



WINNING

The Hearts of the People

2016

Annual Report
Development Lotteries Board

Cover Story

From inception our journey has been closely linked to that of the people of Sri Lanka. Our business operations center on building up the lives of Sri Lankans and contributing to developing education opportunities. As we unravel the impact we created during the year 2016, we are pleased to talk about our progress, our future strategies and our activities that continue to empower Sri Lankans islandwide.

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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.

Telephone

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Fax

011 2 333 545

E-mail

info@dlb.lk

Web

www.dlb.lk

TIN

409089844

Board of Directors (2016)

- Mr. Romesh Jayawardana – Chairman/CEO
- Mrs. R.I. Wimalasena – Vice Chairman
- Mr. D.N. Nanayakkara – Director
- Dr. Wickrema Weerasooria – Director
- Mr. M.S.D. Ranasiri – Director

Current Board of Directors

- Mr. S.A.P. Suriyapperuma – Chairman/CEO
- Mr. H.R. Wimalasiri – Working Director
- Mr. D.N. Nanayakkara – Director
- Mr. H.G. Sumanasinghe – Director
- Mr. D.C. Dissanayake – Director

Auditor

Auditor General

Bankers

People's Bank, Bank of Ceylon, Sampath Bank PLC



Our Vision

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

Our 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”.

Our 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.

Our 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 Toward Excellence

The employees strive to maximise the quality of service continuously.

A Glance Through History

The Development Lotteries Board's (Initially known as the Development Lottery Centre) focus on education development and Medical assistance sprang from its historic close links with the



President's fund and the Mahapola Higher Education Scholarship Trust fund. When Dr. Wickrema Weerasooria envisioned establishing an enduring and an income generating system to fund various national economic and social progress projects, he sought help from various private and public entities to start the 'Instant' lottery scheme. However, the two positive responses came from



the then President J.R. Jayawardena who allocated Rs. 1.5 million and Minister Lalith Athulathmudali who invested a similar amount from his Mahapola Higher Education Trust

Fund to commence the Development Lottery Centre. In line with the true vision of the fund, the first lotteries sold were dubbed 'Development' lotteries and the **Development Lottery Centre was established on January 19, 1983** with seed funding received from the President's Fund and the Mahapola Scholarship Fund. Within the first year of implementation, the Development Lottery Centre achieved momentous success and earned considerable profits. As shareholders of the endeavor, both the President's Fund and Mahapola Higher Education Scholarship Trust fund received majority of the profits. To this day, the income generated by the Development Lotteries Board is credited to the President's Fund for the prime purpose of **bringing prosperity to the entire nation**. The President's Fund allocates 50 percent of the said profits to the Mahapola Higher Education Scholarship Trust Fund, which substantially supports the country's higher education.



In 1993, Development Lottery Centre was transformed in to a Trust known as the "Development Lottery Trust". The Development Lotteries Board Act 20 of 1997 saw the Development Lottery Trust re-launched as the Development Lotteries Board on 12th August 1997. 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.

In 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. 'Wasana Chakraya', a tailor-made programme for non-winning instant lottery tickets commenced on January 25, 1998 with the television draw aired on Sundays. In response to the favourable reception of the programme, the Development Lotteries Board launched a second television draw named 'Sanwardhana Wasanawa', 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.

The Development Lotteries Board launched the 'Jayoda' draw on January 26, 2004 to be aired on Mondays and Thursdays. This ticket offers a Super Jackpot in addition to the standard jackpot and regular cash prizes. **The Super Jackpot starts with an initial amount of Rs. 10 million. In a historic move in the Sri Lankan lottery arena,** Jayoda regular jackpot winners are entitled to opt for the cash prize of Rs. 1 million or a house worth over Rs. 1 million.



On the 10th April 2009 the Development Lotteries Board was able to launch 'Jana Jaya' to be drawn on Thursdays and Sundays. To win the Super Prize the lucky person should match 04 numbers out of the 64 numbers and a super number from among 12 numbers from another machine.

The Super Jackpot starts with an initial amount of Rs. 2.5 million. The introduction of 'Super Ball' lottery on the 11th July 2012 marked a great turning point in the history of lottery industry. This particular lottery starting with the largest ever lottery jackpot of Rs. 30 million has been successful in attracting the general public.



In the year 2016, Development Lotteries Board introduced a number of new lotteries. On 14th May 2016, Development Lotteries Board introduced 'Sanwardhana Lakshapathi' and recorded a historic sale of 5.6 million lotteries. 'Kotipathi Shanida', introduced on 8th April 2016 sold 4.4 million tickets during the initial round of sales.

The television lottery draw, 'Sanwardhana Wasanawa' was re-launched with a fresh look and an appeal and three cash prizes on 12th December 2016.

In addition to the income credited to the President's Fund and the Mahapola Higher Education Scholarship Trust Fund, the Development Lotteries Board contribute the remaining income generated to various projects to uplift the living standard of poverty stricken communities, fulfill health needs of the less advantaged, towards the maintenance of religious institutions and to improve the fields of sports and arts.



Hon. Finance Minister at the lottery prize giving ceremony

Milestones

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 billion.

1998

Introduction 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.

1999

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

2004

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

- Achieved a turnover level of 3 billion.

2008

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

- Achieved a Turnover level of 5 billion.

2010

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

2011

“Niyatha Jaya” Lottery was launched.

2012

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

2013

Launch of **Highway Dream** lottery with **highest jackpot value**.

2016

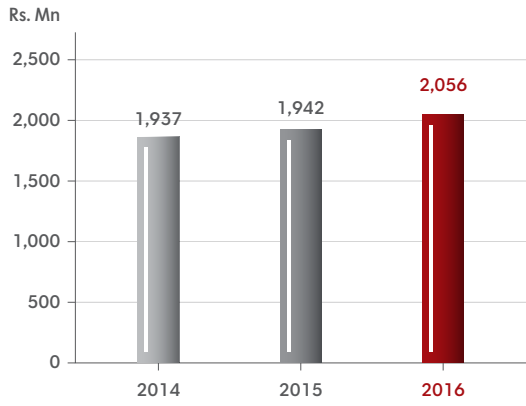
Launch of **Sanwardana Lakshapathi, Kotipathi Shanida** and **Sanwardana Wasanawa**.

2014

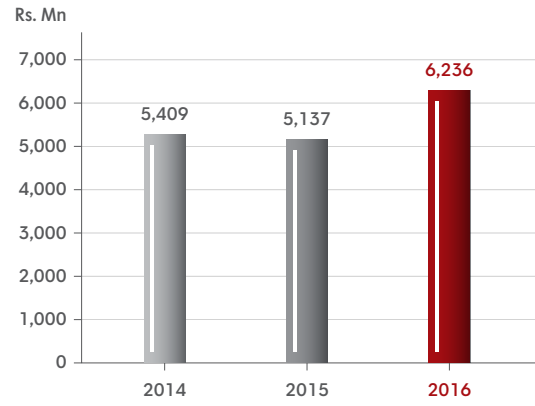
Launch of **SMS lottery selling**.

Financial Highlights

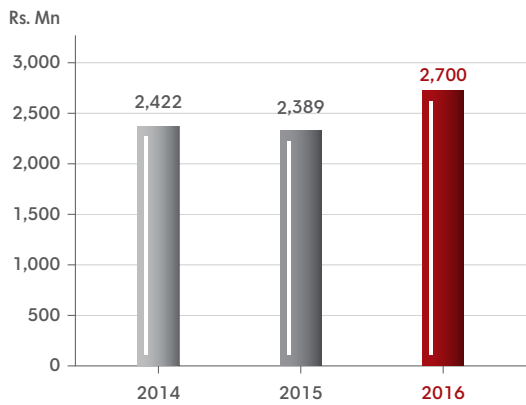
Total Assets



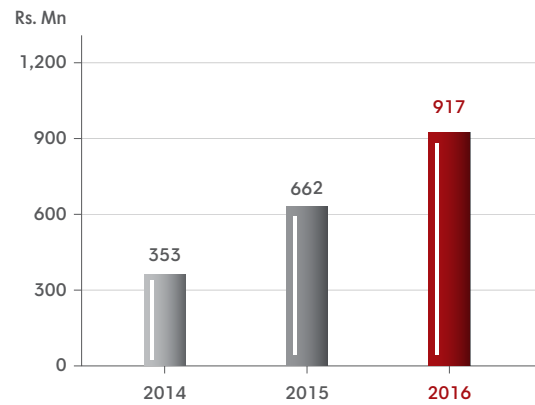
Gross Profit



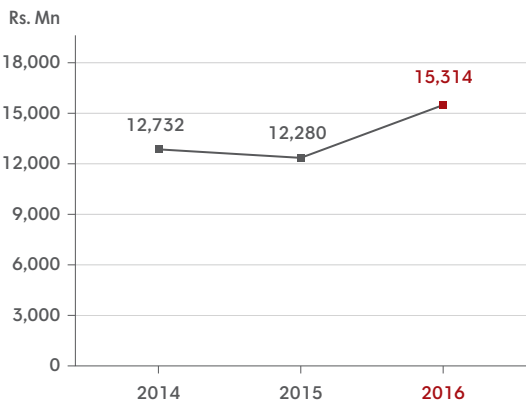
Profit Before Tax



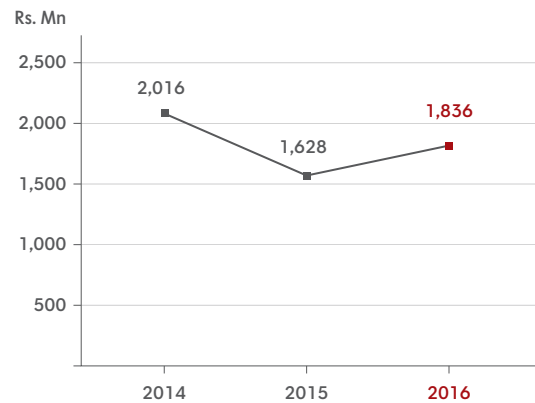
Tax Expenses



Revenue



Contribution to the President's Fund



Year ended 31st December	2016	2015
Operating Results		
Revenue	14,759,875,240	11,874,659,603
Gross Profit	6,236,580,852	5,137,214,449
Profit before Tax	2,700,522,768	2,389,616,614
Tax Expenses	917,136,130	662,552,875
Net Profit	1,783,386,637	1,727,063,739
Contribution to the President's Fund	1,836,020,000	1,628,053,000
Statement of Financial Position		
Assets		
Property, Plant & Equipment	699,667,579	730,360,335
Held to Maturity Financial Assets	673,087,288	807,514,816
Inventories	39,733,884	32,603,696
Trade Debtors and Other Recievable	65,861,572	27,905,721
Prepayments and Deposits	6,402,121	5,631,264
Cash in hand and at Bank	572,045,926	338,946,957
Total Assets	2,056,798,369	1,942,962,790
Liabilities		
Employee Benefits Liabilities	31,004,453	30,303,482
Dealer and Distributor Deposit Payable	30,696,381	28,380,381
Credit Voucher Payable	101,500,760	203,705,730
Trade and Other Payable	576,301,096	434,266,902
President's Fund Payable	(52,633,363)	99,010,739
Prize Payable	560,093,693	208,869,321
Equity		
President's Fund	2,200,000	2,200,000
Mahapola Trust Fund	2,200,000	2,200,000
Prize Reserve Account	805,435,349	934,026,234
Total Equity and Liabilities	2,056,798,369	1,942,962,790
Profitability Ratio		
Net Profit Ratio	18%	20%
Gross Profit Ratio	42%	43%
Liquidity Ratio		
Current Asset Ratio	1:2	1:2
Quick (Liquid) Assets Ratio	1:2	1:2

Chairman's Message

As another year of accomplishments draws to an end, it gives me great pleasure to present the audited financial statements and the annual report for the year 2016. During this year the Development Lotteries Board successfully implemented a series of measures and programs to continue as one of the foremost contributors to the country's economy and the society through job creation, economic spin-offs, community partnerships, and employee volunteerism.

During the year under review Development Lotteries Board was able to achieve a sales turnover of LKR 15 billion, which is a 25% growth over the previous year. This was mainly due to the introduction of three (03) new lotteries namely **Sanwardana Lakshapathi**, **Kotipathi Shanida**, and **Development Fortune**.

Furthermore due to intense sales promotions and marketing campaigns lotteries such as **Instant**, **Galaxy Star**, **Niyatha Jaya**, and **Super Ball** too reflected an increase in sales of 32%, 3%, 5%, and 9% respectively.

The bottom line too reflected a healthy growth during the year under review. A profit before tax (PBT) of **LKR 2.7 billion** was recorded which was a **13% increase** compared to the previous year. The income tax contribution was LKR 917 million compared to LKR 662 million for the previous year. This is a 38% increase. **The LKR 1.8 billion profit after tax too was a 3% increase** over the previous year.

Growth Strategies

Several strategies were implemented during the year not only to achieve commercial value but also to achieve sustainable performance.

In order to re-energize and re-align the sales strategies, a new sales division was created to drive strategic sales promotions and marketing campaigns. Towards this end a permanent Assistant General Manager of IT was recruited to streamline the information technology.

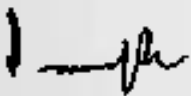
With the intention of penetrating into new markets hitherto untouched, several special promotional campaigns were undertaken especially in the Northern Province with the assistance of the Sri Lanka Army. Several branches too were declared open in strategic locations within Districts such as Gampaha, Kalutara, Kurunegala, Kandy, Ratnapura, and Ampara.

“
The bottom line too reflected a healthy growth during the year under review. A profit before tax (PBT) of LKR 2.7 billion was recorded which was a 13% increase compared to the previous year.
”

In line with the concept of developing the community and the creation of jobs, **employment opportunities were provided to former LTTE cadres by offering them the management of their own Development Lottery sales booths in the Northern Province.**

Last but not least I take this opportunity to thank all stakeholders for their assistance and commitment shown towards achieving our goals. Furthermore I wish to sincerely thank The Ministry of Finance, Board of Directors, The Vice-Chairman, The General manager, past and present Development Lotteries Board employees for their untiring contributions and sound advice. I would also like to take this opportunity to thank all Draw Judges, staff of the Presidents Fund, Mahapola Higher Education Trust Fund, Distributors, Dealers, Sales Assistants, The Media, Banks, Auditors and all suppliers.

We stay committed to serve all our stakeholders and grow sustainably whilst contributing to the growth of the nation through our valued efforts.



S.A.P. Suriyapperuma
Chairman/CEO

Development Lotteries Board

Board of Directors (2016)

Mr. Romesh Jayawardana

Chairman/CEO

Mrs. R.I. Wimalasena

Vice Chairman

Dr. Wickrema Weerasooria

Director

Mr. D.N. Nanayakkara

Director

Mr. M.S.D. Ranasiri

Director

Current Board of Directors

Mr. S.A.P. Suriyapperuma

Chairman/CEO

Mr. H.R. Wimalasiri

Working Director

Mr. D.N. Nanayakkara

Director

Mr. H.G. Sumanasinghe

Director

Mr. D.C. Dissanayake

Director

Review of the Board of Directors

The year 2016 was a year of strategic action and growth. In the year under review, the Development Lotteries Board was able to contribute a sum of Rs. 1,836 million to the President's Fund and the Mahapola Higher Education Trust Fund, thus fulfilling our core objective of contributing to poverty alleviation and education development. In this back drop, we are pleased to present the Board of Director's review for the Annual Report 2016.

During the year under review we launched a strategic marketing and a sales plan to streamline lottery sales and earn profits. As a result of these strategic objectives and action points, we succeeded in bestowing hefty cash prizes on our customers whilst maintaining a steady profit growth throughout the year.

This was a year in which the Development Lotteries Board implemented a series of key steps to create value for all our stakeholders including customers, sales assistants, sales representatives, employees, the general public and the government of Sri Lanka.

In 2016, we introduced new lotteries to cater to the changing customer mindsets and provide them with attractive prize structures. In a successful culmination of our marketing efforts and value additions, the newly introduced 'Sanwardhana Lakshapathi' lottery recorded a historic ticket sale of 5.6 million during the first round and continued to attract customers on a regular basis. Whilst all the new lotteries introduced in the year 2016 continued to create winners and earn significant profits, we introduced value added features to our existing lotteries in a bid to attract more customers and reward the existing customers for their loyalty.

During the year under review, we took measures to enhance the working standards and benefits of our sales assistants and

sales representatives islandwide by providing an incentive scheme as well as the provision of medical aid. In order to increase efficiency and resolve potential obstacles, we organised group meetings for sales representatives in certain districts.

Taking the Development Lotteries Board's vision of contributing to nation building a step further, we invested Rs. 2 million to initiate 20 rehabilitated former LTTE cadres as lottery sales representatives and to provide each new member with a lottery sales booth. In addition, we provided financial assistance to 85 sales representatives to establish new selling booths and proceeded to build 30 new booths for sales representative in Killinochchi, Mullativ and Mannar.

During the year under review, we paid a sum of Rs. 7,755 million in cash prizes to our valued customers thus elevating their financial status.

In conclusion we would like to express sincere gratitude to the Development Lotteries Board staff and senior management for their unwavering commitment. We would also like to thank our auditors for their continued support. We could not have achieved the level of success that we enjoy today without our loyal customers and on behalf of the entire Development Lotteries Board we wish to convey our sincere appreciation of their support and trust. In the year 2017, we will continue our efforts to aspire towards greater heights and contribute to the nation's economic and social progress.



Dr. Wickrema Weerasooria
Director

Management Team

Mr. J.M. Saman Jayasinghe

General Manager

Mr. Anura Jayarathne

Deputy General Manager - Marketing

Miss. Vijitha Somarathne

Deputy General Manager - Finance

Mr. Chanaka Dodangodage

Assistant General Manager - Marketing

Mr. Kapila Bulathsinhala

Assistant General Manager - Marketing

Mrs. Asankhaa S. Gunasinghe

Assistant General Manager - Marketing

Mr. Sunil Jayarathne

Assistant General Manager - Finance

Mr. Kasun Jayasuriya

Assistant General Manager - Finance

Mr. Nishan Perera

Assistant General Manager - Finance

Mr. Madura Harshana

Assistant General Manager - IT

Mr. Wasantha Senadeera

Internal Auditor

Major J.M.D.A. Krishantha

Chief Security Officer

Junior Managers

Mr. Nuwan Abeyrathna

Administrative Officer

Mr. G. Roshan Priyantha

Sales Officer

Mr. C.C. Illapperuma

Sales Officer

Mr. G.A.R.S. Ranatunge

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/Program Analyst

Mrs. Chamila Thewarapperuma

Human Resources Officer

Mr. Chaminda Karunarathna

Procurement Officer

Mr. N.V. Indika Upul

Finance Officer

Mrs. R.D. Chandra Rajapaksha

Finance Officer

Mrs. Niranjala Gunasekara

Finance Officer

Mrs. Wathsala Rupasinghe

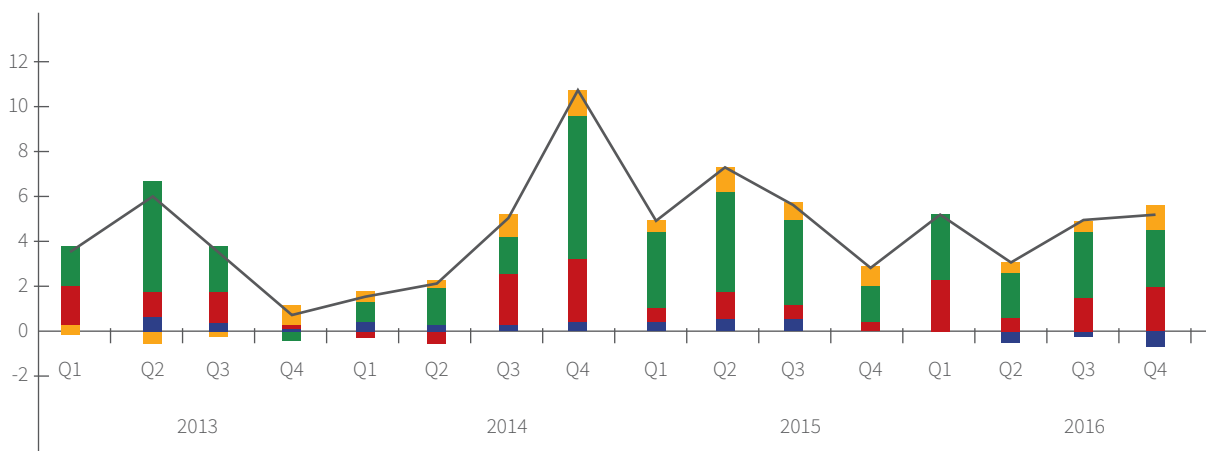
Finance Officer

Operational Review

Sri Lankan Economic Outlook for 2016

During the year 2016, the Sri Lankan Economy recorded a growth of 4.4 percent in a backdrop of various domestic and global challenges. While less than favourable weather conditions negatively affected the Agricultural sector mainly the paddy, tea and rubber subsectors. As a result, the recorded share in GDP of the Agriculture, Forestry and Fishing related sectors was reduction of 7.1 percent resulting from a growth

contraction of 4.2 percent. Nevertheless, the services sector which accounts for 56.5 percent of real GDP recorded a growth of 4.2 percent, assisted by the expansion of 12.4 percent in the financial services sector. The Industry related sector which constitutes 26.8 percent of real GDP grew by 6.7 percent during the year under review. This noteworthy growth can be attributed to the growth in the construction, and mining and quarrying subsectors. Manufacturing activities recorded a minor growth of 1.7 percent.



Source: Department of Census and Statistics

■ Agriculture ■ Industries ■ Services ■ Taxes Less Subsidies — GDP

Inflation

Inflation remained low during the first quarter of 2016 and recorded an increased annual average of 4 percent during the rest of the year according to the National Consumer Price Index as well as the Colombo Consumer Price Index. Less than desirable weather conditions, commodity price hike in the international market and tax adjustments caused the core inflation rate to remain high.

Balance of Payment

The tourism sector, service exports and workers’ remittances indicated improved earnings. However, a combination of factors including increasing global interest rates, dearth of direct investment flows and weak demand for the basket of domestic products resulted in a deficit of the balance of payment (BOP).

Looking Ahead

The projected growth for the Sri Lankan economy in the year 2017 is a moderate 5 percent in the wake of adverse weather conditions. However, the country is expected to attain an annual growth rate of 7 percent by the year 2020 mainly driven by the key involvement of the private sector which is expected to leverage on growth opportunities available in the economy and the external markets.

Principle Activities

During the year under review, the Development Lotteries Board contributed Rs. 1,836 million to the President’s Fund and the Mahapola Higher Education Trust Fund. Governed by the Development Lotteries Board Act No. 20 of 1997, the Development Lotteries Board (DLB) focuses on generating funds for poverty alleviation, education development and other development activities that are carried out at a national level.

Product Portfolio

Lottery	Game Methodology
Saturday Fortune	Four Winning Numbers – Out of 75 balls. Bonus Number – One (01) number is selected out of balance 71 balls from same machine. English Letter – One (01) ball is selected out of 26 alphabets, from a separate machine.
Lagna wasana	First Stage – Out of 61 balls, four are drawn. Second Stage – Out of 12 Zodiac symbols one is drawn.
Jayoda	Four Winning Numbers – Out of 68 balls, Four (04) numbers are selected from one machine. English Letter – One (01) ball is selected out of 26 alphabets, from a separate machine.
Galaxy Star	Four Winning Numbers – Out of 60 balls, Four (04) numbers are selected from one machine. Star Sign – One (01) ball is selected out of 12 Numbers, from a separate machine.
Niyatha Jaya	Four Winning Numbers – Out of 65 numbers, Four (04) numbers are selected from one machine. One English Letter – One (01) letter is selected out of 26 English Letters, from a separate machine.
Super Ball	Four Winning Numbers – Out of 73 balls, Four (04) numbers are selected from one machine. English Letter – One (01) ball is selected out of 26 alphabets, from a separate machine.
Sanwardhana Lakshapathi	Three Winning Numbers – Out of 50 numbers, Three (03) numbers are selected from one machine.
Kotipathi Shanida	First Stage – Out of 80 balls, four are drawn. Second Stage – Out of 26 English Letters, one is drawn.
Development Fortune	First Stage – Out of 65 balls, four are drawn. Second Stage – Out of 12 Months, one is drawn. Third Stage – Out of 6 numbers one is drawn.

In 2016, DLB took strategic steps to streamline operations through a multi-pronged approach which looked to enhance employee satisfaction, increase sales by motivating sales representatives through direct benefits and attract a new customer base while retaining existing customers by offering attractive prize structures. The strategic efforts bore fruit during 2016 itself as indicated by the commendable performance of Development Lotteries Board.

Highlights of Performance Indicators

	2016	2015
Highest Jackpot	98,560,620	56,974,540
Average Number of Winners per Month	15,336,386	12,237,438
Total Sales (Annual)	14,759,875,240	11,874,659,603
Total Prize Payout	7,755,659,066	6,150,951,795
Number of Prize Winners	184,036,631	146,849,258
Number of Millionaires Created	540	575
Contribution to the President Fund	1,836,020,000	1,628,053,000

Marketing and Operational Highlights

During the year under review, DLB introduced several new entrants to the market. Development Lotteries Board conducted concentrated marketing campaigns to coincide with the launch of each new lottery in order to appeal to a fresh customer base and rekindle the interest of existing customers.

Operational Review Contd.

Sanwardhana Lakshapathi

Development Lotteries Board introduced ‘Sanwardhana Lakshapathi’ to the market on 14th March 2016. As a result of the intensive marketing campaign that preceded the introduction, during the first round Sanwardhana Lakshapathi set a historic record of lottery sales amounting to 5.6 million.

Kotipathi Shanida

DLB introduced the ‘Kotipathi Shanida’ lottery with a cash prize of 75 million on 8th April 2016. During the initial round the number of lotteries sold was at 4.4 million.

Sanwardhana Wasanawa

The television lottery draw, ‘Sanwardhana Wasanawa’ was re-launched with a fresh look and an appeal and three cash prizes on 22nd December 2016.

Targeted Marketing Campaigns

‘Laksha Warsha’

The ‘Laksha Warsha’ campaign strived to increase sales of lotteries ‘Lagna Wasanawa’, ‘Niyatha Jaya’ and ‘Kotipathi Shanida’. On 27th May 2016, DLB printed a special winning number on the lotteries with a cash prize of Rs. 100,000 as part of the ‘Laksha Warsha’ campaign which resulted in a sale of 3.25 million lotteries.

Shanida Wasanawa

The Shanida Wasanawa lottery was re-introduced to the market with a special draw and a cash prize of 30 million along with an additional Rs. 20 for the printed letter of the English alphabet. On the day of the special draw, Shanida Wasanawa recorded a sale of 2.83 million lotteries.

Lagna Wasanawa – Double Chance

DLB introduced a special round of cash prizes during the weekly draws of Lagna Wasana lottery involving additional 80 lottery balls and two winning digits. The first winning digit involved a cash prize of Rs. 50 while two winning digits meant a cash prize of Rs. 1000. In 2nd October 2016 during the initial introduction of the special round 2.2 million lotteries were sold. The special round of cash prizes continued for the next three months rewarding customers with additional wins.

Jayoda – ‘Thagi Udin Thagi’

DLB increased the Jayoda lottery cash prize of Rs. 60 given to lottery holders with two winning digits to Rs. 100 and offered additional cash prizes on 21st November 2016. The printed Jayoda lotteries of increased proportions dubbed ‘Thagi Udin Thagi’ recorded a sale of 1.7 million lotteries.

Niyatha Jaya – ‘Dedahe Ralla’

In a bid to increase lottery sales, DLB printed larger sized lotteries dubbed ‘Dedahe ralla’ on 29th November 2016 and introduced additional prizes. DLB sold 1.23 million lotteries on that day.

Super Ball – Lucky Season

DLB designed a special promotion of the Super Ball lotteries to run parallel to the Christmas season. Super ball lotteries of increased proportions offered additional cash prizes during the festive season and sold 2.03 million lotteries on 29th December 2016.

Sanwardhana Lakshapathi – Sure Chance

DLB introduced a special round of additional cash prizes for the Sanwardhana Lakshapathi lottery of increased proportions printed on 10th October 2016 in special scheme dubbed ‘Sure Chance’. On that day 1.02 million Sanwardhana Lakshapathi lotteries were sold.

Instant Lotteries

DLB introduced a novel scheme to reward instant lottery winners and Agents with trips to Singapore in November 2016. Eight winning families and 5 Agents who sold the most number of lotteries earned the chance to visit Singapore.

Sales Force Expansion and Reward Schemes

During the year under review Development Lotteries Board took strategic steps to appoint new Agents to different parts of the country and encourage and reward the existing base of Agents spread throughout the island. In 2016, DLB appointed 200 new dealers to various parts of the island. These steps were taken with the aim of increasing sales and attaining enhanced profitability while encouraging Agents to reach out to the general public and expand the customer base.

OUR LOTTERY PRODUCTS PORTFOLIO
Saturday Fortune
Lagna wasana
Jayoda
Galaxy Star
Niyatha Jaya
Super Ball
Instant
Sanwardana Lakshapathi
Kotipathi Shanida
Development Fortune

In line with the focus on rewarding Agents and sales representatives, DLB re-introduced the performance incentive payments for distributors and dealers’ representatives. In addition, both Agents and sales representatives received

medical aid from the Development Lotteries Board. Taking the efforts to increase sales through addressing potential challenges faced by Agents, DLB held district level Agent and meetings when deemed necessary. DLB also provided medical assistance to 82 distributors and dealers islandwide at an expense of Rs. 1.4 million.

Promoting sales in the Northern Province DLB invested Rs. 2 million in providing necessary training and setting up sales booths for former LTTE cadres in the Northern Province.

Further sales development strategies included spending Rs. 1,275,000 on assisting dealers improve lottery booths. DLB provided financial assistance of Rs. 15,000 each to 85 dealers during this endeavour.

During the year under review, DLB spent further Rs. 1,350,000 on constructing 30 lottery booths in Killinochchi, Mullaitivu and Mannar.

Whilst DLB invested Rs. 558, 083 to print stickers for lottery sales booths, the organisation also spent Rs. 9.45 million on Corporate Social Responsibility activities during the year under review.

With the aim of streamlining sales whilst increasing profitability, DLB promoted 6 sales assistants to the post of sales officer. The newly promoted sales officers were assigned to sales offices in Gampaha, Kalutara, Kurunagala, Kandy, Ratnapura and Ampara to develop business in the areas.

During the year under review, DLB appointed three new sales assistants and 9 sales coordinators to various districts in the country as part of the strategic drive to increase sales.

Operational Review Contd.

Financial Review

Overview of Financial Performance

During the year under review, DLB posted a PBT (profit before tax) of Rs. 2.7 billion, an increase of 13 percent in comparison with the previous financial year. The Board's income tax contribution to the government increased up to Rs. 917 million a growth of 38.42% in comparison to the previous year. As a result of hefty tax contributions, DLB's profit after tax stood at Rs. 1.8 billion recording a growth of 3 percent in comparison with the previous financial year.

The year 2016 was a year driven by extensive marketing efforts to increase sales and pave the way for enhanced and sustainable profitability. DLB's gross sales for the year 2016

was 15 billion a 24.7% growth in comparison with the previous year. The increase in sales can be attributed to be introduction of new lotteries as well as the marketing efforts concentrated on increasing sales of existing lotteries. Following focused marketing campaigns sales of 'Instant' lottery increased by 32 percent while 'Super Ball' lotteries recorded a sales increase of 9 percent during 2016. Sales records of 'Niyatha Jaya' lottery increased by 5 percent while 'Galaxy Star' lottery sales increased by a modest 3 percent during the year under review.

In 2016, DLB contributed Rs. 1.8 billion to the President's Fund recording an increase of 12.77% in comparison to the previous year's contribution of Rs. 1.6 billion.

Total Prize Payouts and Number of Winner Product wise Performance

Lottery Products	2016		2015	
	Prize Payouts	Number of Winners	Prize Payouts	Number of Winners
Saturday Fortune	1,242,791,000	27,199,379	1,270,434,000	27,181,310
Lagna Wasana	1,449,623,550	45,452,262	1,491,265,928	40,350,419
Jayoda	712,645,000	18,361,051	712,092,000	18,433,106
Niyatha Jaya	620,295,000	16,474,559	588,235,500	15,228,196
Super Ball	1,372,077,500	32,420,969	1,261,931,500	30,627,030
Galaxy Star	568,453,900	17,599,013	551,431,323	15,029,197
Sanwardana Lakshapathi	500,111,500	8,637,497	-	-
Development Fortune	24,193,000	596,728	-	-
Kotipathi Shanida	786,236,050	17,295,173	-	-
Total	7,276,426,500	184,036,631	5,875,390,251	146,849,258

Incentive Schemes for Distributors, Sales Agents and Retailers

During the year under review DLB rewarded distributors and dealers islandwide with incentive payments for exceptional performance. In addition, DLB provided medical assistance to 82 distributors and dealers with an expense of Rs. 1.4 million.

Dealer/Agent Meetings

The following agents meeting have been held in the following districts 2016:

Date	District	Venue
19.11.2016	Jaffna	Jaffna
20.11.2016	Jaffna	Jaffna

New Distributor Appointments for 2016

District	Number of Distributors
Colombo	02
Puttalam	01
Polonnaruwa	01
Total	04

Appointment of Agents during the Year 2016

District	Number of Agents
Colombo	37
Kalutara	08
Kandy	07
Matale	08
Batticaloa	01
Ampara	05
Trincomalee	03
Kurunegala	16
Nuwara Eliya	10
Galle	12
Matara	06
Jaffna	02
Vavuniya	05
Ratnapura	12
Gampaha	22
Puttalam	08
Anuradhapura	09
Polonnaruwa	05
Badulla	06
Monaragala	04
Kegalle	07
Mullaitivu	02
Hambantota	04
Kilinochchi	01
Total	200

Operational Review Contd.

PRODUCT PORTFOLIO

1. Saturday Fortune

Game Methodology

4 Winning Numbers – Out of 75 balls, Four (04) numbers are selected from one machine. Bonus Number – One (01) number is selected out of balance 71 balls from same machine. English Letter – One (01) ball is selected out of 26 alphabets, from a separate machine.

Prize Structure

Combination	Prize (Rs.)
Any Single Number	20.00
English Letter	20.00
Any 2 Numbers	100.00
Any 3 Numbers	1,000.00
4 Numbers	1,000,000.00
Any 1 Number + English Letter	40.00
Any 2 Number + English Letter	1,000.00
Any 3 Numbers + English Letter	10,000.00
4 Numbers + English Letter	30,000,000.00
Any 1 Number + Bonus Number	100.00
Any 2 Numbers + Bonus Number	500.00
Any 3 Numbers + Bonus Number	100,000.00

Draw Date

Purple color ticket is drawn on Every Wednesday, Green color ticket is drawn on every Saturday.

Telecasting Time

9:45 PM on Wednesday and Saturday on Channel-Eye.

2. Jayoda

Game Methodology

4 Winning Numbers – Out of 68 balls, Four (04) numbers are selected from one machine. English Letter – One (01) ball is selected out of 26 alphabets, from a separate machine.

Prize Structure

Combination	Prize (Rs.)
English Letter	20.00
Any Single Number	20.00
Any 2 Numbers	100.00
Any 3 Numbers	1,000.00
All 4 Numbers	1,000,000.00
Any Single Number + English Letter	40.00
Any 2 Numbers + English Letter	1,000.00
Any 3 Numbers + English Letter	50,000.00
All 4 Numbers + English Letter	10,000,000.00

Draw Date

Yellow ticket will be drawn on every Monday and Orange ticket will be drawn on every Thursday.

Telecasting Time

9:30 PM on Mondays and Thursdays on Sri Lanka Rupavahini Corporation.

8:00 AM on Tuesdays and Fridays on Channel-Eye.

3. Galaxy Star

Game Methodology

4 Winning Numbers – Out of 60 balls, Four (04) numbers are selected from one machine.

Star Sign – One (01) ball is selected out of 12 Numbers, from a separate machine.

Prize Structure

Combination	Prize (Rs.)
For Any Single Number	20.00
For Single Star Sign	20.00
For Any Single Number + Star Sign	60.00
For Any 2 Numbers	40.00
For Any 2 Numbers + Star Sign	200.00
For Any 3 Numbers	1,000.00
For Any 3 Numbers + Star Sign	10,000.00
4 Numbers	500,000.00
All 4 Numbers + Star Sign	2,000,000.00

Draw Date

Galaxy Star ticket will be drawn on every Sunday and Wednesday.

Telecasting Time

9:30 PM on Sundays and Wednesday on Sri Lanka Rupavahini Channel.

8:00 AM on Mondays and Thursdays on Channel-Eye.

4. Niyatha Jaya**Game Methodology**

(04) Four Winning Numbers – Out of 65 numbers, Four (04) numbers are selected from one machine.

(01) One English Letter – One (01) letter is selected out of 26 English Letters, from a separate machine.

Prize Structure

Combination	Prize (Rs.)
For the English Letter	20.00
Any Single Number	20.00
Any 2 Numbers	60.00
Any 3 Numbers	1,000.00
All 4 numbers	1,000,000.00
Any Single Number + English Letter	40.00
Any 2 Numbers + English Letter	1,000.00
Any 3 Numbers + English Letter	50,000.00
4 Numbers + English Letter	10,000,000.00

Draw Date

Yellow color ticket is drawn on Every Tuesday and Blue color ticket is drawn on every Friday of the week.

Telecasting Time

9:45 PM on Tuesdays and Fridays on Sri Lanka Rupavahini Channel.

8:00 AM on Wednesdays and Saturdays on Channel-Eye.

5. Lagna Wasana**Game Methodology**

1st Stage – Out of 61 balls, four will be drawn.

2nd Stage – Out of 12 Zodiac symbols, one will be drawn.

Prize Structure

Combination	Prize (Rs.)
Zodiac Sign	20.00
Any Single Number	20.00
Any 2 Numbers	40.00
Any 3 Numbers	1,000.00
4 Numbers	500,000.00
Any 1 Number + Zodiac Sign	60.00
Any 2 Numbers + Zodiac Sign	200.00
Any 3 Numbers + Zodiac Sign	10,000.00
4 Numbers + Zodiac Sign	2,000,000.00

Draw Date

Blue color ticket is drawn on every Tuesday, Red color ticket is drawn on every Friday and Purple color ticket is drawn on every Sunday of the week.

Telecasting Time

9:30 PM on Tuesday and Sunday on Sri Lanka Rupavahini and 9:30 PM on Friday on Channel-Eye.

6. Super Ball**Game Methodology**

4 Winning Numbers – Out of 73 balls, Four (04) numbers are selected from one machine.

English Letter – One (01) ball is selected out of 26 alphabets, from a separate machine.

Prize Structure

Combination	Prize (Rs.)
English Letter	20.00
Any Single Number	20.00
Any 2 Numbers	100.00
Any 3 Numbers	2,000.00
All 4 Numbers	1,000,000.00
Any 1 Number + English Letter	40.00
Any 2 Numbers + English Letter	1,000.00
Any 3 Numbers + English Letter	20,000.00
All 4 Numbers + English Letter	40,000,000.00

Operational Review Contd.

Draw Date

Blue Ticket on Saturday , Green ticket on Thursday And Purple ticket on Monday.

Telecasting Time

9:45 PM on Monday, Thursday and Saturday on Sri Lanka Rupavahini.

7. Sanwardana Lakshapathi

Game Methodology

(03)Three Winning Numbers – Out of 50 numbers, Three (03) numbers are selected from one machine.

Prize Structure

Combination	Prize (Rs.)
Any Single Number	20.00
Any 2 Numbers	200.00
Any 3 Numbers	100,000.00

Draw Date

Red color ticket is drawn on Every Monday.

Telecasting Time

9:45 PM on Monday on Sri Lanka Rupavahini.

8. Kotipathi Shanida

Game Methodology

1st Stage – Out of 80 balls, four will be drawn.

2nd Stage – Out of 26 English Letters, one will be drawn.

Prize Structure

Combination	Prize (Rs.)
Any Single Number	20.00
Any English Letter	20.00
Any 1 Number + English Letter	40.00
Any 2 Numbers	100.00
Any 2 Numbers + English Letter	1,000.00
Any 3 Numbers	2,000.00
Any 3 Numbers + English Letter	20,000.00
4 Numbers	1,000,000.00
4 Numbers + English Letter	75,000,000.00

Draw Date

Purple color ticket is drawn on every Tuesday, Orange color ticket is drawn on every Friday and Green color ticket on every Sunday.

Telecasting Time

10.00 PM on Tuesday, Friday and Sunday on Sri Lanka Rupavahini.

9. Development Fortune

Game Methodology

1st Stage – Out of 65 balls, four will be drawn.

2nd Stage – Out of 12 Months, one will be drawn.

3rd Stage – Out of 6 numbers, one will be drawn.

Prize Structure

Combination	Prize (Rs.)
Any Month	20.00
Any 1 Number (Other than Super Number)	20.00
Any 1 Number + Lucky Month	40.00
Any 2 Numbers	100.00
Any 2 Numbers + Lucky Month	200.00
Any 3 Numbers	1,000.00
Any 3 Numbers + Lucky Month	5,000.00
4 Numbers	500,000.00
4 Numbers + Super Number	1,000,000.00
Any 4 Numbers + Lucky Month	2,000,000.00
Any 4 Numbers + Lucky Month + Super Number	5,000,000.00

Draw Date

Blue color ticket is drawn on every Thursday, Pink color ticket is drawn on every Saturday.

Telecasting Time

10.00 PM on Thursday and Saturday on Sri Lanka Rupavahini.

Friday and Sunday 8.00 AM on Channel-Eye.



**Sustainability
Report**

Sustainability Report

Core Values and Sustainability

Development Lotteries Board by nature of purpose supports socio-economic growth of the nation with particular focus on poverty alleviation and developing education opportunities. In addition, we continue to take active steps to establish a sustainable business process that benefits all stakeholders. We carefully consider the impact of our business activities. We hold this responsibility well beyond mere obligation, as we strive to enrich the quality of life for our customers, employees, suppliers and stakeholders, as well as for our community, the environment and society at large. Our sustainability agenda centers on employee wellbeing, striving for gender equality in the workplace and social engagement.

Human Resource Development

Our employees are our biggest asset and their wellbeing and personal progress have a great impact on the business

process, customer engagement and ultimately profitability which leads to greater social progress. In order to achieve this objective we zeroed in on a set of objectives to support our employees reach their potential and remain motivated.

Staff Development Objectives:

- Create and promote career and employment opportunities
- Continue to advance workforce planning and talent management programmes, quality recruitment and retention initiatives, leadership development and succession planning and continuous learning.
- Ensure our employees are empowered and celebrated for their achievements.
- Ensure our employees continue to be aware and Informed
- Ensure equality of opportunity to men and women in the work place

Training Program of (Local) – 2016

No.	Date	Institute Name	Cause Name	Participated Officer's Name	Division	Cause Duration
1.	2016.03.07	Sri Lanaka Institute of Development Administration (SLIDA)	"Doctor And Actor" – A novel Interactive Learning Experience	GM DGM (F/M) AGM (F/M)	Senior MGT	01 Day
2.	2016.04.04	Prag Institute	Official Bank Accounts and Cheques	Mrs. S.P.H. Pushpakumari Mr. K.N.T. Wijesekara Miss. K. Jayasinghearchchi	Finance	01 Day
3.	2016.06.09, 10	Construction Industry Development Authority (CIDA)	Operation and Maintenance of Generators	Mr. S.A.D. Gunasekara Mr. W.G.D. Rodrigo	Admin	02 Days
4.	2016.06.14, 21, 28	National Institute of Labour Studies	Procurement Procedure	DGM (F) AGM (F)	Senior MGT	03 Days

No.	Date	Institute Name	Cause Name	Participated Officer's Name	Division	Cause Duration
5.	2016.06.29	Development Lotteries Board	Training of Leadership	Mr. M.K. Wimalarathna Mr. W.A. Dinusha Lakmal Mr. A.P.G. Lazaras Mr. M.W.K.S. Perera Mr. Jagath Mudannayake Mr. Janith Daminda Mr. Charlotte Damayanthi Mrs. W.M. Prarthana Miss. M.V.A. Madushani Mrs. Anuradha Godagampala Miss. P.A. Thilini Pumika Mrs. Sepalika Premathilake Mrs. B. Thushari Perera Miss. Hansamali Saputhanthri Miss. Shalani Probohdika Miss. Thushani Nadeesha Miss. Chathuri Lasanthi Perera Miss. Himansha Gayathri Miss. K.M.N.M. Karunanayake Miss. K. Jayasinghearachi Mrs. Pavithara Kodikara Mrs. Himali Withanage Mrs. C.K. Dissanayake Miss. Priyangani Rajapaksha	Finance	03 Days

Training Program of (Foreign) – 2016

No.	Date	Institute Name	Cause Name	Participated Officer's Name	Division	Cause Duration
1.	2016.02.26 – 03.05	Burapha University, Saen Sook, Chonburi, Thailand	Modern Concepts of Organisational and Project Management Excellence through Information Technology.	AGM (M) – Mr. K.N. Bulathsinhala AGM (F) – J.A.T.K. Jayasuriya	Senior MGT	10 Days
2.	2016.05.02 – 09	Malaysia	To participate International program on policy planning, Implementation Evaluation	GM – Mr. J.M. Saman Jayasinghe AGM (F) – Mr. Nishan Perera	Senior MGT	08 Days
3.	2016.09.23 – 10.02	Malaysia	Modernization and Transformation program	GM – Mr. J.M. Saman Jayasinghe	Senior MGT	10 Days
4.	2016.10.20 – 10.30	Thailand	Training Program	AGM (M) – Mr. Chanaka Dodangodage AGM (F) – Mr. Sunil Jayarathna	Senior MGT	10 Days

Sustainability Report Contd.

Staff Welfare

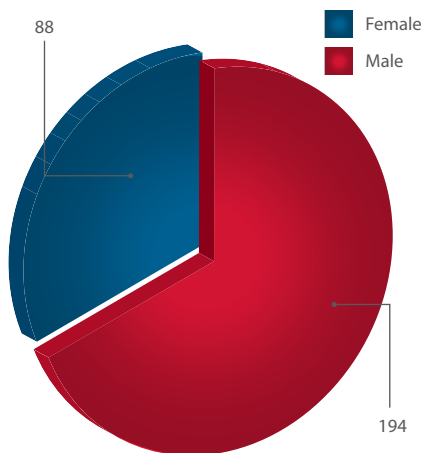
Development Lotteries Board covers staff medical expenses and hospital payments under a fixed plan since its inception.

Training and Development

During the year under review we conducted regular training programme for our employees. The training programmes covered areas that we deemed important for future progress of Development Lotteries Board.

Gender Equality

As a contributor to national development goals, DLB believes in providing equal opportunities to men and women to foster a fairer and a more sustainable future. During our recruitment and career development processes we pay additional attention to achieving gender balance.



Medical Aid

During the year under review, DLB provided medical assistance to 82 sales distributors and sales dealers islandwide. Accordingly, DLB spent Rs. 1.4 million as medical aid during the year.

Retirement Benefit Plan

All the staff of the DLB should contribute to the Employees Provident Fund, 15% is contributed by the DLB and 10% contribution to be made by the Employee while 3% of employee benefit is contributed by the DLB to Employees Trust Fund. DLB provision for Gratuity adheres to the requirement of Gratuity Act No. 12 of 1983.

Corporate Social Responsibility

Adding value to our key objective of social and economic progress of the nation, in the year 2016 DLB took additional concrete measures to support specific development goals.

Providing Employment Opportunities to Rehabilitated Former LTTE Cadres.

In 2016, DLB invested Rs. 2 million in providing necessary training and setting up sales booths for former LTTE cadres in the Northern Province. The programme was conducted with the assistance of Sri Lanka Army and 20 rehabilitated LTTE cadres achieved gainful employment opportunities through the programme.

We are focused on committed development that makes consistent and sustainable value to the lives of Sri Lankans through their Lottery products and prizes. DLB's social responsibility incorporates dependable business, customer and lottery winner protection initiatives, as well as community outreach programmes. DLB monitors the environmental impacts of its corporate exercises and makes energy saving investments to accomplish environmental responsibility.

Department of Management Services - Cadre Information Requisition Form

Ministry : Ministry of Finance & Mass Media

Institute : Development Lotteries Board

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

Cadre Information as at 31st December 2016

Designation	Specialization	Salary Code	Approved Cadre		Contract	Existing Cadre		Secondment
			Permanent	Casual		Permanent	Casual	
Chairman			1			1		
Vice Chairman			1			1		
General Manager		HM 2-1	1					1
Deputy General Manager		HM 1-1	2			2		
Asst. General Manager	Mgrs	MM 1-1	9			7		
Internal Auditor		MM 1-1	1			1		
Administrative Officer	Admins	JM 1-1	1			1		
Trans. & Maint. Manager		JM 1-1	1					
Chief Security Officer		JM 1-1	1			1		
Marketing officer		JM 1-1	6			6		
Finance officer		JM 1-1	4			4		
Sys. Anlyst/Prog. Anlyst		JM 1-1	1			1		
Procurement officer		JM 1-1	1			1		
Human Resource officer		JM 1-1	1			1		
Sales Promotion Assistant		MA – 3	25			12	2	
Public Relation Officer		MA – 3	1				1	
IT Assistant		MA – 3	2			1		
Finance Assistant		MA 2-2	2					
Chief Management Assistant		MA 1-2	1			1		
Personal Assistant		MA 1-2	1				1	
Management Assistant		MA 1-2	94			85	19	
Management Assistant	Tamil	MA 1-2	2			3		
Sales Coordinator (Contract)		MA 1-1	16				14	
Drivers		PL – 3	34			32	4	1
OES/Office Labour		PL – 1	41			47	14	
Electrician		PL – 1	1					
Security Officer/Assistant		PL – 1	3			16		
Legal officer							1	
Transport consultant							1	
Consultant							3	
Total			254	0	0	224	60	2

Age Category (Yrs)	No. of Employees		
	Male	Female	Total
<25	17	10	27
25-35	70	33	103
36-45	60	30	90
46-55	45	14	59
>55	5	2	7
	194	88	286

Corporate Governance

Corporate Governance system guides the long-term goals and strategic plans of the Development Lotteries Board and sets out the practices and guiding principles to assist the Board make decisions. The corporate governance model outlines the authority and accountability that is divided amongst different levels of DLB, particularly at the Government, Board and Executive Management levels. The Board sets corporate policy for the corporation and provides strategic direction to the CEO and senior executives, who are responsible for smooth functioning of business operations.

Corporate governance policies and terms articulate corporate roles and responsibilities as indicated below:

- Corporate Governance system
- Board/Executive Management Relationship
- CEO Responsibility
- Corporate Strategic Planning
- Corporate Performance Management
- Internal Audit
- Board of Directors and CEO Expenses
- Risk Management
- Corporate Social Responsibility
- Business Plan and Budget Approval

The Board of Directors

The Board is headed by the Chairperson and he or she leads the organisation as the Chief Executive Officer as well. The Board is the highest body and bears the responsibility of overlooking the operations and management of DLB.

The Board consists of Chairperson 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 Chairperson

Responsibilities of the Chairperson/CEO

- The Chairperson 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 specialized areas of knowledge.
- Unless the Chairperson is the Chief Executive Officer, he or she must play a supervisory role and refrain from engaging in operating activities.
- The Chairperson must ensure that the Board has total overall decision making power over activities of the enterprise.
- The Chairperson must ensure a clear division of responsibilities and facilitate balance of power and authority.

Role of the Board of Directors

The Board of Directors is responsible of efficient management of the organisation in line with Government Policies. This should be achieved whilst protecting resources, maintaining proper accounts, ensuring that accurate reports are compiled and all statutory and other regulatory requirements relating to management are complied with.

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

Organisational operations and results are closely and regularly monitored against the budgets and relevant standards at Board meetings. A standard agenda is followed together with any other matters attended that require Board's attention in detail. Generally, the Board meets once a month and whenever necessary Special Board meetings are held.

During the year ended 31st December 2016, 8 meetings were held and attendances are given below:

Name of Director	Designation	No. of Meetings Held	Attended	Excused
Mr. Romesh Jayawardana	Chairman/CEO	12	12	00
Mrs. R.I. Wimalasena	Vice Chairman	12	12	00
Dr. Wickrema Weerasooria	Advisor to the President, Presidential Secretariat And Trustee Mahapola Scholarships Trust Fund	12	12	00
Mr. M.S.D. Ranasiri	Director General, Treasury Operation Department, Ministry of Finance	12	06	06
Mr. D.N. Nanayakkara	Additional Secretary to Precedent, Presidential Secretariat	12	12	00

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 Chairperson 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

Effective risk management is a fundamental factor in the Development Lotteries Board business process. The DLB risk management system involves a responsible approach to risk identification and mitigation. Our key focus is to maintain a strong culture of risk management that supports risk awareness, behaviours and influences risk-based decision making. We will continue to improve our risk strategies to ensure long-term sustainability of DLB.

DLB's risk management strategy operates as a feedback system to relevant stakeholders, management and Board of Directors. It is uniquely positioned as a strategic hub for providing informed decision making to the Business, Operations, Systems and Services of the Company.

This provides a consistent approach for addressing business risks at the strategic and business planning, project management and business process levels by:

- 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.

Managing Risk using Enterprise Risk Management (ERM)

Development Lotteries Board follows internationally recognised Enterprise Risk Management (ERM) standards. DLB utilises risk identification and alleviating tools during the planning, leading and organising processes. The process incorporates risks associated with accidental, financial, strategic, operational and other risks.

The DLB risk management framework takes various precautions and implements strategies to protect the interest of all stakeholders including employees, beneficiary

organisations and customers and ensure long-term growth. The mechanism utilised to achieve these objectives are:

- Strict adherence to regulatory guidelines and a strong corporate governance culture.
- Proactive identification of potential risk and due diligence combined with a concrete risk reporting process.
- Utilising a comprehensive, clear and a structured mechanism to encourage informed decision making at all levels of the organisation.
- Maintaining flexibility in risk management strategies to allow customised solutions that take into account all factors contributing to individual risks including cultural and humane variables.

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

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 2016.

Composition of the Audit Committee

The Audit Committee comprises following Two Non-Executive Directors:

1.	Mr. M.S.D. Ranasiri	Chairman of Audit & Management Committee
2.	Mr. D.N. Nanayakkara	Member of Audit & Management Committee

The audit committee meetings are conducted with the participation of the General Manager, DGM Marketing, DGM Finance, Internal Auditor, Administration Officer and other officers as required. The Superintendent of Audit from Auditor General's 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 2016 are summarized below:

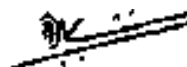
1. Observe the compliance and integrity of Annual Financial statements and review significant financial reporting judgements contained in them prior to issuing. This included a review of accounting policies, notes and practices, major judgmental areas and compliance with legal and regulatory requirements. The Audit Committee discussed these matters with the Auditor Generals representative as part of the review of the findings from the audit of the financial statements.

2. The internal auditor submits periodical 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 the 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 the reports and committee reviews lays the foundation 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 authorization limits for expenditure, revenue process and capital expenditure, signing authorities, IT application controls and developments, organisational structure, policies, segregation of duties and reviews by the management. Liquidity status of the Board's Financial Position Statement was regularly monitored during the year under review. The gaps identified thereon will be reported to the board with recommendation for improvement. The committee pays special attention to COPE directives issued to the Board.

Number of Meetings of Audit Committee

There were six (06) meetings conducted for the year 2016 and attendance is given below:

Name of Director	Attendance	Excused
Mr. M.S.D. Ranasiri	06/06	Nil
Mr. D.N. Nanayakkara	06/06	Nil



Mr. M.S.D. Ranasiri
Chairman - Audit & Management Committee



**Financial
Information**



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கணக்காய்வாளர் தலைமை அப்திபதி திணைக்களம்
AUDITOR GENERAL'S DEPARTMENT



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21 February 2018

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 2016 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 2016 comprising the statement of financial position as at 31 December 2016 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 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 27 October 2017.

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-section (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 that report.



2. Financial Statements

2.1 Qualified Opinion

In my opinion, except of the matters described in paragraph 2.2 of this report the financial statements give a true and fair view of the financial position of the Development Lotteries Board as at 31 December 2016 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 Presentation of Financial Statements

Financial statements of the year under review had been presented to Audit on 28 February 2017. The revised financial statements, having rectified the deficiencies totalling Rs. 25,342,964 included in the financial statements of the preceding year with respect to 10 items of accounts and the weaknesses pointed out by the Audit relating to the year under review, had been presented on 04 October 2017.

2.2.2 Sri Lanka Accounting Standards (LKAS)

The following non-compliances were observed.

(a) Sri Lanka Accounting Standard 07

- (i) The cost of Rs. 22,973,877 of the fixed assets sold during the year under review had been reported in the cash flow statement as cash inflows under the investment activities, and the cumulative depreciations relating to those fixed assets totalling to Rs. 22,973,877 had been adjusted to the profit in the cash flow statement as a Non Cash Movement. It was observed the outcome of the operating activities and investing activities of the cash flow statement had been distorted, even though there was no impact on the net cash flow.



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 Auditor General's Department

- (ii) Even though the Interest received during the year was Rs. 81,544,767 according to the note number 05 in the financial statements, A sum of Rs. 80,395,703 had only been shown in the cash flow statement as the interest receipt and the interest income amounting to Rs. 1,149,064 received from the staff loans had not been adjusted in the cash flow statement as cash inflow.

(b) Sri Lanka Accounting Standard 08

- (i) The total equity capital of the Development Lotteries Board had become a negative amount of Rs. 519,726,031 that to outstanding tax liability of Rs.1,557,163,004 relating to the preceding years had been shown under the equity capital in the financial statements .

The tax liability amounting to Rs. 1,557,163,004 shown as a negative value under the equity Capital, had been further prevailed as a negative amount of Rs. 1,256,728,883 even after the adjusting of outstanding tax liability amounting to Rs. 300,434,121 settled in 2016 relating to preceding years. Due to this accounting procedure, the total equity capital of the Board still prevailed as a negative value of Rs. 499,526,897. The disclosures had not been made in the financial statements as per the paragraph 42 of this Standard.

- (ii) As per the provisions of Section 117 of the Standard, accounting policies should be adequately disclosed in order to gain an understanding of the financial statements, the Board had not disclosed the related policies for the following subjects.
- Taxation,
 - Financial Instruments,
 - The prize payable,
 - The Studio, mobile phones, Three wheel vehicles depreciation rates



(c) Sri Lanka Accounting Standard 10

As per the provisions of Section 17 of the standard, the Entity had to disclose the date on which the Entity gave the approval to issue the financial statements. But Development Lotteries Board had not been complied with due requirement.

(d) Sri Lanka Accounting Standard 16

(i) Although the each class of asset should be revalued every three or five years and should be disclosed the fair value in the accounts as per the provisions of Section 34 of the Standard, the assets each as machineries, Land and buildings had not been revalued after the year 2012.

(ii) Due to the useful life of Non-Current assets not reviewed annually, the non-current assets costing Rs.115,033,174 had been fully depreciated but were still in use. Accordingly, the error of estimation of lifetime was not corrected in accordance with Sri Lanka Accounting Standard 08.

(iii) As per the provisions of Section 37 of the Standard, the assets of similar nature should be categorized under a same group, but Development Lotteries Board had not complied with that requirement. The situation prevailed in preceding years had not been corrected even in the year under review.

(e) Sri Lanka Accounting Standard 19

As per the provisions of Section 63 of the Standard, the net gratuity value at present should have been shown in the statement of financial position by distinguishing between the assets and liabilities separately and set off there separately. However, the Board had shown the gratuity assets and its related liabilities separately in the statement of financial position.



2.2.3 Accounting Deficiencies

The following observations are made.

- (a) The outstanding income tax for the period from 2009 to 2014 amounting Rs. 221,541,899 had been omitted from the accounts.
- (b) It was observed that tax expense amounting to Rs. 447,406,433 out of Rs. 917,136,129 shown in the financial statements in the year under review was the arrears of tax expenses for the preceding years. As a result, the profit for the year under review had been understated by that value.
- (c) Even though the assessment of tax for the year 2015 was Rs. 302,866,101 only Rs. 56,356,927 had been allocated in the accounts. Accordingly the deficit tax provision relating to the year 2015 amounted to Rs. 246,509,174. It had only been recorded a sum of Rs. 166,863,793 in the accounts of the year under review. As a result, it was observed that additional taxes amounting to Rs. 79,645,379 relating to the year 2015 should have been recorded in the financial statements of the year under review.
- (d) Although the interest income on the fixed deposit for the financial year 2016 amounting to Rs. 60,516,783 had been recorded in the financial statements, the Profit of year had been understated by an amount of Rs. 486,094 that to the correct interest income on the fixed deposit amounted to Rs. 61,002,877.
- (e) Due to the sales value of lotteries tickets amounting to Rs. 148,994,637 as at 31 December 2016 not received by cash had been recorded as receipts in the cash book of the Board, the book balance had been overstated by that amount. This amount had been shown as the unrealized cash in the book reconciliation statement.



- (f) The Profit of the year and the value of Non-Current assets and been understated by that amount due to a capital expenditure of Rs. 2,057,930 spent on the building improvements had been recorded as maintenance expenses of buildings.
- (g) The total depreciations relating to the buildings and office equipment amounting to Rs. 76,065 had not been recorded in the accounts.

2.2.4 Contingent Liabilities

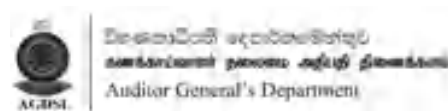
The information about the proposed penalty of Rs. 1,289,590,835 arisen on the non-settlement of tax liabilities for the period from 2001 to 2013 had not been disclosed in financial statements.

2.2.5 No evidence for audit

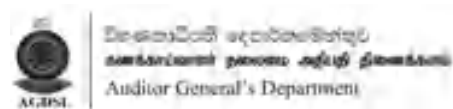
Following observations are made.

- (a) The corroborative evidence totalling amount of Rs. 281,836,321 shown in the financial statements consisting of Rs. 229,173,159 for a liability balance, four assets balances totalling to Rs. 12,540,705 and three expenses balances totalling to Rs. 40,122,457 had not been made available for audit. Details are as follows.

Item	Value (Rs.)	Non presented audit evidence
(i) Expenditure on the sales outlets	10,461,523	Detailed information including provided Sales outlets and their addresses since the inception of the Board up to now. Sales Outlets Receiving Notes (GRN) and Sales Outlets Issuing Notes (GIN)



			Primary plans, supervision plans supervision reports relating to the Sales Outlets constructed during the year 2016.
(ii)	Expenditure on installation of the CCTV Camera System	4,758,308	Agreements, Procurement file
(iii)	Promotional Items	29,260,934	The Estimates, Store Requisition Notes, Particulars of the Distributed Parties and Articles confirming the goods accepted.
(iv)	Contract and Construction Cost	4,090,925	Contract Payment Document, Duly Completion of the Construction and evidences that the asset was handed over to the Board and evidences for Board acceptance.
(v)	Land in Trissamabarama	492,392	Lease agreements, Title deed and the documents confirm the ownership of the land obtained from the Divisional Secretariat
(vi)	The cost of construction of the Reception Counter	3,199,080	Additional estimated cost submitted by the Engineering Consultancy Institute, Work Endorsement Certificate and the evidence for acceptance after the work completion.



(vii) Trade Creditors	229,173,159	Balance confirmation letters, Creditors sub ledgers/ Creditors control accounts Age analysis
	281,836,321	
	281,836,321	

(b) Although the Papers decisions of the Board of Directors for the year under review had been requested to present for the audit from the Chairman by the letter dated on 20 October 2016, these documents had not been presented to audit until July 2017. The chairman had reported to the audit by his letter No.VC/5/III, dated on 29 November 2016, that a member of the Board of Directors stated, that question is due to inquire from the Government Auditor the reason for the request the papers of the Board of Directors as well. By responding as such, it was observed that the powers vested with the Parliament in respect of fiscal control by Article 148 of the Constitution of the Democratic Socialist Republic of Sri Lanka and the powers of the Auditor General vested by Article 154 as well have been challenged.

2.3. Accounts receivable and payable

The following observations are made.

(a) Although, as the doubtful debts a sum of Rs.7,496,220 had been allocated from the trade debtors of Ra.10,535,573 included in the financial statements, over 23 years a debtor balance out of those balances amounting to Ra.2,520,000 was proposed to be received been to the Board. Without taking actions to recover the value determined by a court verdict and been still shown as provision for doubtful debts in the financial statements.



- (b) Although the rent advances of Rs. 5,700,000 which had been shown as receivables from the Ministry of Trade, Commerce and Consumer Affairs and brought forward in the accounts from the year 2003, no any observation was made regarding the usage of buildings on the rent basis by the Board. Accordingly, the Board had not taken sufficient action to recover that amount.

The total advance of Rs. 3,863,727 paid relating to the works which consisting the payment of Rs. 237,000 for the preparation of an Interactive Voice Response (IVR) in 2014 and consultancy four paid in 2013 to an advisory firm as advisory fees amounting to Rs. 3,626,727 had not been completed and no actions had been taken to recover the relevant amounts.

2.4 Transactions without adequate authority

The following observations are made.

- (a) The property, plant and equipment valued at Rs. 2,547,138 had been disposed without the approval of the Board of Directors.
- (b) The Air Conditioners purchased in 2008 valued at Rs. 1,464,000 had been disposed at a price of Rs. 20,000 without a recommendation of the Board of Survey.



2.5 Non-compliances with the 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

(i) Section 18 (3)

The remaining cash balance of the Prize Reserve Account should be used for awarding prizes of the lotteries drawn, that are being held in the future, but a sum of Rs.580,305,484 had been invested in fixed deposits against the provisions in the Act. A sum of Rs. 302,054,379 had been utilized to pay the arrears taxes of Rs.216,230,041 for the period from 2001 to 2015 and also a sum of Rs.76,000,000 to pay the taxes in the year under review. The balance amount of Rs.9,824,338 had been retained in the Bank Account, No. 0002695681 of Bank of Ceylon.

(ii) Paragraph 17 (5)

Even though, As per the provisions of the Act, the cash from the sale of prizes not presented for claims over six months should be transferred to the Presidents' Fund, but the prizes valued at Rs. 863,010 had been recorded in the books as non-current Assets of the Board.



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Six hundred thirty four unclaimed Prizes had been idle over the number of years in the store. The value of 14 Prizes was not presented to the audit and the estimated loss to the Presidents' Fund regarding the remaining 620 prizes was Rs.3,512,157.

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

Financial Regulations 394 (a) and 396

Actions in respect of three cancelled cheques valued at Rs. 11,110 had not been taken in terms of the Financial Regulations.

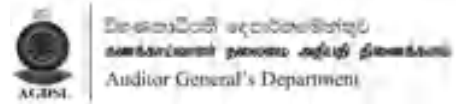
(c) Government Procurement Guidelines of 2006

(i) Guideline 2.9.2

The officers who participated in the procurement and Technical Evaluation Committees had been paid a sum of Rs.397,500 without examining the documents of the Form.

(ii) Guideline 2.14.1

Although not less than three sealed bids should be called to purchase goods value up to Rs.5 million, five i-Phones worth of Rs. 599,995 had been bought only calling bids from two institutions. In the case of purchases of up to Rs.10 million, at least



five bids were to be called, but only two bids were called when purchasing 20,000 umbrellas worth Rs.6,600,000 and there were no signatures and official seals.

(iii) Guideline 3.4

Although the maximum limit of the value of goods that could be purchased through the shopping method was Rs. 500,000, it had been paid Rs. 1,350,000 to buy 30 sales outlets beyond the threshold.

(iv) Guideline 5.3.10

Exceeding the validity periods of the Bids by twenty seven days and forty three days had been given to purchase goods valued at Rs. 4,090,925 and Rs. 5,623,655 respectively.

(v) Guideline 8.13.4

Before granting the approval, the Chief Accounting Officer had to seek the approval for a variation over 10 per cent regarding the contract works in progress from the Technical Evaluation Committee appointed by him, but the Chairman of the Development Lotteries Board had approved a variation over 15.75 per cent of the initial contract price for the Internal Construction of the Marketing Section.



(vi) Guideline 5.3.11

No Bid Securities were obtained with the Bids regarding 07 contracts amounting to Rs. 9,291,645 those carried out during the year 2016.

(vii) Guideline 5.4.8

Performance Bonds for 07 Contracts had not been obtained from duly acceptable institutions.

(viii) Guideline 5.4.12

After being made the payments regarding VAT on or before the 15th day of the following month, the details of such payments should be reported to the Commissioner General of Inland Revenue with a copy to the Auditor General, but regarding seven Construction contracts that provision were not complied.

(ix) Guideline 8.9.1

Even though the contract works that exceeding the value of Rs. 250,000 had contracts regarding the goods had services exceeding value of Rs. 500,000 should be signed a formal agreement, seven contracts estimated value of Rs. 5,623,655 regarding the purchase of stationary had not been entered into the required agreements.



(e) Public Enterprises Circulars

**(i) Circular, No. PED / 57 dated
11 February 2011**

A donation of Rs. 500,000 had been granted for the Festival of Sinhala and Hindu New Year without obtaining approval from the Department of Public Enterprises.

**(ii) Section 2 of Circular, No.
PED/1/2015 dated 25 May 2015**

Assigned vehicles had been allocated to 06 officers in MM 1-1 salary scale, who are not qualified for assigned vehicles, and had been spent a sum of Rs. 1,119,105 for fuel and a sum of Rs.7,288,698 for salaries and overtime payments of drivers.

**(f) The National Budget Circular,
No.01/2016 dated 17 March
2016. the Public enterprises
Circular, No.28 dated 31 January
2015 and the letter of the Director
General of Public Enterprises,
No.PED/LO/DLB/GEN/2015
dated 12 November 2015.**

A Jeep had been hired by the Board on a monthly rent of Rs.198,000 instead of obtaining a vehicle under the operating Lease as per the regulations. Accordingly, from December 2015 to September of the year under review a sum of Rs.790,000 had been paid as letter rental over the required limit.



Department of Auditing
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3. Financial Review

3.1. Financial result

According to the financial statements presented, the financial result of the Board for the year under review had been a surplus of Rs. 1,783,386,637 as compared with the corresponding surplus of Rs. 1,727,063,739 for the preceding year, thus indicating a growth of Rs.56,322,898 or 3.3 per cent as compared with the preceding year. The growth was mainly driven by the income increased from prizes write back amounting to Rs. 28,266,240 by the Board which was not taken over by the winners.

In analyzing the financial results of the year under review and the 04 preceding years, a surplus of Rs. 1,937,967,198 was recorded in 2012 and even it showed a slight growth at the end of 2013, but shown a decline in the year 2014 and 2015. The financial result in the year under review had shown a growth of 3.3 per cent as compared with the preceding year. However, after the adjustments had been made in respect of employee emoluments, depreciation on the non-current assets, and taken paid to the Government, the contribution for the year 2012 amounting to Rs. 2,645,519,929 had continuously improved up to 2014. Nevertheless, the contribution had been deteriorated to an amount of Rs.3,247,754,540 in the year 2015 and it had been improved up to Rs.3,797,831,858 again in the year under review. It was observed that performing of social responsibility had been limited to some extent due to the write back of unclaimed prizes ranging from 9.3 per cent to 16 per cent had been included in the not profit after tax from the year 2012 to the year under review.

1.2. Analytical Financial Review

An analysis of operations, Profitability and Liquidity ratios of the Board in respect of the year under review and the preceding year, is given below.

Operation	2016	2015
-----	Percentage	Percentage
Sales & distribution expenses on the selling price	24	23
Cost of sales on selling price	58	57
Profitability Ratios		

Gross Profit Ratio	42	43
Net Profit Ratio	12	14.5
Taking over Prizes on the net profit	16	15
Income Tax on the Net Profit	51	38
Liquidity Ratios		

Current Ratio	1:2	1:2
Quick ratio	1:2	1:2

The following observations are made.

- (a) The sales and distribution expenditure in the year under review and in the preceding year of the Board had been recorded a higher amount of 24 per cent and 23 per cent respectively, And it was observed that the actual expenditures had been shown an increase over the budgeted sales and distribution expenditure in the year under review and in the preceding year, and the actual sales and distribution expenditure as a percentage of total operating expenditure was 90 per cent and 89 per cent respectively. It was observed that the high advertising cost of the Board had been affected directly to the net profit of the Board and adversely affected on the contribution made to the President's Fund as well.



- (b) Sixteen per cent of net profit earned by the Board during the year under review had been represented from the unclaimed prizes written back.
- (c) Due to the non-payment of correct income taxes relating to the preceding years had been resulted an outstanding tax liability, and payment of income taxes as a percentage of net profit had been accounted a higher amount of 38 per cent and 52 per cent in the year under review and the preceding year respectively.
- (b) Although the sales income in the year under review had been increased by Rs. 2,885,215,637 or 24 per cent as compared with preceding year with the introduction of three new lotteries to the market, and the cost of sales increased by Rs. 1,099,366,403 or 21 per cent had been affected to the gross profit remains unchanged.
- (e) During the year under review and in the preceding year the Current Ratio and the Quick Ratio were equal to 1:2, and it was observed that the Board was not aware of the working capital management due to the current assets exceeded the current liabilities during the year under review.

However, as revealed in the audit, an account balance included in the current assets amounting to Rs. 158,037,384 can not be regarded as a current asset, and observed that the actual Current Ratio should have been 1: 2.3 after the adjustment being made by that value.

1.3. Legal Cases Instituted Against or By the Institute

Two cases in the courts had been filed against the Board, expecting reinstatement in service by a former employee of the Board and an external institution expecting compensation of Rs. 8,095,000 for defaulting payments. The information about three cases had not been disclosed in the financial statements of the Board as contingent liabilities.



4 Operating Review

4.1 Performance

The following observations are made.

(a) In terms of Section 11 of the Development Lotteries Board Act, No. 20 of 1997, the objectives of the Board are as follows.

- ◆ To conduct, or arrange for the conduct of lotteries for the purpose of generating funds for the President's Fund.
- ◆ To remit the proceeds of lotteries so conducted to the Presidents' Fund.

The following observations are made in order to accomplish the above mentioned objectives.

- (i) During the year under review, the Board had conducted 851 Lottery draws on the 10 Lotteries and an income of Rs.14,759,875,240 had been earned from the sales of lotteries. Accordingly a sum of Rs.7,755,659,066 had been allocated as prizes from the Income earned during the year and the amount remitted to the Presidents' Fund was Rs.1,783,386,637.
- (ii) During the year under review the Board had incurred a cost of Rs.12,475,080,593 to earn the above income and a sum of Rs.384,232,565 or 3.08 per cent from that cost had been incurred on the advertising activities.
- (iii) The Board had allocated for the prizes a 50 per cent from the income of lotteries sale. During the year under review, a sum of Rs.6,726,171,273 had been distributed as prizes for 166,388,074 prize winners and it was an improvement of 19 per cent as compared with the preceding year. However, during the year under review, no actions had been taken to distribute the prizes amounting to Rs.283,820,540 among the winners by the Board,



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Auditor General's Department

(b) The performance in sales income acquired comparing with the advertising cost incurred for the sale of lotteries given below.

Name of the Lottery	Sales Income				Advertising Cost			
	2016	2015	Variance	Percentage	2016	2015	Variance	Percentage
	Rs.Million	Rs.Million	Rs.Million	%	Rs.Million	Rs.Million	Rs.Million	%
Saturday Fortune	2,486	2,541	(55)	(2.2)	34	27	7	26.2
Development / Lagna Wasana	2,899	2,939	(40)	(1.3)	41	30	11	36.2
Jayoda	1,425	1,424	1	0.08	36	24	12	46.5
Janajaya / Galaxy star	1,137	1,099	38	3.4	28.4	28	0.4	1.5
Niyatha Jaya	1,241	1,176	65	5.5	49	26	23	86.9
Super Bell	2,744	2,524	220	8.7	32	30	2	5.7
Sarwardane Lakshapathy	1,000	-	-	-	50	-	-	-
Kotipathy Shreeida	1,572	-	-	-	57	-	-	-
Development Fortune	48	-	-	-	14	-	-	-

The following observations are made regarding the above.

(i) Although the cost of advertising of the Saturday fortune and Development Lagna Wasana lotteries in the year under review had been increased by 26 per cent and 36 per cent respectively as compared with the preceding year, the Sales income had been decreased by 2.2 per cent and 1.3 per cent respectively.



- (ii) Although the cost of advertising of the Jayoda lottery had been increased by 47 per cent as compared with the preceding year, the sales income had only been increased by 0.08 per cent very low. Nevertheless, the advertising cost of the Galaxy Star lottery had been increased only by 1.5 per cent for an increase of 3.4 per cent of sales income. Accordingly, it was observed that the productivity of the higher advertising costs on some lotteries were at a very lower level.
 - (iii) An unusual advertising expenditure of 29 per cent had been spent on the sales income of Development Fortune Lottery.
- (c) Performance achieved by the Board from the cost incurred on the printing of lotteries had been reduced due to unsold lotteries stock. During the year under review amount of 807,949,550 lottery tickets had been printed for a cost of Rs. 444,990,802 by the Board, and out of that amount of 53,781,800 lotteries tickets printed at a cost of Rs. 40,991,700 had been returned by the distributors. The cost of Rs.18,830,000 relating to 26,525,400 lottery tickets kept in the stores without issuing to distributors, had the printing cost of three lotteries were Rs 59,821,700. The management had been failed to implement a proper mechanism to minimize the number lottery tickets remained, and it had been directly affected to the performance of the Board,
- (d) The earned net profits earned by the Board should be credited to the President's Fund as per the regulations and a sum of Rs. 1,783 million or 12 per cent of sales income in the year under review was credited to Presidents' Fund. And a sum of Rs.2353 million of net profits earned as 19.17 per cent of the sale income in the year 2014 had been credited to the Presidents' Fund and it was valued to 14.54 per cent of the sales income in 2015. Accordingly, it was observed that the contribution made to the Presidents' Fund by the Board had been continuously decreased as a percentage of the sale income.



(e) A performance report including the targets and objectives achieved during the year under review by the Board had not been prepared by June 2017 and following are some observations on the progress of achieving the targets according to the audit test checks.

- (i) As per the Action Plan of the year 2016, hundred sales outlets had been failed to complete, which were planned to be constructed by spending Rs.3,375,000 during the year under review.
- (ii) Hundred twenty two sales outlets out of the five hundred ten or 23 per cent had been completed which planned to be constructed during the year under review on the basis of paying a maximum of Rs.15,000 for Sales Distributors.
- (iii) Action had not been taken the amount of 30 sales outlets given to Killinochchi and Vavuniya districts by 31 March 2017, which planned to be given in the year 2016.
- (iv) The Board had spent a sum of Rs. 400,000 on the construction of 20 sales outlets which was not included in the Action Plan in 2016.
- (v) Although the cash requirement to construct the Sales Outlets amounting to Rs.03 million had been stated in the Annual Action Plan, the approval had been taken only for a sum of Rs.10 million from the annual budget.

4.2. Management activities

The following observations are made.

- (a) Due to the management failed to settle the taxes as required in the relevant years four fixed deposits amounting to Rs.302,054,379 owned by the Board had been withdrawn before the maturity for the payment of outstanding taxes relating to the preceding years and for the year under review. Accordingly, an interest income amounting to Rs. 33,255,379 to be received from the fixed deposits had been lost.
- (b) Despite the liability for tax in arrears amounting to Rs. 1,306,945,943 as at 31 December 2016, a sum of Rs. 13,475,000 had been provided for various institutions by the Board as donations. Thus, it was not observed that the Line Ministry (Ministry of Finance) had been apprised of the liability for tax in arrears by the management whilst a control on the non-productive expenses was not observed as well.

4.3. Operating activities

The following observations are made.

- (a) According to the audit test checks carried out regarding 9 lotteries, it was observed in audit a possibility of printing fake lottery tickets due to the lottery tickets printed in 21 instances were out in the standard size in the lottery draws.
- (b) It was observed that a formal methodology had not been introduced by the Board to minimize the risk of the fake lottery tickets that coming into the market and the current security system, a Coloured Strips Pattern printed on the face of the lottery tickets was inadequate for the security of the lottery tickets.
- (c) Although the cab motor vehicle purchased in 2008 at a cost of Rs.8,095,000 had been misplaced from that date, no any formal action had been taken to reacquire this cab by the Board. The vehicle had been disclosed as an asset in the financial



statements of the Board and provision for the depreciation amounting to Rs. 6,476,000 had been made relating to this vehicle for the period from year 2013 to 2016. It was questionable in the audit, that the provision for depreciations amounting to Rs.1,619,000 had been made annually on the vehicle not used for operating activities and expensed against the profit of the Board.

- (d) The balance of the Prize reserve account relating to certain lotteries had been a negative figure due to the required plans that enable to come to conclusions about the prizes to be given under each lottery and not been prepared. As such the negative figures of the Prize reserve account were reported relating to 06 lotteries conducted by Board and the total of those figures was Rs.75,877,900. This was the main reason behind the decision of giving special prizes for some lotteries from time to time.

4.4 Transactions of Contentious Nature

Following observations are made.

- (a) Although the engineering estimate submitted for the construction of the reception counter amounted to Rs.3,450,900, variations of a 53 per cent was observed due to the actual expenditure was Rs.2,258,251. Accordingly, the value mentioned in the engineering estimate was controversial.
- (b) in the year under review a sum of Rs. 1,200,000 has been paid to the owners of a legally registered website for the propagation of the lottery brands. And it was also a matter of controversy that the expected objectives of the Board had been achieved by advertising lottery brands through a website.

4.5 Idle and Underutilized Assets

The following observations are made

- (a) The CCTV camera system valued at Rs.4,758,308 which and been shown under the property, plant and equipment in the financial statements were idle since

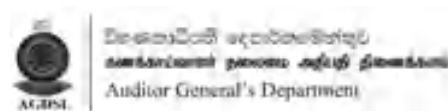


2010, but a methodology for the disposal at the system had not been implemented.

- (b) The stock of goods valued at Rs.3,400,167 which had been bought for giving the lottery winners and been kept in storage for several years, action had not been taken to credit relevant cash which was sold those items to the Presidents' Fund.
- (c) While eight motorcycle at the running condition with a value of Rs.1,353,872 were kept without using in the vehicle yard of the Board. thirteen motorcycle had been purchased by spending of Rs.3,159,099 during the year under review and the preceding year.
- (d) For the promotional purposes 12,275 umbrellas purchased at spending Rs. 4,216,325 had been kept in the store without a proper distribution at the end of the accounting year. Also, the value of Rs.68,250 relating to the 130 umbrellas bought to distribute for the government institutions, had been kept in the store without use.
- (e) The studio which had been built spending Rs.42,720,098 in 2012 by the Board had been idled from that day without the use and it was observed as per the documents, that the estimated value of the studio was Rs.38,752,448.

4.5 Identified Losses

Four promotional items valued at Rs.227,514 entered in promotional item ledger had not been kept at the relevant branches at a physical inspection carried out by the audit



4.7 Abandoned projects

Although, a preliminary expenditure of Rs.1,583,594 had been spent in the year 2014 for the construction of a canteen had a store, relevant construction had been abandoned without completing any construction up to now, and that cost had been recorded in the accounts as works in progress under the Non-Current assets.

4.8 Contract Administration

The following observations are made

The following matters were observed regarding the studio valued at Rs. 42,720,098 and been constructed during the period from year 2010 to 2012.

- (i) The studio was unusable condition due to the planning without a feasibility study, not functioned as per the Section 2.14.1 of Procurement Guidelines and the non-arrangement of air conditioning system and sound administration system.
- (ii) As suppliers had been selected by calling for quotations separately after segmenting the cost of the contract so as for the Board of Directors to take decisions on the construction, a certain party could not be specifically held responsible for the weaknesses of the building.
- (iii) According to the objective of the action plan, although it was planned to award the contract in the first quarter of 2017 after being summoned the quotations in year 2016 to complete shortcomings of the studio, no any action had been taken to for first by audited day of 30 June 2017.



(iv) Due to the above mentioned weaknesses, the expected objectives of the Studio was not achieved, and a sum of Rs.115,200,000 had been paid to Sri Lanka Rupawahini Corporation to get performed those tasks during the period from the year 2014 to 2016 and the opportunity of earning a good income by providing service of the Studio to National Lotteries Board had also been lost.

4.9 Implementation of projects at the Properties/Lands not vested property

The Board had spent a sum of Rs. 492,392 as initial expenses for the construction of a circuit bungalow in the land situated in Tissamaharama that has not a legal title to the Board.

4.10 Resources of the Board released to other State Institutions

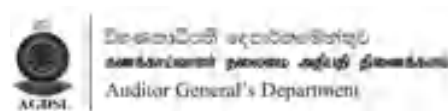
The following observations are made.

- (a) Although, in terms of Clause 3.3.9 of Public Enterprises Circular, No. PED/12 issued on 2 June 2003, the physical and human resources of public enterprises cannot be released to the line ministry or other state institutions, two motorcycles valued at Rs.338,385 had been released to the Ministry of Finance on 16 February 2016 contrary to the above provisions.
- (b) Contrary to the provisions of the above Circular, 10 members in the cadre of the Board had been released for the service of the Ministry of Finance and a sum of Rs.3,376,415 for their remunerations had been spent by the Board.

4.11 Personal Administration

The following observations are made.

- (a) Twenty three vacancies and excess 11 officers in some post were observed when the actual cadre was 287 of the Board as at 31 December 2016 and the approved cadre was 298, however the number of excess officers had been increased up to 15 as at 28 February 2017.



- (b) The functions of the Board had not been carried not according to an updated Human Resource plan. Accordingly, an information system including delegation of specific duties, updated staff details, the information about the seniority and qualifications of the staff and the number of posts assigned only to the holder etc., had not been maintained by the Board.
- (c) An officer had been appointed for post of General Manager on the secondary basis and no actions had been when to fill the permanent post over many years. And also, the actions had not been taken up to now to recruit the officers for the posts of Assistant General Manager (Human Resource) and Assistant General Manager (Procurement).
- (d) No actions had been taken to recruit a permanent officer for the vacant post of Electrician and to confirm the appointment of the person who was covering the duties of the post of the Electrician for nearly ten years.
- (e) The officers had been recruited on the contract basis for 04 advisory post, one Legal Officer Post, six posts of Management Assistants and nine posts of Office Assistants without getting the approval of the Department of Management Services. Three officers recruited for the advisory posts had been deployed on the duties in the Ministry of Finance. Monthly allowances of Rs. 100,000 per each officer had been paid by the Board.

And also the applications had been called on 13 June 2016 to recruit as internal promotion for the vacancies of 03 Marketing Officers and one Accounting Officer. The approval had been taken on 30 June 2016 after the applications closing date of 13 June 2016 from the Department of Management Services for the recruitment of six by each three Marketing and Accounting Officers. It was observed that the opportunity had been missed for the officers qualified to apply for the promotions due to the recruitments of ten posts were done only by using the application received on 13 June 2016 without recalling applications for these posts.

- (f) It was observed that a fair process in the delegation of works had not been done by a Service Waiting List for the drivers of the Board. Thirty five drivers had been engaged in the service by the Board and according to the information made available to the audit by the transport division 20 out of them had not been taken related for the preparation of the Roaster.
- (g) Duties in same nature had been assigned for the officers in the two posts of the Sales Promotional Assistant and the Sales Coordinator, and although to recruit for this posts the qualification and salary scale had been decided separately, a recruitment procedure for the post of the Sales Coordinator approval had not been obtained. Accordingly, 14 sale coordinators had been recruited without approving a recruitment procedure.

4.12 Utilization of vehicles

The following observations are made.

- (a) The vehicle purchased in 2009 at a cost of Rs.10,098,026 had been used by chairman of the Board of since its purchase. It was reported that this vehicle was suitable for the use of the chairman from November 2015, and the Treasury approval had been obtained on 15 November 2015 to dispose this vehicle. Even after the approval, the vehicle had been deployed for the running and due to the running without a proper care, reported a repair of Rs.1,167,437 approximately. Therefore, the Board had lost the opportunity of obtaining the real value from the disposal.
- (b) It was observed the instances of using pool vehicles by 5 officers in addition to the assigned vehicles and a sum of Rs.74,796 worth fuel had been consumed that to the running distance was approximately 3731 kilo metres and on it. The adequate evidences were not made available to audit to ensure the necessity for the use of each pool vehicles



4.13 Market share

National Lotteries Board and Development Lotteries Board which conducted the lotteries on behalf of the Government had made the contribution by selling the lotteries in the year under review and in the four preceding years as follows.

Sales Income of Lotteries

Year	Development Lotteries Board R.L. Million	National Lotteries Board R.L. Million	The Market share of the Development Lotteries Board (Percentage)
2016	15,314	20,170	43
2015	12,240	17,394	41
2014	12,232	15,153	43
2013	10,611	14,537	42
2012	10,668	12,024	47

The following observations are made.

- (a) The Development Lotteries Board had acquired a market share less than 50 per cent comparing with the market share of the National lotteries Board.
- (b) The market share of the Board in 2012 was 47 per cent had been fallen down to 43 per cent in 2016 and it had been fluctuated in the range from 47 per cent to 41 per cent during the period from the year 2012 to 2016.

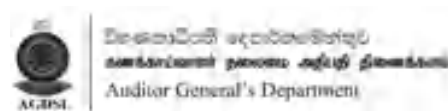


3 Accountability and Good Governance

5.1. Corporate plan

According to Section 5.1.2 of the Public Enterprises Circular, No. PED / 12 dated 02 June 2003, it had been shown that an Action Plan should be prepared to identify clearly expected objectives and targets and the responsible management which are to be achieved during the planned period of the Corporate Plan. However, the following shortcomings were observed in the Corporate Plan prepared by the Development Lotteries Board for the years from 2016 to 2020.

- (a) The estimated amounts, costs and time periods of the expected targets to be achieved by the Board during the period from the year 2016 to 2020 had not been included.
- (b) The information about the management responsible on the expenses targets and Objectives to be achieved had not been included.
- (c) When preparing the Corporate Plan in accordance with Section 9.2 of the said Circular, a human resource plan should be prepared on the requirements of the institution, but such a plan had not been prepared by the Board.
- (d) Contrary to Section 5.1.2 of the said Circular, the Corporate Plan had not included information relating to the resources belonging to the Board, and the performance indicators.



5.2. Action Plan

The following observations are made.

- (a) The detailed Action Plan had not been prepared for the year 2016, including the expected targets to be implemented in the year 2016, measures to be taken, the estimated amount and cost and time period. Furthermore, it was not observed that the Action Plan had been prepared in parallel with the corporate plan and annual budget and an appropriate methodology had not been introduced to test the progress of the Action Plan timely.
- (b) Construction of sales outlets, distribution of specific targets with values and quantities in the action plan for the year 2016 had not been shown.

5.3. Procurement plan

The following observations are made.

- (a) According to Section 4.2.1 of Chapter 4 of the Procurement Guidelines, the Procurement plan should be prepared according to the format provided in the procurement manual, but the Board had not prepared such a detailed procurement plan.
- (b) As mentioned in the above (a) paragraph, the following details had not been included in the procurement plan.
 - (i) Category of procurement
 - (ii) Procurement method
 - (iii) Subscribing Specific dates to be started and completed the procurement activity.



3.4 Internal audit

Although an internal audit division was established had assigned 05 members of staff of the Board, there was no effective internal audit in the areas of financial, marketing and administration etc. due to lack of sufficient staff.

3.5 Budgetary controlling

According to Section 5.2.1 of the Public Enterprises Circular, No. PED / 12 dated 02 June 2003, the budgeted balance sheet which had to be with the annual budget and not been prepared and submitted to Audit.

3.5 Establishment of computerized systems

The following observations are made.

- (a) The service of computer software that is currently being used for the lottery drawings of the Board had been hired from a private company and there was no formal agreement for that. As the relevant company had been fully responsible for data entry relating to the lottery draws, it was observed that the Board had not taken into consideration the risks associated therewith, and the Board had not supervised the operations of the software. A sum of Rs. 9,345,000 in the year under review had been spent on the maintenance of computer software and its related activities, and the total expenditure incurred until 31 December 2016 was Rs. 92,988,744.
- (b) There had been no co-ordination of information including Information System between the finance and sales divisions due to the unavailability of an Integrated Computerized Information System. Although a sum of Rs. 3,337,382 had been spent on the IT Division established in the year under review by assigning 3 officers together with an Assistant General Manager, the Board had not received adequate benefits there from.



5.7 Commitment to the Environmental, Economic and Social Responsibilities

The following observations are made.

- (a) Although the responsibility of the Board was to conduct lotteries and award prizes for winners, due to various reasons the Board had not carried out any follow up action regarding the prize winners relating to the unclaimed prizes. As a result, all the unclaimed prizes passed over six month had been taken to the income of the Board, and a sum of Rs. 1214 million for the period from 2013 to 2016 had been taken to income including a sum of Rs.284 million of the year under review.
- (b) The Board had conducted 851 lottery draws during the year under review, and out of that 793 draws had not been supervised by auditors. Accordingly, it was questionable in audit as to whether the Board had conducted lottery draws properly and transparently in a manner that the social responsibility is fulfilled.
- (c) The number of lotteries for which the Board had disbursed prizes during the year under review, had been 184,040,754, and only the prizes ranging between Rs. 20 to Rs. 200 had been allocated for 183,482,914 lotteries or 99.69 per cent there from. As for the said range, 89 per cent had been the prizes worth Rs. 20. The that was observed that the winner of the prize worth Rs. 20 is compelled to buy another lottery ticket, or prize is neglected at all, was highly favourable from the standpoint of the Board in respect of increasing the profits. Nevertheless, it is observed that such a decision had not paved the way for the fulfillment of social and economic responsibility from the perspective of the public.
- (d) Following the test check conducted on 04 lotteries, huge variances were observed between the number of lottery tickets printed and the number of lottery tickets that should be printed with respect to the balls representing numbers, letters and zodiac signs used in the lottery machine. As such, the possibility of the non-availability of a single lottery ticket for a draw, ranged



between 72 per cent to 98 per cent. When comparing the number of lottery tickets to be printed with the number of lottery tickets with prizes in accordance with the number of balls, the possibility of the non-availability of a ticket with a prize, ranged between 91.77 per cent to 99.60 per cent. Hence, it was questionable as to whether the social responsibility of the Board had been adequately carried out.

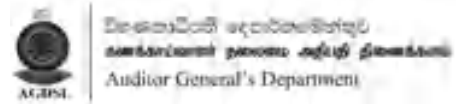
5.8 Contribution of the Board to the Presidents' Fund

According to the financial statements presented to Audit on 28 February 2017, expenditure on sales stalls that had not actually been provided by the Board, had been shown as an accrued expense through a detailed schedule as follows. Accordingly, due to the Audit pointing out that the contribution of the Board to the President's Fund had decreased by a sum of Rs. 7,606,870, the rectified financial statements had again been presented to the Audit on 04 October 2017. As the said value had been eliminated from accounts through a journal entry by considering it a recording error, the contribution to the Presidents' Fund had increased by that value.

	Rs.
Direct material cost on 408 sales stalls	6,120,000
Expenditure on the stickers for sales stalls	20,000
Digital printing and computerization	3,120
Promotional and printing expenditure	16,750
Amount due payable for 30 sales stalls.	1,350,000

	7,579,870
Nation Building Tax	27,000

	7,606,870



The fact that this situation makes fraudulent entries in order to increase or decrease the contribution to the Presidents' Fund despite the result arising out of the transactions, and contradicts the Section 14(2) of the Development Lotteries Act, cannot be ruled out in audit.

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.

Areas of Systems and Controls	Observations
(a.) Accounting	<p>(i) As the ledgers maintained for sales promotional items and included all the issues such as, prizes awarded to the agents, prizes awarded to the winners, and the goods granted to the employees of the institution, the ledger had been maintained improperly.</p> <p>(ii) Although the sales promotional items in the accounts division, and the balances shown in the sub ledger had been copied to the main ledger, a methodology had not been followed to easily identify them, and the unit values had not been included in the said sub-ledger.</p> <p>(iii) The cash out received had been recorded in the cash book by considering as being received, and recording the received cash in the cash book had been slow.</p>



- | | |
|---|---|
| (b.) Human Resource Management | <p>(i) Recruitments had been made without obtaining proper approval for the Scheme of Recruitment.</p> <p>(ii) All the activities such as, procurements, maintenance of buildings, obtaining vehicles on rent, and disposal of vehicles had been carried out by the Administrative Officer without a suitable delegation plan.</p> |
| (c.) Control of Operations (Control of printing tickets) | <p>(i) Failure to receive the printed ticket containers to the stores of the Board in accordance with the serial numbers. Destroying the lottery tickets with printing mistakes without a proper supervision, thus observing a risk.</p> <p>(ii) Due to reasons such as, printing lottery tickets in large quantities irrespective of the quantities ordered by the distributors, and the Board receives the printed lottery tickets on the same day the draw takes place, unsold lottery tickets had accumulated at the stores in large amounts.</p> |
| (d.) Stores Control | <p>(i) Failure to maintain stock control levels relating to the stores goods and bin cards.</p> <p>(ii) Non-availability of a specific post for the stores administration.</p> |



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Auditor General's Department

- (ii) Weakness in the internal control with respect to stores administration had delegation of activities.
- (e) Documentary Control Failure to maintain relevant documents properly in relation with the issue of sales promotional items (umbrellas).
- (f) Control of Credit sales Weakness in the system of the credit sales of lotteries tickets without a guaranty and the recovery of money on due dates.

Sgd J.H.M. GAMINI WIJESINGHE
Auditor General

H.M.Gamini Wijesinghe
Auditor General

Statement of Comprehensive Income

For the year ended 31st December	Notes	2016 Rs.	2015 Rs.
Revenue	01	14,759,875,240	11,874,659,603
Cost of Tickets	02	444,990,802	325,360,130
Prize Payout	03	7,755,659,066	6,150,951,795
Draw Cost	04	322,644,520	261,133,229
Gross Profit		6,236,580,852	5,137,214,449
Other Income	05	119,504,280	58,146,101
Distribution Cost	06	3,561,410,194	2,728,440,701
Administrative Expenses	07	377,629,544	332,597,185
Surplus after Operating Expenses		2,417,045,394	2,134,322,664
Finance Cost	08	343,166	260,350
Prize Write back		283,820,540	255,554,300
Profit before Tax		2,700,522,768	2,389,616,614
Income Tax	09	917,136,130	662,552,875
Profit after Income Tax	10	1,783,386,637	1,727,063,739

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)



J.M. Saman Jayasinghe

General Manager



S.A.P. Suriyapperuma

Chairman/CEO



H.R. Wimalasiri

Working Director

Statement of Financial Position

For the year ended 31st December	Notes	2016 Rs.	2015 Rs.
Assets			
Non-Current Assets			
Property, Plant & Equipment		694,764,004	728,776,741
Capital Work in Progress		4,903,575	1,583,595
	11	699,667,579	730,360,335
Held to Maturity Financial Assets	12	673,087,288	807,514,816
		673,087,288	807,514,816
Total Non-Current Assets		1,372,754,867	1,537,875,151
Current Assets			
Inventories	13	39,733,884	32,603,696
Trade Debtors and Other Receivable	14	65,861,572	27,905,721
Prepayments and Deposits	15	6,402,121	5,631,264
Cash and Cash Equivalent	16	572,045,926	338,946,957
Total Current Assets		684,043,502	405,087,639
Total Assets		2,056,798,369	1,942,962,790
Equity and Liabilities			
Contributed Capital			
President's Fund		2,200,000	2,200,000
Mohapola Trust Fund		2,200,000	2,200,000
Prize Reserve Account		805,435,349	934,026,234
President's Fund Payable		(52,633,363)	99,010,739
Default Tax Liabilities		(1,256,728,883)	(1,557,163,004)
Total Equity		(499,526,897)	(519,726,031)
Non-Current Liabilities			
Employee Benefit Liabilities	17	31,004,453	30,303,482
Dealer and Distributor Deposit Payable	18	30,696,381	28,380,381
Provision for Default Tax		1,256,728,883	1,557,163,004
Total Non-Current Liabilities		1,318,429,716	1,615,846,867
Current Liabilities			
Trade and Other Payable	19	576,301,096	434,266,902
Prize Payable	20	560,093,693	208,869,321
Credit Vouchers Payable		101,500,760	203,705,730
Total Current Liabilities		1,237,895,549	846,841,953
Total Equity and Liabilities		2,056,798,369	1,942,962,790

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)



J.M. Saman Jayasinghe

General Manager



S.A.P. Suriyapperuma

Chairman/CEO



H.R. Wimalasiri

Working Director

Statement of Cash Flow

For the year ended 31st December	Notes	2016 Rs.	2015 Rs.
Cash Flow from Operating Activities			
Profit Before Tax		2,700,522,768	2,389,616,614
Adjustments for			
Depreciation on Fixed Assets		52,808,665	44,486,000
Depreciation on Disposal Fixed Assets		(22,973,877)	(331,220)
Prize Reserve A/C		(128,590,886)	56,990,048
Provision for Gratuity		1,020,106	8,161,089
Gratuity Paid		(319,136)	(807,934)
Interest Income		(80,395,703)	(47,400,187)
Proceeds from Sale of Fixed Assets		(14,861,360)	(126,000)
Income Tax Paid		(90,089,232)	(51,732,464)
Prior Income Tax Paid		(663,280,768)	(641,843,494)
President's Fund Paid		(1,886,020,000)	(1,825,912,341)
Operating Profit before Working Capital Changes		(132,179,423)	(68,899,889)
Increase/Decrease in Operating Assets			
Decrease in Inventories		(7,130,188)	10,976,869
Increase/Decrease in Debtors		(37,955,850)	(1,275,021)
Decrease in Deposit and Prepayments		(770,857)	9,362,667
Increase/Decrease in Operating Liabilities			
Increase in Creditors		(70,742,675)	75,984,777
Increase/Decrease in Prize Payable		351,224,372	(28,836,845)
Decrease in Credit Vouchers		(102,204,970)	30,682,930
Net Cash Flow from Operating Activities		240,409	27,995,489
Cash from Investment Activities			
Fixed Assets Additions		(22,115,908)	(68,210,534)
Fixed Assets Disposal		22,973,877	2,970,608
Proceeds from Sale of Fixed Assets		14,861,360	126,000
Interest Income		80,395,703	47,400,187
Investments in Fixed Deposits		134,427,528	78,036,791
Increase in Dealer, Distributor Deposits		2,316,000	1,065,500
Net Cash from Investing Activities		232,858,560	61,388,552
		233,098,968	89,384,041
Net Cash Increase/Decrease in Cash and Cash Equivalents		233,098,968	89,384,041
Cash and Cash Equivalents at the beginning of the Year		338,946,957	249,562,916
Cash and Cash Equivalents at the end of the Year	16	572,045,926	338,946,957
Cash at Banks	Bank of Ceylon	277,821,603	243,899,107
	People's Bank	267,064,631	70,099,656
	Sampath Bank	27,145,287	24,918,790
Cash in Hand		14,404	29,404
		572,045,926	338,946,957

Statement of Changes in Equity

	President's Fund and Mahapola Trust Fund Rs.	Prize Reserve Account Rs.	Retain Earnings Rs.	Default Tax Liabilities Rs.	Total Rs.
Balance as at 01.01.2015	4,400,000	877,036,186	250,598,866		1,132,035,052
Prior Year Adjustments					
Income Tax			(52,739,525)		(52,739,525)
President's Fund			(197,859,341)		(197,859,341)
Additions during the year		56,990,048	2,333,259,687	(1,557,163,004)	833,086,731
Appropriation to President's Fund			(1,628,053,000)		(1,628,053,000)
Transfer to President's Fund Payable					-
Prior Year Adjustments			(606,195,948)		(606,195,948)
Balance as at 31.12.2015	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's 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's Fund			(1,836,020,000)		(1,836,020,000)
Balance as at 31.12.2016	4,400,000	805,435,348	(52,633,363)	(1,256,728,883)	(499,526,897)

Notes to the Financial Statements

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 and Presentation Currency

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

2.4. Use of Estimates and 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 & 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 and 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 and 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 capitalized. 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 and 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	10%
Furniture and Fittings	25%
Office Equipment	25%
Machinery	12.50%
Motor Vehicles	20%
Computers and Accessories	33.33%
Branded Stalls	16.66%
Motor Bicycles	25%
Application Software	33.33%

Depreciation on Fixed Assets had been proportionately provided for the year of purchase and no depreciation has been provided for the year of disposal.

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

3.3. Liabilities and Provisions**3.3.1. Provisions**

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.

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% and 10% respectively on the salary of each employee respectively. Said provident fund is being managed by the Central Bank of Sri Lanka.

Notes to the Financial Statements **Contd.**

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.

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 and 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.

3.7. Price Reserve Account

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.

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 agency commissions.

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 2016 remained at 1,256 million. Board has made arrangement with Inland Revenue Department to pay above arrears on instalment basis. Necessary provisions have been made.

For the Year ended 31st December	2016 Rs.	2015 Rs.
Note 01 – Revenue		
Gross Sales		
Saturday Fortune	2,485,582,000	2,540,868,000
Lagna wasana	2,899,247,100	2,938,871,000
Jayoda	1,425,290,000	1,424,184,000
Instant	761,737,500	577,502,000
Jana Jaya/Galaxy Star	1,136,907,800	1,099,338,000
Niyatha Jaya	1,240,590,000	1,176,471,000
Super Ball	2,744,155,000	2,523,863,000
Sanwardana Lakshapathi	1,000,223,000	
Kotipathi Shanida	1,572,472,100	
Development Fortune	48,386,000	
Total Sales	15,314,590,500	12,281,097,000
Less – Sales Return	520,988	641,348
Net Total Sales	15,314,069,513	12,280,455,652
Less – VAT	554,194,272	405,796,049
	554,194,272	405,796,049
Revenue after Taxes	14,759,875,240	11,874,659,603

Notes to the Financial Statements Contd.

	Saturday Fortune	Lagna Wasanawa	Jayoda	Galaxy Star	Niyatha Jaya	Super Ball	Sanwardana Lakshapathi	Kotipathi Shanida	Development Fortune	Instant	Total 2016
Sales	2,485,582,000	2,898,917,100	1,425,259,925	1,136,906,975	1,240,590,000	2,744,048,538	1,000,169,375	1,572,472,100	48,386,000	761,737,500	15,314,069,513
Taxes - Vat 11, 15%	89,949,658	104,907,664	51,578,118	41,143,037	44,895,178	99,303,192	36,194,699	56,905,516	1,751,020	27,566,191	554,194,272
Nbt 2%	-	-	-	-	-	-	-	-	-	-	-
Revenue	2,395,632,342	2,794,009,436	1,373,681,807	1,095,763,938	1,195,694,822	2,644,745,346	963,974,676	1,515,566,584	46,634,980	734,171,309	14,759,875,240
Cost Of Sales	56,425,445	70,619,103	34,464,559	27,275,871	33,265,095	62,393,016	41,542,968	61,561,492	2,049,486	55,393,767	444,990,802
Prize	1,242,791,000	1,449,623,550	712,645,000	568,453,900	620,295,000	1,372,077,500	500,111,500	786,236,050	24,193,000	479,232,566	7,755,659,066
Draw Cost	42,159,602	58,295,390	38,928,603	37,734,686	39,947,396	57,225,911	15,754,544	30,957,748	1,640,640	-	322,644,520
Gross Profit	1,054,256,296	1,215,471,394	587,643,644	462,299,481	502,187,331	1,153,048,918	406,565,664	636,811,293	18,751,854	199,544,977	6,236,580,852
Add - Other Income	-	-	-	-	-	-	-	-	-	-	119,504,280
Advertising Expenses	33,993,155	41,166,929	35,879,009	28,163,234	48,827,588	32,053,014	49,839,900	56,675,161	14,159,661	6,760,580	347,518,230
Marketing Related Expenses	1,753	2,044	1,005	802	875	1,935	705	1,109	34	537	10,800
Corporate and Others	5,957,244	6,947,892	3,415,949	2,724,848	2,973,347	6,576,716	2,397,126	3,768,775	115,968	1,825,671	36,703,535
Dealer Commission	434,976,850	507,368,155	249,425,750	198,958,790	217,103,250	480,227,125	175,039,025	275,182,530	8,467,550	129,623,363	2,676,372,388
Distributor Commission	30,752,950	35,865,463	17,617,138	14,045,488	15,339,088	33,954,350	14,382,688	17,475,625	599,100	5,438,840	185,470,728
Administration and Finance Expenses	61,347,649	71,549,339	35,177,414	28,060,458	30,619,501	67,726,966	24,685,583	38,810,816	1,194,234	18,800,750	377,972,710
Selling and Distribution Expenses	51,181,026	59,692,077	29,347,761	23,410,238	25,545,192	56,503,153	20,594,651	32,379,031	996,324	15,685,062	315,334,514
Add - Prize Write Back	-	-	-	-	-	-	-	-	-	-	283,820,540
Profit Before Taxes	436,045,669	492,879,495	216,779,620	166,935,624	161,778,491	476,005,659	119,625,986	212,518,246	(6,781,017)	21,410,174	2,700,522,768
Income Tax	148,857,693	173,611,698	85,356,630	68,087,615	74,297,032	164,336,857	59,898,610	94,172,942	2,897,763	45,619,290	917,136,130
Profit After Taxes	287,187,976	319,267,797	131,422,990	98,848,010	87,481,459	311,668,802	59,727,376	118,345,304	(9,678,781)	(24,209,116)	1,783,386,637

For the Year ended 31st December	2016 Rs.	2015 Rs.
Note 02 – Cost of Tickets		
Opening Stock	16,469,222	21,207,806
Add –		
Purchases	445,789,751	320,621,546
Less –		
Closing Stocks	17,268,171	16,469,222
Cost of Tickets	444,990,802	325,360,130
Note 03 – Prize Payout		
Prize Expenses – Saturday Fortune	1,242,791,000	1,270,434,000
Prize Expenses – Lagna wasana	1,449,623,550	1,491,265,928
Prize Expenses – Instant	479,232,566	275,558,544
Prize Expenses – Jayoda	712,645,000	712,092,000
Prize Expenses – Jana Jaya/Galaxy Star	568,453,900	551,431,323
Prize Expenses – Niyatha Jaya	620,295,000	588,235,500
Prize Expenses – DC/DK/Dewara	-	3,000
Prize Expenses – Super Ball	1,372,077,500	1,261,931,500
Prize Expenses – Sanwardana Lakshapathi	500,111,500	
Prize Expenses – Kotipathi Shanida	786,236,050	
Prize Expenses – Development Fortune	24,193,000	
	7,755,659,066	6,150,951,795
Note 04 – Draw Cost		
Saturday Fortune	42,159,602	44,497,930
Lagna wasana	58,295,390	54,265,031
Jayoda	38,928,603	36,117,319
Jana Jaya/Galaxy Star	37,734,686	35,851,431
Niyatha Jaya	39,947,396	35,484,344
Super Ball	57,225,911	54,917,173
Sanwardana Lakshapathi	15,754,544	-
Kotipathi Shanida	30,957,748	-
Development Fortune	1,640,640	-
	322,644,520	261,133,229
Note 05 – Other Income		
Interest Income	80,395,703	47,400,187
Other Income	39,108,577	10,745,914
	119,504,280	58,146,101

Notes to the Financial Statements Contd.

For the Year ended 31st December	2016 Rs.	2015 Rs.
Note 06 – Distribution Expenses		
Note '06-I – Advertising		
Saturday Fortune	33,993,155	26,927,823
Lagna Wasana	41,166,929	30,233,422
Jayoda	35,879,009	24,484,608
Instant	6,760,580	10,160,017
Jana Jaya/Galaxy Star	28,163,234	27,748,445
Niyatha Jaya	48,827,588	26,113,147
Super Ball	32,053,014	30,310,818
Sanwardana Lakshapathi	49,839,900	-
Kotipathi Shanida	56,675,161	-
Development Fortune	14,159,661	-
Corporate and Others	22,606,210	3,346,751
CSR Project	12,255,000	-
Seasonal Promotion	1,842,325	-
	384,221,765	179,325,030
Note '06-II – Marketing Related Activities		
Marketing Related Expenses	10,800	521,987
Chairman's Vote	-	899,000
	10,800	1,420,987
Note '06-III – Selling and Distribution Expenses		
NBT 2%	241,640,115	194,300,769
Selling Expenses	32,240,005	22,517,880
Other Selling and Distribution (Scanning/Validation)	8,533,274	6,795,691
Transportation	6,942,943	5,563,431
Vehicle Branding	244,210	224,800
Dealer and Distributor Target/Incentive	4,924,040	958,755
Dealer and Distributor Motivation Cost	19,416,081	6,761,753
Promotional Vehicles Expenses	272,597	-
Ticket Selling Daily Allowance – Jaffna	1,121,250	-
	315,334,514	237,123,079

For the Year ended 31st December	2016 Rs.	2015 Rs.
Note '06-IV – Commission – Dealer Commission (1)		
Saturday Fortune	434,976,850	444,651,900
Lagna wasana/Development Fortune	507,368,155	514,302,425
Jayoda	249,425,750	249,232,200
Instant	129,623,363	113,510,115
Jana Jaya/Galaxy Star	198,958,790	192,384,150
Niyatha Jaya	217,103,250	205,882,425
Super Ball	480,227,125	441,676,025
Sanwardana Lakshapathi	175,039,025	-
Kotipathi Shanida	275,182,530	-
Development Fortune	8,467,550	-
	2,676,372,388	2,161,639,240
Distributor Commission		
Saturday Fortune	30,752,950	31,433,250
Lagna wasana/Development Fortune	35,865,463	36,324,288
Jayoda	17,617,138	17,624,663
Instant	5,438,840	4,051,315
Jana Jaya/Galaxy Star	14,045,488	13,659,325
Niyatha Jaya	15,339,088	14,582,750
Super Ball	33,954,350	31,256,775
Sanwardana Lakshapathi	14,382,688	-
Kotipathi Shanida	17,475,625	-
Development Fortune	599,100	-
	185,470,728	148,932,365
	3,561,410,194	2,728,440,701
Note 07 – Administrative Expenses		
Staff Cost	252,510,342	217,593,446
Depreciation	31,947,951	30,668,104
Other Administrative	93,171,252	84,335,635
Total Administrative Expenses	377,629,544	332,597,185
Note 08 – Finance Expenses		
Bank Charges – General	325,166	241,320
Bank Charges – Prize	18,000	19,030
Total Finance Expenses	343,166	260,350
Note 09 – Income Tax		
Income Tax	302,866,101	56,356,927
Prior Year Income Tax	614,270,029	606,195,948
Income Tax	917,136,130	662,552,875
Note 10 – Presidents' Fund Contribution		
Profit for the Year	1,783,386,637	1,727,063,739
Surplus Attributable to President's Fund	1,783,386,637	1,727,063,739
Appropriation to the President's Fund for the Year	1,836,020,000	1,628,053,000
Balance	(52,633,363)	99,010,739
Total President Fund Payable	(52,633,363)	99,010,739

Notes to the Financial Statements Contd.

Note 11 – Fixed Assets

	Land	Land Tissamaha ramaya	Building	Studio	Building Improvement	Capital Work in Progress	Motor Vehicles
			10%				20%
Cost							
Balance as at 01.01.2016	506,000,000	492,392	56,235,000	38,752,448	38,280,327	1,583,595	157,676,227
Additions during the Year					939,450	3,319,980	531,330
Disposals during the Year							(20,410,667)
	506,000,000	492,392	56,235,000	38,752,448	39,219,778	4,903,575	137,796,890
Depreciation							
Balance as at 01.01.2016			28,117,500	12,614,016	4,267,339		79,652,882
Depreciation for the Year			5,623,500	3,875,245	3,294,835		21,486,383
Depreciation for the Disposals							(20,410,667)
			33,741,000	16,489,260	7,562,174		80,728,598
Net book balance as at 31.12.2016	506,000,000	492,392	22,494,000	22,263,187	31,657,604	4,903,575	57,068,292

Motor Bicycle	Machinery	Office Equipment	Computers and Accessories	Furniture and Fittings	Branded Stalls	Computer Software	Mobile Phone	Total Rs.
25%	12.50%	25%	33.33%	25%	16.66%	33.33%		
4,298,630	57,864,777	53,653,608	60,672,965	15,555,820	8,735,946	24,221,530	2,215,082	1,026,238,347
1,659,100		3,085,077	8,374,889	2,813,941		1,046,743	345,398	22,115,908
		(1,663,408)	(590,625)	(309,177.34)				(22,973,877)
5,957,730	57,864,777	55,075,277	68,457,229	18,060,584	8,735,946	25,268,273	2,560,480	1,025,380,378
3,078,004	25,916,542	45,417,061	51,773,193	12,888,080	8,696,765	21,740,866	1,715,764	295,878,012
844,229	5,665,746	3,298,986	5,442,608	1,185,370	9,789	1,589,111	492,862	52,808,665
		(1,663,408)	(590,625)	(309,177)				(22,973,877)
3,922,233	31,582,288	47,052,639	56,625,176	13,764,273	8,706,554	23,329,978	2,208,626	325,712,799
2,035,497	26,282,489	8,022,638	11,832,054	4,296,311	29,392	1,938,296	351,854	699,667,579

Notes to the Financial Statements Contd.

For the year ended 31st December	2016 Rs.	2015 Rs.
Note 12 – Held to Maturity Financial Assets		
Fixed Deposit – BOC/People’s Bank	614,862,757	754,794,866
Dealer Deposits	58,224,530	52,719,950
Total Fixed Deposits	673,087,288	807,514,816
Note 13 – Inventories		
13.1. Ticket Stock		
Saturday Fortune	644,028	1,697,886
Lagna Wasana	1,124,927	2,216,786
Jayoda	391,476	882,793
Instant	11,939,805	8,966,224
Jana Jaya/Galaxy Star	464,890	365,465
Double Chance	48,747	48,747
Niyatha Jaya	337,722	573,616
Super Ball	807,126	1,717,704
Sanwardana Lakshapathi	204,918	
Kotipathi Shanida	894,696	
Development Fortune	409,836	
Total Ticket Stocks	17,268,171	16,469,222
13.2. Other Stocks		
Stationery Stock	3,326,943	2,580,515
Promotional Items Stock	18,306,983	12,447,183
Other Items Stock	365,760	535,403
Lagna Wasana Tea Cup Sets Stock	466,026	571,373
Total Other Stocks	22,465,713	16,134,474
Total Stocks	39,733,884	32,603,696
Note 14 – Trade Debtors and Other Receivable		
Loan to Staff	30,931,263	24,163,163
Festival Advance	371,000	310,000
Refundable Deposit	1,737,114	1,957,114
ESC Tax Credit	29,782,842	
Other Receivable	10,535,573	8,971,665
	73,357,792	35,401,941
Less :		
Provision for Daubtful Debts	7,496,220	7,496,220
	65,861,572	27,905,721

For the year ended 31st December	2016 Rs.	2015 Rs.
Note 15 -Prepayment & Deposits		
Prepayments	1,291,295	1,295,897
Advance - Internal	368,906	268,840
Advance - External	4,741,920	4,066,527
	6,402,121	5,631,264
Note 16 - Cash & Cash equivalent		
Bank Balances		
BOC- General	133,076,470	221,097,489
BOC General 7 day Call	95,320,899	143,962,300
BOC -Prize	22,158,233	(53,247,169)
Sampath Bank	24,104,287	17,388,790
People's Bank	10,801,879	(80,026,426)
Sweep account	256,191,752	150,126,082
Repo-Sampath	3,041,000	7,530,000
BOC- General New	26,432,501	(67,913,513)
BOC	833,500	-
People's Bank	71,000	-
	572,031,522	338,917,553
Petty cash for Transport office	-	5,000
Petty cash-Regional Office	5,000	5,000
D.L.B Disaster Relief Fund	9,404	9,404
Petty Cash for Admin	-	10,000
	14,404	29,404
	572,045,926	338,946,957
Note -17 Employee Benefit Liability		
Balance at the beginning of the year	30,303,482	22,950,327
Provision made during the year	1,020,106	8,161,089
Payments made during the year	(319,136)	(807,934)
Balance at the end of the year	31,004,453	30,303,482
Rate of discount	11%	12%
Rate of Salary increase	7%	9%
Retirement age	60	60

Notes to the Financial Statements Contd.

For the year ended 31st December	2016 Rs.	2015 Rs.
Note 18 - Dealer & Distributor Deposit Payable		
Dealer Deposit Payable	27,746,381	26,180,381
Distributor Deposit Payable	2,950,000	2,200,000
Total Dealer & Distributor Deposit Payable	30,696,381	28,380,381
Note 19 - Trade & Other Payable		
Accruals	229,173,159	183,924,051
Dealer Advance	157,503	157,503
Distributor Advance	24,134,003	48,726,956
VAT/NBT/WHT/Payee Tax Payable	79,977,557	68,321,559
Provision for Income TAX Payable	212,776,869	92,657,539
Other Payable	30,082,004	40,479,293
	576,301,096	434,266,902
Note 20 - Prize Payable		
Prizes Payable	522,774,655	206,496,851
Provision for Prize Payable - Non Winning-Draw Tickets		
Saturday Fortune	503,358	
Jayoda	3,169,500	
Lagna Wasana	15,799,500	1,950,520
Niyatha Jaya	11,074,180	
Super Ball	4,332,500	421,950
Sanwardana Lakshapathi	2,440,000	
Total Prize Payable	37,319,038	2,372,470
	560,093,693	208,869,321

Ten Year Summary

	2016 (Rs. '000)	2015 (Rs. '000)	2014 (Rs. '000)	2013 (Rs. '000)	2012 (Rs. '000)	2011 (Rs. '000)	2010 (Rs. '000)	2009 (Rs. '000)	2008 (Rs. '000)	2007 (Rs. '000)
Operational Results										
Revenue	14,759,875	11,874,659	12,271,477	10,611,073	8,624,166	6,884,267	5,667,809	5,220,418	4,498,179	3,947,214
Cost of Tickets	444,990	325,360	378,157	410,016	359,844	313,956	259,210	249,256	220,820	202,040
Prize payout	7,755,659	6,150,951	6,211,302	6,481,076	5,113,981	4,120,099	3,406,143	3,160,780	2,667,237	2,337,607
Administrative Expenses	377,629	332,597	347,408	330,967	280,682	281,397	244,214	261,700	219,833	168,486
Distribution cost	3,561,410	2,728,440	3,067,688	627,574	497,755	325,886	350,813	581,835	563,333	277,034
Surplus after operating Expenses	2,417,045	2,134,322	2,145,085	1,979,330	1,757,752	1,318,519	937,913	551,708	622,527	733,409
Equity										
President's Fund	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
Mahapola Trust Fund	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200
President's Fund payable	(52,633)	99,010	250,598	132,775	493,970	220,124	148,478	63,675	84,263	19,838
Prize Reserve Account	805,435	934,026	877,036	776,867	753,236	645,679	626,994	555,674	498,883	471,057
Liabilities										
Non Current Liabilities	1,318,429	1,615,846	223,288	36,806	35,134	38,506	33,197	30,540	118,326	18,825
Current Liabilities	1,237,895	846,841	581,768	1,228,404	512,576	479,722	420,471	545,961	494,752	334,347
Assets										
Non Current Assets	1,372,754	1,537,875	1,594,826	1,733,435	1,624,369	1,202,917	1,078,595	1,020,421	940,357	707,689
Current Assets	684,043	405,087	342,264	641,588	317,323	381,078	262,150	274,625	260,267	140,778

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