



# *National Gem & Jewellery Authority*



# ANNUAL REPORT

# 2011

Hon. Minister of Environment  
Ministry of Environment  
“Sampathpaya”  
82, Rajamalwatte Road  
Battarammulla

Hon. Minister,

**ANNUAL REPORT FOR THE YEAR 2011**

In terms of section 32(3) of the National Gem & Jewellery Authority Act. No.50 of 1993 and section 14(2) of the Finance Act.No.38 of 1971, I submit the following documents.

1. The Administration Report of the National Gem & Jewellery for the year 2011
2. Balance Sheet as at 31<sup>st</sup> December 2011 and the Profit & Loss Account for the year ended 31<sup>st</sup> December 2011 of the Authority duly audited by the Auditor General.
3. The Report of the Auditor General.

Thanking You  
Yours Faithfully

Amitha Gamage  
Chairman & Chief Executive Officer  
National Gem & Jewellery Authority

## **OUR VISION**

“ To make Sri Lanka the leading producer of Blue Sapphires and coloured Sapphires and a regional centre for high quality jewellery to the world.”

## **OUR MISSION**

“ Our aim is to provide optimum facilities for gem and jewellery industry by maximum utilization of available resources through appropriate technology, credible quality certification scheme, to achieve sustainable development with an equitable benefits sharing scheme towards our stakeholders, for the development and promotion of the gem & jewellery industry. ”

The Board of Directors of National Gem & Jewellery Authority  
Year 2011

			<b><u>Date Joined</u></b>	<b><u>Date Resigned</u></b>
01	Mr. Anil Koswatta	Chairman	18 <sup>th</sup> May 2010	11 <sup>th</sup> Jan 2011
02	Gen Rohan De S Daluwatte	Chairman	20 <sup>th</sup> Jan 2011	-
03	Mr. Sarath Samarakoon	Member	14 <sup>th</sup> May 2010	-
04	Mr. Janaka Rathnayake	Member	30 <sup>th</sup> June 2010	-
05	Mrs. Sudharma Karunaratne	Member	21 <sup>st</sup> July 2010	-
06	Mr. Mohamed Faizal Razeen	Member	30 <sup>th</sup> June 2010	-
07	Mr. P.H.O.Chandrawansa	Member	30 <sup>th</sup> June 2010	-
08	Mr. A.K.Seneviratne	Member	30 <sup>th</sup> June 2010	-
09	Ms. Chandra Ekanayake	Member	30 <sup>th</sup> June 2010	-
10	Mr. T.K.N.C.Tiyambarawaththa	Member	14 <sup>th</sup> May 2010	-
11	Mr. R.M.Jayatilake	Member	14 <sup>th</sup> May 2010	-

# **Administration Report of the National Gem and Jewellery Authority**

## **For the year 2010 Under 14(1) of the Finance Act No.38 of 1971**

01. The year 2011 marks the 17<sup>th</sup> year of operations of the National Gem and Jewellery Authority. It's activities for the year under review were conducted through the Head Office in Ratnapura and office in Colombo & Regional Units 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 Bank balance at the beginning of the year was Rs.33.533(Mn) and at the end of the year it was Rs.29.470(Mn). Treasury bills, Fixed Deposits and Call Deposits at the beginning of the year was Rs.241.070 (Mn) and at the year end it was Rs. 330.460(Mn).

#### 3.2 Profitability :

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>Rs. Mn</b>	<b>Rs. Mn</b>	<b>Rs. Mn</b>	<b>Rs. Mn</b>	<b>Rs. Mn</b>	<b>Rs. Mn</b>
Total Income	194.048	215.730	258.180	219.443	228.962	249.179
Total Expenditure	188.007	232.277	228.772	230.942	261.929	241.001
Profit (Before Tax)	<b>6.041</b>	<b>(16.54)</b>	<b>29.408</b>	<b>(11.498)</b>	<b>(32.967)</b>	<b>8.178</b>

### 04. Human Resources :

The staff of the Authority reached 236 at the end of 2011 including professionals. Continuous professional development of our team members are considered high priority and several steps were taken to provide opportunities for human resource development.

### 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:

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Gemming Licenses	4,734	5,021	4,204	3,970	4,061	4,687
Gem Dealers Licenses	3,718	4,637	4,794	3,996	4,195	4,422
Lapidary Licenses	270	239	229	174	168	179
Gem Auction Licenses	298	428	300	217	262	277
<b>Total Licenses</b>	<b>9,020</b>	<b>10,325</b>	<b>9,527</b>	<b>8,357</b>	<b>8,686</b>	<b>9,565</b>

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

The officers of the Authority have conducted several raids during the period under review to check illicit gemming and to prevent environmental destruction. The income earned from fines amounts Rs. 10.614 million. The Authority had taken action to close the abandoned gem pits and rehabilitate damaged riverbanks in several areas.

## **07. Services & Other Development Activities:**

### **7.1 Export & Export Promotion.**

01. Sponsorship and organization of the “Sri Lanka Pavilion” at selected International Trade Fairs Exhibitions.
  - (i) Hong Kong International Jewellery Show – March
  - (ii) Jewellery Shanghai Show – June
  - (iii) Singapore International Jewellery Show – July
  - (iv) China International Jewellery & Gem Fair – December
  - (v) China International Gold, Jewellery & Gem Fair – December
02. Organized Gem and Jewellery sector participation at the South Asian Commodity Fair, Kunming, China - June
03. Sponsored local trade fairs and exhibitions.
  - i. Sponsored and organized “ NGJA Pavillion” at the “ Lustre 2011” held in April 2011, organized by the Lapidary segment of the Sri Lanka Gem and Jewellery Association.
  - ii. Organized “ NGJA Pavilion” at the Ayurveda Expo 2011 held in July.
  - iii. Sponsored and organized “ NGJA Pavilion” at the 21<sup>st</sup> Sri Lanka international gems and Jewellery show- Facet Sri Lanka 2011.
  - iv. The principal sponsor of Jewels 2011 exhibition, organized by the Gemologists Association of Sri Lanka.
04. Facilitated exporters by way of service fee waivers with regard to leading international exhibitions and private and trade events.
05. Offered round the clock export facility at the gem export facility at the gem export center- Air Cargo Village – Katunayake on Tuesday and Fridays.
06. Monitored and facilitated Kimberly process certification scheme on the import and export of rough diamonds.
07. Monitored and facilitated gold importing activities of private enterprises.
08. Issued recommendations letters to the Ministry, for foreign nationals employed in Sri Lankan Gem and Jewellery industry to enable them to renew or obtain residential visas.

09. Administration of an exclusive website – [www.srilankagemautho.com](http://www.srilankagemautho.com) with an e-commerce facility.
10. Managed “ Sri Lanka Gem and Jewellery Exchange” – SLGJE as the government sponsored gem and Jewellery shopping complex in Sri Lanka.
11. Provided assistance to import raw materials, tools, machinery & equipment used in the gem and Jewellery Industry on a concessionary duty basis.
12. Facilitated visiting government and private sector delegations on their official or business missions.
13. Conducted a series of lectures by industry professionals for the benefit of stake holders.

#### **08. 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 2011 under review:

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>Rs. Mn</b>	<b>Rs. Mn</b>	<b>Rs. Mn</b>	<b>Rs. Mn</b>	<b>Rs. Mn</b>	<b>Rs. Mn</b>
Gem Exports	9,853.2	10,444.2	8,281.055	7,225.8	7,488.6	10,027.6
Jewellery Exports	1,751.3	2,075.6	1,727.926	1,522.9	1,490.5	1,732.3
Geuda Exports	214.1	203.8	163.634	107.7	136.5	146.7
Diamond Re-Exports	31,722.7	37,774.6	44,393.700	35,965.96	36,030.1	45,381.1
Diamond Jewellery Exports	717.7	813.8	932.390	417.5	312.5	375.8
<b>Total Exports</b>	<b>44,259.0</b>	<b>51,312.0</b>	<b>55,498.705</b>	<b>45,239.86</b>	<b>45,458.20</b>	<b>57,663.5</b>

**Prasad Galhena**

**Chairman / CEO**

National Gem & Jewellery Authority

**28.02. 2012**

**NATIONAL GEM & JEWELLERY AUTHORITY**  
**INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2011**

	Note	2011		2010	
		Rs	Cts.	Rs	Cts.
<b>INCOME</b>					
OPERATIONAL INCOME	1	208,600,337.51		172,045,434.96	
		<u>208,600,337.51</u>		<u>172,045,434.96</u>	
<b>LESS : OPERATIONAL EXPENCES</b>					
ESTABLISHMENT EXPENCES	2	79,820,488.14		91,195,461.26	
PERSONAL EXPENCES	3	120,644,419.62		108,338,382.99	
VEHICLE RUNNING EXPENCES	4	11,359,010.01		11,329,634.11	
PROMOTIONAL EXPENCES	5	25,451,524.97		49,028,710.41	
FINANCIAL EXPENCES	6	1,185,461.24		1,124,219.49	
OTHER EXPENCES		2,540,446.35		913,268.36	
TOTAL OPERATIONAL EXPENDITURE		<u>241,001,350.33</u>		<u>261,929,676.62</u>	
PROFIT / (LOSS) FROM OPERATION BEFORE OTHER INCOME		<b>(32,401,012.82)</b>		<b>(89,884,241.66)</b>	
ADD:					
OTHER INCOME	7	40,578,988.39		56,917,756.10	
PROFIT / (LOSS) AFTER OTHER INCOME		<u>8,177,975.57</u>		<u>(32,966,485.56)</u>	
LESS:					
PROVISION FOR TAX		<b>(5,000,000.00)</b>		<b>(6,000,000.00)</b>	
NET PROFIT / (LOSS) FOR THE PERIOD		<u>3,177,975.57</u>		<u>(38,966,485.56)</u>	

**NATIONAL GEM & JEWELLERY AUTHORITY**  
**BALANCE SHEET AS AT 31ST DECEMBER 2011**

<b>Assets</b>	<b>Note</b>	<b>2011</b>		<b>2010</b>	
		<b>Rs.</b>	<b>Cts.</b>	<b>Rs.</b>	<b>Cts.</b>
<b>None Current Assets</b>					
Property Plant And Equipment	1	208,658,490.36		232,100,124.63	
Exhibition Gem Stones		16,768,000.00		16,768,000.00	
Capital W.I.P. ( Abandon Project )		1,500,440.70		1,500,440.70	
Deferred Expenditure	2	2,070,250.06		3,246,249.52	
Investments	3	5,180,563.71		4,294,600.00	
<b>Current Assets</b>					
Inventories	4	2,664,709.87		2,111,708.12	
Debtors	5	19,899,848.80		24,828,921.53	
Treasury Bills	6	321,656,784.51		221,990,204.06	
Accrued Income	7	7,494,023.27		7,370,996.59	
Pre Payments	8	655,155.91		977,704.94	
Deposits	9	32,528,415.46		30,940,221.46	
Loans & Advances	10	14,702,467.71		16,833,179.02	
Seven Days Call Deposits		-		-	
Repurchase Treasury Bills	11	6,096,448.64		15,384,254.12	
State Institution Temporary Surplus Fund		2,708,452.01		3,696,116.75	
Bank & Cash Balances	12	29,470,124.72		33,533,134.45	
<b>Total Assets</b>		<b>672,054,175.73</b>		<b>615,575,855.89</b>	
<b>Equity &amp; Liabilities</b>					
<b>Capital &amp; Reserves</b>					
Authorized Carital As Per Clause 19 (1) Of The National Gem & Jewellery Act No 50 Of 1993		150,000,000.00		150,000,000.00	
Contributed Capital		<b>30,000,000.00</b>		<b>30,000,000.00</b>	
<b>Reserves</b>					
Development Reseve Fund		50,137,834.11		50,137,834.11	
Revaluation Reserve (Gems)		14,366,267.00		14,366,267.00	
Revaluation Reserve (Assets)		61,177,755.99		61,177,755.99	
Motor Vehicle Revaluation Reserve		41,071,971.96		41,071,971.96	
Rehabilitation Of Gem Land		22,140,340.04		24,765,260.04	
World Bank Aid		3,869,409.98		3,869,409.98	
Y 2 K Aid (World Bank)		573,750.00		573,750.00	
General Reserves		44,033,729.08		44,033,729.08	
Income & Expenditure Surplus	13	7,882,609.31		43,669,059.44	
Profit/Loss		3,177,975.57		(38,966,485.56)	
<b>Non Current Liabilities</b>					
Retirement Benefits Obligations		40,441,292.63		34,689,804.50	
<b>Current Liabilities</b>					
Creditors	14	65,345,653.98		66,529,290.37	
Gemming & Other Deposits	15	244,486,464.23		181,892,471.07	
Accrued Expenses		22,179,781.18		47,574,096.50	
Income Tax Payable		(7,801,773.02)		(10,153,408.88)	
Gem Rewards Fund (Fines)		28,971,113.69		20,345,050.29	
<b>Total Equity &amp; Liabilities</b>		<b>672,054,175.73</b>		<b>615,575,855.89</b>	

.....  
**Chairman / CEO**

.....  
**Chief Accountant**

**NATIONAL GEM AND JEWELLERY AUTHORITY**

**CASH FLOW STATEMENT FOR THE YEAR 2011**

	2011		2010	
	Rs.	Cts.	Rs.	Cts.
<b>Cash Flow From Operating Activities</b>				
Net Surplus Befor Taxation And Extraordinary Items			8,177,975.57	(32,966,485.56)
<b>Adjustments For</b>				
Defered Expenditure	1,175,999.46		1,277,309.79	
Depreciation	27,243,049.99		26,838,883.14	
Gratuity	6,182,885.87		3,496,422.50	
Medicle Fund	4,000,000.00		-	
Prior Year Adjustment	(5,083,757.57)		(13,937,819.45)	
Investment Income	(22,638,856.54)		(24,084,818.32)	
Provision For Income Tax	5,000,000.00		6,000,000.00	
Provision For Fixed Asest Disposal	-	15,879,321.21	-	(410,022.34)
		<b>24,057,296.78</b>		<b>(33,376,507.90)</b>
<b>Effect On Working Capital Increase/Decrease</b>				
Stock	(553,001.75)		4,403,341.56	
Debtors	4,929,072.73		6,129,019.42	
Accured Income	(123,026.68)		3,016,850.59	
Pre Payment	322,549.03		1,076,866.54	
Deposits	(1,588,194.00)		(2,010,286.67)	
Loan & Advances	2,130,711.31		3,226,039.24	
Gemming & Other Deposits	62,593,993.16		33,807,190.44	
Creditors	(1,183,636.39)		(602,419.45)	
Accured Expenses	(25,394,315.32)		23,623,576.27	
Gem Rewards Fund (Fines)	8,626,063.40		2,920,850.44	
Tax Provision	5,000,000.00		6,000,000.00	
	<b>54,760,215.49</b>		<b>81,591,028.38</b>	
Less : Tax Payment	(2,351,635.86)		(4,438,823.49)	
Medicle Payment	(1,449,786.65)		-	
Gratuity Payment	(6,324,767.03)		(13,238,155.49)	
Esc Payments	(2,239,299.45)		(1,458,400.00)	
	<b>(12,365,488.99)</b>	<b>42,394,726.50</b>	<b>(19,135,378.98)</b>	<b>62,455,649.40</b>
<b>Net Cash From Operating Activities</b>		<b>66,452,023.28</b>		<b>29,079,141.50</b>
<b>Cash Flows From Investing Activities</b>				
Investment Income	22,638,856.54		21,093,984.05	
Sale Proceeds Disposal Of Fixed Assets	728,975.37		-	
Fixed Assets Addition	(3,149,140.35)		(16,731,539.00)	
Investments	(89,284,804.03)		(15,743,248.43)	
Capital Working Progress	-		-	
<b>Net Flows From Investing Activities</b>	<b>(69,066,112.47)</b>	<b>(69,066,112.47)</b>	<b>(11,380,803.38)</b>	<b>(11,380,803.38)</b>

**Cash Flows From Financing Activities**

Rehabilitation Of Gem Land	(2,624,920.00)		211,605.33	
Deferd Expenditure	1,175,999.46		-	
<b>Net Flows From Financing Activities</b>	<b>(1,448,920.54)</b>	<b>(1,448,920.54)</b>	211,605.33	<b>211,605.33</b>
<b>Net Cash Increase/Decrease In Cash &amp; Cash Equivalents</b>		<b>(4,063,009.73)</b>		<b>17,909,943.45</b>
Cash & Cash Equivalents At The Beginning Of Period		33,533,134.45		15,623,191.00
Cash & Cash Equivalents At The End Of The Period		29,470,124.72		33,533,134.45
<b>Net Cash Increase/Decrease In Cash &amp; Cash Equivalents</b>		<b>(4,063,009.73)</b>		<b>17,909,943.45</b>

**NATIONAL GEM AND JEWELLERY AUTHORITY**  
**STATEMENT OF CHANGES IN EQUITY 2011**

		<b>31-12-2011</b>		<b>31-12-2010</b>
Share Capital		30,000,000		30,000,000
Development Reserve		50,137,834		50,137,834
Revaluation Reserve (Gem)		14,366,267		14,366,267
World Bank Aid		3,869,410		3,869,410
Y 2k World Bank Aid		573,750		573,750
Motor Vehicle Revaluation		41,071,972		41,071,972
Revaluation Reserve (Assets)		61,177,756		61,177,756
General Reserves		44,033,729		44,033,729
Rehabilitation of Gem Land Reserve	24,765,260		24,553,654	
Funds Obtained	2,624,920		211,606	
	22,140,340		24,765,260	
Forfeited Deposits	-		-	
Expenses on Protection Of Gem Lands		22,140,340		24,765,260
Income And expenditure Surplus	12,966,367		57,606,879	
Adjustments	(5,083,758)		(13,937,819)	
	7,882,609		43,669,060	
Profit /Loss	3,177,976	11,060,585	(38,966,485)	4,702,575
		<b>278,431,643</b>		<b>274,698,553</b>

**NATIONAL GEM & JEWELLERY AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

	2011		2010	
	<i>Rs</i>	<i>Cts.</i>	<i>Rs</i>	<i>Cts.</i>
<b>1. Operating Income</b>				
Land Auction - Crown Land		165,664.00		-
Land Auction - LRC		28,672,207.68		17,505,971.71
Service & Appeal License Fees		723,800.00		1,177,290.00
Gemming License Fees		24,785,754.00		19,159,897.60
Dealers License Fees		22,365,017.01		20,716,744.84
Service Fee For Gift & Samples		271,300.00		365,420.25
Gem & Jewellery Export Service Fee		64,749,354.21		47,330,061.28
Lapidary License Fees		144,040.00		271,977.38
Service Fee: Geuda Export		5,918,676.80		5,546,493.30
LDO Land / Mineral Tax		3,200,590.00		2,814,500.85
Income From Fines		10,614,417.50		8,095,769.97
Gem Auction Permits		297,000.00		276,000.00
Gem Testing Charges		3,295,575.12		2,315,653.44
Income From Assay Office		1,523,157.72		1,756,763.98
License Copying Charges		83,450.00		65,070.00
Service Fee: Katunayake Diamond Center		12,261,456.50		9,888,615.52
Income From Gem Parcel Clearing		834,170.00		776,650.00
Foreign Currency Acceptance Permit		156,700.00		493,212.52
Environmental Protection		863,333.32		80,000.00
Baco Service Charges		9,295,599.99		6,856,225.00
Inspection Charges		3,480,800.00		9,460,200.00
Colour & Three D Cards		549,422.28		896,490.85
Sale Of Gems		10,638,851.38		2,498,260.93
Sale Of Jewellery		3,710,000.00		(84,259.46)
Forfeited Gemming		-		13,782,425.00
		<b>208,600,337.51</b>		<b>172,045,434.96</b>

# NATIONAL GEM & JEWELLERY AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

	2011		2010	
	Rs	Cts.	Rs	Cts.
<b>2. ESTABLISHMENT EXPENSES</b>				
Subscription To Int. Organizan		113,013.45		649,506.80
Entertainment (Local)		256,365.77		458,234.44
Telephone Charges		4,049,310.44		3,475,087.49
Postage & Stamps		883,659.32		859,137.84
Telex & Fax Charges		74,662.00		37,216.62
Internet Charges		186,635.46		244,970.40
Expenses Of Board Members		551,411.50		61,000.00
Rent		1,978,501.59		2,477,119.80
Electricity		6,855,129.89		7,727,189.39
Rates & Taxes		710,613.66		863,998.14
Newspapers & Periodicals		268,504.00		218,837.00
Water Tax & Charges		785,792.43		1,033,082.65
Advertising		292,501.97		2,336,857.44
Transport		-20,089.25		877,072.23
Insurance		731,640.54		2,481,955.76
Legal Fees		690,453.08		1,731,728.60
Lecture Fee		-		-
Audit Fees		555,273.96		500,726.44
Survey Fees		216,950.00		39,500.00
Management Consultation		118,110.00		149,629.75
Maintenance Of Building		4,741,732.07		7,073,766.93
Maintenance Of Equipments		1,066,872.31		2,721,477.49
Security Services		2,847,657.62		2,592,251.16
Seminars & Training - Local		1,619,334.71		458,178.04
Raid Expenses		941,860.33		1,469,836.40
Research & Development		-		113,754.00
General Auction Expenses		747,039.44		1,568,661.76
Donation		-		128,000.00
Consumable Assets		35,804.00		94,540.29
Office Supplies		1,634,267.49		2,336,614.29
Printing & Stationary		2,467,197.73		2,741,241.51
Laboratory Supplies		680.00		677,799.89
Environmental Expenses		157,657.47		496,730.00
Identification Of Gem Deposits		-		-
Expenses Of Geuda Heat Treatments		-		-
Amotization Of Deffered Expen.		1,175,999.46		1,277,309.79
Depreciation		27,243,049.99		26,838,883.14
Environmental Responsibility Tax		-		-
Lapidary Supplies		-		161,580.50
Telephone Charges - W.T.C.		-		22,054.22
Rent - W.T.C.		13,701,516.19		12,907,531.06
Electricity Paid - W.T.C		1,200,061.00		1,292,400.00
Insurance - W.T.C		-		-
Legal Fees - W.T.C		(160,770.96)		-
40th Anniversary Income & Expenses		1,102,089.48		-
		<b>79,820,488.14</b>		<b>91,195,461.26</b>

# NATIONAL GEM & JEWELLERY AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

	2011		2010	
	<i>Rs</i>	<i>Cts.</i>	<i>Rs</i>	<i>Cts.</i>
<b>3. PERSONNEL EXPENSES</b>				
Salaries & Allowances	70,018,542.72		67,300,555.55	
Acting Allowance / Risk Allowance	466,961.71		593,184.25	
Non Subject To E.P.F. Salaries	3,770,736.72		1,305,151.48	
Int. Paid On Staff Housing Loans	484,166.67		417,638.87	
Employees Provident Fund	11,824,953.08		10,427,270.80	
Employees Trust Fund	2,231,199.66		2,486,819.23	
Over Time	4,015,141.32		4,085,944.23	
Payment For Working On Holidays	546,947.75		291,391.92	
Awards (Gold Medals)	366,281.21		-	
Leave Bonus	4,984,639.67		4,071,203.31	
Employee / Incentives	2,101,500.00		250,000.00	
Gratuity	6,182,885.87		3,496,422.50	
Travelling - Local	2,609,835.29		2,813,878.95	
Uniforms For Staff	423,432.45		206,355.00	
Staff Welfare	3,619,523.00		3,299,591.90	
Labour Compensation	147,472.50		-	
Medical Fees	4,000,000.00		6,500.00	
Medical Fund	500.00		4,000,000.00	
Payee Tax	-		0.00	
Transport Allowance	2,849,700.00		3,221,350.00	
Pension	-		65,125.00	
	<b>120,644,419.62</b>		<b>108,338,382.99</b>	
<b>4. VEHICLE RUNNING EXPENSES</b>				
Maintenance Of Motor Vehicles	3,863,702.41		3,371,142.09	
Oil & Fuel	6,037,881.38		6,331,227.58	
Tyres & Tubes	810,392.16		1,244,399.42	
License & Insurance Motor Vehicle	1,321,157.10		520,116.58	
Parking Charges	79,740.00		9,872.00	
Vehicle Insurance Compensation	(753,863.04)		(147,123.56)	
	<b>11,359,010.01</b>		<b>11,329,634.11</b>	

**NATIONAL GEM & JEWELLERY AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

	2011		2010	
	Rs	Cts.	Rs	Cts
<b>5. PROMOTIONAL EXPENSES</b>				
Traveling - Overseas		391,710.00		861,876.15
Exhibition Expenses -Local		9,387,692.82		24,915,548.88
Exhibition Expenses - Foreign		8,355,648.75		1,406,511.89
Publicity - Local		5,605,300.91		17,572,502.82
Publicity - Foreign		12,515.00		167,181.58
Promotional Expenses		1,698,657.49		4,105,089.09
		<b>25,451,524.97</b>		<b>49,028,710.41</b>
<b>6. FINANCIAL EXPENSES</b>				
Bank Charges		344,896.84		818,462.53
Unclaime Nbt		840,564.40		305,756.96
		<b>1,185,461.24</b>		<b>1,124,219.49</b>
<b>6. OTHER EXPENSES</b>				
General Expenses		453,213.80		487,679.86
Project Expenses		2,087,232.55		425,588.50
		<b>2,540,446.35</b>		<b>913,268.36</b>
<b>7. OTHER INCOME</b>				
Interest On Fixed Deposits & Treasury Bills		2,638,856.54		24,084,818.32
Interest On Staff Loan		582,477.51		650,579.39
Miscellaneous Income		841,308.50		14,934,589.80
W.T.C & Rathnapura Booth		15,062,071.07		15,941,818.55
Sales Of Books		2,937.00		(864.00)
Dividends (Ancl & Gsmb)		785,255.18		738,439.38
Rental Income		729,777.59		111,376.00
Interest Received From Smib Employees		-		25,458.91
Proceed Of Auctioned Items		(61,615.00)		-
Interest On Unauthorized Amount From Smib		-		119,319.81
Disposal Of Fixed Assets		(2,080.00)		-
Income From Insurance Agencies		-		310,260.94
Ordinary Membership		-		1,959.00
		<b>40,578,988.39</b>		<b>56,917,756.10</b>

**1.PROPERTY PLANT AND EQUIPMENT**

Description	COST/VALUATION						DEPRECIATION						W.D.V.
	Balance	Adjustments	Additions	Disposals	Revaluation	Balance	Balance	Depreciation	Dep.on	Adjustments	Cum.dep.		
	1/1/2011	2011	2011	2011		12/31/2011	1/1/2011	2011	Disposals	2011	12/31/2011	1/31/2011	
Leasehold Land	612,875.00		17,550.00			630,425.00					-	630,425.00	
Freehold Land	38,108,700.00					38,108,700.00					-	38,108,700.00	
Buildings	147,711,227.37		158,688.63			147,869,916.00	25,251,829.01	2,954,224.55			28,206,053.56	119,663,862.44	
Fixture & Fittings	12,176,770.42					12,176,770.42	8,299,542.43	985,661.10			9,285,203.53	2,891,566.89	
Furniture	10,253,111.53		629,288.46	44,580.00		10,837,819.99	5,286,581.51	910,440.36	6,230.00		6,190,791.87	4,647,028.12	
Office equipments	9,813,347.63		1,230,491.63	84,447.00		10,959,392.26	5,021,326.59	712,742.11	84,447.00		5,649,621.70	5,309,770.56	
Computer	16,624,647.49		1,593,033.00	582,448.37		17,635,232.12	8,668,476.34	2,642,331.98	582,448.37		10,728,359.95	6,906,872.17	
Laboratory equipments	10,812,914.12			17,500.00		10,795,414.12	6,694,647.48	787,368.81	17,500.00		7,464,516.29	3,330,897.83	
Lapidary equipments	403,475.00					403,475.00	183,115.00	32,200.00			215,315.00	188,160.00	
Jewellery equipments	148,200.00					148,200.00	148,200.00	-			148,200.00	-	
Assay equipments	19,132,744.51		210,714.00			19,343,458.51	12,186,090.06	1,224,403.21			13,410,493.27	5,932,965.24	
Machi.& geuda equip.	8,292,358.10					8,292,358.10	6,782,704.04	704,271.56			7,486,975.60	805,382.50	
Motor vehicle	65,053,881.25					65,053,881.25	28,609,141.93	16,263,470.31			44,872,612.24	20,181,269.01	
Motor bicycles						100,000.00	25,000.00	25,000.00			50,000.00	50,000.00	
Bicycles	37,334.00					37,334.00	31,707.40	936.00			32,643.40	4,690.60	
Library books	6,900.00					6,900.00	6,900.00				-	6,900.00	
<b>Total</b>	<b>339,288,486.42</b>		<b>3,839,765.72</b>	<b>728,975.37</b>		<b>342,399,276.77</b>	<b>107,188,361.79</b>	<b>27,243,049.99</b>	<b>690,625.37</b>		<b>133,740,786.41</b>	<b>208,658,490.36</b>	

**NATIONAL GEM & JEWELLERY AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2011</b>	<b>2010</b>
	<b>Rs. Cts</b>	<b>Rs. Cts</b>
<b>2. DEFERRED EXPENDITURE</b>		
Certified Reference Material	-	-
Deferred Expenditure Wtc	8,599.99	91,321.90
Deferred Expenditure Katunayaka	-	-
Deffer. Expen. - Web Site "E"Com	-	-
Dre- R/Pura New Building	2,061,650.07	3,154,927.62
Dre- Assaying Advertistments	-	-
	<b>2,070,250.06</b>	<b>3,246,249.52</b>

<b>3. INVESTMENTS</b>		
Fixed Deposits - B O C	3,853,563.71	2,967,600.00
Company Shares	1,127,000.00	1,127,000.00
Gems & Gems Institute	200,000.00	200,000.00
	<b>5,180,563.71</b>	<b>4,294,600.00</b>

**3.1 TREASURY BILL & FD 2011**

BANK	TREASURY BILL NUMBER	PERIOD		AMOUNT INVESTED(Rs. Cts)
		FROM	To	
BOC	2663	12/3/2011	5/12/2012	1,000.00
BOC	2656	11/24/2011	11/26/2012	1,000.00
BOC	2658	11/24/2011	11/26/2012	1,000.00
BOC	2659	11/24/2011	11/26/2011	1,000.00
BOC	2661	11/24/2011	26/11/2012	1,000.00
BOC	2662	24/11/2011	26/11/2012	1,000.00
BOC	2651	28/09/2011	28/09/2012	1,000.00
BOC	2645	23/04/2011	25/04/2012	1,000.00
BOC	2650	21/09/2011	21/09/2012	1,000.00
BOC	2643	3/11/2011	3/12/2012	3,000.00
POP	6001000038604	12/31/2011	12/31/2012	2,881,963.71
BOC	C/33 58280	4/24/2011	4/25/2012	90,000.00
	C/33 2647	6/21/2011	6/20/2012	195,000.00
	C/33 58308	6/21/2011	6/20/2012	13,950.00
	C/33 3366	7/20/2011	7/20/2012	5,448.00
	C/33 3368	7/20/2011	7/21/2012	50,000.00
	C/33 2653	10/4/2011	9/4/2012	600,000.00
	C/33 2655	11/4/2011	11/4/2012	5,202.00
<b>TOTAL AMOUNT</b>				<b>3,853,563.71</b>

# NATIONAL GEM & JEWELLERY AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

	2011		2010	
	Rs.	Cts	Rs.	Cts
<b>4. INVENTORIES</b>				
Stock Of Geuda Centre	280,230.17		280,230.17	
Diamond Main Stock	-		-	
Jewellery Main Stock	-		-	
Consumables Stocks	1,455,520.65		1,340,085.77	
Printing & Stationery Stock	928,959.05		491,392.18	
Goods In Transit	-		-	
	<b>2,664,709.87</b>		<b>2,111,708.12</b>	
<b>4.1 STOCK OF GEUDA CENTRE</b>				
Stock Of Geuda Centre	183,547.59		183,547.59	
Stock Of Precious Gems	-		-	
Stock Of Semi Precious Gem	-		-	
Stock Of Rough Stones	93,186.94		93,186.94	
Synthatic Stones	3,495.64		3,495.64	
	<b>280,230.17</b>		<b>280,230.17</b>	
<b>4.2 DIAMAND MAIN STOCK</b>				
Diamand Main Stock	-		-	
	-		-	
<b>4.3 JEWELLERY MAIN STOCK</b>				
Provision For Wip & Stock Loss	-		-	
Jewellery Main Stock	-		-	
Slgje Jewellery Stock Mr A Perera	-		-	
	-		-	
<b>4.4 CONSUMABLES STOCKS</b>				
0113350 - Stock Of Books- Gems & Gems	32,075.00		46,188.00	
0115344 - Stock Of Jewellery Supplies	-		-	
0115345 - Stock Of Alumina Powder	222,048.62		222,048.62	
0115353 - Lapidary Supplies	-		-	
0115354 - Stock Of Laboratory	240.00		920.00	
0115355 - Stock Of Tyres & Tubes	-		-	
0115356 - Stock Of Uniform Materials	16,317.70		16,100.50	
0115357 - Stock Of Office Supplies	810,773.74		862,106.15	
0546351 - Gem Industry Of Sri Lanka- Bk Stk	-		-	
0546352 - Stock Of Ornaments	-		-	
0550346 - Stock Of Gold- Assay Office	6,289.40		4,864.00	
0550347 - Stock Of Silver- Assay Office	209,868.75		23,500.00	
0550348 - Stock Of Platinum - Assay Office	-		-	
0550349 - Stock Of Chemicals- Assay Office	157,907.44		164,358.50	
	<b>1,455,520.65</b>		<b>1,340,085.77</b>	

**NATIONAL GEM & JEWELLERY AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

	2011		2010	
	Rs	Cts.	Rs	Cts.
<b>4.5 PRINTING &amp; STATIONERY STOCK</b>				
Stock Of Stationery	533,004.38		168,290.48	
Stationery-Ratnapura	186,882.02		124,655.17	
Stationery-Eheliyagoda	37,570.19		34,524.36	
Stationery-Ratnapura Geuda	20,702.72		15,342.97	
Stationery- Naula	70,914.77		79,723.25	
Stationery-Monaragala	49,001.02		48,849.51	
Stationery- Matara	25,227.20		16,342.60	
Stationery- Katunayake	5,656.75		3,663.84	
	<b>928,959.05</b>		<b>491,392.18</b>	
<b>5. DEBTORS</b>				
With Holding Tax	1,606,620.98		2,104,046.43	
Economics Service Tax	-		-	
Advance Against Payments	8,607.00		109,972.60	
Advance-Special	478,044.45		2,373,714.62	
Advance-Travelling	-		-	
Advance-Others	-		-	
Advance -Mobilization	-		-	
Welfare Debts For Dead Payments			30,000.00	
Sundry Debtors	7,705,484.72		7,165,893.35	
Returned Cheques	314,554.14		163,948.97	
Inves.For Emp.Housing Loan S M B	-		3,094,808.05	
Suspense Account	-		-	
Research & Traning Institute	9,786,537.51		9,786,537.51	
	<b>19,899,848.80</b>		<b>24,828,921.53</b>	

**NATIONAL GEM & JEWELLERY AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**6. TREASURY BILL & FD 2011**

**FIXED DEPOSITS 2011**

BANK	FD NUMBER	PERIOD		AMOUNT INVESTED
		FROM	To	
BOC	TB2011/100045	23-Dec-11	23-Mar-12	9,951,218.26
BOC	TB2010/100045	30-Sep-11	30-Mar-12	2,761,929.72
BOC	TB2011/100045	19-Dec-11	16-Mar-12	9,999,999.65
BOC	TB2011/100045	28-Dec-11	23-Mar-12	4,999,999.70
BOC	TB2011/100045	27-Oct-11	20-Jan-12	4,999,999.11
BOC	TB2011/100045	11-Nov-11	10-Feb-12	4,999,999.60
BOC	TB2011/100045	18-Nov-11	17-Feb-12	4,999,999.53
BOC	TB2011/100051	21-Nov-11	17-Feb-12	4,999,999.94
BOC	TB2011/100052	30-Nov-11	24-Feb-12	4,999,999.68
BOC	TB2011/100053	16-Dec-11	16-Mar-12	4,999,999.43
BOC	TB2011/100054	29-Dec-11	16-Mar-12	982,629.00
BOC	TB2011/100055	29-Dec-11	23-Mar-12	3,036,271.83
BOC	TB2011/100056	29-Dec-11	23-Mar-12	981,099.00
BOC	TB2011/100057	25-Nov-11	25-May-12	7,113,827.55
BOC	FD925650	1-Aug-11	1-Aug-12	32,913,879.45
BOC	FD	9-Sep-11	9-Sep-12	12,473,622.11
BOC	FD925690	29-Aug-11	29-Aug-12	22,041,498.13
POP	PDU-3317/11	9-Dec-11	30-Mar-12	9,509,827.34
POP	PDU-3226/11	5-Dec-11	24-Feb-12	3,096,507.35
POP	PDU-2977/11	20-Oct-11	20-Jan-12	2,999,920.85
POP	PDU-2983/11	21-Oct-11	20-Jan-12	14,999,901.98
POP	FD	26-Jul-11	26-Jul-12	109,468,000.00
POP	FD	21-Dec-11	21-Jun-12	11,494,095.33
HDFC	FD1000154	7-Jul-11	7-Jan-12	12,932,735.05
HDFC	FD01000156	10-Oct-11	16-Apr-12	19,899,824.92
<b>TOTAL AMOUNT</b>				<b>321,656,784.51</b>

**NATIONAL GEM & JEWELLERY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**7. ACCRUED INCOME**

**7.1 REPO**

BANK	REPO NO	PERIOD		AMOUNT	AMOUNT	TOTAL GROSS	ACCURED
		From	To	RECEIVABLE	INVESTED	INCOME	INCOME
POP	M11B008780	28-Oct-11	27-Jan-12	3,098,742.77	3,047,084.26	51,658.51	36,331.26
POP	M11B010123	23-Nov-11	22-Feb-12	3,102,582.05	3,049,364.38	53,217.67	22,222.76
<b>Total Amount</b>				<b>6,201,324.82</b>	<b>6,096,448.64</b>	<b>104,876.18</b>	<b>58,554.02</b>

**7.2**

BANK	FD NO	PERIOD		AMOUNT	AMOUNT	TOTAL GROSS	ACCURED
		From	To	RECEIVABLE	INVESTED	INCOME	INCOME
BOC	FD925650	1-Aug-11	1-Aug-12	35,876,128.60	32,913,879.45	2,962,249.1505	1,228,845.11
BOC	FD	9-Sep-11	9-Sep-12	13,354,407.25	12,473,622.11	880,785.1400	270,268.32
BOC	FD925690	29-Aug-11	29-Aug-12	23,593,348.99	22,041,498.13	1,551,850.8600	527,204.13
BOC	2663	12-Mar-11	5-Dec-12	-	1,000.00	-	90.00
BOC	2656	24-Nov-11	26-Nov-12	-	1,000.00	-	90.00
BOC	2658	24-Nov-11	26-Nov-12	-	1,000.00	-	90.00
BOC	2659	24-Nov-11	26-Nov-12	-	1,000.00	-	90.00
BOC	2661	24-Nov-11	26-Nov-12	-	1,000.00	-	90.00
BOC	2662	24-Nov-11	26-Nov-12	-	1,000.00	-	90.00
BOC	2651	28-Sep-11	28-Sep-12	-	1,000.00	-	90.00
BOC	2645	23-Apr-11	25-Apr-12	-	1,000.00	-	90.00
BOC	2650	21-Sep-11	21-Sep-12	-	1,000.00	-	80.00
BOC	2643	11-Mar-11	12-Mar-12	-	3,000.00	-	240.00
BOC	C/33 58280	24-Apr-11	25-Apr-12	97,200.00	90,000.00	7,200.00	4,945.05
BOC	C/33 2647	21-Jun-11	20-Jun-12	210,600.00	195,000.00	15,600.00	8,228.57
BOC	C/33 58308	21-Jun-11	20-Jun-12	15,275.25	13,950.00	1,325.25	699.37
BOC	C/33 3366	20-Jul-11	20-Jul-12	5,883.84	5,448.00	435.84	193.97
BOC	C/33 3368	20-Jul-11	21-Jul-12	54,750.00	50,000.00	4,750.00	2,114.01
BOC	C/33 2653	4-Oct-11	4-Sep-12	651,000.00	600,000.00	51,000.00	12,295.89
BOC	C/33 2655	4-Nov-11	4-Nov-12	5,644.17	5,202.00	442.17	137.77
POP	6001000038604	31-Dec-12	1-Mar-12	2,881,963.71	2,839,373.00	42,590.71	-
POP	FD	26-Jul-11	26-Jul-12	118,936,000.00	109,468,000.00	9,468,000.00	4,046,597.26
POP	FD	21-Dec-11	21-Jun-12	12,025,697.24	11,494,095.33	531,601.91	26,288.01
HDFC	FD1000154	7-Jul-11	7-Jan-12	13,431,478.04	12,932,735.08	498,742.96	241,150.44
HDFC	FD01000156	10-Oct-11	16-Apr-12	20,707,975.89	19,899,824.92	808,150.97	357,706.17
<b>Total Amount</b>				<b>241,847,352.98</b>	<b>225,034,628.02</b>	<b>16,824,724.96</b>	<b>6,727,714.07</b>

**NATIONAL GEM & JEWELLERY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

**7.3 TREASURY BILL & FD 2010**

BANK	TREASURY BILL NO	PERIOD		AMOUNT RECEIVABLE	AMOUNT INVESTED	TOTAL GROSS INCOME	ACCURED INCOME
		From	To				
BOC	TB2011/100045	23-Dec-11	23-Mar-12	10,156,460.00	9,951,218.26	205,241.74	9,021.61
BOC	TB2010/100045	30-Sep-11	30-Mar-12	2,858,596.00	2,761,929.72	96,666.28	38,241.61
BOC	TB2011/100045	19-Dec-11	16-Mar-12	10,197,037.00	9,999,999.65	197,037.35	25,498.95
BOC	TB2011/100045	28-Dec-11	23-Mar-12	5,097,458.00	4,999,999.70	97,458.30	3,212.91
BOC	TB2011/100045	27-Oct-11	20-Jan-12	5,081,145.00	4,999,999.11	81,145.89	61,098.08
BOC	TB2011/100045	11-Nov-11	10-Feb-12	5,090,001.00	4,999,999.60	90,001.40	49,451.32
BOC	TB2011/100045	18-Nov-11	17-Feb-12	5,091,250.00	4,999,999.53	91,250.47	43,118.35
BOC	TB2011/100051	21-Nov-11	17-Feb-12	5,087,034.00	4,999,999.94	87,034.06	38,256.73
BOC	TB2011/100052	30-Nov-11	24-Feb-12	5,090,369.00	4,999,999.68	90,369.32	32,958.22
BOC	TB2011/100053	16-Dec-11	16-Mar-12	5,081,145.00	4,999,999.43	81,145.57	14,319.81
BOC	TB2011/100054	29-Dec-11	16-Mar-12	1,000,000.00	982,629.00	17,371.00	772.04
BOC	TB2011/100055	29-Dec-11	23-Mar-12	3,094,766.00	3,036,271.83	58,494.17	2,207.33
BOC	TB2011/100056	29-Dec-11	23-Mar-12	1,000,000.00	981,099.00	18,901.00	713.25
BOC	TB2011/100057	25-Nov-11	25-May-12	7,387,712.00	7,113,827.55	2,207.33	80,161.30
POP	PDU-3317/11	9-Dec-11	30-Mar-12	9,748,300.00	9,509,827.34	238,472.66	47,264.85
POP	PDU-3226/11	5-Dec-11	24-Feb-12	3,150,600.00	3,096,507.35	54,092.65	17,363.07
POP	PDU-2977/11	20-Oct-11	20-Jan-12	3,051,100.00	2,999,920.85	51,179.15	39,930.65
POP	PDU-2983/11	21-Oct-11	20-Jan-12	15,262,400.00	14,999,901.98	262,498.02	204,165.09
	<b>Total Amount</b>			<b>102,525,373.00</b>	<b>100,433,129.52</b>	<b>1,820,566.36</b>	<b>707,755.18</b>

**TOTAL ACCRUED INCOME**

**7,494,023.27**

**NATIONAL GEM & JEWELLERY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2011</b>		<b>2010</b>	
	<i>Rs</i>	<i>Cts.</i>	<i>Rs</i>	<i>Cts.</i>
<b>8. PRE PAYMENTS</b>				
Income Tax Paid In Advance		-		-
Pre Payments		655,155.91		977,704.94
		<b>655,155.91</b>		<b>977,704.94</b>
<b>8.1 PRE PAYMENTS</b>				
Vehicle Insurance Cover		395,007.72		673,582.31
Insurance		29,783.89		-
Rent		-		-
Permit For Registration Of Gun		-		-
Rate & Taxes		8,177.66		-
Photocopy & Fax Service Charges		28,865.89		34,047.79
Vehicle Licence		37,608.75		57,082.34
Software Maintanance		-		51,757.50
Stamp Mechine Service		-		5,000.00
Maintanance Of Equipments		2,400.00		-
Stamp Duty For Wtc Lease		-		-
Exibition - Local		153,312.00		37,485.00
Maintanance Of Motr Vehicle		-		3,750.00
Publicity		-		100,000.00
Parking Charges		-		15,000.00
		<b>655,155.91</b>		<b>977,704.94</b>
<b>9. DEPOSITS</b>				
General Deposits		333,225.00		345,725.00
Secu. Deposits Of Employ. - B O C		12,000.00		12,000.00
Secu. Deposits Of Emplo. - N S B		37,500.00		37,500.00
Secu. Deposits Of Emplo.-S M B		5,000.00		5,000.00
Miscellaneous Deposits		32,126,165.46		30,525,471.46
Deposits With P M G		14,525.00		14,525.00
		<b>32,528,415.46</b>		<b>30,940,221.46</b>

**NATIONAL GEM & JEWELLERY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

	2011		2010	
	<i>Rs</i>	<i>Cts.</i>	<i>Rs</i>	<i>Cts.</i>
<b>10. LOANS &amp; ADVANCES</b>		-		-
Advance-Salary		7,220.00		260,886.65
Vehicle Loan		1,089,142.91		2,275,311.50
Distress Loan		12,916,001.54		13,573,574.61
Festival Advance		107,981.57		201,368.04
Textile Loan		396,166.96		404,938.42
Nopay Leaves		180,307.79		115,959.08
Special Recoveries From Employees		-		-
Housing Loan Scheme - S M B		5,646.94		1,140.72
		<b>14,702,467.71</b>		<b>16,833,179.02</b>

**11. REPURCHASE TREASURY BILI**

Cash Transfers	0.00	550,000.00
Repurchase Tresury Bills(Repo)	6,096,448.64	14,834,254.12
	<b>6,096,448.64</b>	<b>15,384,254.12</b>

**11.1 REPO**

BANK	REPO NUMBER	PERIOD		AMOUNT INVESTED
		FROM	TO	
POP	M11B008780	28-Oct-11	27-Jan-12	3,047,084.26
POP	M11B010123	23-Nov-11	22-Feb-12	3,049,364.38
<b>TOTAL AMOUNT</b>				<b>6,096,448.64</b>

**NATIONAL GEM & JEWELLERY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2011</b>		<b>2010</b>	
	<i>Rs</i>	<i>Cts.</i>	<i>Rs</i>	<i>Cts.</i>
<b>12. BANK &amp; CASH BALANCES</b>				
Bank Of Ceylon	25,292,398.00		25,952,505.64	
Peoples Bank	4,135,767.47		7,543,192.56	
Petty Cash	4,840.00		317.00	
Sampath Bank	37,119.25		37,119.25	
	<b>29,470,124.72</b>		<b>33,533,134.45</b>	
<b>12.1 BANK OF CEYLON</b>				
BOC York Street H/O		-		-
Gem Reward Fund BOC 0000001700	148,270.74		181,731.47	
B.O.C.York St.A/C 0000001229	19,799,645.84		20,982,648.02	
Head Office Dollar Ac No:8547538	571,642.65		570,728.36	
BOC Ratnapura A/C 0001016062	2,660,459.88		1,579,603.70	
Geuda Ratnapura BOC - 0001015651	201,848.92		898,610.42	
R/Pura Ge. Ex. Cent.BOC0001015894	530,172.62		43,524.46	
BOC Matara A/C 0001659841	1,380,357.35		1,695,659.21	
	<b>25,292,398.00</b>		<b>25,952,505.64</b>	
<b>12.2 PEOPLES BANK</b>				
P.B.QUEEN ST. A/C 00331320300024	536,904.85		34,167.83	
P.B.RATNAPURA A/C 00881320002665	175,161.03		2,173,633.18	
P.B.EHELIYAGODA A/C 1620006013	1,337,827.65		988,556.28	
P.B.NAULA A/C 1520001139	1,584,113.62		2,203,378.21	
PB.MONARAGALA A/C 1520001164	501,760.32		2,143,457.06	
	<b>4,135,767.47</b>		<b>7,543,192.56</b>	

**NATIONAL GEM & JEWELLERY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2011</b>		<b>2010</b>	
	<i>Rs</i>	<i>Cts.</i>	<i>Rs</i>	<i>Cts.</i>
<b>12.3 PETTY CASH</b>				
Petty Cash Head Office		-		-
Petty Cash Imprest Transport		-		-
Petty Cash Imprest Natio Enf Beur		-		-
Petty Cash Imprest - R/ Pura		-		-
Petty Cash Imprest Eheliyagoda		-		-
Petty Cash Imprest R/Pura Geuda		-		-
Petty Cash Imprest Naula		-		(30.00)
Petty Cash Imprest Monaragala		-		-
Petty Cash Imprest Matara		-		-
Petty Cash Imprest Katunayaka		4,840.00		347.00
		<b>4,840.00</b>		<b>317.00</b>
<b>12.4 SAMPATH BANK</b>				
Sampath Bank Ac No:-Dfc/Usd/20646		37,119.25		37,119.25
		<b>37,119.25</b>		<b>37,119.25</b>
<b>13. INCOME &amp; EXPENDITURE SURPLUS</b>				
Charges Against Previous Year		-		-
Income Expenditure Surplus		12,966,366.88		57,606,878.89
Prior Year Adjustment		(5,083,757.57)		(13,937,819.45)
		<b>7,882,609.31</b>		<b>43,669,059.44</b>

**NATIONAL GEM & JEWELLERY AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

	2011		2010	
	<i>Rs</i>	<i>Cts.</i>	<i>Rs</i>	<i>Cts.</i>
<b>14. CREDITORS</b>				
Salary Control	100,207.00		-	
V.A.T.	2,528,823.82		826,722.46	
Advance For Purchasing Topaz	15,896.26		15,896.26	
Welfare Debts For Emergency Loan	-		-	
A U Wittachci	119,289.16		119,289.16	
K V Jayawardena	294,631.00		294,631.00	
Export Commission Deposits	280,000.00		280,000.00	
Receipts In Stamp Fees	-		-	
Tender Deposits	2,828,650.00		1,114,500.00	
Interest Payable To Employees	41,020.06		38,556.67	
Deposits For Gem Mining Projects	66,456.65		66,456.65	
Sundry Creditors	37,782,314.20		28,985,470.19	
Receipts In Advance	14,609,577.51		11,943,173.93	
Epf Payable	-		-	
Staff Debtors Over Recoveries	-		-	
Etf Payable	-		-	
Diamond Export Creditors	-		42,430.00	
Economic Services Tax Payable	(2,239,299.45)		-	
10% Retention	2,852,939.20		2,976,384.09	
Contractors Accounts	-		-	
Tsunami Fund	-		-	
Geuda In Sri Lanka Book Fund	60,883.75		58,783.75	
Illama Insurance Scheme	-		-	
Postage & Stamp Fees For Receipts	(450,995.68)		1,487,579.55	
Unpaid Salaries	-		-	
Retain Gem Auction Tax 25%	6,006,212.20		17,696,056.62	
With Holding Tax	-		339,400.64	
Payee Tax Payable	55,487.96		38,294.96	
LIFE MEMBERSHIP FEES - WTC	-		-	
Life Membership Fees - Rathnapura	-		-	
National Building Tax	251,882.46		20,541.35	
V A T	-		-	
Geuda Creditors - Insurance	141,677.88		177,123.09	
Diamond Exports Creditors	-		8,000.00	
	<b>65,345,653.98</b>		<b>66,529,290.37</b>	

**NATIONAL GEM & JEWELLERY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**

	2011		2010	
	<i>Rs</i>	<i>Cts.</i>	<i>Rs</i>	<i>Cts.</i>
<b>15. GEMMING &amp; OTHER DEPOSITS</b>				
Gemming Deposits -H/0 & Horana	1,043,000.00		810,500.00	
Special Deposits For Gem Pits	5,000.00		5,000.00	
Employees Security Deposits	49,500.00		49,500.00	
Land Dispute Deposits	30,100,739.86		24,375,615.06	
Gem Museum Fund	125,997.00		125,997.00	
Gem Mining Welfare Fund	27,356,497.91		27,506,497.91	
Laboratory Fund	-		-	
Medical Scheme Fund	10,045,047.83		10,474,300.13	
Jewellery Development Fund	17,420,083.00		12,358,083.00	
Gemming Deposits- R/Pura	112,053,533.35		72,488,116.69	
O K D Wimalaratna	50,000.00		50,000.00	
Gemming Deposit-Eheliyagoda	18,145,250.00		12,579,250.00	
Gemming Deposits - Naula	9,327,200.00		5,569,200.00	
Gemming Deposits- Monaragala	9,501,250.00		7,023,250.00	
Gemming Deposits - Matara	1,227,000.00		930,500.00	
Gemming Deposits- Trans.Of Gravel	28,000.00		28,000.00	
Security Deposits- W T C	8,008,365.28		7,518,661.28	
	<b>244,486,464.23</b>		<b>181,892,471.07</b>	

## Notes to the Financial Statements

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 General

The National Gem & Jewellery Authority has been established under the National Gem & Jewellery Authority Act No:50 of 1993.

The Financial Statements of The Authority have been prepared in accordance with the Sri Lanka Accounting Standards on the historical cost basis. No adjustments have been made for inflationary factors affecting the Financial Statements. The accounting policies are consistent with those used in the previous year. The changes to the accounting policies have appropriately been disclosed.

Figures and phrases relating to the previous year have been restated where necessary, to conform to the current year's presentation

#### 1.2 Assets and the Basis of their Valuation

##### 1.2.1 Property, Plant & Equipment and Depreciation

All property, Plant & Equipment are recorded at cost of purchase or construction or valuation together with any incidental expenses thereon. The assets are stated at historical cost or revaluation less accumulated depreciation which is calculated on straight line basis over the period of its useful lives of the different type of assets.

Free hold Buildings	2%	Per Annum
Motor Vehicles	25%	„
Computers	20%	„
Furniture & Equipments (others)	10%	„

Depreciation is not charged in the year of purchase, whilst a full year's depreciation is charged when the item dispose.

##### 1.2.2 Capital working progress.

###### (1) Colombo Gem City

The total cost of Colombo gem city of Rs. 1,475,440.70 has been identified as the abandoned project.

### **1.2.3. Exhibition Gemstone**

The values of Exhibition Gemstones have been shown in the balance sheet at the revalued amount of the stones.

### **1.2.4 Inventories**

Inventories have been valued at the lower of cost or net realizable value.

### **1.2.5 Receivables**

Receivables are stated at the values estimated to be realized.

### **1.2.6 Short term Investments**

Treasury Bills and other investments called deposits are valued at cost.

### **1.2.7 Cash and Cash Equivalents**

Cash & cash equivalent include Cash in Hand and at Bank as at 31.12.2011.

### **1.2.8 Cash Flow**

Cash Flow Statement has been prepared using the “indirect method”.

### **1.2.9 Foreign currency Transactions**

Transactions in foreign currencies are measured at the exchange rate ruling at the date of the transaction. Monetary assets denominated in foreign currencies are translated into Sri Lankan rupees at the exchange rate ruling at the Balance Sheet date.

## **1.3 EMPLOYEE BENEFITS**

### **1.3.1 Provision for Gratuity**

Provision has been made for the retiring gratuity payable from the initial year of service to all employees in conformity with SLAS 16 – Retirement Benefit Costs. However, under the payment of Gratuity Act No. 12 of 1983, the liability to employees arises only on completion of 5 years of continued service. The liability is not externally funded nor is it actuarially valued.

The total liability as at 31.12.2011 was Rs.40,441,292.63 The amount of Rs.6,182,885.87 has been charged to current year profit and loss account.

### **1.3.2 Defined contribution plans**

Obligations for contributions to Provident and Trust Funds are recognized as an expense in the income statement as incurred. During the year the authority incurred Rs. 11,824,953.08 and 2,231,199.66 as for E.P.F and E.T.F respectively.

## **1.4 CURRENT LIABILITIES**

### **1.4.1 Current Liabilities**

Current liabilities are those, which fall due for payment on demand or within one year from the Balance Sheet date. Non –Current Liabilities will fall due for payment one year or more after the Balance Sheet date.

### **1.4.2 Provision & Depreciation**

The total provisions for the year under review have been disclosed separately in the income & expenditure account and the effects to the last previous year had been separately disclosed in the financial statement. The changes have been made to the financial statement to give more meaningful idea those who wish to read the financial statement.

### **1.4.3 Forfeited Gemming Deposits.**

Forfeited Gemming Deposits have been transferred to the gem land Rehabilitation reserve since the year 2000. During the year under review, the fortified gemming deposits amounting to RS. 7,897,305.00 was recognized as income following the previous year.

### **1.4.4 Gemming & Other Deposits.**

The Total refundable Gemming & Other Deposit as at 31<sup>st</sup> December 2011 was Rs 244,486,464.23.

Unclaimed gemming deposits amounting to Rs. 3,710,000.00 was recognized as income during the year.

### **1.4.5 Lab Fund**

Sri Lanka Gem & Jewellery Association (SLGJA) had incorporated a company named Lanka Gemological Laboratory (Pvt) ltd., (LGL Pvt Ltd) to establish a laboratory of international standards for testing and certifying gems & jewellery. The funds collected from exporters from January 2001 to June 2005 being their contribution towards the establishment of the above laboratory amounting to Rs. 92,498,578.69 was transferred to the LGL (Pvt) Ltd in 2009, with the approval of cabinet of Ministers.

As per Auditors' report & financial Statements submitted by Lanka Gemological Laboratory (Pvt) Ltd., balance as at 31<sup>st</sup> March 2011 stood at Rs. 102,970,217.00

#### **1.4.6 Taxation**

Provision for current taxation is made on the basis of the adjustment to the Income of the year for taxation. The amount of Rs.5,000,000/- was shown as provision for tax as at 31-12-2011.

#### **1.4.7 Events after the balance sheet date**

The material events occurring after the balance sheet date have been adjusted.

### **1.5 INCOME & EXPENDITURE**

#### **1.5.1. Revenue Recognition**

- i. Regulatory income is recognized only on receipt of payment and advance receipt is credited to receipt in advance account. Interest income is accounted on accrual basis.
- ii. Rental income and other income from WTC operations have been recognized as separate source instead of setoff against expenditure on it, Rent receivable are shown in accrual basis.
- iii. Profit and loss on Assay Office is arrived by taking the assay stamping revenue of Rs 2,662,864.63 less direct material cost amounting of Rs. 1,139,706.91.
- iv. When calculating the export service fees, export returns up to Jan: 2011 was taken into account.

#### **1.5.2 Expenditure**

- a) All expenditure incurred in the running of the Authority in maintaining the Capital Assets in a state of efficiency has been charged to revenue.
- b) All expenditure incurred in the acquisition extension or improvement of assets of a permanent nature in order to carry on or increase the earning capacity of the Authority has been treated as capital expenditure.

#### **1.5.3 Contingencies**

Material losses are not anticipated as result of unfavorable legal decisions or any other transactions.

The Chairman,  
National Gem and Jewellery Authority.

**Report of the Auditor General on the Financial Statements of the National Gem and Jewellery Authority for the year ended 31 December 2011 in terms of Section 14 (2)(c) of the Finance Act No. 38 of 1971.**

The Audit of financial statements of the National Gem and Jewellery Authority comprising the balance sheet as at 31 December 2011 and the income statement, statement of charges in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act No. 38 of 1971 and Section 21 (2) of the National Gem and Jewellery Authority Act No. 50 of 1993. My comments and observations which I consider should be published with the Annual Report of the Authority in terms of Section 14(2)(c) of the Finance Act appear in this report. A detailed report in terms of Section 13(7)(a) of the Finance Act was issued to the Chairman of the Authority on 23 April 2012.

### **1.2 Managements Responsibility for the Financial Statements**

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

### **1.3 Auditors Responsibility**

My responsibility is to express an opinion based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation

of the financial statements. Sub- sections (3) and (4) of Section 13 of the Finance Act No 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the Audit.

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

#### **1.4 Basis for Qualified Opinion**

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

## **2. Financial Statements**

### **2.1 Qualified Opinion**

In my opinion except for the effects of the matters described in paragraph 2.2 of this report the financial Statements give a true and fair view of the financial position of the National Gem and Jewellery Authority as at 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### **2.2. Comments on Financial Statements**

#### **2.2.1 Sri Lanka Accounting Standards**

The following non- compliances were observed.

(a) Sri Lanka Accounting Standard No.3

Taking in to revenue of non – refunded security deposit valued at Rs. 3,710,000 had not been disclosed in the accounts.

(b) Sri Lanka Accounting Standard No.18

Exhibition gem stock of gem belongings to the Authority had not been revalued and brought to account since the year 1996.

#### **2.2.2 Accounting Deficiencies**

The following deficiencies were observed.

(a) A sum of Rs. 1,956,330 had been shown as accrued publicity expenses for 2010 Jewells exhibition in the final accounts for the year 2010 presented and a sum of Rs. 5,306,502 had been incurred in the year 2011 as publicity expenses of the exhibition. As such the profit for the year under review had been understated by Rs. 3,350,172.

(b) A sum of Rs. 1,400,000 had been collected from outside persons for the repair of kuruwita Halpe road. It had been credited to gemming security deposit. Even though this amount had been sent to the Provincial Road Ministry for road repairs, it had been eliminated from the relevant deposit account. As such the deposit account and the project expenditure account had been overstated by Rs. 1,400,000.

(c) Income of Reword Fund amounting to Rs. 5,082,600 had been brought to accounts as baco income

- (d) The Nation Building Tax amounting to Rs. 67,924 which was collected from rent receivable from shop owners located at World Trade Centre had been credited to Nation Building Expenditure Account.
- (e) Under provision of Rs. 1,355,125 in the year 2010 on local exhibition expenses had not been adjusted to the accounts.

### 2.2.3 Unreconciled control Accounts

According to the final accounts, the balances in Textiles Loan Account and the Festival Advance Accounts are amounted to Rs. 396,167 and Rs. 107,982 respectively, nevertheless, the balances as per schedule amounted to Rs. 327,667 and Rs. 176,482 respectively. Accordingly the differences are amounted to Rs. 68,500 and Rs. 68,500 respectively.

### 2.2.4 Unexplained Differences

The following differences were observed.

Division	Subject	Balance as per Ledger	Balance as per the Records of Relevant Section	Difference
		Rs.	Rs.	Rs.
Statistics	Income of Assay Division	2,662,865	2,532,672	130,193
Statistics	Gem testing income	3,193,075	3,140,983	52,092
Ratnapura Gem Transit Centre	Outstanding rent income	2,789,500	3,304,500	515,000

### 2.2.5 Accounts Receivable and payable

The following matters were observed.

- (a) Five creditor balances totalling Rs. 3,407,494 had remained outstanding for more than five years and action had not been taken to recover them.
- (b) The sundry debtor balance had included a balance of Rs. 33,844 and a balance of Rs. 401,595 remained for more than 5 years and 3 to 4 years respectively and no action had been taken to settle them.
- (c) The debtor balance had included the value of 31 cheques totalling Rs. 314,554 and it included 13 cheques valued at Rs. 103,552 remained outstanding for 3 to 8 years and they had not been settled.
- (d) A sum of Rs. 9,786,537 receivable from the Gem and Jewellery Research and Training Institute had included a sum of Rs. 6,756,089 remained for more than 5 years and the balance remained for 2 to 5 years amounted to Rs. 3,030,448.

- (e) The special advance balance included in the debtor balance of Rs. 478,044 had included a balance of Rs. 31,550 and Rs. 139,401 remained outstanding for 3 to 4 years and 2 to 3 years respectively.
- (f) A sum of Rs. 1,404,560 receivable from trade stalls rented out at the world Trade Centre for the period 2008 to 2010 were recoverable from the sub lent persons.
- (g) The amount receivable from seven trade stalls at Ratnapura Gem Transit Centre had been Rs. 1,542,500

### 2.2.6 Non – compliance with Laws, Rules, Regulations and Management Decisions

The following instances of non – compliance were observed.

Reference to Laws, rules, etc.	Non Compliance
<p>(a) Instances where action had not been taken in accordance with Government Procurement Guidelines</p> <p>(i) Signings a formal contract agreement as per paragraph 8.9.1(b)</p>	<p>(a) Even though a sum of Rs. 500,000 had been given to the Department of Agrarian Services for reconstruction activities to avoid seapase of sediment to paddy fields as a result of mining in the Paradaiswatta Premises (SLBC part), a formal agreement had not been entered. According to the reply sent by the Chairman on 12 June 2012. It was stated that as an agreement had been signed with (Govi Sanvidhana) Farmer Organizations in respect of reconstruction activities an agreement with the Authority could not be signed as informed by the Department of Agrarian Services.</p> <p>(b) The estimated expenditure for closing mines in the land stated in (a) above making sediment filtering systems, making gravel road leads to houses situated round the land</p>

amounted to Rs. 1,408,000 but no agreement had been entered in to with the Department of Agrarian Services for this purpose.

(ii) payment of a maximum advance of 20% advance as per Paragraph 5.4.4

A sum of Rs. 277,500 as an advance of 50% had been paid to the Sri Lanka Institute of Development Administration on 4 April 2011 to improve the computer document authorization system.

(iii) Paragraph 4.3

A total cost estimate had not been prepared in repairing and reconstructing toilet system and water leakage from the ground flow to the second flow of the Authority. According to the reply of Chairman on 14 June 2011 it was stated that it had to be repaired quickly and as such it had been done by calling for quotations from few registered construction companies without being prepared a total cost estimate.

(b) The report issued by the Department of Management Services on 31 August 2000 on policies and procedures of the right of gemming.  
paragraph 6.5

Even though it was stated that the total auction income on crown lands should own by the Authority a provision of Rs. 872,606 had been made for the payment to the Central Province Land Commissioner's Department for the Welgahawadiya crown land at Hasalaka. Even though requests had been made in several instances to release this land for

auctioning as unauthorized gemming is carried out these lands, it was rejected by that institution by imposing various conditions. Hence the Chairman informed that it was agreed to pay a percentage of income to that institution in order to minimize environmental pollution by unauthorized gemming and to get an income to the government land auctioned the land after being released.

(c) Public Enterprises Circular  
No. PED/12 of 02 June 2003  
Paragraph 5

Actual and reachable objectives should be included in the corporate plan for the year 2009 to 2013 and provision to achieve those objectives should be made in the Budget. Nevertheless there were instances where the Budget of the authority did not cover the objectives stated in the Action Plan. some such instances are given below Accordingly it was observed that objectives and aims in the action plan were not at a level of achieving actually Eg:

- (i) Formulation of a national plan in the gem and Jewellery industry.
- (ii) Improving its results by a census.
- (iii) Set up a special task force to raid illegal gemming.
- (iv) Purchase of spectrometers to improve the quality of certificates issued after being tested gems.

### 3. Financial Review

#### 3.1 Financial Results

According to the financial statements presented by the Authority for the year ended 31 December 2011 had resulted in a pre-tax net profit of Rs. 8,177,976 as against the pre-tax net loss of Rs. 32,966,486 for the preceding year. Increase in land auction income by Rs. 11,331,900 decrease the establishment expenses and promotion expenses by Rs. 11,374,973 and by Rs. 23,577,186 respectively had been the main reasons for increase in the surplus.

#### 3.2 Analytical financial Review

According to the information included in the financial statements the profitability of the Authority for the year under review and the previous 4 years are as follows.

	2007 Rs.	2008 Rs.	2009 Rs.	2010 Rs.	2011 Rs.
Income	215,730,616	258,179,893	220,671,589	228,963,191	249,179,325
Expenditure	232,277,006	228,772,163	233,705,664	261,929,677	241,001,350
pre tax profit/ (Loss)	(16,546,390)	29,407,730	(13,034,075)	(32,966,486)	8,177,975

Accordingly it was observed that the profitability of the Authority had considerably fluctuated in the previous several years.

### 4. Operating Review

The following matters were observed.

#### (a) Auctioning Gem Lands

Even though it was expected from the Budget for the year 2011 to earn an income of Rs. 65,500,000 from auctioning land of the government and lands belonging to the Land Reform Commission, the actual income earned was Rs. 28,837,872. Accordingly, the achievement of the expected targets had been at a low level of 44%

#### (b) Export of Gem and Jewellery

The following matters were observed.

- (i) The Authority Participates in the foreign exhibitions for overseas promotion of Gem and Jewellery field and the Authority Spends money annually on that and for the foreign publicity through Gem and Jewellery Association. A test examination observed that all Gem and Jewellery certified and sent for sale by the Authority Valued at Rs. 26,601,128 had been returned unsold in 7 instances.

- (ii) Promotion expenses in the year under review and the four previous years and the expenses on foreign exhibitions included therein are as follows.

Year	Promotion Expenses Rs. Mn	Foreign Exhibition Expenses Rs. Mn	As a Percentage
2007	38.130	15.705	41.18%
2008	34.776	14.366	41.31%
2009	33.264	13.385	40.23%
2010	49.028	1.406	2.86%
2011	25.451	8.355	32.82%

- (iii) It was not established in audit that reasons for returning all the exported stock and whether appropriate results can be ascertained from this money spent annually on foreign promotion.

**(c) Division of Determination of Quantity of Gold**

The following matters were observed.

- (i) Gem research income of the year 2011 as per final accounts amounted to Rs. 3,295,575 and the total expenditure, comprising the personnel cost of Rs. 4,353,322 and depreciation of Rs. 787,369 amounted to Rs. 5,140,691. Accordingly the expenditure over Gem research income amounted to Rs. 1,845,116 or 56 per cent.

- (ii) Jewellery testing income of the year 2011 amounted to Rs. 1,523,158 and the personnel cost and depreciation amounted to Rs. 3,491,797 and Rs. 1,224,403 respectively. Accordingly the expenditure over income amounted to Rs. 3,193,042 or 209 per cent.

The progress of issuing certificates in the years 2010 and 2011 had decreased approximately by 3 per cent.

**(d) Export of Geuda**

The even though aim of the Authority is to reduce the geuda export to zero, the geuda export had been increased by 26.74% and 36.21% in 2010 and 2011 respectively, as compared with that of 2009. The Chairman informed me that action is being taken to pay more attention on the value added exports, to reduce geuda exports.

**(e) Gem Mining by Using Machines**

The following matters were observed.

- (i) A test check revealed that the Authority had given authority to mining in excess of the extent of Land approved for mining by the Land Reforms Commission in 5 instances.

The Land Reforms Commission recommends removing mineral within a limited area This authority is given in subsequent years and this extent is not the extent which has been approved before. Accordingly

the Chairman replied that the Authority had given the authority to a total of several years mineral rights for Gem mining.

File No.	Extent to which LRC is given Authority	Extent to which Authority is Allowed sq.ft
17/2/1/3/71769	15 perches (4005 sq. ft)	9,888
17/2/1/3/65898	01 perches (267 Sq.ft)	1,000
17/2/1/1/3/66971	01 perches (267 sq.ft)	15,000
17/2/1/1/3/63245	20 Perches (5340 sq.ft)	12,213
17/2/1/3/72500	Within 20 perches (267 sq.ft)	16,408

(ii) In the examination of file 5/41/p/59380, the following matters were observed.

At the field inspection carried out by the Operation Officers on 14 September 2007 it was reported in digging a mine to the extent of 12,000 sq ft. and damaging the drain, In terms of Circler No. 121(3) recovery of a settlement charges of Rs. 660,000 and closing the mine or recovering semites should be done but only a settlement charge of Rs. 10,000 had been recovered.

(iii) In terminating settlement charges Limits have been imposed in Section 52 of the Gem and Jewellery Authority Act No. 50 of 1993, and the Authority has the power to issue and adopt rules and regulations. Nevertheless it was observed at a test examination carried out in respect of Gem mining that the Authority should take action to improve the Gem industry in considering the current issues of the Industry, irrespective of rules and regulations older than 17 years.

(iv) Settlements are made in respect of breach of conditions in the license, illegal excavations of mines etc. on the basis of a Circular of the Authority which is older than 5 years. Due to the simplicity of conditions of settlement, those faults are repeatedly done and as a result, it was observed that environmental pollution is occurred at a grand scale. The Chairman had replied stating that a special unit has been set up now in this regard.

**(f) Foreign Trade Exhibitions**

(i) In terms of Section 14 (1)(d) of the Gem and Jewellery Authority Act No. 50 of 1993 action should be taken for the utilization of Gem and Jewellery market within Sri Lanka or outside and promotion of demand for Gem and Jewellery to the world market. Nevertheless it had been limited to few countries and as such this objective had not been achieved. Holding foreign exhibitions by the authority during the years 2009, 2010 and 2011 are as follows.

Country	No. of Exhibitions held		
	2011	2010	2009
China	5	4	3
Singapore	1	1	1
India	-	-	1
Japan	-	-	1
America	-	-	1
<b>Total</b>	<b>6</b>	<b>5</b>	<b>7</b>

- (ii) According to the action plan, 12 foreign exhibitions had been planned to be held during the year under review but only 6 had been held.
- (iii) A sum of Rs. 29,576,767 had been spent for holding 6 foreign exhibitions during the year under review but only a sum of Rs. 20,204,861 had been collected from participants.

## 4.2 Management Inefficiencies

The following matters were observed.

- (a) Out of a sum of Rs. 99,545,573 recovered from exports during the period 2001 to 2005, a fund to set up a quality laboratory had been created. Of this fund, a sum of Rs. 7,046,995 had been paid to an American Gem Trading Company which had agreed to provide facilities to issue quality certificates, but there was no benefit whatsoever to the Authority. No action had been taken to put up the laboratory up to April 2009 and the balance of that fund amounting to 92,498,578 had been given to a private institution in April 2009 with the approval of the Cabinet of Ministers for this purpose. The balance of that fund as at 31 March 2011 amounted to Rs. 102,970,217 and a sum of Rs. 621,609 had been spent out of this fund to incur audit fees and sundry expenses. No any action whatsoever had been taken to set up the laboratory and an audited accounts report as at 31 March 2011 had not been presented to audit as well.
- (b) Gem Mining Welfare Fund  
A person who obtained a formal license should sell or auction license of the Authority to give tax concession to all those who engage in mine industry. An amount equivalent to one per cent of the total income received out of it should be credited to the fund of the Authority established for the benefit of all who engage in gem industry. Accordingly the amount so collected from 1999 to 2008 had been credited to the Gem Mining Welfare Fund and the balance of that fund as at 31 December 2011 amounted to Rs. 27,356,498. Crediting money to this fund had been suspended since 2008 and it was not observed in audit that this fund had been utilized for the benefit of persons who engage in gem industry up to now.

(c) Jewellery Development Fund

A Jewellery Development Fund had been established from money collected from Jewellery traders since 2008 for the development of people who engage in Jewellery industry. The balance to the credit of that fund as at 31 December 2011 amounted to Rs. 17,420,083 but it was not observed in audit that this fund had been utilized for the development of the industry during the year under review.

(d) Vehicle utilization

GPRS/ GPS vehicle tracking system had been fixed to the 7 vehicles at a cost of Rs. 26,000 per each vehicle and they had been removed subsequently due to non- activation as per various structures of tanks. It was observed in audit that this had happened as the technical evaluation committee had not paid attention of those practical situations in making its decisions.

### 4.3 Idle and under-utilized assets

The following matters were observed.

- (a) Expenditure of Rs. 1,500,441 had been incurred in respect to Menikpura construction works during the period from 2001 to 2005 shown as works in progress under fixed assets. No any effective improvement in this connection had been done during the past 7 years and the construction work of it had been abandoned present.
- (b) The following equipment available for gem stone testing in the Rathnapura Regional office laboratory had become inoperative since several years.
  - (i) Ultraviolet Machine
  - (ii) Spectroscope Machine
  - (iii) Fribolic Machine
- (c) A balance of Rs. 37,119.25 in the account of Sampath Bank maintains for payments made via internet had been dormant since the year 2007.

### 4.4 Uneconomic Transactions

The following observations are made.

- (a) The publicity expenditure incurred for the 2010 Jewels exhibition amounted to Rs. 5,495,823 representing approximately 20 per cent of the total exhibition expenses. A sum of Rs. 5,710,333 had been received from sale of tickets, trade stalls and the construction of Geological Survey and Mines Bureau and the net expenditure amounted to Rs. 22,086,972. In considering the operation of the Authority financial position and available resources. local and foreign participants in this exhibition which had been held for the promotion of this field by incurring such an exorbitant expenditure had been at a low level of 26% from the expectation.
- (b) An excess balance of Rs. 4,862,759 had been maintained in the Regional offices bank accounts in excess of the maximum limits of Bank balances determined to be kept.

#### 4.5 Identified Losses

A sum of Rs. 11,760 for the re-connection of disconnected water supply due to non – payment of water bills of Belideniya building on due dates and sum of Rs. 2,440 as warrant charges in the payment of rates for the years 2008 and 2009 to the Colombo Municipal Council had been paid.

#### 4.6 Resources given to the other Government Institutions

Contrary to the paragraph 3.8.9 of Circular No. PED/12 dated 02 June 2003 of the Treasury a sum of Rs. 592,958 for 3 officers who were recruited by the Authority on contract and casual basis and a sum of Rs. 337,069 for 2 motor vehicles had been incurred on behalf of the Ministry.

#### 4.7 Personnel Administration

The following observations are made.

- (a) In comparing the approved cadre of the Authority with the permanent cadre and the recruited cadre it was revealed that there were vacancies.

Type	As at 31 December 2011		
	Approved Cadre	Actual Cadre	No. of Vacancies
Staff	51	36	15
Non-Staff	169	91	78
Minor Staff	52	40	12
Contract	-	60	-
Casual	-	11	-
<b>Total</b>	<b>272</b>	<b>238</b>	<b>105</b>

- (b) The maximum period of an acting post is 3 month, in terms of paragraph 9.3.1(vi) and 9.10 of Public Administration Circular No.12 of 02 June 2003. Nevertheless action had not been taken to fill or to suppress the vacant posts which were in acting or covering – up duties position for a long period.
- (c) A sum of Rs. 422,305 had been paid during the year 2011 to 7 officers in respect of acting or covering up duties in Staff posts of the Authority.
- (d) In terms letter No. NSCC/2/43/CB1 dated 09 November 2006 of the National Salaries and Cadre Commission, the existing scheme of recruitment and promotions should be revised to give the benefit or new salary structure to the employees. Never the less the Authority had not got the recruitment procedure approved.
- (e) The two approved posts of Deputy Senior Valuer/ Gemologist (ii) had been vacant since inception of the Authority. Even though the two posts of Valuer/ Gemologists (geuda) had been approved they have been in vacant position since 13 June 2006.

- (f) The Chief Internal Auditor post had been vacant since 14 February 2011 but action had not been taken to recruit it even by April 2012.

## **5. Accountability and Good Governance**

### **5.1 Corporate Plan**

The following matters were observed.

- (a) Activities not implemented in accordance with Action Plan for the year 2011 are given below.
- (i) Formulation of a national policy on gem and jewellery industry.
  - (ii) Carrying out a census on the Gem and Jewellery industry. As these activities which had been included in the Action Plan for the year 2006 had not been performed these had been included in the Corporate plan for the period 2009-2013 and action plan for the year 2011 but census had been conducted only in two Districts by 31 December 2011
  - (iii) Establishment of a Gem show room in the National Museum.
  - (iv) Ascertainment of FTIR equipment to upgrade the quality certificate issued after being tested the gems.
  - (v) Establishment of alloy testing and sealing (Hallmarking facility) in the Galle and Kandy branches to ensure the legal validity of jewellery products.
  - (vi) Open a data file under staff training. The Chairman replied that initial steps had been taken to open a data fill in the year 2012.
- (b) Objectives which can be achieved should be included in the Corporate Plan and the budgetary provision should be made to achieve those objectives. Nevertheless, there were instances where the budget had not covered certain objectives stated in the action plan accordingly it was observed that objectives and aims stated in the Corporate Plan of the Authority were not at an achievable level.

### **5.2 Internal Audit**

The post of Chief Internal Auditor had been vacant since 14 February 2011 and an Accountant had been appointed to act in this post. Even though there were two internal audit officers in the approved cadre, two casual officers had been appointed to those posts.

According to the reply sent by the Chairman on 14 June 2012 an Accountant had been appointed for the post of Chief Internal Auditor and action would be taken to recruit other vacancies, immediately once the recruitment procedure is approved.

### **5.3 Procurement Plan**

A procurement Plan had not been prepared by the Authority.

### **5.4 Budgetary Control**

The following matters were observed.

- (a) Even though a provision of Rs. 6.57 million had been made in the year 2011 for the determination of quantity of gold (Assay) division it had been abandoned though a sum of Rs. 6.32 million had been allocated to do the activity with the assistance of the University of Moratuwa.
- (b) A Provision of Rs. 15 million had been made in the year 2011 for closing mines and a sum of Rs. 2,624,920 had been spent for 3 Projects as at 31 December. Accordingly more than 82% had been saved out of the provision.
- (c) Even though a sum of Rs. 7 million had been estimated in respect of 5 work sites for the improvement of environmental friendly gem mining, it had not been implemented.
- (d) In preparing estimates for foreign exhibitions, had been prepared irrespective of income receivable from participants.
- (e) A provision of Rs. 6.75 million had been made to make the payment to trainees who participated in a training programme conducted for the improvement of geuda cutting industry and only a sum of Rs. 7,500 had been spent.
- (f) Achievement of budgeted data ranged from 25% to 840%. According to these observations , it was observed that the Budget had not been made use of as an effective management control.

### **5.5 Tabling annual reports in Parliament**

Annual reports for the years 2009 and 2010 had not been tabled in Parliament even by April 2012.

### **5.6 Conducting Special Investigations**

There is no special investigation unit in the Authority and action in respect of petitions received to the Authority is taken by the Operations Officer and Manager (Legal). According to the information obtained from the Authority the number of petitions received by Zone 01 and 02 at Ehaliyagoda amounted to 22 out of which investigation of 19 had been completed. Complaints received by Ratnapura, Naula, Matara and Colombo offices had not been reported.

## **6. Systems and Controls**

Weaknesses in systems and controls observed in audit had been brought to the notice of the Chairman from time to time. Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Purchases
- (c) Payment of advances
- (d) Operations in determination of quantity of gold(Assay) division and valuation divisions
- (e) Preparation of bank reconciliations
- (f) Issue of licenses

H.A.S. Samarweera  
Auditor General