800
Market Research	118,600	
Chairman's Vote	106,875	-
	225,475	10,800
Note '06-III - Selling & Distribution Expenses		
NBT 2%	229,056,969	241,640,115
Excise Duty Expenses	111,942,100	
Selling Expenses	39,878,660	32,240,005
Other Selling & Distribution(Scanning / Validation)	7,961,514	8,533,274
Transportation	8,676,631	6,942,943
Vehicle Branding	95,805	244,210
Dealer & Distributor Target/ Incentive	28,649,140	4,924,040
Dealer & Distributor Motivation Cost	20,624,047	19,416,081
Promotional Vehicles Expenses	51,556	272,597
Vehicle Rent - Ticket Selling	341,049	
Dealer Convention	498,099	
Outdoor Events/ Annual Promotion Calendar	840,852	
Ticket Selling Daily Allowance - Jaffna	-	1,121,250
	448,616,423	315,334,514
Note '06-IV - Commission		
Dealer Commission		
Saturday Fortune	394,414,515	434,976,850
Lagna Wasana	371,116,960	507,368,155
Jayoda	168,030,740	249,425,750
Instant	119,010,225	129,623,363
Galaxy Star	129,467,800	198,958,790
Niyatha Jaya	157,570,810	217,103,250
Super Ball	347,690,880	480,227,125
Sanwardana/Dasa Lakshapathi	85,667,655	175,039,025
Kotipathi Shanida	363,667,820	275,182,530
Development Fortune	131,639,640	8,467,550
Ada Kotipathi	260,912,645	
	2,529,189,690	2,676,372,388
Distributor Commission		
Saturday Fortune	28,060,534	30,752,950
Lagna Wasana	26,438,756	35,865,463
Jayoda	11,948,853	17,617,138
Instant	5,386,890	5,438,840
Galaxy Star	9,219,515	14,045,488
Niyatha Jaya	11,225,453	15,339,088
Super Ball	24,742,746	33,954,350
Sanwardana / Dasa Lakshapathi	6,086,881	14,382,688

For the Year ended 31st December	2017	2016
Kotipathi Shanida	25,910,068	17,475,625
Development Fortune	9,364,500	599,100
Ada Kotipathi	18,583,848	
	176,968,041	185,470,728
	3,541,283,837	3,561,410,194

For the Year ended 31st December	2017	2016
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NOTE 07 - ADMINISTRATIVE EXPENSES

Staff Cost	279,612,047	257,535,362
Depreciation	33,316,649	31,947,951
Other Administrative	106,882,341	93,171,252
	419,811,037	382,654,564

For the Year ended 31st December	2017	2016
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NOTE 08- FINANCE EXPENSES

Bank Charges - General	300,747	325,166
Bank Charges - Prize	18,000	18,000
Total Finance Expenses	318,747	343,166

For the Year ended 31st December	2017	2016
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NOTE 09 - INCOME TAX

Income Tax	543,669,000	302,866,101
Prior Year Income Tax 2001-2009	1,208,002,376	614,270,029
Prior Year Income Tax 2016	67,520,514	
Income Tax	1,819,191,890	917,136,130

For the Year ended 31st December	2017	2016
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NOTE 10 - PRESIDENTS' FUND CONTRIBUTION

Total Comprehensive Income for the Year	507,036,703	1,783,386,637
Appropriation to the President's Fund for the Year	346,541,000	1,836,020,000
Balance	160,495,703	(52,633,363)
President's Fund Payable (2016)	(52,633,363)	-
Total President Fund Payable	107,862,341	(52,633,363)

Notes to the Financial Statements

	Land	Land Tissamahara- ramaya	Buildings/ Improvement & Studio	Capital Work in Progress	Motor Vehicles/ T'Wheel/ Motor Bicycle
NOTE 11 - FIXED ASSETS RS.					
Cost					
Balance as at 01.01.2017	506,000,000	492,392	134,207,225	4,903,575	143,754,620
Additions During the year			5,341,051		1,499,994
Disposals During the year				(3,319,980)	-
	506,000,000	492,392	139,548,276	1,583,595	145,254,614
Depreciation					
Balance as at 01.01.2017			57,792,434		84,650,831
Depreciation for the Year			12,887,525		18,813,801
Depreciation for the Disposals					
			70,679,959		103,464,632
Net Book Balance as at 31.12.2017	506,000,000	492,392	68,868,317	1,583,595	41,789,982

Machinery	Office Equipment & Mobile Phone	Computers & Accessories	Furniture & Fittings	Branded Stalls	Computer Software	Website Development	Total
57,864,777	57,635,757	68,457,229	18,060,584	8,735,946	25,268,273		1,025,380,378
	8,012,306	7,247,023	1,231,421		630,987	989,655	24,952,436
	(16,654)		(248,614.56)		(31,000)		(3,616,248)
57,864,777	65,631,409	75,704,252	19,043,390	8,735,946	25,868,260	989,655	1,046,716,566
31,582,288	49,261,265	56,625,176	13,764,273	8,706,554	23,329,978		325,712,799
5,624,831	4,671,576	5,814,140	1,619,864	9,789	1,122,047	193,412	50,756,984
			(248,615)		(31,000)		(279,615)
37,207,119	53,932,841	62,439,315	15,135,522	8,716,344	24,421,025	193,412	376,190,168
20,657,658	11,698,569	13,264,937	3,907,868	19,602	1,447,235	796,243	670,526,398

Notes to the Financial Statements

For the Year ended 31st December	2017	2016
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NOTE 12 - HELD TO MATURITY FINANCIAL ASSETS

Fixed Deposit -BOC/People's Bank	983,760,211	614,862,757
Dealer Deposits	67,179,317	58,224,530
Total Fixed Deposits	1,050,939,528	673,087,287

For the Year ended 31st December	2017	2016
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NOTE 13 - INVENTORIES

13.1 - Ticket Stock

Saturday Fortune	1,870,017	644,028
Lagna Wasana	2,158,932	1,124,927
Jayoda	1,122,000	391,476
Instant	15,606,969	11,988,552
Galaxy Star	775,200	464,890
Niyatha Jaya	911,880	337,722
Super Ball	1,928,310	807,126
Sanwardana Lakshapathi/Dasa Lakshapathi	514,080	204,918
Kotipathi Shanida	1,800,198	894,696
Development Fortune	905,760	409,836
Ada Kotipathi	3,616,920	
Total Ticket Stocks	31,210,266	17,268,171

13.2 - Other Stocks

Stationery Stock	4,752,312	3,326,943
Promotional Items Stock	21,568,181	18,306,983
Other Items Stock	365,760	365,760
Lagna Wasana Tea Cup Sets Stock	458,884	466,026
Total Other Stocks	27,145,137	22,465,713
Total Stocks	58,355,403	39,733,884

For the Year ended 31st December	2017	2016
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NOTE 14 - TRADE DEBTORS & OTHER RECEIVABLE

Receivable	12,205,858	10,535,573
Debtors - Distributors	108,259,927	
Loan to Staff	38,744,970	30,931,263
Festival Advance	8,750	371,000
Refundable Deposit	1,787,114	1,737,114
ESC Tax Credit	40,046,070	29,782,842
Security Deposit for Sri Lanka Railways(Guarantee)	1,800,000	
	202,852,688	73,357,792
Less :		
Provision for Doubtful Debts	7,496,220	7,496,220
	195,356,468	65,861,572

For the Year ended 31st December	2017	2016
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NOTE 15 - PREPAYMENT & DEPOSITS

Prepayments	1,528,387	1,291,295
Advance - Internal	878,818	368,906
Advance - External	4,066,527	4,741,920
	6,473,731	6,402,121

For the Year ended 31st December	2017	2016
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NOTE 16 - CASH & CASH EQUIVALENT

Bank Balances

BOC- General Receipt	268,014,761	133,076,470
BOC General 7 day Call	307,070,585	95,320,899
Bank of Ceylon-Prize 7 Day Call	23,000,000	
BOC -Prize	(14,974,150)	22,158,233
Sampath Bank	31,785,755	24,104,287
Peoples Bank	(179,561)	10,801,879
Sweep Account	207,748,822	256,191,752
Repo-Sampath	5,982,000	3,041,000
BOC- General Payment	(90,030,994)	26,432,501
BOC	948,500	833,500
Peoples Bank	100,000	71,000
	739,465,719	572,031,522
Petty Cash for Sub Stores	2,000	-
Petty Cash-Regional Office	5,000	5,000
D.L.B Disaster Relief Fund	9,404	9,404
	16,404	14,404
	739,482,123	572,045,926

Notes to the Financial Statements

For the Year ended 31st December	2017	2016
NOTE - 17 EMPLOYEE BENEFIT LIABILITY		
Balance at the Beginning of the Year	31,004,453	30,303,482
Provision Made During the Year	12,105,667	1,020,106
Payments Made During the Year		(319,136)
Balance at the End of the Year	43,110,120	31,004,453
Note - 17.1 Provision Made During the Year		
Interest Cost	3,396,884	3,308,522
Current service Cost	3,750,204	2,736,604
	7,147,088	6,045,126
Net Actuarial (Gain)/Loss recognised	4,958,579	(5,025,020)
Total Provision Made During the Year	12,105,667	1,020,106
Note - 17.2 Cost of retirement benefits		
Rate of Discount	11%	11%
Rate of Salary Increase	9%	7%
Retirement Age	60	60

Fixed Deposit equivalent to Employee Benefit Liability at the end of the year has been maintained.

For the Year ended 31st December	2017	2016
NOTE 18 - DEALER & DISTRIBUTOR DEPOSIT PAYABLE		
Dealer Deposit Payable	30,332,881	27,746,381
Distributor Deposit Payable	3,150,000	2,950,000
Total Dealer & Distributor Deposit Payable	33,482,881	30,696,381
NOTE 19 - TRADE & OTHER PAYABLE		
Trade Creditors	279,305,981	229,173,159
Dealer Advance	671,469	157,503
Distributor Advance	31,789,108	24,134,003
NBT/VAT/WHT/PAYEE TAX Payable	53,569,779	79,977,557
Provision for Income TAX Payable	354,239,824	212,776,869
Other Payable	56,756,706	30,082,004
Total Creditors	776,332,866	576,301,096
NOTE 20 - PRIZE PAYABLE		
Prizes Payable	639,665,985	522,774,655
Provision for Prize Payable - Non Winning-Draw Tickets		
Saturday Fortune	35,612,000	503,358
Jayoda	1,398,960	3,169,500
Lagna Wasana	3,054,260	15,799,500
Galaxy Star	3,055,340	
Niyatha Jaya	1,244,680	11,074,180
Super Ball	5,238,660	4,332,500
Sanwardana/ Dasa Lakshapathi	-	2,440,000
Kotipathi Shanida	5,191,660	
Dasalakshapathi	1,351,940	
Development Fortune	1,296,680	
Ada Kotipathi	1,378,080	
Total Prize Payable	58,822,260	37,319,038
	698,488,245	560,093,693

Ten Year Summary

	2017 (Rs. '000)	2016 (Rs. '000)	2015 (Rs. '000)	2014 (Rs. '000)
Operational Results				
Revenue	13,981,500	14,759,875	11,874,659	12,271,477
Cost of Tickets	387,697	444,990	325,360	378,157
Prize Payout	7,263,437	7,755,659	6,150,951	6,211,302
Administrative Expenses	419,811	382,655	332,597	347,408
Distribution Cost	3,541,284	3,561,410	2,728,440	3,067,688
Surplus After Operating Expenses	2,034,129	2,412,020	2,134,322	2,145,085
Equity				
President's Fund	2,200	2,200	2,200	2,200
Mahapola Trust Fund	2,200	2,200	2,200	2,200
President's Fund Payable	107,862	52,633	99,010	250,598
Prize Reserve Account	810,029	805,435	934,026	877,036
Liabilities				
Non Current Liabilities	76,593	1,318,429	1,615,846	223,288
Current Liabilities	1,722,249	1,237,896	846,842	581,768
Assets				
Non Current Assets	1,721,466	1,372,755	1,537,875	1,594,826
Current Assets	999,668	684,044	405,087	342,264

2013 (Rs. '000)	2012 (Rs. '000)	2011 (Rs. '000)	2010 (Rs. '000)	2009 (Rs. '000)	2008 (Rs. '000)
10,611,073	8,624,166	6,884,267	5,667,809	5,220,418	4,498,179
410,016	359,844	313,956	259,210	249,256	220,820
6,481,076	5,113,981	4,120,099	3,406,143	3,160,780	2,667,237
330,967	280,682	281,397	244,214	261,700	219,833
627,574	497,755	325,886	350,813	581,835	563,333
1,979,330	1,757,752	1,318,519	937,913	551,708	622,527
2,200	2,200	2,200	2,200	2,200	2,200
2,200	2,200	2,200	2,200	2,200	2,200
132,775	493,970	220,124	148,478	63,675	84,263
776,867	753,236	645,679	626,994	555,674	498,883
36,806	35,134	38,506	33,197	30,540	118,326
1,228,404	512,576	479,722	420,471	545,961	494,752
1,733,435	1,624,369	1,202,917	1,078,595	1,020,421	940,357
641,588	317,323	381,078	262,150	274,625	260,267

