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தேசிய இரத்தினக்கல், ஆபரண அதிகாரசபை
NATIONAL GEM AND JEWELLERY AUTHORITY

වාර්ෂික වාර්තාව

ஆண்டறிக்கை

ANNUAL REPORT

2021

කර්මාන්ත අමාත්‍යාංශය

கைத்தொழில் அமைச்சு

MINISTRY OF INDUSTRIES

VISION STATEMENT

“Sri Lanka–To Be the Sapphire Capital”

“ශ්‍රී ලංකාව - කුරුවිහිද අගනුවර බවට පත්කිරීම”

MISSION STATEMENT

**Achieve Industry Excellence Through The Development,
Promotion & Regulation Of The Gem & Jewellery Sector
To Generate National Wealth And Stakeholder Delight.**

ජාතික ධනය සහ කර්මාන්තයේ කොටස්කරුවන්ගේ ප්‍රසාදය ඇති
කිරීම සඳහා මැණික් සහ ස්වර්ණාභරණ ක්ෂේත්‍රයේ සංවර්ධනය,
ප්‍රවර්ධනය සහ නීතිගත කිරීම තුළින් කර්මාන්තයේ විශිෂ්ටත්වය
ලඟා කර ගැනීම.

The Board of Directors of
National Gem and Jewellery Authority
Year 2021

| Name | | From | To |
|--|------------------|-------------|------------|
| 1. Mr. Y.K.T.P.Weerasinghe– Chairman& CEO, National Gem and Jewellery Authority | Chairman& CEO | 30.11.2020 | Up to now |
| 2. Mr. A.K.D.D.D.Arandara– Director, Ministry of Finance | Member | 23.01.2020 | Up to now |
| 3. Mr. Suresh De Mel – Chairman, Sri Lanka Export Development Board | Member | 20.01.2021 | Up to now |
| 4. Mr. A.R.K.Wijesekara– Assistant Governor, Central Bank of Sri Lanka | Member | 27.09.2021 | Up to now |
| 5. Mrs. K.A.S.Walpola – Additional Secretary, State Ministry of Gem &Jewellery Related Industries | Member | 08.07.2021 | 31.01.2022 |
| 6. Prof. P.G.R.Dharmaratne– Chairman, Gem and Jewellery Research and Training Institute | Member | 29.12.2021 | Up to now |
| 7. Major General (Retd.) G.V.Ravipriya – Director General,Sri Lanka Customs | Member | 14.09.2020 | Up to now |
| 8. Mr. W.A.P.Sumith Kumara | Member | 01.01.2020 | Up to now |
| 9. Mr. N.HemapriyaMallikarachchi | Member | 01.01.2020 | Up to now |
| 10. Mr. AsankaWijesundare | Member | 26.02.2020 | Up to now |
| 11. Mr. ErangaBasnayake | Member | 01.01.2020 | Up to now |
| 12. Mr. R.M. Mohan J. Ratnayake | Member | 03.12.2020 | Up to now |

Senior Management Profile
National Gem and Jewellery Authority
Year 2021

| | NAME | EDUCATION QUALIFICATION | DESIGNATION |
|----|-----------------------------------|---------------------------------|---|
| 1. | Mr. Thilak Weerasinghe – Chairman | | Chairman & Chief Executive Officer |
| 2. | Mr. P.U.K. Thenuwara | MPM, B.Com (sp) HNDA, MAAT | Acting Director General |
| 3. | Mr. T.D. Kulananda | B.Sc. (Public Administration) | Director (Enforcement & Regional Development) |
| 4. | Ms. A.N.B. Perera | FCA, FMAAT | Director (Finance) |
| 5. | Mr. P.U.K. Thenuwara | MPM, B.Com (sp) HNDA, MAAT | Director (Human Resources & Administration) |
| 6. | Mr. G.W. Amarasiri | B.Sc. Eng (Mining) IESL (AM) | Director (Land, Mining, Environment) |

Administration Report of the National Gem and Jewellery Authority

For the year 2021 Under 14(1) of the Finance Act No.38 of 1971

01. The year 2021 marks the 27th year of operations of the National Gem and Jewellery Authority. Its activities for the year under review were conducted through the Head Office in Colombo & Regional Offices in Ratnapura, Eheliyagoda, Matara, Naula and Monaragala, Katunayake Gem Export Centre and Gem & Jewellery Exchange at the World Trade Centre.

02. The Functions of the Authority :

- a) To promote and develop the gem industry and the jewellery industry;
- b) To initiate and implement schemes for the promotion and development of the gem industry and the jewellery industry;
- c) To exploit the market for gems and jewellery whether in or outside Sri Lanka and to promote the demand for such gems and jewellery in world markets;
- d) To promote and sponsor technical training of personnel on every aspect relating to the gem industry and the jewellery industry and especially on heat treatment and gem cutting, with a view to developing such industries;
- e) To take such steps that are necessary to generate confidence in the gem industry and the jewellery industry among prospective buyers;
- f) To prevent unlawful gemming and the unlawful removal of gems from Sri Lanka;
- g) To act as the sole authority responsible for the alienation of the right to mine for gems in or over State land, or in or over land disposed of by the State or the State Gem Corporation where the mining or gemming rights remain with the State, whether by reason of any reservation or otherwise;
- h) To provide technical and other advice and the infrastructural support necessary for the marketing of gems and Jewellery;
- i) The administration of any scheduled written law in so far only-
 - i. As it is applicable in the case of gems or the gem industry; or
 - ii. As it may be necessary so to do for the purpose of enabling the Authority to exercise, discharge and perform its powers, functions, and duties under the Act;
- j) To establish offices for certification of gems and assaying of precious metal;
- k) To provide for the jewellery manufactured in Sri Lanka to be stamped with a hall mark in the prescribed manner, at the request of a manufacturer;
- l) To provide the necessary liaison between the gem industry, the jewellery industry and Government Departments, in order to promote and co-ordinate the development of the gem industry and the jewellery industry in Sri Lanka;

- m) To regulate and control the terms and conditions of employment of persons who work in the gem industry and the jewellery industry, and in particular the safety measures to be taken to protect such persons from danger to life and limb.

03. Financial

3.1 Liquidity:

Cash and Cash equivalents at the beginning of the year was Rs. 54.109 (Mn) and at the end of the year It was Rs. 84.908 (Mn). Held to Maturity Investments (Treasury bills) at the beginning of the year was Rs. 1059.635 (Mn) and at the yearend it was Rs 1198.625(Mn).

Other Financial Assets at the beginning of the year was Rs.836.057 (Mn) and at the year-end it was Rs.880.82(Mn).

3.2 Profitability :

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---------------------|----------------|----------------|----------------|----------------|---------------|---------------|
| | Rs. Mn | Rs. Mn | Rs. Mn | Rs. Mn | Rs. Mn | Rs. Mn |
| Total Income | 698.155 | 665.818 | 588.609 | 604.581 | 427.8 | 676.6 |
| Total Expenditure | 510.950 | 536.971 | 442.051 | 417.146 | 393.7 | 434.6 |
| Profit (Before Tax) | 187.205 | 128.847 | 146.558 | 187.435 | 34.1 | 242 |

04. Human Resources:

The staff of the Authority reached 246 at the end of 2021 including professionals. Continuous professional development activities were carried out during the year. The staff training cost for the year amounts to Rs.408,925/- during the year.

05. Issue of Licenses :

The number of licenses issued by the Regional Office and the Colombo Office of the Authority for the gem industry compared with the last five years is given below:

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-----------------------|---------------|---------------|---------------|---------------|--------------|--------------|
| Gemming Licenses | 5240 | 4817 | 5532 | 5,203 | 4,665 | 4,434 |
| Gem Dealers Licenses | 6102 | 5328 | 4795 | 5,449 | 3,481 | 3,628 |
| Lapidary Licenses | 243 | 225 | 211 | 203 | 146 | 120 |
| Gem Auction Licenses | 491 | 461 | 415 | 684 | 388 | 444 |
| Total Licenses | 12,076 | 10,831 | 10,953 | 11,539 | 8,680 | 8,626 |

06. Control of Unauthorized Gemming and Damages to the Environment :

The Authority have conducted several raids during the period under review to control illicit gemming and to prevent environmental destruction. The income earned from fines amounts to Rs. 10.648 million.

07. Special Gem Mining Projects.

During the year a special gem mining project were carried out at Heraniyawaka, Badalkumbura (second Stage), Mountjin and Nammuniyawatte.

Project Income of Rs. 125 million was earned by Heraniyawa project as a lump sum amount and by sale of Gems from the project a net Income of Rs. 19.1milion was earned by the Authority during the year.

08. Export Promotion & Publicity Activities 2021.

1. Issued visa recommendation for Exporters to visit Foreign Exhibitions.
2. Issued visa recommendation letters to Department of Immigration and Emigration on the request of employees who have engaged in Gem & Jewellery sector.
3. Issued recommendations to withdraw foreign Exchange (less than USD 50,000/) to procure raw materials from other producing countries.
4. Disseminated Promotional Brochures and flyers among the Sri Lanka Mission in Overseas.
5. Management of “Sri Lanka Gem & Jewellery Exchange” -SLGJE as at 31st of October 2021 as the government sponsored gem & jewellery gallery in Sri Lanka.
6. Established the Gem & Jewellery Trade gallery (include 13 no.of shops) at Eheliyagoda NGJA Building and handed over shops for Gem & Jewellery Traders.
7. Prepared promotional videos (Sri Lankan Gems, Jewellery Craftsmanship, NGJA Gem Testing Laboratory, Assay office of NGJA & Sri Lanka Gem & Jewellery Exchange) to promote the Sri Lankan Gems and Jewellery Industry and advertised at Bandaranaike International Airport at immigration areas.
8. Preparing Coffee table book to promote unique Jewellery designs of Sri Lanka.
 - Advertised to collect Jewellery designs
 - Selected jewellery designs through the committee
 - Forwarded selected designs to designers to develop designs
 - Evaluated developed designs through the committee
9. Held meetings and discussions with “Laksala” & NGJA management to establish Gem & Jewellery Trade center at Laksala
10. Held a zoom meeting with Embassy of Sri Lanka in Russia, Russian Jewellery Trade and Gem and traders of Sri Lanka.
11. Cooperation with Sri Lankan Embassy in South Korea, organized a zoom with Korea Gem Trade Association (KGTA) to promote Sri Lankan Gem and Jewellery in South Korea and made the presentation.
12. Facilitated to hold a virtual B2B meeting between potential Armenian Gem and Jewellery Buyers and Sri Lankan Gem and Jewellery Exporters.

13. Organized of Sri Lanka Pavilions at International Gem and Jewellery Exhibitions.
 - World Expo 2020 in Dubai- 06th Dec 2021 to 09th Jan 2022
14. Facilitate International Gem and Jewellery Exhibitions in Sri Lanka
 - Due to the COVID 19 situation of Sri Lanka, local exhibitions have not organized in 2021
15. Established online trading platform through the NGJA website.
16. Conduct Advertising programs through FB page,, YouTube Channel and arranged an advertising at BIA arrival counter.
17. Organized the Gems and Jewellery Designs and Products Award Ceremony on 03rd of December 2021.
18. Facilitate to upgrade the Gem Cutting Technicians in to NVQ Level 5 to meet the standards in the international job market
 - Vocational Technical Training Center is planning & preparing curriculum developments of the NVQ course
19. Facilitate to upgrade Jewellery Craftsmen in to NVQ Level and HNDJ to meet the standards in the international job market.
 - Vocational Technical Training Center is planning & preparing curriculum developments of the NVQ course
20. Organized to establish Jewellery manufactures and craftsman Associations and held meetings with jewellery craftsmen associations to identify their problems and conduct training activities for Jewellery Craftsman.
21. Purchased Jewellery manufacturing tools for distribution to registered Jewellery manufactures in Jewellery associations.
22. Introducing the Safety Manual to Gem Miners and publishing in all three languages.

09. Other Development Activities.

1. For the upliftment of Jewellery sector new machinery such as x-ray fluorescent spectroscopy & Lacer machines were purchased.
2. The concept of “One stop system” is in satisfactorily in operation for the purpose of issuing mining Licenses.
3. Demuwawatha International Gem Centre construction activities are in Programme and has completed about 40% by now.
4. During the year 10 Board Meetings and Audit & Management Meetings were conducted.
5. Vehicle Tracking System has been introduced to the Authority vehicle fleet.
6. A sub office at Elahera Bakamuna was opened during the year.
7. From the Gem mining welfare fund Rs.750,000/= was paid to a Gem mining labour’s family as compensation due to a death occurred in the mining process. Also Rs.20,000/= was paid for minor injuries to another mining labour in another mining activity.

10. Gem & Jewellery Exports:

The statistics given below shows the status of Gem & Jewellery exports of Sri Lanka during the last five years and the year 2021 under review:

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Rs. Mn | Rs. Mn | Rs. Mn | Rs. Mn | Rs. Mn | Rs. Mn |
| Gem Exports | 20,857 | 21,644 | 22,304 | 19,364 | 13,120 | 21,619 |
| Jewellery Exports | 2,240 | 2,331 | 2,062 | 2,476 | 1,257 | 2,002 |
| Geuda Exports | 103 | 33 | 19 | 10 | 18 | 27 |
| Diamond Re-Exports | 14,967 | 14,134 | 19,393 | 23,670 | 16,321 | 28,291 |
| Diamond Jewellery Exports | 243 | 207 | 190 | 242 | 168 | 356 |
| Total Exports | 38,410 | 38,349 | 43,968 | 45,762 | 30,884 | 52,295 |

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | US \$ Mn | US \$ Mn | US \$ Mn | US \$ Mn | US \$ Mn | US \$ Mn |
| Gem Exports | 144.17 | 140.27 | 137.60 | 107.21 | 70.62 | 112.19 |
| Jewellery Exports | 15.15 | 15.09 | 12.61 | 13.73 | 6.74 | 9.96 |
| Geuda Exports | 0.70 | 0.21 | 0.12 | 0.06 | 0.10 | 0.14 |
| Diamond Re-Exports | 101.26 | 91.53 | 118.35 | 131.02 | 92.70 | 140.63 |
| Diamond Jewellery Exports | 1.64 | 1.34 | 1.17 | 1.34 | 0.90 | 1.78 |
| Total Exports | 262.92 | 248.44 | 269.85 | 253.36 | 171.06 | 264.70 |

Mr.ThilakWeerasinghe
Chairman & Chief Executive Officer
National Gem and Jewellery Authority

2022.02.28

NATIONAL GEM & JEWELLERY AUTHORITY

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

| | | 2021 | 2020 |
|--|------|-------------------------|----------------------|
| | Note | Rs. Cts. | Rs. |
| Non-Current Assets | | | |
| Property, Plant & Equipment | 3 | 514,319,798.95 | 484,360,159 |
| Leasehold Land (Right-To-Use Land) | 4 | 11,814.70 | 14,179 |
| Other Assets | 7 | 371,939,330.58 | 371,939,331 |
| Available-for-Sale (AFS) Financial Assets | 8 | 1,200,010.00 | 1,200,010 |
| Capital Working Progress | | 118,773,637.24 | 14,398,883 |
| Other Financial Assets | 14 | 26,890,229.05 | 26,890,229 |
| Total Non-Current Assets | | 1,033,134,820.52 | 898,802,791 |
| Current Assets | | | |
| Inventories | 9 | 4,092,574.61 | 2,569,769 |
| Receivables | 10 | 95,619,502.10 | 63,489,446 |
| Held-to-Maturity Investment (HTM) | 11 | 1,198,624,994.83 | 1,059,635,760 |
| Deposits and Advances | 12 | 177,113,499.39 | 163,481,299 |
| Employee Loans & Advances | 13 | 15,077,003.37 | 17,942,880 |
| Other Financial Assets | 14 | 853,929,104.88 | 809,167,232 |
| Cash and Cash Equivalents | 15 | 84,908,410.04 | 54,109,508 |
| Total Current Assets | | 2,429,365,089.22 | 2,170,395,894 |
| TOTAL ASSETS | | 3,462,499,909.74 | 3,069,198,685 |
| EQUITY & LIABILITIES | | | |
| Equity | | | |
| Capital Contributed By Treasury | 16 | 30,000,000.00 | 30,000,000 |
| Gem Mining Welfare Fund | 17 | 34,154,874.09 | 31,739,874 |
| Jewellery Development Fund | 18 | 82,536,818.03 | 81,175,878 |
| Gem Rewards Fund | 19 | 46,594,806.24 | 44,747,558 |
| Gems Revaluation Reserve | 20 | 355,074,648.00 | 355,074,648 |
| Revaluation Reserve | 21 | 52,945,424.11 | 52,945,424 |
| Retained Earnings | | 1,150,277,527.87 | 986,087,752 |
| Total Equity | | 1,751,584,098.34 | 1,581,771,134 |
| Non-Current Liabilities | | | |
| Retirement Benefits Obligation | 22 | 45,753,330.68 | 49,841,554 |
| Deferred Tax Liability | 6 | 24,368,130.77 | 24,644,384 |
| Liability to Make Lease Payments - Settlements Fall Due More Than One Year | 23 | 2,742.00 | 3,739 |
| Total Non-Current Liabilities | | 70,124,203.45 | 74,489,678 |
| Current Liabilities | | | |
| Liability to Make Lease Payments - Settlements Fall Due Within One Year | 23 | 1,668.00 | 1,450 |
| Payables | 24 | 213,550,981.05 | 200,158,800 |
| Gemming Deposits | | 840,553,983.32 | 707,809,372 |
| Deposits and Advances Received | 25 | 115,846,059.77 | 132,465,919 |
| Statutory Payable | 26 | 392,510,500.15 | 299,958,339 |
| Provisions and Accrued Expenses | 27 | 78,328,415.66 | 72,543,993 |
| Total Current Liabilities | | 1,640,791,607.95 | 1,412,937,873 |
| TOTAL EQUITY & LIABILITIES | | 3,462,499,909.74 | 3,069,198,685 |

The Director Finance certifies that the Financial Statements have been prepared in accordance with the requirements of the Sri Lanka Accounting standards as laid down by the Institute of Chartered Accountants of Sri Lanka.

DIRECTOR FINANCE

The Accounting policies on pages 14-23 and Notes on pages 24- 35 form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial statements were Approved by the Board of Directors on 04th March 2022

NATIONAL GEM & JEWELLERY AUTHORITY

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

| | Note | 2021 Rs. Cts. | 2020 Rs. |
|--|------|-----------------------|---------------------|
| Revenue | 28 | 525,887,827.96 | 284,970,694 |
| Other Income | 29 | 21,719,148.19 | 26,396,677 |
| Administration Expenses | 30 | (179,454,720.45) | (140,650,673) |
| Personnel Expenses | 31 | (242,186,325.93) | (251,282,525) |
| Promotional Expenses | 32 | (12,903,628.29) | (1,818,522) |
| | | - | - |
| Operating Profit | | 113,062,301.48 | (82,384,350) |
| Net Finance Income | 33 | 128,960,706.39 | 116,496,976 |
| Profit After Net Finance Income | | 242,023,007.87 | 34,112,626 |
| Profit Before Tax | | 242,023,007.87 | 34,112,626 |
| Income Tax Expenses | 34 | (37,650,618.73) | (8,535,016) |
| Profit for the Year | | 204,372,389.14 | 25,577,610 |
| Profit for the Year | | 204,372,389.14 | 25,577,610 |
| Other Comprehensive Income | | - | - |
| Less: | | | |
| Contribution to Consolidated Fund | | (40,000,000.00) | (21,379,019.36) |
| Total Comprehensive Income for the Year | | 164,372,389.14 | 4,198,591 |

NATIONAL GEM & JEWELLERY AUTHORITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

| | 2021 | 2020 |
|--|----------------------|---------------------|
| | Rs. Cts. | Rs. Cts. |
| Profit Before Tax | 242,023,008 | 34,112,626 |
| <i>Adjustments for</i> | | |
| Deprecation | 34,431,461 | 27,218,459 |
| Provision for Retirement Benefit Obligations | 960,314 | 18,577,489 |
| Dividends | - | (500,000) |
| Interest Income | (128,999,414) | (116,535,551) |
| Finance cost on Liability to Make Lease Payments | 38,708 | 38,575 |
| Amortization of Right-to-use Land | 2,364 | 2,364 |
| Operating Profit Before Working Capital Changes | 148,456,440 | (37,086,039) |
| Changes in working Capital | | |
| Inventories | (1,522,805) | 107,748 |
| Receivables | (32,130,057) | 60,114,638 |
| Deposits and Advances | (13,632,200) | (118,195,018) |
| Employee Loans & Advances | 2,865,876 | (482,844) |
| Payables | 13,392,181 | 104,870,034 |
| Gemming Deposits | 132,744,612 | 71,194,875 |
| Deposits and Advances Received | (16,619,859) | (368,589) |
| Provisions and Accrued Expenses | 5,784,423 | 1,108,463 |
| Cash Generated from Operations | 239,338,611 | 81,263,268 |
| Gratuity Paid | (3,655,248) | (4,120,553) |
| Taxes Paid | (16,480,089) | (6,000,000) |
| Net Cash from Operating Activities | 219,203,274 | 71,142,715 |
| Cash Flows from Investing Activities | - | |
| Acquisition of Property, Plant and Equipment | (64,866,955) | (57,010,877) |
| Dividend Received | - | 500,000 |
| Investment in Other Treasury Bills | (185,000,000) | (59,061,901) |
| Net Investment in Financial Assets | (38,006,353) | (53,152,623) |
| Interest Received | 93,872,073 | 82,540,866 |
| Net Cash from (used in) investing activities | (194,001,235) | (86,184,535) |
| Cash Flows from Financing Activities | | |
| Utilization of Gem Mining Welfare Fund | 2,415,000 | 1,372,050 |
| Settlement of Liability to Make Lease Payments | (26,325) | (26,325) |
| Contribution to Jewellery Development Fund | 1,360,940 | 5,107,973 |
| Contribution to Gem Rewards Fund | 1,847,248 | (1,646,540) |
| Net Cash From (used in) Financing Activities | 5,596,863 | 4,807,158 |
| Net Changes in Cash & Cash Equivalents | 30,798,902 | (10,234,662) |
| Cash & cash Equivalents at Beginning of the year | 54,109,508 | 64,344,170 |
| Cash & Cash Equivalents at End of the Year | 84,908,410 | 54,109,508 |

(Note 15)

NATIONAL GEM AND JEWELLERY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation

The financial statements of National Gem and Jewellery Authority (“Authority”) have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs). The financial statements have been prepared under the historical cost convention, as modified by the fair value of available-for-sale financial assets. The preparation of financial statements in conformity with Sri Lanka Accounting Standards (SLFRSs) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed.

1.2 Changes in Accounting Policies

The changes in accounting policies set out below have been applied consistently to the periods presented in the condensed financial statements and to the opening SLFRS statement of financial position at the date of transition to SLFRSs, unless otherwise indicated.

The presentation and classification of the consolidated financial statements of the previous year have been amended, where relevant, for better presentation and to be comparable with those of the current year.

1.3 Foreign Currency Translation

1.3.1 Functional and Presentation Currency

Transaction and balances included in the financial statements are measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in Sri Lanka Rupees (LKR), which is the Authority’s presentation currency.

1.3.2 Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Translation differences related to changes in amortized cost are recognized in the statement of comprehensive income.

1.3.3 Property, Plant and Equipment

Property, plant and equipment are initially recognized at cost including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the management.

Property, plant and equipment acquired before 1998 were carried at revalued amounts in the statement of financial position prepared in accordance with SLAS prior to 31 December 2011. The Authority has elected such revalued amount as deemed cost at the date of the revaluation as the revalued amount was broadly comparable to fair value. Accordingly the property, plant and equipment are stated at deemed cost less accumulated depreciation and any accumulated impairment losses. Property, plant and equipment acquired after 1998 are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a an asset, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

The Head Office building situated at 25, Galle Face Terrace, Colombo 03, was damaged due to a construction of a building near to the above premises.

In order to evaluate the damages expertise services are assigned to University of Moratuwa and after receiving the report the carrying value of the building will be adjusted.

Land is not depreciated, depreciation on other assets is calculated using the straight-line method to allocate their cost or deemed cost over their estimated useful lives, as follows:

| Assets Category | Rates | |
|---|--------------|------------|
| Buildings | 30-50 Years | 2% - 3.33% |
| Partition | 3 Years | 33.33 % |
| Laboratory and Jewellery Inspection Equipment | 10 Years | 10% |
| Furniture and Office Equipment | 10 Years | 10% |
| Motor vehicles | 4 Years | 25% |
| Computer Equipment | 5 Years | 20% |
| Others | 10 Years | 10% |

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.3.4 Intangible Assets

Acquired computer software are capitalized on the basis of the costs incurred to acquire and bring to use the specific software and systems. Intangible assets acquired are stated at cost less accumulated amortization and accumulated impairment losses. These costs are amortized over their estimated useful lives, as follows:

| | | Rates |
|-------------------|---------|--------------|
| Computer Software | 5 Years | 20% |

Costs associated with maintaining computer software are recognized as an expense as incurred.

1.3.5 Leasehold land

Land held under leases is initially measured at an amount equal to present value of the lease payments discounted using the incremental borrowing rate plus any initial direct costs incurred at the inception and subsequently the leasehold land is measured at amortized cost. The value of leasehold land is amortized over the lease period.

| | | |
|----------------|----------|-------|
| Leasehold land | 30 Years | 3.33% |
|----------------|----------|-------|

1.3.6 Impairment of Non-Financial Assets

At each end of reporting period, the Authority reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income.

1.4 Financial Assets

1.4.1 Classification

(a) Classification

The Authority determines the classification of its financial assets at initial recognition and classifies its financial assets as follows:

- I. Loans and receivables
- II. Available for sale (AFS)
- III. Held to Maturity Investments (HTM)

I. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Authority's loans and receivables comprise trade and other receivables; repurchase government securities, advances, deposits, loans to employees and cash and cash equivalents in the end of reporting period.

II. Available for sale (AFS)

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Available for sale financial assets comprise of long term unlisted equity investments.

III. Held-to- Maturity Investment (HTM)

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Authority has the positive intention and ability to hold them until maturity.

HTM investments are included in current assets unless maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Authority currently holds investment in Treasury Bills designated into this category.

1.4.2 Recognition and Initial Measurement

Financial assets classified as loans and receivables are recognized on the date on which the Authority originates the transaction. Other financial assets are recognized on the trade-date on which the Authority becomes a party to the contractual provisions of the financial instrument.

A financial asset is measured initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership of the financial assets.

1.4.3. Subsequent Measurement

I. Loans and receivables

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less provision for impairment.

II. Available for sale (AFS)

After initial recognition, unlisted equity investments classified as AFS financial asset are measured at cost less any Impairment losses, as currently its fair value cannot be estimated reliably.

III. Held-to- Maturity Investment (HTM)

HTM investments are measured subsequently at amortized cost using the effective interest method less any impairment losses. Amortized cost is computed taking into account of discount or premium on acquisition and transaction costs.

1.4.4 Impairment of financial assets

I. Assets carried at amortized cost

The Authority assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For loans and receivables and held-to-maturity investments carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial assets is reduced and the amount of the loss is recognized in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

II. Available for sale (AFS)

The Authority assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. For unlisted equity investments, a significant or prolonged decline in the value of the investments below its cost is also evidence that the assets are impaired. If any such evidence exists for the unquoted investments, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.5 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Inventories comprise of consumables and stationeries.

1.6 Receivables

Receivables are recognized initially at fair value (invoice value) and subsequently measured at the original invoice value less provision for impairment as the dues are expected to be received within short period, such that the time value of money is not significant.

The Authority assesses at the end of each reporting period whether there is objective evidence that receivables are impaired. Objective evidences of impairment for receivables include the Authority's past experience of collecting payments and number of delayed payments. Receivables are impaired and impairment losses are incurred, only if there is objective evidence of impairment. Receivables are assessed individually for impairment.

1.7 Cash and Cash Equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

1.8 Contributed Capital

Capital represents the initial capital comprising of amount lying to the credit of the State Gem Corporation and transferred to the Authority.

1.9 Financial Liabilities

The Authority classifies financial liabilities into other financial liabilities. The Authority's other financial liabilities include payables, advance received on license fee, gemming deposits and other deposits received. The other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at the original value as the dues are expected to be paid within short period.

The Authority derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

1.10 Current and Deferred Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income statement, except to the extent that it relates to items recognized in other comprehensive income. In this case, the tax is also recognized in other comprehensive income. The current income tax charge is calculated on the basis of the tax laws enacted at the reporting period end applicable for the Authority operate and generate taxable income. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates that have been enacted at the reporting period end date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority.

1.11 Employee benefits

(a) Defined Contribution plan

A defined contribution plan is a post-employment benefit plan under which the Authority pays fixed contributions into a separate entity. The Authority has no legal or constructive obligations to pay further contributions. The contributions are recognized as employee benefit expense when they are due.

The Authority contributes 15% on gross emoluments of employee to Employee Provident Fund (EPF) and 3% on gross emoluments of employee to Employee Trust Fund (ETF).

(b) Defined benefit plan

The Authority obligation in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is measured annually using the projected unit credit method calculated using the gratuity formula. The present value of the defined benefit obligation is determined by discounting the estimated future benefit that employee have earned in return for their services in the current and prior period.

Gains and losses arising from changes in the assumptions, current service cost and interest are recognized in the statement of comprehensive income in the period in which they arise.

The retirement benefit obligation is not externally funded.

(c) Short-term employee benefit

Short-term employee benefit obligations are measured on an undiscounted amount expected to be paid for related services provided by the employees.

1.12 Provisions and Contingent Liabilities

Provisions for legal claim and other operational expenses are recognized when the Authority has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Authority and amounts can be estimated reliably.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

All contingent liabilities are disclosed as a note to the financial statements unless the possibility of an outflow of resources is remote.

1.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for sale of gemming rights, license fees, export commission and services rendered, stated net of Value Added Taxes (VAT) and Nation Building Tax (NBT). The Authority recognizes revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the Authority.

The Authority applies the revenue recognition criteria set out below to each identifiable major types of services rendered.

a). Sale of Gemming Rights (Land Auction)

Sale of gemming rights is the quoted price charged for giving permits to licensee for gemming in blocks reserved. Revenue is recognized at the time of issuing the gemming license.

b). License Fee - Dealers and Lapidary License

License fee is recognized as revenue on a straight line basis over the life of license.

c). License Fee – Gemming, BACO and Gem Auction License

License fee is recognized as revenue at the time of issuing the gemming license.

d). Gems & Jewellery Export Commission (Export Service Fee and Katunayake Diamond Center Service Fee)

Export Commission is recognized as revenue at the time of goods are ready for export.

e). Services

Revenue from site inspection is recognized at receipt of payments.

f). Rental Income

Rental income is recognized on an accrual basis over the term of lease.

g). Interest Income

Interest income is recognized using the cost method.

h). Dividend Income

Dividend income is recognized when the right to receive payment is established.

i). Gain and Losses on Disposal of Property, Plant and Equipment

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive income.

1.14 Expenses

All other expenditures incurred in the running of the operation are to income in arriving at the profit for the reporting period.

1.15 Events after the Reporting Period

All material events after the reporting period have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

1.16 Commitments

All material commitments at the reporting period end have been identified and disclosed in the notes to the financial statements.

1.17 Significant Accounting Estimates and Judgments

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

I. The following are significant judgments in applying the accounting policies that have most significant effect on the financial statements.

(a) Recognition of Deferred Tax Assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized.

II. Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below:

(a) Useful life time of depreciable assets

Management reviews its estimate of the useful life time of depreciable assets at each reporting date, based on the expected economic utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

(b) Defined benefit plan

The present value of the defined benefit plan obligations depends on a number of factors that are determined on projected unit credit basis by using number of assumptions. The assumptions used in determining the net cost and obligation for defined benefit plan including the discount rate are disclosed. Any changes in these assumptions will impact the carrying amount of define obligation.

NATIONAL GEM & JEWELLERY AUTHORITY

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

2

| | Contributed Capital | Gem Mining Welfare Fund | Development Fund | Gem Rewards Fund | Other Reserve | Gems Revaluation Reserve | Revaluation Reserve | Retained Earnings | Total |
|---|------------------------|----------------------------|---------------------|---------------------|------------------|--------------------------------|------------------------|----------------------|----------------------|
| Balance as at 01 January 2020 | 30,000,000 | 30,367,824 | 76,067,905 | 46,394,098 | - | 355,074,648 | 52,945,425 | 981,889,161 | 1,572,739,061 |
| Fair Value Adjustment | | | | | | - | | | - |
| Profit for the Year | - | - | - | - | - | - | - | 4,198,591 | 4,198,591 |
| Other Comprehensive Income | - | - | - | - | - | - | - | - | - |
| Total Comprehensive Income | | | | | | | | | 1,576,937,652 |
| Prior Year Adjustment | | | | | | | | | - |
| Contribution to / (Utilization) for the Year | - | | | | - | - | - | - | - |
| Adjustment on Impairment | | 1,372,050 | | (1,646,540) | | | | (182,613) | (457,103) |
| Balance as at 31 December 2020 | 30,000,000 | 31,739,874 | 76,067,905 | 44,747,558 | - | 355,074,648 | 52,945,425 | 985,905,139 | 1,576,480,549 |
| Fair Value Adjustment | - | - | - | - | - | - | - | | |
| Profit for the Year | - | - | - | - | - | - | - | 164,372,389 | 164,372,389 |
| Other Comprehensive Income | - | - | - | - | - | - | - | - | - |
| Total Comprehensive Income | | | | | | | | | - |
| Prior Year Adjustment (Note 39) | | | | | | | | | - |
| Contribution to / (Utilization) for the Year | - | | | | - | - | - | - | - |
| Adjustment on Impairment | - | 2,415,000 | 6,468,913 | 1,847,248 | - | - | - | - | 10,731,161 |
| Balance as at 31 December 2021 | 30,000,000 | 34,154,874 | 82,536,818 | 46,594,806 | - | 355,074,648 | 52,945,425 | 1,150,277,528 | 1,751,584,099 |

NATIONAL GEM & JEWELLERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

| 3 | Property, Plant & Equipment Cost | As At 01 January 2021 | Additions | (Disposals) | As At 31 December 2021 |
|----------|---|----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | <i>Freehold</i> | | | | |
| | Land | 40,374,059 | - | - | 40,374,059 |
| | Buildings | 380,299,194 | 7,979,039.41 | - | 388,278,233 |
| | Fixture & Fittings | 22,018,897 | 1,560,225.00 | - | 23,579,122 |
| | Furniture | 17,920,099.94 | 4,116,455.84 | - | 22,036,556 |
| | Office Equipment | 24,975,375 | 40,200.00 | - | 25,015,575 |
| | Computer | 31,608,556 | 10,261,298.89 | - | 41,869,855 |
| | Laboratory Equipment | 58,714,965 | 1,435,082.00 | - | 60,150,047 |
| | Lapidary Equipment | 403,475 | - | - | 403,475 |
| | Jewellery Equipment | 148,200 | - | - | 148,200 |
| | Assay Equipment | 135,946,647 | 37,237,038.51 | - | 173,183,686 |
| | Machine and Geuda Equipment | 11,934,841 | 1,855,500.90 | - | 13,790,342 |
| | Motor Vehicle | 118,672,998 | - | - | 118,672,998 |
| | Motor Bicycles | 100,000 | - | - | 100,000 |
| | Bicycles | 37,334 | - | - | 37,334 |
| | Library Books | - | - | - | - |
| | Partitions | 9,238,579 | 382,114.70 | - | 9,620,694 |
| | Partitions- Mobile Lab | 2,456,500 | - | - | 2,456,500 |
| | <i>Leasehold</i> | | | | |
| | Land | 159,205 | - | - | 159,205 |
| | | 855,008,924 | 64,866,955 | - | 919,875,880 |
| | Depreciation | As At 01 January 2021 | Charge for the Year | (Disposals) | As At 31 December 2021 |
| | <i>Freehold</i> | | | | |
| | Buildings | 54,617,042.41 | 7,741,518 | - | 62,358,561 |
| | Fixture & Fittings | 16,053,548.25 | 1,099,112 | - | 17,152,660 |
| | Furniture | 13,086,260.29 | 651,449 | - | 13,737,710 |
| | Office Equipment | 18,037,642.19 | 1,513,611 | - | 19,551,254 |
| | Computer | 28,831,939.14 | 2,234,134 | - | 31,066,073 |
| | Laboratory Equipment | 25,129,702.46 | 4,910,569 | - | 30,040,271 |
| | Lapidary Equipment | 403,475.00 | - | - | 403,475 |
| | Jewellery Equipment | 148,200.00 | - | - | 148,200 |
| | Assay Equipment | 74,514,634.69 | 14,484,131 | - | 88,998,766 |
| | Machine and Geuda Equipment | 9,341,422.41 | 364,248 | - | 9,705,671 |
| | Motor Vehicle | 115,221,117.00 | 1,339,165 | - | 116,560,282 |
| | Motor Bicycles | 100,000.00 | - | - | 100,000 |
| | Bicycles | 37,334.00 | - | - | 37,334 |
| | Library Books | - | - | - | - |
| | Partitions | 9,238,579.00 | 93,523 | - | 9,332,102 |
| | Partitions- Mobile Lab | 2,456,500.00 | - | - | 2,456,500 |
| | | 367,217,397 | 34,431,461 | - | 401,648,858 |
| | Net Carrying Values | | As At 31 December 2021 | As At 31 December 2020 | As At 01 January 2020 |
| | <i>Freehold</i> | | | | |
| | Land | | 40,374,059.00 | 40,374,059.00 | 40,374,059 |
| | Buildings | | 325,919,672.74 | 325,682,151.59 | 113,404,408 |
| | Fixture & Fittings | | 6,426,461.89 | 5,965,348.70 | 5,822,039 |
| | Furniture | | 8,298,846.27 | 4,833,839.65 | 3,438,538 |
| | Office Equipment | | 5,464,321.29 | 6,937,732.60 | 7,313,695 |
| | Computer | | 10,803,781.89 | 2,776,616.95 | 2,050,017 |
| | Laboratory Equipment | | 30,109,775.12 | 33,585,262.14 | 13,745,246 |
| | Lapidary Equipment | | - | - | - |
| | Jewellery Equipment | | - | - | - |
| | Assay Equipment | | 84,184,919.87 | 61,432,012.31 | 73,139,778 |
| | Machine and Geuda Equipment | | 4,084,671.19 | 2,593,418.68 | 2,797,257 |
| | Motor Vehicle | | 2,112,715.36 | 3,451,880.85 | 2,416,439 |
| | Motor Bicycles | | - | - | - |
| | Bicycles | | - | - | - |
| | Library Books | | - | - | - |
| | Partitions | | 288,591.94 | - | 69,193 |
| | Partitions- Mobile Lab | | - | - | 614,125 |
| | <i>Leasehold</i> | | | | |
| | Land | | 159,205.00 | 159,205.00 | 159,205 |
| | | | 518,227,021.56 | 487,791,527 | 265,343,999 |
| | Provision for Impairment | | (3,907,222.61) | (3,431,368) | (2,934,756) |
| | | | 514,319,798.95 | 484,360,159 | 262,409,243 |

As per the recommendation of the Auditors Mortorvehicle and Head office property were revalued. The Revalued amount of Mortor vehicle Rs.79,920,000.00 (Other Than Vehicle No KC -4060,HT4219,PD9084,KS-8727,HP9913).The Revalued amount of Head office property Rs.340,000,000.00. Belidaniya Land - .1095 Hectars of the said land was re-vested by a special Gazette 2026/37, dated 07/07/2017 by Minister of Land and parliament affairs.

NATIONAL GEM & JEWELLERY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

4 Leasehold Land (Right-To-Use Land)

The Right-To-Use Land is measured at an amount equal to present value of the lease payments discounted using the incremental borrowing rate incurred at the inception and is amortized over the period of lease term.

| Carrying Value of Right-To-Use Land | 2021 | 2020 |
|-------------------------------------|-----------|--------|
| Capitalized Amount | | |
| As At 01 January | 70,909.00 | 70,909 |
| Initial Cost Incurred | - | - |
| Capitalized During the Year | - | |
| As At 31 December | 70,909.00 | 70,909 |
| Amortization | | |
| As At 01 January | 56,730.30 | 54,366 |
| Amortization for the Year | 2,364.00 | 2,364 |
| As At 31 December | 59,094.30 | 56,730 |
| Carrying Amount | 11,814.70 | 14,179 |

The lease right of the land commenced on November 1997 for 30 years. The Right-To-Use Land recognized at transition period (01 January 2011) is amortized over the remaining lease term up to November 2026.

| 5 Intangible Assets | As At | Additions / | As At |
|------------------------------------|---------------|----------------|--------------|
| | 31 Dec. 2021 | (Disposals) | 31 Dec. 2020 |
| 5.1 At Cost | | | |
| Computer Software | 2,677,306.12 | - | 2,677,306 |
| Total | 2,677,306.12 | - | 2,677,306 |
| | As At | Charge for the | As At |
| | 31 Dec. 2021 | Year | 31 Dec. 2020 |
| 5.2 Amortization | | | |
| Computer Software | 2,677,306.12 | - | 2,677,306 |
| Total | 2,677,306.12 | - | 2,677,306 |
| 5.3 Net Carrying Values | | As At | As At |
| | | 31 Dec. 2021 | 31 Dec. 2020 |
| Computer Software | | - | - |
| 6 Deferred Tax Asset / (Liability) | 2021 | 2020 | |
| Balance at 01 January | 24,644,383.96 | 32,757,121 | |
| Adjustment | (276,253.19) | (8,112,737.24) | |
| Balance at 31 December | 24,368,130.77 | 24,644,384 | |

NATIONAL GEM & JEWELLERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

| | | 2021 | 2020 |
|--|----------------------|-------------------------|-------------------------|
| 7 Other Assets | | | |
| Rough Stone & Synthetic Stone | | 96,682.58 | 96,682.58 |
| Exhibition Gem Stone | | 371,842,648.00 | 371,842,648.00 |
| Advance Payment Gems and Gems Institute | | 200,000.00 | 200,000.00 |
| | | 372,139,330.58 | 372,139,331 |
| Provision for Impairment | | (200,000.00) | (200,000.00) |
| | | 371,939,330.58 | 371,939,331 |
| 8 Available for sale (AFS) Financial Assets | | | |
| Unlisted Investments | <i>No. of Shares</i> | | |
| The Associated Newspapers of Ceylon Limited | 20,000 | 200,000.00 | 200,000.00 |
| G.S.M.B. Technical Services (PVT) Ltd | 100,000 | 1,000,000.00 | 1,000,000.00 |
| LGL (Pvt) Ltd | 1 | 10.00 | 10.00 |
| | | 1,200,010.00 | 1,200,010 |
| 9 Inventories | | | |
| Consumables Stock | | 2,905,391.07 | 922,095.89 |
| Gems - Gauda Centre | | 183,547.54 | 183,547.54 |
| Printing and Stationery Stock | | 1,003,636.00 | 1,464,125.71 |
| | | 4,092,574.61 | 2,569,769 |
| 10 Receivables | | | |
| Receivables | | 85,984,392.83 | 63,016,724.87 |
| Provision for Impairment | | (1,407,972.00) | (1,407,972.00) |
| | | 84,576,420.83 | 61,608,753 |
| Pre Payments | | 11,043,081.27 | 1,880,692.67 |
| | | 95,619,502.10 | 63,489,446 |
| 11 Held-to-Maturity Investment (HTM)-Treasury Bills | | | |
| Treasury Bills - BOC | | 608,722,189.51 | |
| PB | | 589,902,805.32 | |
| | | 1,198,624,994.83 | 1,059,635,760.17 |
| 12 Deposits and Advances | | | |
| General Deposit | | 178,455,221.39 | 164,839,221.39 |
| Others | | 30,725.00 | 14,525.00 |
| Security Deposits | | 61,500.00 | 61,500.00 |
| | | 178,547,446.39 | 164,915,246.39 |
| Provision for Impairment | | (1,433,947.00) | (1,433,947.00) |
| | | 177,113,499.39 | 163,481,299 |
| 13 Employee Loans & Advances | | | |
| Advances | | 191,315.01 | 90,065.01 |
| No pay Leaves | | 143,128.73 | 286,345.90 |
| Vehicle Loan | | 4,574.34 | 4,574.34 |
| Textile Loan | | 58,000.24 | 15,000.24 |
| Distress Loans | | 14,679,985.05 | 17,546,894.34 |
| | | 15,077,003.37 | 17,942,880 |
| 14 Other Financial Assets-Fixed Deposits | | | |
| BOC | | 472,290,195.05 | 449,105,637.41 |
| PB | | 327,820,813.21 | 310,424,150.91 |
| NSB | | - | 100,000.00 |
| HDFC | | 80,708,325.67 | 76,427,672.42 |
| | | 880,819,333.93 | 836,057,460.74 |
| 15 Cash and Cash Equivalents | | | |
| Cash Transfer Balances | | 1,344,082.40 | 1,367,226.80 |
| Cash and Bank Balances - LKR | | 71,948,422.14 | 44,768,629.32 |
| Bank Balances - Foreign Currency | | 11,615,905.50 | 7,973,651.84 |
| | | 84,908,410.04 | 54,109,508 |

NATIONAL GEM & JEWELLERY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

16. Contributed Capital

Capital represents the initial capital comprising of amount lying to the credit of the State Gem Corporation and transferred to the Authority

17. Gem Mining Welfare Fund

The fund had been collected from gem miners till 2008 and subsequently from 2015 in compliance with National Gem and Jewellery Authority Act; No.50 of 1993 Part I 14.(n), which requires the Authority to protect the employees works in the gem industry from danger to life.

18. Jewellery Development Fund

This represents annual registration fee of Rs.5,000 collected from jewellery manufactures as proposed in the budget proposals 2007 for supporting technology development in jewellery industry .Funds have been utilized for the Development activities of Jewellery Industry.

19. Gem Rewards Fund

This represents fines imposed to parties who are charged for offences and the fines received by the Authority is credited to the Fines fund as required by National Gem and Jewellery Authority Act; No.50 of 1993 Part IV 52. This fund is maintained for rewarding raid team and employees as instructed by the Board Circular No.824.

20. Gems Revaluation Reserve

This represents the revaluation surplus of gems stones used as exhibits.

21. Revaluation Reserve

The revaluation reserve relates to the revaluation surplus of land and buildings, once the respective revalued assets have been disposed, portion of revalued surplus is transferred to retained earnings.

22 Retirement Benefits Obligation

| | 2021 | 2020 |
|--|-----------------------------|-----------------------------|
| Balance at 01 January | 49,841,554.40 | 35,384,618.26 |
| Expense Recognized in the Statement of Comprehensive Income note 22.1 | 960,313.78 | 18,577,488.92 |
| Benefit Paid Year 2021 | (5,048,537.50) | (4,120,552.78) |
| Adjustments made year 2021 | - | - |
| Balance at 31 December | <u>45,753,330.68</u> | <u>49,841,554</u> |
| 22.1 Expense Recognized in the statement of comprehensive income | | |
| Interest Cost | 4,834,630.80 | 2,331,846.36 |
| Charge for the Year | 2,508,880.40 | 2,858,837.83 |
| (Gain) / Loss Arising From Changes in the Assumptions | (6,383,197.42) | 13,386,804.73 |
| | <u>960,313.78</u> | <u>18,577,488.92</u> |

These assumptions are developed by the Authority is based on the management's best estimates of variables used to measure the retirement benefits obligation.

The principal assumptions used are as follows

| | | |
|--|-----|-----|
| Discount rate [%] | 10 | 7 |
| Future Salary Increases Average - Salary [%] | 1.3 | 1.3 |
| Staff Turnover Factor [%] | 2.5 | 0.8 |
| Retirement age [Yrs] | 60 | 60 |

Discount rate is determined on the basis of market rates of long-term Government Bond.

NATIONAL GEM & JEWELLERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

| | 2021 | 2020 |
|---|-----------------------|--------------------|
| 23 Liability to Make Lease Payments | | |
| Gross Liability | | |
| As At 01 January | <u>336,313.00</u> | <u>375,801.00</u> |
| Recognized During the Year | - | - |
| Payments Made During the Year | (39,487.00) | (39,488.00) |
| As At 31 December | <u>296,826.00</u> | <u>336,313</u> |
| Finance Cost | | |
| As At 01 January | <u>331,125.00</u> | <u>369,700.00</u> |
| Recognized During the Year | - | - |
| Finance Cost Recognized in Comprehensive Income During the Year | (38,708.00) | (38,575.00) |
| Finance Cost Allocated to Future Periods | <u>292,417.00</u> | <u>331,125</u> |
| Net Liability As At 31 December | <u>(4,409.00)</u> | <u>(5,188)</u> |
| 23.1 Classification of Liabilities | | |
| Settlements Fall Due Within One Year | | |
| Gross Liability | 59,900.00 | 40,158.00 |
| Finance Cost Allocated to Future Periods | (58,232.00) | (38,708.00) |
| | <u>1,668.00</u> | <u>1,450</u> |
| Settlements Fall Due More Than One Year | | |
| Settlements Fall Due Within Two to Five Years | | |
| Gross Liability | 236,925.00 | 236,925.00 |
| Finance Cost Allocated to Future Periods | (234,183.00) | (233,717.00) |
| | <u>2,742.00</u> | <u>3,208</u> |
| Settlements Fall Due More Than Five Years | | |
| Gross Liability | - | 59,229.00 |
| Finance Cost Allocated to Future Periods | - | (58,699.00) |
| | <u>-</u> | <u>530</u> |
| Total Settlements Fall Due More Than One Year | <u>2,742.00</u> | <u>3,738</u> |
| Total Net Liability As At 31 December | 4,410.00 | 5,188 |
| 24 Payables | | |
| Creditors | 188,791,845.82 | 187,080,463.43 |
| Retention from Contractors | 13,608,477.56 | 11,888,208.18 |
| 40% Sales proceeds from Land Auction Payable to LRC and owners of Lands | | |
| Other | 11,150,657.67 | 1,190,128.50 |
| | <u>213,550,981.05</u> | <u>200,158,800</u> |

NATIONAL GEM & JEWELLERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

| | 2021 | 2020 |
|---|-----------------------|----------------------|
| 25 Deposits and Advances Received | | |
| Employee Security Deposits | 61,500.00 | 61,500.00 |
| Advances from Customers | 15,896.26 | 15,896.26 |
| Over recoveries from Employees | 30,088.67 | 8,872.92 |
| Land Dispute Deposits | 101,209,759.14 | 97,046,181.29 |
| Tender Deposit | 9,567,680.00 | 9,197,280.00 |
| Shop Holder Deposit WTC | 4,555,138.70 | 25,730,191.70 |
| Gem Museum Fund | 125,997.00 | 125,997.00 |
| Export Commission Deposits | 280,000.00 | 280,000.00 |
| | 115,846,059.77 | 132,465,919 |
| 26 Statutory Payable | | |
| Corporate Tax (Note 26.1) | 35,861,818.73 | 14,415,035.75 |
| Value Added Tax | 6,184,401.78 | 509,466.50 |
| Withholding Tax | - | 19,866.66 |
| Retained Gem Auction Tax 2.5% | 347,017,042.23 | 282,966,163.81 |
| Stamp Fees | 3,447,237.41 | 2,002,919.12 |
| PAYE Tax | - | 44,887.35 |
| | 392,510,500.15 | 299,958,339 |
| 26.1 Corporate Tax | | |
| Balance as at 01 January | 14,415,036.00 | 3,767,282.78 |
| Current Tax for the Year | 37,973,065.73 | 16,680,108.37 |
| Payment During the Year - Settlement of Previous Year Liability | (10,480,089.00) | - |
| - Self Assessment Payments | (6,000,000.00) | (6,000,000.00) |
| Adjustment on (Under) / Over Provision in Previous Year | (46,194.00) | (32,355.40) |
| Balance as at 31 December | 35,861,818.73 | 14,415,036 |
| 27 Provisions and Accrued Expenses | | |
| Provision for Legal Claims | - | - |
| Accrued Expenses | 78,328,415.66 | 72,543,993.90 |
| | 78,328,415.66 | 72,543,993.90 |

NATIONAL GEM & JEWELLERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

| 28 Revenue | 2021 | 2020 |
|---|-----------------------|--------------------|
| Land Auction -Crown Land | 2,639,395.43 | 881,265.00 |
| Land Auction -LRC | 560,000.00 | 3,380,000.00 |
| Service and Appeal License Fees | 642,980.00 | 775,100.00 |
| Gemming License Fees | 36,208,018.00 | 30,315,900.00 |
| Dealers License Fees | 42,848,080.60 | 39,952,148.00 |
| Service Fees for Gifts and Samples | 360,000.00 | 381,000.00 |
| Gem and Jewellery Export Service Fee | 141,895,336.04 | 83,380,248.94 |
| Lapidary License Fees | 411,346.00 | 314,840.00 |
| Service fee - Geuda Export | 6,315,111.32 | 4,274,178.26 |
| LDO Land / Mineral Tax | 4,436,750.00 | 3,816,000.00 |
| Income from Fines | 10,648,707.66 | 10,242,459.55 |
| Gem Auction Permits | 946,000.00 | 878,000.00 |
| Gem Testing Charges | 4,790,918.00 | 5,305,829.64 |
| Income from Assay Office | 7,525,480.37 | 10,606,562.00 |
| License copying Charges | 43,290.32 | 97,238.32 |
| Service Fee - Katunayaka Diamond Center | 8,448,400.00 | 3,563,904.75 |
| Income from Gem Parcel Clearing | 2,583,103.81 | 1,128,500.00 |
| Environmental Protection | - | 87,600.00 |
| BACO Service Charges | 39,345,000.00 | 23,643,600.00 |
| Inspection Charges | 40,511,800.00 | 39,919,600.00 |
| Colour and 3D Cards | 3,091,800.00 | 2,854,080.00 |
| Sale of Gem | 19,126,585.14 | 10,478,439.05 |
| Forfeited Gemming | 8,980,350.00 | 7,538,000.00 |
| Gravel Transport Permit Income | 607,340.00 | 1,156,200.00 |
| Gem Transport Charges Income | 498,168.77 | - |
| Inspection Charges for Engineers | 15,963,200.00 | - |
| Project Income | 125,475,200.00 | - |
| Visa Charges Income | 985,466.50 | - |
| | 525,887,827.96 | 284,970,694 |
| 29 Other Income | | |
| Miscellaneous Income | 583,765.32 | 1,384,751.78 |
| W.T.C and Rathnapura Booth | 13,343,831.25 | 20,656,839.62 |
| Sales of Books | 22,200.00 | 16,400.00 |
| Dividends | - | 500,000.00 |
| Rental Income | 3,779,423.94 | 2,622,180.31 |
| Proceed of Auctioned Items | 2,576,208.00 | 511,310.00 |
| Income from Insurance Agencies | 713,719.68 | 345,737.05 |
| Sale of Jewellery | - | 359,458.11 |
| Exhibition Expenses- Foreign/ Local (Recovered) | 700,000.00 | - |
| | 21,719,148.19 | 26,396,677 |

NATIONAL GEM & JEWELLERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

| | 2021 | 2020 |
|-------------------------------------|-----------------------|-----------------------|
| 30 Administration Expenses | | |
| Subscription | 1,278,565.91 | 876,826.77 |
| Entertainment (Local) | 1,732,568.51 | 1,123,143.71 |
| Telephone Charges | 4,074,472.91 | 4,228,371.65 |
| Postage and Stamps | 931,945.16 | 841,241.00 |
| Internet Charges | 4,511,366.45 | 2,228,454.07 |
| Expenses of Board Members | 1,123,112.65 | 1,069,000.00 |
| Rent | 23,374,414.31 | 4,673,086.23 |
| Electricity | 7,867,468.21 | 8,872,473.58 |
| Rates and Taxes | 1,128,590.75 | 1,376,854.71 |
| Newspapers and Periodicals | 38,350.00 | 166,960.00 |
| Water tax and Charges | 959,417.92 | 1,305,395.41 |
| Advertising | 954,820.00 | 326,070.00 |
| Transport | 1,126,836.33 | 303,484.26 |
| Insurance | 1,420,772.04 | 1,238,714.77 |
| Legal Fees | 2,683,906.50 | 2,234,055.00 |
| Audit Fees for the Year | 1,049,260.00 | 1,200,000.00 |
| Survey Fees | - | 669.60 |
| Management Consultation | 40,025.00 | 77,975.00 |
| Maintenance of Building | 12,549,804.12 | 8,042,174.88 |
| Maintenance of Equipment's | 2,613,873.69 | 3,429,788.05 |
| Security Services | 19,862,720.00 | 14,930,070.00 |
| Seminars and Training (Local) | 88,924.84 | 457,699.86 |
| Seminars and Training (Foreign) | 320,000.00 | 583,486.15 |
| Raid Expenses | 223,610.00 | 409,480.00 |
| General Auction Expenses | 693,212.08 | 548,659.00 |
| Donation | 200,000.00 | 192,475.00 |
| Consumable Assets | 24,567.00 | 124,953.89 |
| Office Supplies | 4,309,442.61 | 1,937,623.09 |
| Amortization of Right-to-use Land | 2,364.00 | 2,364.00 |
| Printing and Stationery | 2,957,334.71 | 2,071,457.31 |
| Laboratory Supplies | 174,837.20 | 453,628.00 |
| Environmental Expenses | 84,890.00 | 321,471.00 |
| Depreciation | 34,431,460.46 | 27,218,458.56 |
| Rent W.T.C | 12,953,040.00 | 24,212,082.00 |
| Electricity Paid W.T.C | 559,240.08 | 926,472.00 |
| Maintenance of Motor Vehicle | 8,675,598.85 | 8,506,178.91 |
| Oil and Fuel | 8,835,003.24 | 5,823,409.50 |
| Tires and Tube | 1,339,256.56 | 1,186,583.32 |
| License and Insurance Motor Vehicle | 439,823.62 | 1,136,089.07 |
| Parking Charges | - | 20.00 |
| General Expenses | 427,634.73 | 842,785.22 |
| Project Expenses | 7,339,125.64 | 481,109.60 |
| Bank Charges | 828,776.34 | 563,096.42 |
| Gem Miners Scholarship Expenses | 1,648,500.00 | 1,500,000.00 |
| Rehabilitation of Gem Land | 3,099,934.00 | 2,109,670.00 |
| Imparement Provision- Asset | 475,854.03 | 496,612.58 |
| | 179,454,720.45 | 140,650,673.17 |

NATIONAL GEM & JEWELLERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

| | 2021 | 2020 |
|--|------------------------------|---------------------------|
| 31 Personnel Expenses | | |
| Salaries and Allowances | 136,810,653.41 | 139,432,421.65 |
| Acting Allowances / Risk Allowances | 429,433.00 | 333,780.60 |
| Non Subject to E.P.F Salaries & Allowances | 5,237,666.36 | 7,686,773.26 |
| Employees Provident Fund | 22,327,024.31 | 23,122,831.20 |
| Employees Trust Fund | 4,465,404.98 | 4,504,566.56 |
| Overtime | 6,639,611.17 | 5,375,233.32 |
| Payment for Working on Holidays | 48,009.50 | - |
| Awards (Gold Medals) | - | 84,500.00 |
| Leave Bonus | 12,480,231.75 | 14,197,065.36 |
| Interest Paid on Staff Housing Loans | 185,459.80 | 171,398.32 |
| Employee Incentives | 12,276,354.00 | 3,500,753.56 |
| Gratuity | 960,313.78 | 18,577,488.92 |
| Travelling (Local) | 1,468,483.00 | 1,746,542.77 |
| Uniforms for Staff | 443,450.00 | 283,970.04 |
| Staff Welfare | 11,071,484.64 | 8,094,918.68 |
| Medical Fees | 13,887,746.23 | 10,475,280.91 |
| Transport Allowances | 13,455,000.00 | 13,695,000.00 |
| | <u>242,186,325.93</u> | <u>251,282,525</u> |
| 32 Promotional Expenses | | |
| Travelling - Overseas | 476,710.00 | - |
| Exhibition Expenses- Local | - | 276,417.83 |
| Exhibition Expenses- Foreign | 7,746,906.76 | - |
| Publicity - Local | 1,400,110.00 | 347,705.00 |
| Promotional Expenses | 3,279,901.53 | 1,194,399.09 |
| | <u>12,903,628.29</u> | <u>1,818,522</u> |
| 33 Net Finance Income | | |
| Interest Income | | |
| Interest on Fixed Deposits and Treasury Bills | 128,458,355.97 | 116,057,698.59 |
| Interest on Staff Loan | 541,058.42 | 477,852.09 |
| | <u>128,999,414.39</u> | <u>116,535,551</u> |
| Interest Expenses | | |
| Finance cost on Liability to Make Lease Payments | (38,708.00) | (38,575.00) |
| | <u>(38,708.00)</u> | <u>(38,575)</u> |
| | <u>128,960,706.39</u> | <u>116,496,976</u> |

NATIONAL GEM & JEWELLERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

| | 2021 | 2020 |
|---|-----------------------|---------------------|
| 34 Income Tax Expenses | | |
| Current Tax Expense (Note 34.1) | 37,973,065.73 | 16,680,108.37 |
| Adjustment on (Under) / Over Provision in Previous Year | (46,194.00) | (32,355.40) |
| Deferred Tax Charge / (Reversal) (Note 6) | (276,253.00) | (8,112,737.24) |
| | 37,650,618.73 | 8,535,016 |
| 34.1 Reconciliation Between the Current Tax Expense and the Product of Accounting Profit | | |
| Accounting Profit Before Taxation after Contribution to Consolidated fund. | 202,023,008 | 12,733,606 |
| Aggregated Disallowable Items | 81,847,206.00 | 71,601,241.00 |
| Aggregated Allowable Items | (50,978,748.00) | (33,647,514.00) |
| Income from Other Sources | (146,122,670.00) | (140,314,571.00) |
| Profit / (Loss) from Trade or Business | 86,768,796 | (89,627,238) |
| Other Income Liable for Tax - Interest Income | 146,122,669.60 | 139,814,570.60 |
| Total Statutory Income | 232,891,465.47 | 139,814,571 |
| Qualifying Payment | (40,000,000.00) | (21,379,019.36) |
| Tax Losses Utilized | (34,670,358.27) | (48,935,099.71) |
| Assessable Income / Taxable Income | 158,221,107 | 69,500,452 |
| Tax Charged at Statutory Tax Rate of 24% | 37,973,066 | 16,680,108 |
| Tax on distributed profit | - | - |
| Current Tax on Ordinary Activities for the Year | 37,973,066 | 16,680,108 |

NATIONAL GEM & JEWELLERY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

35. Capital and Other Commitments

Expenditure on Working Progress had been done for the Interim Payments in relation to construction of Demuwawatha Building, Rathnapura Building and Development of Computer Software package Amounting to 10.45mn shown using 60% of the work completed and certified

36. Events Occurring after Reporting Period

Exhibition Gem Stones were revalued in 2020 and the revalued amount is Rs. 765,316,000.00.

37. Contingent liabilities

The Authority has contingent liabilities in respect of legal claims arising in the ordinary course of business. Unless recognized as a provision (Note 27), management considers these claims to be unjustified and possibility of an outflow of resources for their settlement is remote. This evaluation is consistent with legal advices of the Authority's legal division.

38. Related Party Disclosures

The Authority's related parties include Treasury of Sri Lanka, Government related institutions, and State owned enterprises and key management personnel.

Lanka Gemological Laboratory (pvt) Ltd was established with the Sri Lanka Gem & Jewellery Association out of the funds collected from Gen & Jewellery Exports and the balance in the fund as at 31st December 2014 amounting to Rs.126, 512,567.00.

38.1 Transactions with Key Management Personnel

According to the Sri Lanka Accounting Standards LKAS.24 "Related Party disclosures" key Management personnel are those having responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, the Board of Directors has been classified as key management personnel.

| Transactions with Key Management Personnel are given below. | 2021 | 2020 |
|---|------|------|
| Remuneration and Other Short-Term Employee Benefits | - | - |
| Post-Employment Benefits | - | - |

38.2 Related Party Transactions

Details of significant related party transactions that Authority carries out are as follows:

| Related Party | Nature of Transactions for the Reporting Period | Transaction Value | Balance (Due to)/Due from |
|-----------------------------------|---|-------------------|---------------------------|
| State-Owned Enterprises | Investment in Fixed Deposits and Treasury Bills | 185,000,000.00 | |
| | Withdrawal of Fixed Deposits and Treasury Bills | - | |
| | | 44,761,873.00 | 229,761,873 |
| | Investment in REPO | - | - |
| | Withdrawal of REPO | - | - |
| Other Government Related Entities | Investment in Shares | - | - |

National Audit Office

My No. IWRC/NGJA/01/21

31st May, 2022

Chairman,

National Gem and Jewellery Authority,

Auditor General's report in terms of Section 12 of the National Audit Act No. 19 of 2018 on the financial statements and other legal and regulatory requirements of the National Gem and Jewellery Authority for the year ended 31st December 2021.

The above mentioned report has been sent attached hereto.

(Signed by)

W.P.C. Wickramarathna

Auditor General

Copies: Secretary : Ministry of Industries

Secretary : Ministry of Finance

Chairman,

National Gem and Jewellery Authority,

Auditor General's Report in terms of Section 12 of the National Audit Act, No. 19 of 2018 on the financial statements of the National Gem and Jewellery Authority for the year ended 31st December 2021 and on other legal regulatory requirements.

1. Financial Statements

1.1. Qualified opinion

Financial position statement of the National Gem and Jewellery Authority as at 31st December 2021 and financial statements for the year ended 31st December 2021 which included the comprehensive income statement, statement of change in Equity, cash flow statement for the year then ended together with notes on the financial statements and summary of important financial policies were audited under my direction in terms of article 154(1) of the constitution of Democratic Socialist Republic of Sri Lanka read in conjunction with National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My report will be tabled under section 154(6) of the Constitution in Parliament in due course.

In my opinion, except for the effects cast upon by the matters described in the basis for the qualified opinion, the financial position of the Authority as at 31st December 2021 and the financial functioning and cash flow for the year then ended depict a true and fair position in conformity with the Sri Lanka Auditing Standards.

1.2. Basis for the qualified opinion

- (a) Adjustments for the increase in work in progress of Rs. 104,374,754/= that should be adjusted in terms of Sri Lanka Accounting Standards No. 7 had not been done under investment activities.
- (b) Since Non-Current Assets have not been annually re assessed against their effective lifetime, under Section 51 of Sri Lanka Accounting Standards No. 16, totally depreciated and the effective lifetime of Assets costing Rs. 202,027,608/= had not been revised under Sri Lanka Accounting Standards No. 8 and so that the correct carrying value has not been posted in financial statements.
- (c) Provisions for damages of Rs. 3,907,223/= against the year-end carrying value of Properties, Plants and Machinery has been provided against the regulations of Sri Lanka Accounting Standards No. 36.

- (d) Receivable rent from stalls at the World Trade Centre has been under stated by Rs. 13,394,230/= and the Rs. 646,396/= received in excess, has not been posted in the current liabilities.
- (e) 03 showpieces deposited in a state bank for Rs. 371,842,648/= by the Authority have been revalued at Rs. 765,316,000/= in 2020 and the amount has been posted in a note to the accounts without adjusting it in the books.
- (f) Although, in compliance with the accounting policy of the Authority in identifying damage loss, assets must be reviewed and annual allocations for damage loss must be made accordingly, without adhering so, Rs. 200,000/=, Rs. 1,407,972/= and Rs. 1,433,947/= respectively have been adjusted in the same value in accounts since 2018 to 2021.
- (g) Although, Rs. 478,440/= has been received by the Authority in 2019, as a refund of a security deposit paid for an exhibition, the said amount is shown in the Deposits Receivable, in the year under review.
- (h) Rs. 500,000/= payable upon a ruling of the Supreme Court given in a case filed by an employee against the Authority in 2017 has been paid in 2018. It appears in the accounts of the year in review as an advance receivable, without identifying it as expenditure related to the past.
- (i) Rs. 6,733,600/= projected to be paid in respect of 6 legal cases by the end of the year under review has not been stated in the notes to the accounts as contingent liabilities.
- (j) Compensation for 05 court cases as projected by the Legal Division in 2019 for Rs. 2,800,000/= has been shown as payable in 2020 too, without reviewing.
- (k) Rs. 773,280/= of a contingent liability has been recorded in accounts as a Deposits receivable.
- (l) According to the confirmation of the National Gem and Jewellery Research Training Institute, Rs. 3,577,395/= has to be settled by the Authority to it. However, in the financial statements, that amount is not appeared as a payable.

This audit was carried out in conformity with Sri Lanka Auditing Standards (SLAS). Under “Auditor’s responsibility on the auditing of the financial statements” of this report, my responsibility in terms of these auditing standards has been elaborated. I believe that audit evidence that I have obtained to provide a basis for my opinion is sufficient and appropriate.

1.3 Other information included in the Annual Report of the Authority, 2021

Here, information carried in the Annual Report of the Authority in 2021, which would be given to me after the date of my audit and the information not included in my audit report on them are called the other information. The management must take the responsibility of the other information.

My opinion given on the financial statements does not cover the other information and I neither declare any opinion nor any confirmation on them. The responsibility regarding the authority on financial statements is to read the identified, above mentioned other information when received and them to consider whether they are not compatible with the knowledge I gained in auditing or by any other means.

If I come across any quantitative misinformation while reading the Annual Report of the Authority for 2021, such things must be informed of the managing parties. Further, if any uncorrected misinformation are found, that would be included in my report submitted to Parliament under Section 154(6) of the Constitution, in due time.

1.4 Responsibility of the management and governing parties regarding the financial statements.

It is the responsibility of the management to decide upon the internal controls needed in order to facilitate the compilation of these financial statements in conformity with the Sri Lanka Accounting Standards and for fair submission as well as to compile them devoid of quantitative erroneous statements that may occur due to fraud or errors.

It is the responsibility of the management to determine the potential of the going concern of the Authority, if not the management decides to terminate the operations, in case of no other alternative is available or else to liquidate the Authority, the management must keep accounts on the basis of going concern and reveal the facts with regard to the going concern of the Authority.

The responsibility of financial reporting process of the Authority holds by the governing parties.

The Authority must maintain books and records to facilitate the drafting of annual and periodic financial statements of the Authority on its income, expenditure, assets and liabilities in terms of sub-section 16(1) of the National Audit Act No. 19 of 2018.

1.5 Auditor's responsibility on the Auditing of financial statements.

My objective is to provide a reasonable assurance that the financial statements are free of quantitative false statements caused by fraud and errors as a whole and to issue the Auditor's report with my opinion. Although the fact that reasonable assurance is a high level assurance, it would be an endorsement of revealing of quantitative misstatements always when the auditing is conducted in terms of the Sri Lankan Auditing Standards. Quantitative misstatements may occur due to single or collective impact of fraud and errors and eventually, it is anticipated that they would influence the economic decisions taken by those who refer these financial statements consequently.

The audit was conducted with professional judgment and with professional vigilance by me. Further;

- The basis for my opinion is to obtain sufficient and appropriate audit evidence in order to prevent risks caused due to fraud and errors by planning appropriate audit procedures suits the events in identifying risks and assessing the quantitative false statements, that may occur in financial statements due to fraud and errors. The impact of a fraud is greater than that of a qualitative false statement and the reasons for a fraud are collusion, compilation of forged documents, intentional oversight or incompliance of internal contracts.
- Although an understanding on the internal control of the Authority is done to plan the appropriate audit procedure that suits the occasion, expressing of an opinion on the productivity of the internal control is not considered.
- The fairness of the accounting policies and accounting estimates used as well as the appropriateness of the selected disclosures expressed by the management was assessed.
- The relevance of applying going concern of the Authority in accounting was determined based on evidence obtained regarding whether considerable uncertainty prevails due to events and situations on the going concern of the Authority. If I conclude a considerable uncertainty, attention of my audit report must be focused on that and if such disclosures are insufficient, I must modify my opinion.
- Based on the future events and conditions the going concern could be terminated.

- Submission format and content of financial statements and disclosures were evaluated together with the fact that fair and appropriate inclusion of transactions and events contributed for them.

Governing parties will be made aware of the significant audit findings, main weaknesses in internal controls and other relevant matters that were identified during my audit.

2. Report on the other legal and regulatory requirements

2.1. : Special provisions are included regarding the following requirements in the National Audit Act No. 19 of 2018.

2.1.1. Except for the impact described in the basis for qualified opinion in my report in accordance with the requirements of the section 12(a) of the National Audit Act No. 19 of 2018, I obtained all the information and disclosures required for the audit and it was found in my inquiry that the Authority has maintained proper financial reports.

2.1.2. Financial Statements presented by the Authority are in compatible with the previous year in terms of section 6(1) (d)(iii) if the National Audit Act No. 19 of 2018.

2.1.3. In terms of Section 6(1) (d) (iv) of the National Audit Act No. 19 of 2018, the recommendation made by me in the previous year has been included in the financial statements submitted.

2.2. Within the ambit of procedure followed and evidence obtained and quantitative facts, nothing was captured my attention to make the following statements.

2.2.1. Insider dealing of any member of the governing body of the Authority regarding any agreement related to the Authority, directly or otherwise outside the normal business in compliance with Section 12(d) of the National Audit Act No. 19 of 2018.

2.2.2. Being acted inconsistent with general of special provisions issued by the governing body of the Authority or any relevant written law other than the provision of section 12(e) of the National Audit Act No. 19 of 2018.

| Reference to terms/ regulations | Comment |
|---|---|
| a) National Gem and Jewellery, Act No. 50 of 1993. i) Section 15(1) | Although Attorney General's Department had informed that National Gem and Jewellery Authority being the sole authority of issuing of licenses to engage in gem industry in Sri Lanka, that regulatory body shall not engage in gem mining projects directly; 04 such gem mining projects have been carried out during the year in review, violating Section 15(1) of the Act. |
| ii) Section 15(2) | No methodologies have been put in place to register and regulate private laboratories for testing gem and issuance of licenses. |
| iii) Section 17(1) | Although no person must carry out jewellery industry without that business premises being registered, the authority has not conducted a proper monitoring on that aspect. |
| Financial Regulations of Democratic Socialist Republic of Sri Lanka. i) Financial Regulation No. 486 | Although, in case of a dishonored Cheque, that amount must be recovered in cash at the earliest, cash has not been recovered for 2 Cheque worth Rs. 178,840/= for 9 years and another dishonored Cheque of Rs. 92,139 in 2020. |
| ii) Financial Regulation No. 756 | Physical verification for non-current assets had not been conducted even by 22 February 2022. |
| Section 11 of the Financial Act No. 38 of 1971. | Rs. 1,198,624,994/= and Rs. 880,819,333/= respectively have been invested in Treasury Bills and in fixed deposits without seeking the approval of the Minister of Finance. |
| State Financial Regulations No. 01/2012 of 05 January 2012 | Samurdhi Praja Mula/ Samurdhi divisional organizations have not been conferred in conducting gem mining projects but only the construction contracts. Yet, the Authority had signed agreements with Samurdhi Praja Mula organizations and given permission to carry out such 04 gem mining projects. |

2.2.3. Functioned inconsistence with powers, activities and duties stated in Section 12(g) of the National Audit Act, No. 19 of 2018.

2.2.4. Other than the observations made in accordance with Section 12(h) of the National Audit Act, No. 19 of 2018, procurements have not been made the assets of the Authority in a thrifty, effective and productive manner during the period.

Purchasing of a building to the Authority

- i) On the recommendation of the National Building Research Institute, the Authority has shifted from its building, due to the damages occurred by construction activities carried out in an adjoining building by a private company. In doing so a private building has been rented on 03rd September, 2021 without adhering the procurement procedure.
- ii) Later, bids have been called according to the procurement procedure and received Rs. 4,500,000/= and Rs. 3,000,000/= bids for the new office building and for another one and however the occupying office building has been selected, in violation of the procurement procedure and, furthermore, a lease agreement has been signed until 31st August 2023 since 31st August 2021, covering of the period under rent. Rs. 36,000,000/= had to be paid as the lowest bidder has not been selected in that transaction.
- iii) Further Rs. 14,967,592 has been spent for fixing telephone and intercom connection, networking wiring, laying of carpets, partition activities by 25th April 2022 auditing date for the said building.
- iv) The authority had spent Rs. 53,244,339/= by the date of auditing 22nd April 2022 to re-establish in the new buildings, yet that amount has not been charged from the private construction company that caused damaged to the earlier office building of the Authority.

03. The following matters were observed in the sample audit conducted on the gem mining projects of the Authority.

- a)
 - i. Shortcomings, such as approval has not been sought for the Mountjin gem mining project, although Mahaweli Authority had granted agreement for this project on the basis that obtaining 40 per cent at the land auction; gem mining project has been carried out with a Samurdhi Praja Mula Organization, several public sector institutions have claimed for profit as the launching of the project was defective, the huge loss incurred by the Authority due to the failure to conduct an auction. Although the Central Environment Authority had granted approval to carry out mining activities subject to several conditions imposed upon to preserve environment it was observed in the physical verification that water flow has been diverted to one side using sound sacks, digging up the depth of the stream to excavate gem stones, large heaps of soil were dumped along the banks and fixing of the soil washing machine very much closer to the stream.
 - ii. An entrepreneur and 2 Samurdhi unions had been selected for the Kalu Ganga, Haraniyawaka Gem Mining Project, for Rs. 125,000,000/= and although the committee appointed to supervise the project must visit the

- project site twice a week and draft a research report and to submit it to the Authority with the signature of those officers that had not been done so, and found that the project had not been supervise properly.
- iii. Although, approval has been sought for the Nidhanaya gem mining project from Central Environment Authority, Irrigation Department, National Building Research Institute and Divisional Secretaries of Kiriella and Ayagama, it has not been granted. As bids have not been called for a entrepreneur party, a higher bid has been lost. Although, 07 Samurdhi Praja Mula unions had been granted the gem mining contract on the basis of a 60% profit share, the financial feasibility of them have been scrutinized.
 - iv. 1289 and 1975 sacks of mined deposits from Kalu Ganga and Haraniyawaka sites respectively have been dumped in the project premises without cleaning those deposits.
- b) For the construction of trade stalls at the International Expo Exhibition in China, Rs. 7,234,920/= has been spent and Rs. 41,553/= has been spent on the advertisement published to select exhibitors. Since Sri Lanka could not take part in that trade exhibition, Rs. 7,276,473/= the total expenditure was found uneconomical.
 - c) Having established Gem and Jewellery Training Institute, steps have been taken to inform of the Authority regarding mapping of terrain around Kumbukkan Oya Stream for gem bearing in abandoned sites, spending Rs. 300.65 million, in Badalkumbura Divisional Secretariat Division. On the contrary, a company has been awarded to carry out a testing mining activity in the terrain submerged by Kaumbukkan Oya reservoir at an estimate amount of Rs. 5,754,000/=, and Rs. 750,000/= had already paid in advance, without referring to the maps in hand.
 - d) An entrepreneur and 02 Samurdhi unions had been selected for Rs. 05 million to carry out gem mining in a 13.5 perch area off a stream under Gadavila gem mining project in Badalkumbura, Moneragala. The entrepreneur party had conducted mining in 9.5 perch and again has asked permission to carry out gem mining at remaining 04 perch plot of land. On the information received from Attorney General's Department that no provisions has been granted for mining in the Act, the Authority has formulated a new agreement under the direction of a board decision to carry out the second phase of mining with 02 Samurdhi unions, without extending the earlier agreement.
 - e) Rs. 1,793,300/= out of the proceeds of gem auction had been paid to a Samurdhi union that has not been registered under Samurdhi Development Department on the request of 02 Samurdhi Praja Mula unions and

another Rs. 12,507,556/= had been remitted to 02 joint accounts of 04 officials of Samurdhi unions without sending cheques to the names of those Samurdhi unions.

- f) Jewellery Development Fund had been established for the development of the gem and jewellery industry by collecting Rs. 5,000/= annual registration fee each from jewellery industrialists, since there were no plan or methodology to utilize that fund for the benefit of the industry, the cumulative balance Rs. 82,536,818/= of that account was found uneconomic by the end of the year.
- g) In conformity with the gazette notification number 2165/2 of 02 March, 2020 from the license holder No. CB2600A for mechanized gem mining. Only a service charge of Rs. 48,000/= has been charged whereas, the actual amount for various activities was a service charge Rs. 1,635,000/=
- h) A gem testing laboratory had been established in Galle on the request of business community and tourist market for gem and jewellery, in 2016. Only Rs. 175,600/= has been earned during the 24 days that the laboratory was open and no service has been provided for 04 months during the year under review as no gemologists were assigned there.
- i) In the issuance of gem mining licenses, for the reclamation and rearrangement Rs. 4,500/=, Rs. 9,000/= and Rs. 600,000/= to 5,000,000/= for mechanized gem mining with 3000 – 4000 Square Feet have been charged as deposits from the clients. However, no regulation has been done to check whether such rearrangement has been made and property reclaimed the abandoned mines when settling those deposits. The clients have not claimed for Rs. 8,980,350/= during the year in review and kept that amount in the Authority while the Authority had spent only Rs. 3, 099,934/= for the land reclamation activities.
- j) The lease agreement signed with a private company for the Sri Lanka Gem and Jewellery Exchange Centre housed at the World Trade Centre has been terminated on 31st October, 2021, but the surety deposit of Rs. 13,394,230/= has not been recovered even by the day of auditing conducted on 30th April, 2022.
- k) No efforts has been taken to revisit and update the Gem & Jewellery Authority, Act No. 50 of 1993 during the year in review as well after it had been passed in 1993.
- l) In view of safeguarding lives and body organs of the workers engaged in gem and jewellery industry, and to take security and regulatory measures, according to Section 14(m) of the National Gem and Jewellery

Authority Act No. 50 of 1993, Rs. 500 each has been charged in issuance of gem mining licenses and credited into Gem Mining Welfare Fund. Although, a balance of Rs. 34,154,875/= remains in that account, the objectives have not been achieved.

(Signed by)

W.P.C. Wickramarathna

Auditor General