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தேசிய இரத்தினக்கல், ஆபரண அதிகாரசபை
NATIONAL GEM AND JEWELLERY AUTHORITY

වාර්ෂික වාර්තාව

ஆண்டறிக்கை

ANNUAL REPORT

2022

කර්මාන්ත අමාත්‍යාංශය

கைத்தொழில் அமைச்சு

MINISTRY OF INDUSTRIES

VISION STATEMENT

“MAKING SRI LANKA A CENTER FOR GEMS AND GEM-STUDED
JEWELLERY’”

MISSION STATEMENT

TO ACHIEVE INDUSTRY EXCELLENCE BY PROMOTING AND
REGULATING THE DEVELOPMENT OF GEMS AND JEWELLERY SECTOR

National Gem and Jewellery Authority Corporate Information

Head Office - National Gem and Jewellery Authority,
No25, Galle Face Terrace,
Colombo 03.

Telephone: 011-2329295/2325364/2390645-8

Fax: 011-2320758

Website : www.ngja.gov.lk

Regional Offices Address & Telephone Nos.

Regional Office (Colombo) National Gem and Jewellery Authority,
No25, Galle Face Terrace, Colombo 03.
Telephone: 0112325364, 2329295, 2390645, 2390651
Email: **ngjacolr@gov.lk**

Regional Office (Rathnapura) National Gem and Jewellery Authority, Rathnapura.
Telephone: 0452223591, 045222159, 0452223592
Email: **srmratnapura@gov.lk**

Regional Office (Eheliyagoda) National Gem and Jewellery Authority,
Regional Office Eheliyagoda
Telephone: 0362258170
Email: **ngjaeche@gov.lk**

Regional Office (Naula) National Gem and Jewellery Authority, Naula.
Telephone: 0662246094
Email: **ngjanaula@gov.lk**

Regional Office (Monaragala) National Gem and Jewellery Authority,
1/17, Kachcheri Road, Monaragala
Telephone: 0552276124
Email: **ngjamonr@gov.lk**

Regional Office (Matara) National Gem and Jewellery Authority,
No.391, Pamburana, Matara
Telephone: 0412223330
Email: **ngjamatara@gov.lk**

The Board of Directors of National Gem and Jewellery Authority Year 2022

Name		From	To
1. Mr. Viraj De Silva – Chairman & CEO, National Gem and Jewellery Authority	Chairman & CEO	14.10.2022	Up to now
2. Mr.Y.K.T.P.Weerasinghe – Former Chairman & CEO,National Gem and Jewellery Authority	Chairman& CEO	30.11.2020	13.10.2022
3. Ms. D.C.W.Hapugoda – Additional Director General, Ministry of Finance	Member	01.03.2022	Up to now
4. Mr. Suresh De Mel – Chairman, Sri Lanka Export Development Board	Member	20.01.2021	Up to now
5. Mr. A.R.K.Wijesekara– Assistant Governor, Central Bank of Sri Lanka	Member	29.09.2021	Up to now
6. Mr.N.A.K.L.Wijenayake – Additional Secretary, State Ministry of Gem & Jewellery Related Industries	Member	31.01.2022	Up to now
7. Mr. A.M.Rathnayake – Chairman, Gem and Jewellery Research and Training Institute	Member	28.06.2022	Up to now
8. Mr. P.B.S.C.Nonis – Director General, Sri Lanka Customs	Member	23.08.2022	Up to now
9. Dr.G.Chandrasena	Member	14.10.2022	Up to now
10. Mr. B.A.M.Ranjith Bandara	Member	14.10.2022	Up to now
11. Mr. R.W.EdwinRajapakshe	Member	14.10.2022	Up to now
12. Mr. Sumathipala Liyanaarachchi	Member	14.10.2022	Up to now
13. Mr. Gunapala Wickramage	Member	25.07.2022	Up to now
14. Mr.A.K.D.D.D.Arandara – Director, Ministry of Finance	Member	23.01.2020	04.03.2022
15. Mr. W.A.P.Sumith Kumara	Member	01.01.2020	20.10.2022
16. Mr. N.Hemapriya Mallikarachchi	Member	01.01.2020	19.10.2022
17. Mr. Asanka Wijesundara	Member	26.02.2020	18.10.2022
18. Mr. Eranga Basnayake	Member	01.01.2020	17.10.2022
19. Mr. R.M. Mohan J.Ratnayake	Member	25.09.2020	29.04.2022

Senior Management Profile

National Gem and Jewellery Authority

Year 2022

	NAME	EDUCATION QUALIFICATION	DESIGNATION
1.	Mr. Viraj De Silva Chairman & CEO	B.A. Hon (Delhi)	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 2022 Under 14(1) of the Finance Act No.38 of 1971

01. The year 2022 marks the 28th 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;

- l) 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. 84.908(Mn) and at the end of the year It was Rs. 122.833(Mn). Held to Maturity Investments (Treasury bills) at the beginning of the year was Rs. 1198.625 (Mn) and at the yearend it was Rs 1647.583 (Mn).

Other Financial Assets at the beginning of the year was Rs.880.82 (Mn) and at the year- end it was Rs.934.275 (Mn).

3.2 Profitability:

	2017	2018	2019	2020	2021	2022
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Total Income	665.818	588.609	604.581	427.8	676.6	968.6
Total Expenditure	536.971	442.051	417.146	393.7	434.6	542.8
Profit (Before Tax)	128.847	146.558	187.435	34.1	242	425.8

04. Human Resources:

The staff of the Authority reached 240 at the end of 2022 including professionals. Continuous professional development activities were carried out during the year. The staff training cost, local and foreign amounts to Rs.2,424,603/- 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	2022
Gemming Licenses	5240	4817	5532	5,203	4,665	4,434	5,322
Gem Dealers Licenses	6102	5328	4795	5,449	3,481	3,628	7,193
Lapidary Licenses	243	225	211	203	146	120	192
Gem Auction Licenses	491	461	415	684	388	444	729
Total Licenses	12,076	10,831	10,953	11,539	8,680	8,626	13,436

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

The Authority has 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. 15.804 million.

07. Special Gem Mining Projects.

During the year a special gem mining project were carried out at Heraniyawaka, Mountjin and Nammuniyawatte.

Income earned by Special Gem mining projects by sale of Gems amounts to Rs. 54.667miliion.

08. Export Promotion & Publicity Activities 2022

1. Issuing visa recommendations to foreigners entering the country.
2. Helping to get Visa Facility for Sri Lankan Exporters engaged in Gem and Jewellery Industry in other countries.
3. Provide recommendations for Foreign Exchange to purchase gems worth up to US \$ 50,000.
4. Disseminated Promotional Brochures and flyers among the Sri Lanka Mission in Overseas.
5. Organize awareness programmes for local mining community on gem producing countries (organizing business groups).
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 a zoom meeting with Embassy of Sri Lanka in Russia, Russian Jewellery Trade and Gem and traders of Sri Lanka.
10. Facilitated to hold a virtual B2B meeting between potential Gem and Jewellery Buyers and Sri Lankan Gem and Jewellery Exporters.
11. Organizing Sri Lanka Pavilions at International Gem and Jewellery Exhibitions.
 - World Expo 2020 in Dubai- 06th Dec 2021 to 09th Jan 2022.

12. Facilitating International Gem and Jewellery Exhibitions held locally.
 - Due to the COVID 19 situation of Sri Lanka, local exhibitions were not organized in 2022
13. Organizing Gem and Jewellery Sector participation at local exhibitions organized by Government Agencies such as Sri Lanka Export Development Board, Sri Lanka Tourism Promotion Bureau etc.
14. Management of Online trading platform through the NGJA website.
15. Issuing visa recommendation letters to foreigners who are working in the field of gems and jewellery (number of visa recommendations issued).
16. Introducing the opportunities for online Exports through the Authority's website.
17. Distribution production tools to the jewellery craftmans.
18. Conduct workshops in relation to Gems and Jewellery Export Process.
19. Nominating and Publicizing "Traditional Jewellery Craft Villages" to promote among Tourists visits Sri Lanka.
20. Organized and held meetings with Jewellery craftsmen associations to identify their problems.
21. Purchased Jewellery manufacturing tools for distribute to registered Jewellery manufactures in Jewellery associations.
22. Organizing the delegations and mini gem and Jewellery Exhibitions to the foreign Delegations.

09. Other Development Activities.

1. For the upliftment of Jewellery sector new machinery such as x-ray fluorescent spectroscopy & Lacer machines were introduced.
2. Distribution of 47 nos. of Production tools to the Jewellery Craftsman's was done during the year.
3. Registration of Jewellery Manufacturers and Issuance of Identity Cards for 2022 amount to **1,504**.
4. Construction of International Gem Tower in Rathnapura Demuwawatha is in progress and physical completion is **87%**.
5. Gem testing certificate issued in 2022 amounts to 9370 nos. and the number of certificate done in respect of Assaying and Hallmarking was 29,364 Nos.
6. The concept of "One stop system" is in satisfactorily operation for the purpose of issuing mining License.
7. During the year 10 Board meetings and 04 Audit and Management meetings were conducted.
8. From the Gem Mining welfare fund Rs.750,000/= each for 03 nos. were paid to a Gem Mining labour's family as compensation due to a death occurred in the mining process. Also Rs.590,000/- was paid for minor injuries occurred during the period as labour compensation.

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 2022 under review:

	2017 Rs. Mn	2018 Rs. Mn	2019 Rs. Mn	2020 Rs. Mn	2021 Rs. Mn	2022 Rs. Mn
Gem Exports	21,644	22,304	19,364	13,120	21,619	69,706
Jewellery Exports	2,331	2,062	2,476	1,257	2,002	4,511
Geuda Exports	33	19	10	18	27	23
Diamond Re-Exports	14,134	19,393	23,670	16,321	28,291	70,642
Diamond Jewellery Exports	207	190	242	168	356	540
Total Exports	38,349	43,968	45,762	30,884	52,295	145,422

	2017 US \$ Mn	2018 US \$ Mn	2019 US \$ Mn	2020 US \$ Mn	2021 US \$ Mn	2022 US \$ Mn
Gem Exports	140.27	137.60	107.21	70.62	112.19	208.46
Jewellery Exports	15.09	12.61	13.73	6.74	9.96	13.86
Geuda Exports	0.21	0.12	0.06	0.10	0.14	0.08
Diamond Re-Exports	91.53	118.35	131.02	92.70	140.63	211.46
Diamond Jewellery Exports	1.34	1.17	1.34	0.90	1.78	1.65
Total Exports	248.44	269.85	253.36	171.06	264.70	435.51

Viraj De Silva

Chairman & Chief Executive Officer
National Gem and Jewellery Authority

2023.02.28

NATIONAL GEM AND JEWELLERY AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 Rs. Cts.	2021 Rs. Cts.
Revenue	28	688,982,632.28	525,887,828
Other Income	29	12,131,873.74	21,719,148
Administration Expenses	30	(254,891,259.68)	(179,454,720)
Personnel Expenses	31	(281,318,241.42)	(242,186,326)
Promotional Expenses	32	<u>(6,647,506.92)</u>	<u>(12,903,628)</u>
Operating Profit		<u>158,257,498.00</u>	<u>113,062,301</u>
Net Finance Income	33	<u>267,490,209.82</u>	<u>128,960,706</u>
Profit After Net Finance Income		<u>425,747,707.82</u>	<u>242,023,008</u>
Profit Before Tax		<u>425,747,707.82</u>	<u>242,023,008</u>
Income Tax Expenses	34	(97,515,102.16)	(37,973,066)
Profit for the Year		<u>328,232,605.66</u>	<u>204,049,942</u>
Profit for the Year		328,232,605.66	204,049,942
Other Comprehensive Income		-	-
Less:			
Contribution to Consolidated Fund		(50,000,000.00)	(40,000,000.00)
Total Comprehensive Income for the Year		<u>278,232,605.66</u>	<u>164,049,942</u>

NATIONAL GEM AND JEWELLERY AUTHORITY
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	2022 Rs. Cts.	2021 Rs.
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	3	616,521,711.56	514,319,799
Leasehold Land (Right-To-Use Land)	4	9,451.00	11,815
Other Assets	7	765,316,000.00	371,939,331
Available-for-Sale (AFS) Financial Assets	8	1,200,010.00	1,200,010
Capital Working Progress		232,333,278.12	118,773,637
Other Financial Assets	14	26,890,229.05	26,890,229
Total Non-Current Assets		1,642,270,680	1,033,134,821
Current Assets			
Inventories	9	5,627,581.14	4,092,575
Receivables	10	191,927,790.72	95,619,502
Held-to-Maturity Investment (HTM)	11	1,647,583,269.46	1,198,624,995
Deposits and Advances	12	174,657,139.39	177,113,499
Employee Loans & Advances	13	17,894,799.97	15,077,003
Other Financial Assets	14	907,385,208.00	853,929,105
Cash and Cash Equivalents	15	122,833,900.74	84,908,410
Total Current Assets		3,067,909,689.42	2,429,365,089
TOTAL ASSETS		4,710,180,369.15	3,462,499,910
EQUITY & LIABILITIES			
Equity			
Capital Contributed By Treasury	16	30,000,000.00	30,000,000
Gem Mining Welfare Fund	17	34,807,024.09	34,154,874
Jewellery Development Fund	18	90,698,473.03	82,536,818
Gem Rewards Fund	19	45,226,589.61	46,594,806
Gems Revaluation Reserve	20	748,548,000.00	355,074,648
Revaluation Reserve	21	180,825,107.39	52,945,424
Retained Earnings		1,430,372,598.66	1,150,277,528
Total Equity		2,560,477,792.78	1,751,584,098
Non-Current Liabilities			
Retirement Benefits Obligation	22	36,338,770.73	45,753,331
Deferred Tax Liability	6	26,597,340.28	24,368,131
Liability to Make Lease Payments - Settlements Fall Due More Than One Year	23.1	1,742.75	2,742
Total Non-Current Liabilities		62,937,853.76	70,124,203
Current Liabilities			
Liability to Make Lease Payments - Settlements Fall Due Within One Year	23.1	1,668.00	1,669
Payables	24	286,151,680.94	213,550,981
Gemming Deposits		993,253,918.33	840,553,983.32
Deposits and Advances Received	25	132,880,824.63	115,846,060
Statutory Payable	26	622,002,115.40	392,510,500
Provisions and Accrued Expenses	27	52,474,515.31	78,328,415
Total Current Liabilities		2,086,764,722.61	1,640,791,608
TOTAL EQUITY & LIABILITIES		4,710,180,369.15	3,462,499,910

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 12-22 and Notes on pages 24- 34 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 27th Feb 2023.

CHAIRMAN / CEO

DIRECTOR

NATIONAL GEM AND JEWELLERY AUTHORITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 Rs. Cts.	2021 Rs. Cts.
Profit Before Tax	425,747,708	242,023,008
Adjustments for		
Deprecation	49,003,686	34,431,460
Provision for Retirement Benefit Obligations	13,632	960,314
Provision for Labour Compensation	7,743,886	-
Dividends	(600,000)	-
Interest Income	(267,548,442)	(128,999,414)
Finance cost on Liability to Make Lease Payments	58,232	38,708
Amortization of Right-to-use Land	2,364	2,364
Operating Profit Before Working Capital Changes	214,421,066	148,456,440
Changes in working Capital		
Inventories	(1,535,007)	(1,522,805)
Receivables	19,257,829	(32,130,057)
Deposits and Advances	2,456,360	(13,632,200)
Employee Loans & Advances	(2,817,797)	2,865,876
Payables	72,600,700	13,392,181
Gemming Deposits	154,557,541	132,744,612
Deposits and Advances Received	17,034,765	(16,619,859)
Provisions and Accrued Expenses	(25,853,899)	5,784,423
Cash Generated from Operations	450,121,558	239,338,611
Gratuity Paid	(9,630,080)	(3,655,248)
Taxes Paid	(38,588,746)	(16,480,089)
Net Cash from Operating Activities	401,902,732	219,203,274
Cash Flows from Investing Activities		
Acquisition of Property, Plant and Equipment	(21,564,451)	(64,866,955)
Dividend Received	300,000	-
Investment in Other Treasury Bills	(448,958,275)	(185,000,000)
Net Investment in Financial Assets	(53,456,103)	(38,006,353)
Interest Received	152,282,324	93,872,073
Net Cash from (used in) investing activities	(371,396,505)	(194,001,235)
Cash Flows from Financing Activities		
Utilization of Gem Mining Welfare Fund	652,150	2,415,000
Settlement of Liability to Make Lease Payments	(26,325)	(26,325)
Contribution to Jewellery Development Fund	8,161,655	1,360,940
Contribution to Gem Rewards Fund	(1,368,217)	1,847,248
Net Cash From (used in) Financing Activities	7,419,263	5,596,863
Net Changes in Cash & Cash Equivalents	37,925,491	30,798,902
Cash & cash Equivalents at Beginning of the year	84,908,410	54,109,508
Cash & Cash Equivalents at End of the Year (Note 15)	122,833,901	84,908,410

NATIONAL GEM AND JEWELLERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 entire class of Motor Vehicles were revalued during the year and recognized in the Financial statements under review.

The Head Office building situated at 25, Galle Face Terrace, Colombo 03, was damaged due to a construction activity carried by an adjoining Land to the above premises. With the recommendation of the National Building Research Institute, office activities were relocated. Subsequently with the approval of the Board of Directors a case was filled to claim damages in the Magistrate Courts.

In order to evaluate the cost of damages expertise services were assigned to the University of Moratuwa and based on 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%
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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 AND JEWELLERY AUTHORITY
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	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 2021	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									1,740,852,938
Prior Year Adjustment									-
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
Fair Value Adjustment	-	-	-	-	-	-	-		
Profit for the Year	-	-	-	-	-	-	-	278,232,606	278,232,606
Other Comprehensive Income	-	-	-	-	-	-	-	-	-
Total Comprehensive Income									-
Prior Year Adjustment (Note 39)									-
Contribution to / (Utilization) for the Year	-				-	-	-	-	-
Adjustment on Impairment	-	652,150	8,161,655	(1,568,216)	-	393,473,352	127,879,682	1,862,465	530,461,088
Balance as at 31 December 2022	30,000,000	34,807,024	90,698,473	45,026,590	-	748,548,000	180,825,107	1,430,372,599	2,560,277,792

NATIONAL GEM AND JEWELLERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Property, Plant & Equipment Cost	As At 01 January 2022	Additions	Revaluation	Adjustments	As At 31 Dec 2022
Freehold					
Land	40,374,059			-	40,374,059
Buildings	388,278,233	6,261,907.00		-	394,540,140
Fixture & Fittings	23,579,122	678,550.00		-	24,257,672
Furniture	22,036,555.78	115,065.00		-	22,151,621
Office Equipment	25,015,575	399,764.00		-	25,415,339
Computer	41,869,855	8,750,665.00		-	50,620,520
Laboratory Equipment	60,150,047	13,500.00		-	60,163,547
Lapidary Equipment	403,475	-		-	403,475
Jewellery Equipment	148,200	-		-	148,200
Assay Equipment	173,183,686	5,035,000.00		-	178,218,686
Machine and Geuda Equipment	13,790,342	-		-	13,790,342
Motor Vehicle	118,672,998	210,000.00	129,450,000	118,672,998	129,660,000
Motor Bicycles	100,000		85,000	100,000	85,000
Bicycles	37,334	-		-	37,334
Library Books	-			-	-
Partitions	9,620,694	-		-	9,620,694
Partitions- Mobile Lab	2,456,500	-		-	2,456,500
Leasehold	-	-		-	-
Land	159,205			-	159,205
	919,875,880	21,464,451	129,535,000	118,772,998	952,102,334
	As At	Charge for the		Adjustments	As At
Depreciation	01 January 2022	Year			31 December 2022
Freehold					
Buildings	62,358,560.67	7,866,785			70,225,345.67
Fixture & Fittings	17,152,660.06	1,157,604		-	18,310,264
Furniture	13,737,709.51	1,145,182		-	14,882,892
Office Equipment	19,551,253.50	1,357,668		-	20,908,922
Computer	31,066,073.09	4,137,846		-	35,203,919
Laboratory Equipment	30,040,271.48	4,877,363		-	34,917,634
Lapidary Equipment	403,475.00			-	403,475
Jewellery Equipment	148,200.00			-	148,200
Assay Equipment	88,998,765.64	15,397,849		-	104,396,615
Machine and Geuda Equipment	9,705,670.80	549,798		-	10,255,469
Motor Vehicle	116,560,282.49	12,378,418		(117,017.680)	11,921,020
Motor Bicycles	100,000.00	7,801		(100,000)	7,801
Bicycles	37,334.00			-	37,334
Library Books	-			-	-
Partitions	9,332,101.76	127,372		-	9,459,474
Partitions- Mobile Lab	2,456,500.00			-	2,456,500
	401,648,858	49,003,686		(117,117,680)	333,534,864
Net Carrying Values		As At 31 December 2022	As At 31 December 2021	Adjustments	As At 01 January 2021
Freehold					
Land		40,374,059.00	40,374,059.00		40,374,059
Buildings		324,314,794.74	325,919,672.74		325,682,152
Fixture & Fittings		5,947,407.89	6,426,461.89		5,965,349
Furniture		7,268,729.27	8,298,846.27		4,833,840
Office Equipment		4,506,417.29	5,464,321.29		6,937,733
Computer		15,416,600.89	10,803,781.89		2,776,617
Laboratory Equipment		25,245,912.12	30,109,775.12		33,585,262
Lapidary Equipment		-	-		-
Jewellery Equipment		-	-		-
Assay Equipment		73,822,070.87	84,184,919.87		61,432,012
Machine and Geuda Equipment		3,534,873.19	4,084,671.19		2,593,419
Motor Vehicle		117,738,978.36	2,112,715.36		3,451,881
Motor Bicycles		77,199.00	-		-
Bicycles		-	-		-
Library Books		-	-		-
Partitions		161,219.94	288,591.94		-
Partitions- Mobile Lab		-	-		-
Leasehold					
Land		159,205.00	159,205.00		159,205
		618,567,467.56	518,227,022		487,791,527
Provision for Impairment		(2,045,756)	(3,907,223)		(3,431,368)
		616,521,711.56	514,319,799		484,360,159

NATIONAL GEM AND JEWELLERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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		2022	2021
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		59,094.00	56,730
Amortization for the Year		2,364.00	2,364
As At 31 December		61,458.00	59,094
Carrying Amount		9,451.00	11,815
5 Intangible Assets			
	As At	Additions /	As At
	31 Dec. 2022	(Disposals)	31 Dec. 2021
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. 2022	Year	31 Dec.2021
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			
Computer Software		-	-
6 Deferred Tax Asset / (Liability)		2022	2021
Balance at 01 January		24,368,130.77	24,644,383.96
Adjustment		2,229,209.51	(276,253.19)
Balance at 31 December		26,597,340.28	24,368,131

NATIONAL GEM AND JEWELLERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

		2022	2021
7 Other Assets			
Rough Stone & Synthetic Stone		96,682.58	96,682.58
Exhibition Gem Stone		765,219,317.42	371,842,648.00
Advance Payment Gems and Gems Institute		200,000.00	200,000.00
		765,516,000.00	372,139,331
Provision for Impairment		(200,000.00)	(200,000.00)
		765,316,000.00	371,939,331
8 Available for sale (AFS) Financial Assets			
Unlisted Investments	(Note 8.1)	1,200,010	1,200,010
8.1 Unlisted Investments	No. of Shares		
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		3,223,796.31	2,905,391.07
Gems - Gauda Centre		183,547.54	183,547.54
Printing and Stationery Stock		2,220,237.29	1,003,636.00
		5,627,581.14	4,092,575
10 Receivables			
Receivables		164,085,403.16	85,984,392.83
Provision for Impairment		(1,407,972.00)	(1,407,972.00)
		162,677,431.16	84,576,421
Pre Payments		29,250,359.56	11,043,081.27
		191,927,790.72	95,619,502
11 Held-to-Maturity Investment (HTM)			
Carrying Amount at Amortized Cost			
Treasury Bills - Bank Of Ceylon		829,090,562.97	608,722,190
Peoples Bank		818,492,706.49	589,902,805
		1,647,583,269.46	1,198,624,995
12 Deposits and Advances			
General Deposit		175,998,861.39	178,455,221.39
Others		30,725.00	30,725.00
Security Deposits		61,500.00	61,500.00
		176,091,086.39	178,547,446.39
Provision for Impairment		(1,433,947.00)	(1,433,947.00)
		174,657,139.39	177,113,499
13 Employee Loans & Advances			
Advances		77,562.68	191,315.01
No pay Leaves		119,944.79	143,128.73
Vehicle Loan		4,574.34	4,574.34
Textile Loan		64,000.24	58,000.24
Distress Loans		17,628,717.92	14,679,985.05
		17,894,799.97	15,077,003
14 Other Financial Assets			
Fixed Deposits - Bank Of Ceylon		497,763,923.16	472,290,195.05
Peoples Bank		348,602,425.04	327,820,813.21
HDFC		87,909,088.85	80,708,325.67
		934,275,437.05	880,819,333.93
15 Cash and Cash Equivalents			
Cash Transfer Balances		1,587,333.33	1,344,082.40
Cash and Bank Balances - LKR		115,435,547.67	71,948,422.14
Bank Balances - Foreign Currency		5,811,019.74	11,615,905.50
		122,833,900.74	84,908,410

NATIONAL GEM AND JEWELLERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 workers 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, Motor Vehicle once the respective revalued assets have been disposed, portion of revalued surplus is transferred to retained earnings.

22 Retirement Benefits Obligation	2022	2021
Balance at 01 January	45,753,330.68	49,841,554.40
Expense Recognized in the Statement of Comprehensive Income note 22.1	13,631.55	960,313.78
Benefit Paid Year 2022	(9,428,191.50)	(5,048,537.50)
Adjustments made year 2022	-	-
Balance at 31 December	36,338,770.73	45,753,331
22.1 Expense Recognized in the statement of comprehensive income		
Interest Cost	5,444,646.35	4,834,630.80
Charge for the Year	1,930,028.28	2,508,880.40
(Gain) / Loss Arising From Changes in the Assumptions	(7,361,043.08)	(6,383,197.42)
	13,631.55	960,314

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 [%]	12	10
Future Salary Increases Average - Salary [%]	1.3	1.3
Staff Turnover Factor [%]	2.5	2.5
Retirement age [Yrs.]	60	60

Beginning of the year Discount Rate 12% was taken for calculation. It was taken to remove the exceptional high market rate due to present crisis prevail as recommended by Para 84 of LKS 19.

NATIONAL GEM AND JEWELLERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
23 Liability to Make Lease Payments		
Gross Liability		
As At 01 January	296,825.00	336,313.00
Recognized During the Year	-	-
Payments Made During the Year	(39,488.00)	(39,488.00)
As At 31 December	257,337.00	296,825
Finance Cost		
As At 01 January	292,417.00	331,125.00
Recognized During the Year	-	-
Finance Cost Recognized in Comprehensive Income During the Year		(38,708.00)
Finance Cost Allocated to Future Periods	292,417.00	292,417
Net Liability As At 31 December	35,080.00	(4,408)
23.1 Classification of Liabilities		
Settlements Fall Due Within One Year		
Gross Liability	59,900.00	59,900.00
Finance Cost Allocated to Future Periods	(58,232.00)	(58,232.00)
	1,668.00	1,668
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	(236,925.00)	(234,183.00)
	-	2,742
Settlements Fall Due More Than Five Years		
Gross Liability	3,410.75	-
Finance Cost Allocated to Future Periods	-	-
	3,410.75	-
Total Settlements Fall Due More Than One Year	3,410.75	2,742
Total Net Liability As At 31 December	5,078.75	4,410
24 Payables		
Creditors	187,039,135.64	188,791,845.82
Retention from Contractors	22,611,037.52	13,608,477.56
Other	76,501,507.78	11,150,657.67
	286,151,680.94	213,550,981

NATIONAL GEM AND JEWELLERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

25	Deposits and Advances Received	2022	2021
	Employee Security Deposits	111,500.00	61,500.00
	Advances from Customers	15,896.26	15,896.26
	Over recovery from Employees	-	30,088.67
	Land Dispute Deposits	116,136,877.40	101,209,759.14
	Tender Deposit	9,713,580.00	9,567,680.00
	Shop Holder Deposit WTC/other	6,035,980.68	4,555,138.70
	Gem Museum Fund	125,997.00	125,997.00
	Export Commission Deposits	280,000.00	280,000.00
	Medical Scheme Fund	460,993.29	-
		132,880,824.63	115,846,060
26	Statutory Payable		
	Corporate Tax (Note 26.1)	92,558,964.60	35,861,818.73
	Value Added Tax	1,546,626.73	6,184,401.78
	Retained Gem Auction Tax 2.5%	525,030,110.66	347,017,042.23
	Stamp Fees	2,269,782.41	3,447,237.41
	SSCL Tax	596,631.04	-
		622,002,115.44	392,510,500
26.1	Corporate Tax		
	Balance as at 01 January	35,861,818.73	14,415,036.00
	Current Tax for the Year	94,670,212.20	37,973,065.73
	Payment During the Year - Settlement of Previous Year liability	(32,588,746.00)	(10,480,089.00)
	- Self Assessment Payments	(6,000,000.00)	(6,000,000.00)
	Set off with Tax Credits - ESC	-	-
	- WHT	-	-
	- National Tax	-	-
	Adjustment on (Under) / Over Provision in Previous Year	615,679.67	(46,194.00)
	Balance as at 31 December	92,558,964.60	35,861,819
27	Provisions and Accrued Expenses		
	Provision for Legal Claims	-	-
	Accrued Expenses	52,474,515.31	78,328,415.66
		52,474,515.31	78,328,416

NATIONAL GEM AND JEWELLERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

28 Revenue	2022	2021
Land Auction - Crown Land	38,540,000.00	2,639,395.43
Land Auction - LRC	36,173,675.90	560,000.00
Service and Appeal License Fees	982,100.00	642,980.00
Gemming License Fees	41,090,675.00	36,208,018.00
Dealers License Fees	71,864,937.00	42,848,080.60
Service Fees for Gifts and Samples	192,000.00	360,000.00
Gem and Jewellery Export Service Fee	246,425,833.89	141,895,336.04
Lapidary License Fees	392,135.00	411,346.00
Service fee - Geuda Export	5,940,738.84	6,315,111.32
LDO Land / Mineral Tax	5,480,000.00	4,436,750.00
Income from Fines	15,804,209.48	10,648,707.66
Gem Auction Permits	1,470,500.00	946,000.00
Gem Testing Charges	9,220,797.03	4,790,918.00
Income from Assay Office	20,845,410.43	7,525,480.37
License copying Charges	68,570.00	43,290.32
Service Fee - Katunayake Diamond Center	15,872,968.31	8,448,400.00
Income from Gem Parcel Clearing	2,749,109.14	2,583,103.81
Environmental Protection	1,080,000.00	-
BACO Service Charges	40,036,400.00	39,345,000.00
Inspection Charges	45,391,200.00	40,511,800.00
Colour and 3D Cards	5,577,400.00	3,091,800.00
Sale of Gem	54,666,767.26	19,126,585.14
Forfeited Gemming	7,714,500.00	8,980,350.00
Gravel Transport Permit Income	1,682,600.00	607,340.00
Gem Transport Charges Income	9,500.00	498,168.77
Inspection Charges for Engineers	17,039,000.00	15,963,200.00
Project Income	-	125,475,200.00
Visa Charges Income	1,248,555.00	985,466.50
Machinery fee for Gemming	1,423,050.00	-
	688,982,632.24	525,887,828
29 Other Income		
Miscellaneous Income	1,400,670.14	583,765.32
W.T.C and Rathnapura Booth	-	13,343,831.25
Sales of Books	43,800.00	22,200.00
Dividends	600,000.00	-
Rental Income	9,225,648.65	3,779,423.94
Proceed of Auctioned Items	-	2,576,208.00
Income from Insurance Agencies	861,754.95	713,719.68
Exhibition Expenses- Foreign/ Local (Recovered)	-	700,000.00
	12,131,873.74	21,719,148

NATIONAL GEM AND JEWELLERY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
30 Administration Expenses		
Subscription	1,148,347.64	1,278,565.91
Entertainment (Local)	2,200,541.84	1,732,568.51
Telephone Charges	4,309,213.14	4,074,472.91
Postage and Stamps	1,762,413.06	931,945.16
Internet Charges	4,581,090.74	4,511,366.45
Expenses of Board Members	1,436,000.00	1,123,112.65
Rent	59,022,197.70	23,374,414.31
Electricity	9,681,534.40	7,867,468.21
Rates and Taxes	1,040,335.75	1,128,590.75
Newspapers and Periodicals	71,910.00	38,350.00
Water tax and Charges	1,156,062.79	959,417.92
Advertising	758,542.50	954,820.00
Transport	760,094.76	1,126,836.33
Insurance	1,498,659.21	1,420,772.04
Legal Fees	2,774,244.00	2,683,906.50
Audit Fees for the Year	1,200,000.00	1,049,260.00
Survey Fees	437,528.44	-
Management Consultation	21,500.00	40,025.00
Maintenance of Building	18,857,687.62	12,549,804.12
Maintenance of Equipments	7,152,537.50	2,613,873.69
Security Services	15,530,200.00	19,862,720.00
Seminars and Training (Local)	1,028,284.96	88,924.84
Seminars and Training (Foreign)	1,396,318.23	320,000.00
Raid Expenses	313,790.00	223,610.00
General Auction Expenses	1,665,607.63	693,212.08
Donation	-	200,000.00
Consumable Assets	204,573.36	24,567.00
Office Supplies	9,277,535.72	4,309,442.61
Amortization of Right-to-use Land	2,364.00	2,364.00
Printing and Stationery	3,475,693.85	2,957,334.71
Laboratory Supplies	1,553,963.55	174,837.20
Environmental Expenses	93,160.00	84,890.00
Depreciation	49,003,686.17	34,431,460.46
Rent W.T.C	-	12,953,040.00
Electricity Paid W.T.C	-	559,240.08
Maintenance of Motor Vehicle	14,707,994.39	8,675,598.85
Oil and Fuel	14,533,242.24	8,835,003.24
Tyres and Tube	1,990,488.80	1,339,256.56
License and Insurance Motor Vehicle	642,811.08	439,823.62
Parking Charges	330.00	-
General Expenses	382,893.00	427,634.73
Project Expenses	11,151,491.25	7,339,125.64
Bank Charges	2,120,472.56	828,776.34
Gem Miners Scholarship Expenses	5,679,617.80	1,648,500.00
Rehabilitation of Gem Land	266,300.00	3,099,934.00
Impairment Provision- on Asset	-	475,854.03
	254,891,259.68	179,454,720

NATIONAL GEM AND JEWELLERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

31 Personnel Expenses	2022	2021
Salaries and Allowances	136,259,807.20	136,810,653.41
Acting Allowances / Risk Allowances	491,411.89	429,433.00
Non Subject to E.P.F Salaries & Allowances	18,613,001.98	5,237,666.36
Employees Provident Fund	22,161,386.43	22,327,024.31
Employees Trust Fund	4,434,106.54	4,465,404.98
Overtime	4,767,494.17	6,639,611.17
Payment for Working on Holidays	76,942.87	48,009.50
Leave Bonus	10,741,676.58	12,480,231.75
Interest Paid on Staff Housing Loans	222,229.56	185,459.80
Employee Incentives	36,010,975.50	12,276,354.00
Gratuity	13,631.55	960,313.78
Travelling (Local)	1,806,707.21	1,468,483.00
Uniforms for Staff	743,500.00	443,450.00
Staff Welfare	9,955,690.71	11,071,484.64
Labour Compensation	7,743,886.00	-
Medical Fees	13,770,793.23	13,887,746.23
Transport Allowances	13,505,000.00	13,455,000.00
	<u>281,318,241.42</u>	<u>242,186,326</u>
32 Promotional Expenses		
Travelling - Overseas	121,800.00	476,710.00
Exhibition Expenses- Local	204,168.60	-
Exhibition Expenses- Foreign	263,446.62	7,746,906.76
Publicity - Local	3,125,295.75	1,400,110.00
Publicity - Foreign	706,720.00	-
Promotional Expenses	2,226,075.95	3,279,901.53
	<u>6,647,506.92</u>	<u>12,903,628</u>
33 Net Finance Income		
Interest Income		
Interest on Fixed Deposits and Treasury Bills	266,997,815.60	128,458,355.97
Interest on Staff Loan	550,626.22	541,058.42
	<u>267,548,441.82</u>	<u>128,999,414</u>
Interest Expenses		
Finance cost on Liability to Make Lease Payments	(58,232.00)	(38,708.00)
	<u>(58,232.00)</u>	<u>(38,708)</u>
	<u>267,490,209.82</u>	<u>128,960,706</u>

NATIONAL GEM AND JEWELLERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

		2022	2021
34 Income Tax Expenses			
Current Tax Expense	(Note 34.1)	94,670,212.20	37,973,065.76
Adjustment on (Under) / Over Provision in Previous Year		615,680.00	(32,355.40)
Deferred Tax Charge / (Reversal)	(Note 6)	2,229,210.00	(8,112,737.24)
		97,515,102.20	29,827,973
34.1 Reconciliation Between the Current Tax Expense and the Product of Accounting Profit			
Accounting Profit Before Taxation after Contribution to Consolidated fund.		375,747,708	202,023,008
Aggregated Disallowable Items		109,547,112.00	81,847,206.00
Aggregated Allowable Items		(40,235,602.00)	(50,978,748.00)
Income from Other Sources		(277,815,989.00)	(146,122,670.00)
Profit / (Loss) from Trade or Business		167,243,229	86,768,796
Other Income Liable for Tax - Interest Income		277,215,988.50	146,122,669.60
Total Statutory Income		444,459,217.50	232,891,465.60
Qualifying Payment		(50,000,000.00)	(40,000,000.00)
Tax Losses Utilized		-	(34,670,358.27)
Assessable Income / Taxable Income		394,459,218	158,221,107
Tax Charged at Statutory Tax Rate of 24%		94,670,212	37,973,066
Tax on distributed profit		-	-
Current Tax on Ordinary Activities for the Year		94,670,212	37,973,066

NATIONAL GEM AND JEWELLERY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 revalued after the balance sheet date 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.	2022	2021
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	567,414,377.75	
	Withdrawal of Fixed Deposits and Treasury Bills	(65,000,000.00)	502,414,378.00
	Investment in REPO	-	-
	Withdrawal of REPO	-	-
Other Government Related	Investment in Shares	-	



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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



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எனது இல. } IMT/G/NGJA/FA/2022
My No. }

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உமது இல. }
Your No. }

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திகதி } 16th June, 2023
Date }

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 2022.

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

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தேசிய கணக்காய்வு அலுவலகம்
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My No.

} IMT/G/NGJA/FA/2022

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Your No.

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දිනය
திகதி
Date

} 16th June, 2023

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 2022 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 2022 and financial statements for the year ended 31st December 2022 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 2022 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 Qualified Opinion

- (a) Although payment made for work in progress in 2022, Rs. 113,559,640 should have been indicated in Cash flow statement as an outflow in Investing Activities; according to Sri Lanka Accounting Standards No. 7 it has not been done. Further, although gratuity payment of Rs. 11,625,870 should have been posted under operations as a cash outflow, only Rs. 9,630,080 has been posted which is Rs. 1,995,790 less than the actual value.
- (b) Although in terms of Sri Lanka Accounting Standard No. 12 tax must be computed 24 percent for the first 06 months and 30 percent for the following 06 months in terms of Section 33(3) of the Inland Revenue Act No. 45 of 2022 tax expenditure has been under-computed by Rs. 11,833,776 as tax has been computed at 24 per cent for the whole period. Due to adhering to different tax ratios differed tax liability also has been under-computed by Rs. 6,649,335.
- (c) Although in terms of para 120 of Sri Lanka accounting standards No. 19, the payments regarding gratuity must be recorded in the other comprehensive income statement as expenditure. In computing allocations for gratuity, a total expenditure amount of Rs. 7,374,674, comprising of gratuity for the year Rs. 1,930,028 plus Rs. 5,444,646 of interest expenditure and other comprehensive income derived from actuary profit Rs. 7,361,9043, Rs. 13,631 only has been posted as a gratuity expenditure which is the net balance.
- (d) Although in terms of para 10 of Sri Lankan Accounting standards No. 37, any anticipated payment as a result of a possible obligation in the past has to be shown as a contingency liability in notes to accounts, only Rs. 7,700,000 has been accounted as anticipated compensation, without showing in the notes to account.
- (e) The Authority had rent in 02 floors of the World Trade Centre for the promotion of SME Gem Traders and 19 traders have been provided with stalls. Rs. 2,989,815 the rental from 2019 payable by 03 traders has not been posted in the financial statements.
- (f) Although damages and losses related to assets must be reviewed and provisions for damages and losses must be provided annually as per the accounting policy of the Authority, without doing so Rs. 200,000, Rs. 1,407,972 and Rs. 1,433,947 respectively for other assets, receivable and deposits and advances continuously have been shown as an unique values in the accounts over 5 years.
- (g) Since the balance in 03 foreign currency deposits of the Authority as at 31st December 2022 has not been valued as at that day's rupee value (Rs. 362) the 77,378.05 US Dollar balance has been under -valued and therefore money and money equivalents has been posted less by Rs. 11,650,248 .

- (h) Retention from creditors as at 31 December 2022 was Rs. 22,611,038 and though an amount of Rs. 2,568,873 carried forward from a period before 01 January 2009 and information regarding those balances has not been submitted for auditing.
- (i) Although Rs. 23,306,195 and Rs. 22,090,642 respectively have been deposited in courts for estate company Lands by the Authority, which are shown in miscellaneous debtors and miscellaneous deposits, information regarding such amounts has not been provided for auditing.
- (j) Land dispute amount of Rs. 116,136,877 that has been deposited in the Authority until land disputes would be settled by external parties, such amounts have been deposited in Deposits Received and Advances account but information has not been submitted for auditing.

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, 2022

Here, information carried in the Annual Report of the Authority in 2022, 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 then 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 2022, 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 substantially 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 is held 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 substantially 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 substantially misstatements always when the auditing is conducted in terms of the Sri Lankan Auditing Standards. Substantially 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 substantially 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.Except for observations 1.2(c) and (d) 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 or 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) Financial regulations of Democratic Socialist Republic of Sri Lanka Financial Regulations 486	Although, in case of dis honoured cheques, that amount must be recovered in cash at the earliest, money has not been recovered for 02 cheques over 09 years for Rs. 178,840
b) Section 1) of financial regulations No. 38 of 1971	Rs. 26,890,229 has been invested in Fixed Deposits without getting the approval of the Minister of Finance
c) State Financial Regulations No. 01/2012 of 05 January, 2012	Samurdhi PrajaMula / Divisional organizations have been conferred construction projects only. However, the Authority had signed 4 agreements with Samurdhi PrajaMula organizations giving permission to engage in gem mining projects.
d) Public Enterprises Circular No. 01/2021 of 16.11.2021	Although Financial statements together with a copy of the Annual report should be submitted within 60 days after financial year, a copy of the Annual Report has not been submitted with the financial statements by the Authority.

2.2.3 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(g) of the National Audit Act No. 19 of 2018.

Powers, functions and activities	Comments
a) National Gem and Jewellery Act No. 50 of 1993.	
(i) Section 14 (n)	In view of safeguarding lives and body organs of the workers engaged in gem and jewellery industry, and to take security and regulatory measures, Rs. 500 each has been charged in issuance of gem mining licenses and credited into Gem Mining Welfare Fund. Although, a balance of Rs. 34,807,024 remains in that account, the objectives have not been achieved.
ii) 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.
iii) Section 15(2)	No methodologies have been put in place to register and regulate private laboratories for testing gem and issuance of licenses.
iv) Section 17(1)	Although no person must carry out jewellery industry without that business premises being registered, the authority has not conducted a proper regulating to see whether such traders have registered.

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

03. Other matters

- (a) As the Authority had signed an agreement to install a software system for 19 million rupees in 2016 and had paid Rs. 10,621,000. Although after 06 years of procurement, that has not been completed.
- (b) Although, the collected withholding tax of a month as per sub section (c) 2 of circular No. SEC/2020/04 of the Inland Revenue Department must be remitted before the 15th of the following month, Rs. 483,813,173; that of 2.5 per cent withholding tax collected from the auction value of gem and jewellery auctions conducted by the Authority up to 30th November 2022 has not been remitted as of 31st December, 2022.

- (c) Rough Sapphire Cluster, according to an invoice compiled by the owner had been assessed at US Dollars 10,000,000 or Rs. 2,030,600,997 and weighing 510 kgs. That has been justified by Director (Valuer / Gemologist) of the Authority and while bringing back from Gublin Laboratory in Switzerland having sent it for a certified valuation, after 443 days, the consignment value of 1% of cargo value of the invoice value Rs. 37,100,000 which is equivalent to $10,000,000 \times 1\% = 100,000$ as per the para 13.6 of the extraordinary gazette notification of 02 March 2020 has not been charged from the license holder (1 US Dollar = Rs. 371 on 13th January, 2023).
- (d) In the Action plan 45 million rupees, is provided for Ratnapura Gem Museum Construction and Nalanda Park Development. Although only a quality certificate has been formulated spending Rs. 250,000 during the year in review, and that amount spent has been purposeless as the project was halted.
- (e) In the issuance of gem mining licenses Rs. 4500 to Rs. 9000 for a normal mine and Rs. 600,000 to 5,000,000 for a mechanical mine of 3000 to 4000 sq.ft is charged for reclaiming and restoration of those mines and that surety amount is returned when they have restored the used mine. Rs. 993,253,918 has been unclaimed by traders and whether such pits have been reclaimed or not was not satisfactorily proved at the auditing.
- (f) The lease agreement signed between the World Trade Centre Company and the Authority to provide stalls to gem and jewellery traders has been terminated on 31 October, 2021. Accordingly, security deposit of Rs. 16,368,300 for the period 2004 to 2018 by the Authority has not been recovered as at the audit date, 28th February, 2023.
- (g) Fines charged by the Authority in unauthorized gem mining, confiscated items, proceeds of mine auctions and fines imposed by the courts were credited to the Gem Prizes fund that has been initiated without the approval of the treasury and having shared 35 percent of the fines other than the fines imposed by courts among the raiding team, 5 percent to the office of the raid and 10 percent among the staff of the Authority, the remaining 50 percent has been credited to the income of the Authority. Year-end balance was Rs. 45,226,589 in this fund.
- (h) After the approval of the Gem and Jewellery Act No. 50 of 1993, in 1993, no action has been taken even during the year in review to make timely amendments.

(Signed by)

W.P.C. Wickramaratna
Auditor General

