

# ANNUAL REPORT 2022-2023



BLUE  
DIAMONDS  
JEWELLERY



**ANNUAL  
REPORT**

**2022**

**2023**



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# About Us

*Blue Diamonds Jewellery Worldwide PLC*, is an internationally reputed company that manufactures specialised 'floating diamonds' jewellery. As an internationally renowned company amongst the Gem & Jewellery exporters in Sri Lanka, Blue Diamonds Jewellery Worldwide has won several accolades such as the Presidential Export Awards in 2006 & 2007.

Established in 1990, Blue Diamonds Jewellery Worldwide is a pioneer in the industry, and to date the only public quoted diamond jewellery company listed in the Colombo Stock Exchange. It is also the first company in Sri Lanka to export quality jewellery, under an international brand name.



## Vision and Mission

### ***Our Vision***

To ensure customer satisfaction through unique and creative jewellery designs of high quality, to be exported worldwide in order to increase foreign exchange while providing employment opportunities.

### ***Our Mission***

Our strategic aim is to provide our customers with high end products that are known for the quality of the product as well as the unique creativity of its design. This is to be backed by an excellent after sales service that makes the customer feel valued and increase their satisfaction.

We seek to innovate and improve our products, train and motivate our employees and to reward their efforts while striving to obtain attractive profits and reward our shareholders for their valued investment in the Company.



# CORPORATE INFORMATION

## Name Of The Company

Blue Diamonds Jewellery Worldwide PLC

## Legal Form

A Public Limited Liability Company incorporated in Sri Lanka and obtained BOI status on 07<sup>th</sup> March 1991 and listed with Colombo Stock Exchange on 31<sup>st</sup> March 1992

## Date Of Incorporation

21<sup>st</sup> November 1990

## Company Registration Number

PQ 94

## Board Of Directors

Mr. Andrew Lee (Appointed w.e.f 19<sup>th</sup> January 2023)  
Mrs. M. Gamage-Brooker  
Mr. Sudath A. S. Jayasundara  
Mr. Tishya Wickremesinghe (Resigned w.e.f 19<sup>th</sup> January 2023)  
Mr. K. V. Amila Sanjeewa (Resigned w.e.f 19<sup>th</sup> January 2023)  
Mr. Adam Mark Brooker (Resigned w.e.f 30<sup>th</sup> August 2022)  
Mr. Mohomed Irfan Sadique (Resigned w.e.f 19<sup>th</sup> January 2023)  
Mr. Pradeep Thenuwara (Appointed w.e.f 19<sup>th</sup> January 2023)  
Ms. Biruntha Shantharaj (Appointed w.e.f 19<sup>th</sup> January 2023)

## Secretaries

Janashakthi Corporate Services (Pvt) Limited  
No. 15, Walukarama Road,  
Colombo 03,  
Sri Lanka.  
Tel : 0094 112 145 030  
Fax : 0094 112 372 498  
E-mail : secretaries@jcs.lk

## Registered Office /Factory

Address : 49, Ring Road, Phase 1, I.P.Z. Katunayake  
Telephone : 2253980, 2253497, 2575223  
Fax : 2253498  
E-Mail : info@bluediamondsplc.com  
Website : www.bluediamondsplc.com

## Auditors

Ernst & Young  
Chartered Accountants  
201, De Saram Place, P.O. Box 101,  
Colombo 10.  
Sri Lanka.

## Lawyers

Mr. Uditha Egalahewa  
Presidents Counsel  
No. 288, Rajagiriya Road,  
Rajagiriya,  
Sri Lanka.

## Registrars

Janashakthi Corporate Services (Pvt) Limited  
No. 15, Walukarama Road,  
Colombo 03,  
Sri Lanka.  
Tel : 0094 112 145 030  
Fax : 0094 112 372 498  
E-mail : secretaries@jcs.lk

## Financial Year End

31<sup>st</sup> March

## Bankers

Hatton National Bank PLC  
Bank of Ceylon  
Sampath Bank PLC  
Seylan Bank PLC  
Nation Trust Bank PLC





## CHAIRMAN'S MESSAGE

Dear Shareholders,

I am pleased to present the Annual Report for the Financial Year ended March 31, 2023, showcasing the remarkable progress and achievements of Blue Diamonds Jewellery Worldwide PLC.

In a year marked by significant challenges, I am pleased to report that our steadfast commitment to resilience and innovation has yielded commendable results. Our net loss has reduced to (17,754,101), a substantial improvement compared to the previous year's (41,526,181). Further, this year has seen an increase in revenue, which surged to an impressive 43,255,202, as compared to 28,117,962 in the preceding year.

I am particularly pleased to highlight the substantial improvement in our Gross Profit, which stands at 9,884,715 this year, in stark contrast to the previous year's modest figure of 1,169,989. This significant boost is a result of our concerted efforts to streamline operations and secure greater profitability.

In January 2023, we achieved a milestone moment with the successful completion of a Private Placement, injecting a crucial Rs. 25 million into Blue Diamonds Jewellery. This strategic move brought in Ambrosia Management Pte Ltd., a Singapore based investment company with a notable track record in global investments in South Korea, China, Indonesia and Sri Lanka. The infusion of capital has been instrumental in fortifying our operations, enabling us to expand our inventory and refine our marketing strategies across three pivotal sales avenues: Physical Retail Locations in Sri Lanka, Online Direct Customer Sales, and New Export Buyers. This marks the beginning of a transformative shift in our business strategy.

In June 2023, our highly successful Rights Issue, which garnered an impressive Rs. 129.5 million demonstrated the overwhelming response from our enthusiastic shareholders regarding the promising trajectory that lies ahead for the Company. The funds raised will play a pivotal role in fueling our ambitious expansion plans into new and promising markets, specifically targeting North Asia, China, and Singapore. By venturing into these dynamic regions, we aim to leverage their immense potential and capitalise on emerging opportunities, solidifying our position as the leader in Sri Lanka's Jewellery industry.

In the last few months, we have signed multiple strategic partnerships - namely with the prestigious Peacock Hotel Beach Resort and other physical tourist locations in Sri Lanka to increase our exposure to more physical retail channels with high tourist footfall. We have also signed an exclusive partnership with Wise Premium, a luxury lifestyle and concierge service, catering to a high clientele to reach a new global audience.

Our new website, FiorJewellery.com also opens up the online and international market for the Company, moving it from a sole B2B business to also a B2C operation, allowing for larger profit margins. We have strengthened our corporate orders side through renovating part of our factory space to create a stunning design & innovation center, a model factory and exclusive VIP show-room to bring our customers behind the scenes into our process in a way no company in Sri Lanka have ever done before.

As we stand at the threshold of a new chapter, Blue Diamonds Jewellery Worldwide PLC approaches the future with renewed vigor and unwavering determination. We have more plans in the pipeline with new partnerships to extend the outreach of Blue Diamonds globally. These exciting news will be announced in due course as we herald a concentrated effort towards penetrating new markets and fostering growth, propelling us towards greater heights of success and innovation.

In closing, I extend my deepest gratitude to each member of the Blue Diamonds family - our dedicated employees, supportive shareholders, and valued partners. It is your collective efforts and unwavering belief in our vision that propels us forward, even in the face of adversity.

With warm regards,

.....  
Andrew Lee  
Chairman - Blue Diamonds Jewellery Worldwide PLC

## BOARD OF DIRECTORS

### Mr. Andrew Lee

(Executive / Non Independent director)  
(Appointed w.e.f 19<sup>th</sup> January 2023)

Mr. Andrew Lee is the Managing Director of Ambrosia Management Pte. Ltd., a Singapore based family office with interests in Fintech and consultancy services to financial vendors and high networth individuals. He is also the Managing Director of Limitone Lanka (Pvt) Ltd., a Board of Investment approved company with a deep focus on digital marketing.

Prior to that, Mr. Lee was the Executive Director of Pine Capital Group Limited, a Singapore Public-Listed Company and served as the Director for Beacon (East Ceylon) Pte. Ltd. and East Ceylon Management and Development Pte. Ltd. He has more than 15 years of real estate experience, with experience in client management, strategic planning and development of corporate policies. He brings with him extensive knowledge and experience in real estate business operations. Mr. Lee graduated from the National

### Mrs. Manjaree Gamage-Brooker

(Executive / Non Independent Director)

Mrs. Gamage's prior experience includes a stint at the global insurance and human capital consultancy firm, Willis Tower, as well as Daya Group and MAS Holdings. She currently holds the position of Managing Director of Blue Diamonds Jewellery Worldwide PLC. She holds a Bachelor's Degree in Economics from the University of Durham and an MSc in Management and Human Resources from the London School of Economics. She is also a member of the Chartered Institute of Personnel Development.

### Mr. K. V. Amila Sanjeewa

ACA, B.Sc. Accounting (Sp)  
(Non-executive Independent Director)  
(Resigned w.e.f 19<sup>th</sup> January 2023)

Mr. Amila Sanjeewa was appointed to the board on 03<sup>rd</sup> March 2017, as an Independent Non-Executive Director and the Chairman of the Audit Committee. He is an associate member of the Institute of Chartered Accountants of Sri Lanka and holds a Bachelor of Science Degree in Accounting from the University of Sri Jayewardenapura. He also serves as an Audit Partner of Manoharan & Sangakkara & Company Chartered Accountants, Vidhana & Company Chartered Accountants, TN Associates Chartered Accountants & Zion Associates Chartered Accountants.

Mr. Amila started his professional career as an Audit Trainee of Jayasinghe & Company Chartered Accountants and started his own firm just after the CA qualification. He has more than 10 years' experience in all facets of the Auditing, Accounting, Taxation and Secretarial Services.

### Mr. Tishya N. Wickremesinghe

(Non Executive / Independent Director)  
(Resigned w.e.f 19<sup>th</sup> January 2023)

Tishya Wickremesinghe is currently a Director of Sithara Limited & Varna Limited, which are in the Manufacturing Industry, and holds a Bachelor of Business Administration in Management and Marketing from Edith Cowan University, Australia. He is a product of Royal College, Colombo.

Tishya Wickremesinghe is a young Businessman/ Entrepreneur who was educated at Royal College, Colombo. Excelling in both extracurricular and co-curricular activities moulded this balanced individual who was later appointed as the Head Prefect in 2009. Later on he went to complete his BBA (Double Major) in Management and Marketing from the Edith Cowan University, Australia.

Incorporated over five decades ago in 1961, Varna Limited is the very first flexible packaging company to be established in Sri Lanka. As a strategic step towards backward integration Sithara Limited commenced business in 1964 as the pioneer in the manufacturing of printing inks. He attained his knowledge in manufacturing processes, technologies and machinery at these two institutions.

He was appointed as a Director of both entities in January 2016. Subsequently to him joining both companies, he has taken steps to introduce new technology and expand both manufacturing plants to double its production capacities.

### Mr. Adam Brooker

(Non-Executive / Non-Independent Director)  
(Resigned w.e.f 30<sup>th</sup> August 2022)

Mr. Adam Brooker is a Senior Strategist and Digital Brands Expert, with over 6 years of experience in both London and Sri Lanka. Mr. Brooker's past experience includes News Corporation and Ocean Strategy where he worked in Corporate Business Development and Strategy Consulting before moving to Sri Lanka in 2016.

After working as the Head of Operations for Become, an innovative apparel brand for MAS Innovation, Mr. Brooker joined Muve, a UK based residential conveyancing business, full-time in 2020 as Director of Global Operations. Mr. Brooker is a co-founder of Muve Colombo, scaling the business from its inception in 2017 to 180 people today in Colombo. He also continues to work at Muve as a consultant providing strategic and innovation services.

### Mr. Sudath A. S. Jayasundara

(Non Executive / Independent Director - Chairman of the Remuneration Committee)

Mr. Sudath Ajitha Samaradiwakera Jayasundara LLB (Colombo) Attorney -At -Law and Notary Public, Dip in International Relations (BCIS). He has been in the board of following Companies, Chairman Shradha Television and Lakviru Radio (Guaranteed) Company, Chairman Compassion Products (Pvt) Ltd, Director Bimputh Finance PLC, Director Bogawantalawa Tea Estates PLC, Director Metropolitan Resources PLC, Director Harischandra Mills PLC, Director Sithara (Pvt) Ltd, Director Sri Lanka International Arbitration Centre (Guaranteed) Company.



## BOARD OF DIRECTORS

### Mr. Irfan Sadique

(Non-Executive / Independent Director)  
(Resigned w.e.f 19<sup>th</sup> January 2023)

Mr. Irfan Sadique previously worked in Damas Jewellery Dubai for 10 years as a Brand Manager handling Fior Brand and many international brands, and Emballage Group for 8 years as General Manager. Mr. Sadique is currently the Managing Director for Prestige Ventures Lanka (Pvt) Ltd, Ceylon Export House (Pvt) Ltd and work as a Country Manager/ Consultant for Solitaire Solar International (Pvt) Ltd.

### Pradeep Thenuwara

(Non-Executive / Independent Director / Chairman of the Related Party Transaction Review Committee)  
(Appointed w.e.f 19<sup>th</sup> January 2023)

Mr. Pradeep Thenuwara has been appointed to Hopkines Holdings Limited on 5<sup>th</sup> January 2023. Before he joined Hopkines he worked for National Gem and Jewellery Authority from 2013 to 2021 with the capacity of Director (Human Resources and Administration) where he was able to introduce new HR systems to the Organisation. Considering his performance, he was promoted to the Director General Post in 2021. Under the leadership of Mr. Thenuwara National Gem and Jewellery Authority achieved all their targets during his tenor until he retired on 31st December 2022. While he was working as the Director General, he served as a Member of the Gem and Jewellery Research Institute Board for a period of two years. Prior to joining National Gem and Jewellery Authority he had been working in the Gem and Jewellery Research and Training Institute for 12 years at the Post of Deputy Director (Human Resources and Administration). He holds a Bachelor of Commerce (special) from the University of Colombo, a Master of Public Management in Human Resources and a Higher National Diploma in Accountancy. He is a member of Association of Accountancy Technicians in Sri Lanka.

### Ms. Biruntha Ravinthini Jude Shantharaj

(Non-Executive / Independent director / Chairman of the Audit Committee)  
(Appointed w.e.f 19<sup>th</sup> January 2023)

Ms. Biruntha Ravinthini is the Finance Director for Zeta Global (Pvt) Ltd since 17 January 2023. She has been with Zeta Global (Pvt) Ltd since March 2022, where she was promoted to Team Manager on April 2022 and Senior Manager on August 2022. Prior to this she worked for Helios Ventures (Pvt) Ltd from September 2021 to March 2022. Prior to joining to Helios Ventures (Pvt) Ltd, she has worked as the Junior Finance Executive in Peak Destination Management Company from January 2020 to April 2020 followed by Finance Executive in Four Square (Pvt) Ltd from April 2020. She holds a Bachelor of Science in Business and Management Honours Degree from the University of Business Management



## CORPORATE GOVERNANCE

With a commitment to high ethical standards, Blue Diamonds Jewellery Worldwide PLC operates with a governance structure by complying with adequate regulations and guidelines. We ensure integrity, fairness & transparency in reporting statements of our affairs to our shareholders.

The governance structure fully conforms to the best practice of good corporate governance as published jointly by the Institute of Chartered Accountants of Sri Lanka, the Securities and Exchange Commission together with the provisions of the Companies Act No.7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

The Board of Directors are responsible for the continued appropriate management of the Company while ensuring that it accomplishes its goals. The Board meets regularly to establish, maintain direction and to provide guidance to ensure the Company's operating and financial performance.

The Board collectively and the Directors individually act in accordance with the Laws of the Country, while all members of the Board take collective responsibility for the management, direction and performance of the organization.

The following table illustrates how the organization has adhered to the corporate governance listing rules.

## CORPORATE GOVERNANCE (CONT'D)

Rule No.	Subject	Requirement	Compliance status as at 31 <sup>st</sup> March 2023	Details
7.10.1.(a)	Non-Executive Directors	Two or one third of the total no. Of Directors shall be Non-Executive Directors Whichever is higher	Complied with.	There are five Directors as at reporting date. Out of which three Directors are Non-Executive Directors.
7.10.2.(a)	Independent Directors	Two or one third of the Non-Executive Directors Whichever is higher shall be Independent	Complied with.	The Board comprises of three independent Non-Executive Director as at reporting date.
7.10.2.(b)	Independent Directors	Each Non-Executive Director should submit a declaration of independence in the prescribed format.	Complied with.	All Non-Executive Directors have submitted their declaration of Independence in the Prescribed format.
7.10.3.(a)	Disclosure relating to Directors	The board shall make a determination annually as to the independence or non-independence of each non-executive director based on such declaration and other information available to the board and shall set out in the annual report the names of directors determined to be 'independent'	Complied with.	the board has made such determination and the basic for determination of "Independence" is line with in destination of the SCE regulation in force. Pages 06 & 07.
7.10.3.(b)	Disclosure relating to Directors	In the event a Director does not qualify as independent as per rules on corporate governance but if the Board is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual report	Complied with.	The Board has not been required to perform such determination.
7.10.3.(c)	Disclosure relating to Directors	A brief resume of each Director should be published in the Annual report including the area of expertise	Complied with.	A complete profile of Directors is provided on pages 06 & 07 of the Annual Report.
7.10.5.	Remuneration Committee	A Listed company shall have a Remuneration Committee	Complied with.	The committee was Functioning during the year as at reporting date
7.10.5.(a)	The composition of Remuneration Committee	The Remuneration Committee shall comprise a minimum of two Independent Non-Executive Directors or Non-Executive Directors, a majority of whom shall be Independent whichever is higher	Complied with.	The committee consists of one Executive Non Independent Director and three Non-Executive Independent Directors.
7.10.6.	Audit Committee	A listed company shall have an Audit Committee	Complied with.	The committee was Functioning during the year as at reporting date.
7.10.6.(a)	Composition of Audit Committee	The Audit Committee shall Comprise a Two Independent Non - Executive Directors or Non -Executive Directors,a Majority of whom shall be Independent whichever is higher	Complied with.	The Committee consist of three Non-Executive Independent Directors.

## CORPORATE GOVERNANCE<sub>(CONT'D)</sub>

### ATTENDANCE OF BOARD OF MEMBERS AT BOARD MEETING

The Board of directors meets quarterly to effectively carry out their duties and responsibilities, while special Board meetings are held whenever the necessity arises. The Board invites members of the management and external advisors to be present at Board meetings when required. A total of four (04) Board meetings were held during the financial year 2022/2023. Attendances of Directors at Board and sub-committee meetings are summarized below.

Name of the Board Member	Board Meetings	Audit Committee Meetings	Related Party Transaction Review Committee Meetings
Mr.Andrew Lee (Appointed on 19 <sup>th</sup> January 2023)	1/1	-	1/1
Mrs.Manjaree Gamage-Brooker	4/4	-	-
Mr.Sudath A.S.Jayasundara	4/4	1/1	-
Mr.Tishya Wickremesinghe (Resigned w.e.f 19 <sup>th</sup> january 2023)	3/3	3/3	3/3
Mr.Amila Sanjeewa (Resigned w.e.f 19 <sup>th</sup> january 2023)	3/3	3/3	3/3
Mr.Adam Mark Brooker (Resigned w.e.f 30 <sup>th</sup> August 2022)	1/1	1/1	-
Mr.Mohomed Irfan Sadique (Resigned w.e.f 19 <sup>th</sup> january 2023)	3/3	-	-
Mr.Praddep Thunuwara (Appointed on 19 <sup>th</sup> January 2023)	1/1	1/1	1/1
Ms.Biruntha Shantharaj (Appointed on 19 <sup>th</sup> January 2023)	1/1	1/1	1/1

## REPORT OF THE AUDIT COMMITTEE

In accordance with the Listing Rules of the Colombo Stock Exchange and the 'Code of Best Practice on Corporate Governance' issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and exchange Commission of Sri Lanka, Blue Diamonds Jewellery Worldwide PLC has a fully functional Audit Committee, which meets regularly.

### COMPOSITION

The Audit Committee comprised of three Non-Executive Directors, out of whom, as required by the Listing Rules of the Colombo Stock Exchange and the 'Code of Best Practice' two Directors were Independent.

Name	Committee Composition As At 31.03.2023	Current Composition of Committee As At Annual Report Publication Date
Ms.Biruthna Shantharaj	Chairman - Non Executive, Independent Director	Chairman - Non Executive/Independent Director
Mr.Sudath Jayasundara	Member - Non Executive, Independent Director	Member- Non Executive, Independent Director
Mr.Pradeep Thenuwara	Member - Non Executive, Independent Director	Member - Non-Executive : Non-Independent Director

Brief profiles of the members are given on pages 06 and 07 of the Annual Report.

### MEETINGS

As required under best practices, the Audit Committee meets quarterly which consisted of a combination of physical meetings via online platform and Circular Resolutions. Four meetings were held during the financial year 2022/2023.

Name of the Director	Attendance at Meetings	Name of the Director	Attendance at Meetings
Ms.Biruntha Shantharaj	1/1	Mr.Amila Sanjeewa	3/3
Mr.Sudath Jayasundara	1/1	Mr.Tishya Wickremesinghe	3/3
Mr.Pradeep Thenuwara	1/1	Mr.Adam Mark Brooker	1/1

Ms.Biruntha Shantharaj, Mr.Sudath Jayasundara and Mr.Pradeep Thenuwara was appointed to committee, after the resigning of Mr.Amila Sanjeewa, Mr.Tishya Wickremesinghe & Mr.Adam Mark Brooker.

### ROLE OF THE COMMITTEE

The management has the primary responsibility for the financial statements and the reporting process. The Audit Committee is empowered to review and monitor the financial reporting process of the Company, so as to provide additional assurance on the reliability of the Financial Statements through a process of independent and objective review. As such, the Audit Committee acts as an effective forum in assisting the Board of Directors in discharging their responsibilities of ensuring the quality of financial reporting and related communications to the stakeholders.

The Audit Committee is empowered, to examine any matters relating to the financial affairs of the Company and to review the adequacy of the internal control procedures and the Risk Management function. The Committee along with the Board reviewed the Financial Statements for the year ended 31st March 2023 to ensure compliance with mandatory and statutory requirements.

The Audit Committee is of the view that the internal controls prevalent within the Company are satisfactory and provide reasonable assurance that the financial position of the Company is well monitored and the assets are safeguarded.

### INDEPENDENCE AND OBJECTIVITY OF THE EXTERNAL AUDITORS

The external auditors were given adequate access to records and personnel by the Company to ensure they had no cause to compromise on the terms of reference. The committee reviewed the non-audit services provided by the external auditors with the aim of assessing the independence and objectivity of the external auditor. Having reviewed these, the committee noted that no-non audit services were provided by the external auditors during the year.

Prior to commencement of the annual audit, the committee discussed with the external auditors their audit plan, audit approach and procedures and matters relating to the scope of audit. The fees of the external auditors were also approved by the audit committee. The audit findings were discussed at the conclusion of the audit, where the committee reviewed and recommended the financial statements to the Board for their approval.

The Audit Committee has recommended to the Board, Messrs. Ernst & Young, Chartered Accountants are re-appointed as statutory auditors for the financial year ending 31 March 2023 subject to the approval by the shareholders at the forthcoming Annual General Meeting.



Biruntha Shantharaj  
Chairman - Audit Committee  
05<sup>th</sup> October 2023

# REPORT OF THE REMUNERATION COMMITTEE

Blue Diamond Jewellery Worldwide PLC has a functional Remuneration committee in conformity with the Listing Rules of the Colombo Stock Exchange.

## COMPOSITION

The Remuneration Committee, appointed by and responsible to the Board of Directors, comprises three Independent Non-Executive Directors and one Executive Non - Independent Director

The Committee's composition as at 31st March 2023 is:

Name	Committee Composition As At 31.03.2023	Current Composition of Committee As At Annual Report Publication Date
Mr.Sudath Jayasundara	Chairman - Non Executive, Independent Director	Chairman - Non Executive, Independent Director
Mr.Andrew Lee	Member- Executive , Non - Independent Director	Member- Executive, Non-Independent Director
Mr.Pradeep Thunuwara	Member- Non Executive, Independent Director	Member- Non Executive, Independent Director
Ms.Biruthna Shantharaj	Member- Non Executive, Independent Director	Member- Non Executive, Independent Director

Brief profiles of the members are given on pages 06 and 07 of the Annual Report

## MEETINGS

Name of the Director	Attendance at Meetings	Name of the Director	Attendance at Meetings
Mr.Sudath Jayasundara	1/1	Ms.Biruthna Shantharaj	1/1
Mr.Andrew Lee	1/1	Mr.Amila Sanjeewa	3/3
Mr.Pradeep Thenuwara	1/1	Mr.Tishya Wickremesinghe	3/3

Mr.Sudath Jayasundara, Mr.Andrew Lee, Mr.Pradeep Thenuwara and Ms.Biruthna Shantharaj was appointed to committee, after the resigning of Mr.Amila Sanjeewa and Mr.Tishya Wickremesinghe.

## PURPOSE

The Committee was established for the purpose of recommending the remuneration of the Board of Directors Including Chairman/ Chief Executive Officer and the Senior Management.

## POLICY

Our remuneration policy is designed to reward, motivate and retain the Company's executive team, with market competitive remuneration and benefits, to support the continued success of our business and the creation of shareholder value.

## RESPONSIBILITY

Responsibilities of the remuneration committee include;

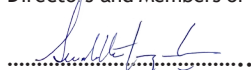
- To recommend to the Board a competitive remuneration and reward structure which is linked to performance.
- To decide on the remuneration packages of Key Management Personnel.
- To approve annual salary increments, bonuses, changes on perquisites and incentives.

No Director is involved in determining his own remuneration.

The Chairman of the Board attends the Committee meetings by invitation. He does not participate in any discussion pertaining to his remuneration. The decisions on matters relating to remuneration of Executive Directors and Senior Members of the management team were arrived at in consultation with the Chairman/CEO.

## REMUNERATION

The remuneration packages which are linked to the individual performances are aligned with the Company's short-term and long-term strategy. The Committee makes every endeavor to maintain remuneration levels that are sufficient to attract and retain Executive Directors and Members of the Management team, to run the Company successfully.



Sudath Jayasundara

Chairman -Remuneration Committee

05<sup>th</sup> October 2023



# REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions Review Committee has been established as directed by the Section 09 of the Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka.

The purpose of the Related Party Transactions Review Committee (the Committee) is to independently review, appraise and approve all related party transactions to ensure that shareholder's interests and assets of the Company are safeguarded.

## COMPOSITION

In accordance with the requirements of the Listing Rules, the Committee comprised of three (03) members with a combination of Non-Executive: Independent Directors.

The members of the Committee are;

Name	Committee Composition As At 31.03.2023	Current Composition of Committee As At Annual Report Publication Date
Mr.Pradeep Thunuwara	Chairman - Non Executive, Independent Director	Chairman - Non-Executive : Non-Independent Director
Ms.Biruthna Shantharaj	Member - Non Executive, Independent Director	Member - Non Executive/Independent Director
Mr.Sudath Jayasundara	Member - Non Executive, Independent Director	Member- Non Executive, Independent Director

Brief profiles of the members are given on pages 06 and 07 of the Annual Report.

## CHARTER OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE

The Charter of the Related Party Transactions Review Committee clearly sets out the purpose, membership, authority and the duties and responsibilities of the Committee. In order to discharge the duties and responsibilities effectively and efficiently, the Committee has been authorized to;

- Receive regular reports from the management and be provided with any information it requires relating to its responsibilities.
- Establish policies and procedures that provide general pre-approvals to certain types of related party transactions.
- Review and evaluate the terms, conditions, and the advisability of any related party transaction
- Determine whether the relevant related party transaction is fair, and in the best interest of the Company and its shareholders as a whole.
- Recommend to the Board what action, if any, is required to be taken by the Board with respect to any related party transaction.
- Obtain advice and assistance from legal, technical, financial and other advisors from within or outside the Company as deemed necessary by the Committee in order to carry out its duties.

## MEETINGS

The Related Party Transactions Review Committee meets quarterly and reviewed the related party transactions carried out by the Company. Four meetings were held during the financial year 2022/2023.

Attendances by the Committee Members at each of these meetings are given below;

Name of the Director	Attendance at Meetings	Name of the Director	Attendance at Meetings
Mr.Pradeep Thenuwara	1/1	Mr.Tishya Wickramasinghe	3/3
Ms.Biruthna Shantharaj	1/1	Mr.Amila Sanjeewa	3/3
Mr.Sudath Jayasundara	1/1	Mr. Adam M. Brooker	1/1


Mr.Sudath Jayasundara, Mr.Pradeep Thenuwara and Ms.Biruthna Shantharaj was appointed to committee, after the resigning of Mr.Amila Sanjeewa, Mr.Tishya Wickremesinghe and Mr. Adam M. Brooker.

## POLICIES & PROCEDURES

- Declarations are obtained from each Director/Key Management Personnel of the Company for the purpose of identifying parties related to them. Based on the information furnished in these declarations the related party transactions are identified from information maintained with the Company.
- All forecasted recurrent RPTs are submitted by Management on a quarterly basis to the Committee for consideration and review. Non-recurrent RPTs are also reviewed and approved by the Committee prior to the transaction being entered into or if the transaction is expressed to be conditional on such review, prior to the completion of the transaction and the recommendation communicated to the Board for consideration.
- The Committee is satisfied that all RPTs have been reviewed by the Committee during the financial year and have communicated their observations to the Board. The details of related party transactions entered into during the financial year are given on Note 28 to the Financial Statements.

## DECLARATION

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors on pages 14 to 18 of this Annual Report.

  
 .....  
 Pradeep Thenuwara  
 Chairman - Related Party Transactions Review Committee  
 05<sup>th</sup> October 2023



# REPORT OF THE DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY

The Directors of the Company have pleasure in submitting their Report together with the Audited Financial Statements of the Company for the year ended 31<sup>st</sup> March 2023.

## 1. REVIEW OF THE YEAR

Review of the Company's business and its performance during the year, with comments on financial results and future strategic developments are contained in the Chairman's review. (Page 5 of the Annual Report)

## 2. THE PRINCIPAL ACTIVITY

The principal activity of the Company is manufacturing and exporting of diamond studded gold jewellery.

## 3. FINANCIAL STATEMENTS

The Financial Statements of the Company are given on pages 23 to 56 of the Annual Report.

## 4. GOING CONCERN

The Directors are satisfied that the Company has adequate resources to continue its operations on the foreseeable future. The Financial Statements of the Company have accordingly been prepared on a going concern basis.

## 5. AUDITORS REPORT

The Auditors' Report on the Financial Statements of the Company is given on pages 19 to 22 of the Annual Report.

## 6. ACCOUNTING POLICIES

Accounting policies adopted in preparation of the Financial Statements are given on pages 28 to 38 of this report.



# REPORT OF THE DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY (CONT'D)

## 7. TAXATION

Provision for taxation has been computed at the rates given in Note No.21 to the Financial Statements.

## 8. DIVIDENDS

The Directors do not recommend a dividend on ordinary shares for the year ended 31<sup>st</sup> March 2023.

## 9. BOARD OF DIRECTORS

The Directors of the Company as at 31<sup>st</sup> March 2023 were as follows:

Mr.Andrew Lee (Appointed w.e.f 19<sup>th</sup> January 2023)  
Mrs.M.Gamage-Brooker (Appointed on 15<sup>th</sup> July 2016)  
Mr.Sudath A.S.Jayasundara (Appointed on 15<sup>th</sup> July 2016)  
Mr.Pradeep Thunuwara (Appointed w.e.f 19<sup>th</sup> January 2023)  
Ms.Biruntha Shantharaj (Appointed w.e.f 19<sup>th</sup> January 2023)

### APPOINTMENTS TO THE BOARD OF DIRECTORS DURING THE FINANCIAL YEAR

Mr.Andrew Lee (Appointed w.e.f 19<sup>th</sup> January 2023)  
Ms.Biruntha Shantharaj (Appointed w.e.f 19<sup>th</sup> January 2023)  
Mr.Pradeep Thunuwara (Appointed w.e.f 19<sup>th</sup> January 2023)

### RESIGNATIONS TO THE BOARD OF DIRECTORS DURING THE FINANCIAL YEAR

Mr.Tishya Wickremesinghe (Resigned w.e.f 19<sup>th</sup> January 2023)  
Mr.K.V.Amila Sanjeewa (Resigned w.e.f 19<sup>th</sup> January 2023)  
Mr.Adam Mark Brooker (Resigned w.e.f 30<sup>th</sup> August 2022)

### APPOINTMENTS AFTER THE CONCLUSION OF THE YEAR

Not applicable

### RESIGNATIONS AFTER THE CONCLUSION OF THE YEAR

Not applicable

### DIRECTORS INTEREST IN CONTRACTS

There are no other interests in contract or proposed contracts with the Company by the Directors other than those specified in Note No.27, "Related party transactions" to the Financial Statements.

During the accounting period under review, an interests register was maintained by the company as required by the company's Act No.7 of 2007. All Directors have made declarations as provided for in section 192 of the said Act.

# REPORT OF THE DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY<sub>(CONT'D)</sub>

## 10. COMPANY SECRETARIES

Messrs KHL CORPORATE SERVICE LIMITED was appointed as Secretaries to the company with effect from 01st October 2018 while Messrs. On the date 9<sup>th</sup> of December 2021, the KHL CORPORATE SERVICE LIMITED renamed their company JANASHAKTI CORPORATE SERVICES (PVT) LIMITED.

## 11. CORPORATE GOVERNANCE

The Company has put in place systems and procedures to ensure the implementation of sound corporate governance principles. An overview of such practices adopted with the Company is given on pages 08 to 10 of the Annual Report.

The Board of Directors confirms that the Company is compliant with Rule 7.10 of the Listing Rules of Colombo Stock Exchange.

An Audit Committee / Related Party Transactions Review Committee and Remuneration Committees function as Board Sub Committees with Directors who possess the requisite qualifications and experience. The composition of the said committees as at 31<sup>st</sup> March 2023 were as follows:

### 11.1. Audit Committee

1. Ms.Biruntha Shantharaj - Chairman / Independent non Executive Director
2. Mr.Sudath A.S.Jayasundara - Independent non Executive Director
3. Mr.Pradeep Thunuwara - Independent non Executive Director

### 11.2. Related party Transactions Review Committee

1. Mr.Pradeep Thunuwara - Chairman / Independent non Executive Director
2. Ms.Biruntha Shantharaj - Independent non Executive Director
3. Mr.Sudath A.S.Jayasundara - Independent non Executive Director

### 11.3. Remuneration Committee

1. Mr.Sudath A.S.Jayasundara - Chairman/Independent non Executive Director
2. Mr.Andrew Lee - Non Independent Executive Director
3. Ms.Biruntha Shantharaj - Independent non Executive Director
4. Mr.Pradeep Thunuwara - Independent non Executive Director

## 12. CAPITAL EXPENDITURE

There are no material capital commitments that would require disclosures in the Financial Statements

## 13. PROPERTY, PLANT AND EQUIPMENT

The details of the property, plant and equipment are given in Note No. 4 of the Financial Statements.

# REPORT OF THE DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY (CONT'D)

## 14. DONATIONS

The Company has not made any donations during the year.

## 15. STATED CAPITAL

The stated capital of the company as at 31<sup>st</sup> March 2023 is Rs. 126,780,538 representing 294,601,782 ordinary voting share and 194,633,623 non-voting shares. The stated capital was increased from Rs.101,260,538 to Rs.126,780,538 (Note 12) On 19th January 2023, The Board of directors of the company has decided to increase of stated capital by private placement and resolution pertaining to the private placement was adopted by the shareholders at the Extraordinary General Meeting (EGM), which was held on 19<sup>th</sup> January 2023.

## 16. SHAREHOLDERS

An analysis of the distribution of the ordinary shareholders is given on pages 58 to 59 of the Annual Report.

The list of 20 largest ordinary shareholders of the Company is given on pages 58 to 59 of the Annual Report.

## 17. DIRECTOR'S HOLDING OF SECURITIES OF THE COMPANY

No.	As at 31 <sup>st</sup> March	Voting No. of Shares		Non-voting No. of Shares	
		2023	2022	2023	2022
01	Mr.Andrew Lee	Nil	Nil	Nil	Nil
02	Mrs.M.Gamage-Brooker	36,648,472	36,648,472	3,216,900	3,216,900
03	Mr.S.A.S.Jayasundara	Nil	Nil	Nil	Nil
04	Ms.Biruntha Shantharaj	Nil	Nil	Nil	Nil
05	Mr.Pradeep Thunuwara	Nil	Nil	Nil	Nil
	<b>Total</b>	<b>36,648,472</b>	<b>36,648,472</b>	<b>3,216,900</b>	<b>3,216,900</b>

## 18. RELATED PARTY TRANSACTIONS

### NON-RECURRENT RELATED PARTY TRANSACTIONS

There were no non-recurrent Related Party Transactions of which the aggregate value exceeded 10% of the Equity and 5% of the Total Assets of the Company during the year ended 31<sup>st</sup> March 2023, which require specific disclosure in the Annual Report in terms of Section 9.3.2 of the Listing Rules and the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

### RECURRENT RELATED PARTY TRANSACTIONS

There were no recurrent Related Party Transactions of which the aggregate value exceeded 10% of the revenue of the company as per latest Audited Financial Statements which require specific disclosures in the Annual Report in terms of Section 9.3.2 of the Listing Rules of the CSE and the Code of Best Practice on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka.

The identified Related Parties as well as the Related Party Transactions undertaken during the year are set out in note 27 to the Financial Statements on page 51.

The members of the Board have been identified as “Key Management Personnel” of the Company.

As required by the Listing Rules, the Board confirms that the Company has complied with all requirements as per Section 9 of the Listing Rules.

## 19. DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

This statement of Directors' Responsibilities is to be read in conjunctions with the Auditors' Report and is made to distinguish the respective responsibilities of the Directors and of the Auditors in relation to the Financial Statements contained in this Annual Report.

The Directors of your Company are required by the Companies Act No.7 of 2007 to prepare Financial Statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year.

The directors confirm that the Financial Statement of the Company for the year ended 31<sup>st</sup> March, 2023 included in the Annual Report have been prepared in accordance with the Sri Lanka Accounting Standards and the Companies Act No.7 of 2007. In preparing the Financial Statements, the Directors have selected the appropriate accounting policies and have applied them consistently. Reasonable and prudent judgments and estimates have been made and applicable accounting standards have been followed and the Financial Statements have been prepared on a going concern basis.

The Directors are of the view that adequate funds and other resources are available within the Company for the Company to continue in operation for the foreseeable future.

The Directors have taken all reasonable steps expected of them to safeguard the assets of the Company and to establish appropriate systems of internal controls in order to prevent, deter and detect any fraud, misappropriation or other irregularities.

## REPORT OF THE DIRECTORS ON THE STATE OF AFFAIRS OF THE COMPANY<sub>(CONT'D)</sub>

The Directors have also taken all reasonable steps to ensure that the Company maintains adequate and accurate accounting books of record which reflect the transparency of transactions and provide an accurate disclosure of the Company's financial position.

The directors are required to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspection they consider appropriate for the purpose of enabling them to give their Audit Report. The Directors are of the view that they have discharged their responsibilities in this regard.

The Directors confirm that, to the best of their knowledge, all taxes and levies payable by the Company and all other known statutory obligation as at the balance Sheet date have been paid or provided for in the Financial Statements.

### 20. AUDITORS

The Financial Statements for the period under review have been audited by M/s Ernst & Young, under the audit fee of LKR 0.79 million.

Based on the declaration from M/s. Ernst & Young, Chartered Accountants and as far as the Directors are aware, the Auditors do not have any relationship or interest in the Company other than that disclosed herein.

In accordance with the Companies Act No. 07 of 2007 a resolution proposing the re-appointment of M/s Ernst & Young, Chartered Accountants as Auditors to the Company will be tabled at the forthcoming Annual General Meeting of the Company

### 21. STATUTORY PAYMENTS

The Directors are satisfied that to the best of their knowledge and belief, all statutory payments due to the government and to the employees of the Company have been made up to date.

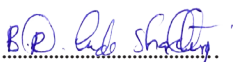
### 22. EVENTS AFTER THE REPORTING DATE

No events have occurred after the reporting date which would require adjustments to or disclosure in the Financial Statements other than those given in Note No.28 of the Financial Statements.

### 23. NOTICE OF MEETING

Notice of meeting relating to the 33<sup>rd</sup> Annual General Meeting is given on page 60 of the Annual Report.

For and on behalf of the Boards

  
.....  
Director

  
.....  
Director

  
.....

SECRETARIES  
Janashakthi Corporate Services (Pvt) Limited  
No. 15, Walukarama Road,  
Colombo 03,  
Sri Lanka.  
Tel : 0094 112 145 030  
Direct: 0094 112 145 032  
Fax : 0094 112 372 498  
E-mail : secretaries@jcsl.lk



# REPORT OF THE AUDITORS



Ernst & Young  
Chartered Accountants  
201, De Saram Place  
P.O. Box 101  
Colombo 10, Sri Lanka

Tel: +94 11 246 3500  
Fax (Gen): +94 11 269 7369  
Fax (Tax): +94 11 557 8180  
Email: eysl@k.ey.com  
ey.com

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BLUE DIAMONDS JEWELLERY WORLDWIDE PLC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Blue Diamonds Jewellery Worldwide PLC (the "Company"), which comprise the statement of financial position as at 31 March 2023 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2023, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuS). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole and in forming the opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. K R M Fernando FCA ACMA, Ms. P V K N Sajeewani FCA, A A J R Perera ACA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakthivel B.Com (Sp)

## REPORT OF THE AUDITORS (CONT'D)



Key audit matter	How our audit addressed the key audit matter
<b>Existence and carrying value of inventory</b>	
<p>As at the reporting date, the carrying value of inventory amounted to Rs.92 Mn after considering a provision of Rs. 12.7 Mn for slow moving inventory in accordance with the accounting policy, as further detailed in notes 2.6.9 and 9 to the financial statements.</p> <p>Existence and carrying value of inventory was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• Materiality of the reported amount, which represents 43% of the Company's total assets.</li> <li>• Significance of estimates used in measuring inventories at lower of cost and Net Realizable Value.</li> </ul>	<p>Our audit procedures included the following;</p> <ul style="list-style-type: none"> <li>• Observed physical inventory counts and reconciled the count results to the inventory listings compiled by management to support amounts reported as at the year end. Our procedures included, verifying the grading to the valuation report of the specialist.</li> <li>• Obtained the valuation report of the specialist engaged by the company and compared with the amounts report in inventory.</li> <li>• Tested whether inventories were stated at the lower of cost and net realizable value, by comparing cost with subsequent selling prices of such items.</li> </ul> <p>We assessed the adequacy of disclosures given in notes 2.6.9 and 9 to the financial statements.</p>
<b>Assessment of fair value of buildings, plant &amp; machinery</b>	
<p>As detailed in notes 2.6.3 and 4 to the financial statements, property, plant, and equipment include buildings, plant &amp; machinery carried at fair value.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• Materiality of the reported buildings, plant &amp; machinery balances which amounted to Rs. 82.7 Mn and represented 38% of the total assets as of the reporting date.</li> <li>• The degree of management assumptions, judgments and estimation uncertainties associated with assessing the reasonability of the fair valuation of buildings, plant &amp; machinery as of 31 March 2023.</li> </ul> <p>Key areas of significant judgments, estimates and assumptions used in such management assessment included the following:</p> <ul style="list-style-type: none"> <li>• Estimate of the per square foot value of the buildings</li> </ul>	<p>Our audit procedures were focused on the assessment performed by management, and included the following:</p> <ul style="list-style-type: none"> <li>• Inquired and understood the key judgments and estimates made by management and assessed the reasonability of the management's assessment.</li> <li>• Assessed the adequacy of the disclosures made in notes 2.6.3 and 4 to the financial statements.</li> </ul>



## REPORT OF THE AUDITORS (CONT'D)



### *Other information included in the 2023 Annual Report*

Other information consists of the information included in the Annual Report, other than the financial statements and our auditors' report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of management and those charged with governance in the financial statement*

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

## REPORT OF THE AUDITORS (CONT'D)



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1697.



05<sup>th</sup> October 2023  
Colombo

## INCOME STATEMENT

Year ended 31 March

	Note	2023 Rs.	2022 Rs.
Revenue	3	43,255,202	28,117,962
Cost of Sales		(33,370,487)	(26,947,973)
<b>Gross Profit</b>		<b>9,884,715</b>	<b>1,169,989</b>
Other Operating Income	18	1,631,966	5,393,726
Selling and Distribution Expenses		(260,635)	(111,627)
Administrative Expenses		(37,072,344)	(50,964,595)
Finance Costs	19	(4,396,721)	(1,829,602)
Finance Income	20	360	1,282
<b>Loss before Tax</b>	22	<b>(30,212,659)</b>	<b>(46,340,827)</b>
Income Tax Reversal	21	12,458,558	4,814,646
<b>Loss for the Period</b>		<b>(17,754,101)</b>	<b>(41,526,181)</b>
(Loss) Per Share			
- Basic/ Diluted	17	(0.04)	(0.10)

The accounting policies and notes on pages 28 through 55 form an integral part of the financial statements.

## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March

	Notes	2023 Rs.	2022 Rs.
Loss for the Year		(17,754,101)	(41,526,181)
<b>Other Comprehensive Income</b>			
<b>Other Comprehensive Income/(Loss) not to be reclassified to Profit or Loss in Subsequent Period</b>			
Revaluation Gain		-	32,463,886
Tax on Revaluation Gain	23	(12,259,830)	(4,544,946)
Actuarial Gain on Defined Benefit Plans	15	662,428	1,926,441
Tax on Actuarial Gain on Defined Benefit Plans	23	(198,728)	(269,702)
<b>Other Comprehensive (Loss)/ Income for the Period Net of Tax</b>		<u>(11,796,130)</u>	<u>29,575,679</u>
<b>Total Comprehensive Loss for the Period Net of Tax</b>		<u><u>(29,550,231)</u></u>	<u><u>(11,950,500)</u></u>

The accounting policies and notes on pages 28 through 55 form an integral part of the financial statements.

## STATEMENT OF FINANCIAL POSITION

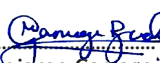
As at 31<sup>st</sup> March

	Note	2023 Rs.	2022 Rs.
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	4	82,799,279	85,382,665
Right of Use Asset	5	2,255,115	2,288,773
Intangible Assets	6	-	-
Financial Assets- Fair Value Through OCI	7	-	-
		<b>85,054,394</b>	<b>87,671,438</b>
<b>Current Assets</b>			
Inventories	9	91,741,813	99,929,491
Trade and Other Receivables	10	16,160,650	3,642,396
Loan Receivables	8	845,453	1,268,179
Cash and Cash Equivalents	11	22,164,252	18,678,311
		<b>130,912,168</b>	<b>123,518,377</b>
<b>Total Assets</b>		<b>215,966,562</b>	<b>211,189,815</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Stated Capital	12	126,780,538	101,260,538
Reserves	13	57,037,025	69,296,855
Accumulated Loss		(61,462,562)	(44,172,161)
<b>Total Equity</b>		<b>122,355,001</b>	<b>126,385,232</b>
<b>Non-Current Liabilities</b>			
Interest Bearing Loans and Borrowings	14	21,078,243	34,653,561
Employee Benefit Liability	15	5,084,726	5,255,157
Deferred Tax Liability	23	-	-
		<b>26,162,969</b>	<b>39,908,718</b>
<b>Current Liabilities</b>			
Trade and Other Payables	16	40,678,609	34,864,183
Income Tax Payable		1,064,956	1,064,957
Interest Bearing Loans and Borrowings	14	25,705,027	8,966,725
		<b>67,448,592</b>	<b>44,895,865</b>
<b>Total equity and liabilities</b>		<b>215,966,562</b>	<b>211,189,815</b>

These financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

  
 .....  
**D.M.I.N. Amarasekara**  
 (Finance Officer)

The Board of Directors is responsible for these financial statements. Signed for and on behalf of the Board by:

  
 .....  
**Manjaree Gamage-Brooker**  
 (Managing Director)  
 05<sup>th</sup> October 2023  
 Colombo.

  
 .....  
**Andrew Lee**  
 (Chairman)

The accounting policies and notes on pages 28 through 55 form an integral part of the financial statements.

## STATEMENT OF CHANGES IN EQUITY

Year ended 31<sup>st</sup> March

	Stated Capital	Revaluation Reserve	Retained Losses	Total
	Rs.	Rs.	Rs.	Rs.
As at 01 April 2021	373,640,569	41,377,913	(276,682,749)	138,335,733
Loss for the Year	-	-	(41,526,181)	(41,526,181)
Reduction of Stated Capital	(272,380,031)	-	272,380,031	-
Other Comprehensive Income	-	27,918,942	1,656,739	29,575,681
<b>Total Comprehensive Loss</b>	<b>(272,380,031)</b>	<b>27,918,942</b>	<b>232,510,589</b>	<b>(11,950,500)</b>
As at 31 March 2022	101,260,538	69,296,855	(44,172,161)	126,385,232
Loss for the Year	-	-	(17,754,101)	(17,754,101)
Increase of Stated Capital ( Issued Ordinary Shares)	25,520,000	-	-	25,520,000
Other Comprehensive Income	-	(12,259,830)	463,700	(11,796,130)
<b>Total Comprehensive Loss</b>	<b>25,520,000</b>	<b>(12,259,830)</b>	<b>(17,290,401)</b>	<b>(4,030,231)</b>
As at 31 March 2023	126,780,538	57,037,025	(61,462,562)	122,355,001

The accounting policies and notes on pages 28 through 55 form an integral part of the financial statements.

## STATEMENT OF CASH FLOWS

For the year ended 31<sup>st</sup> March

### Cash Flows Used in Operating Activities

	Note	2023 Rs.	2022 Rs.
Loss before tax from continuing operations		(30,212,659)	(46,340,827)
<b>Adjustments for Non Cash Items</b>			
Payable Write back	18	-	(38,406)
Scrap Sale	18	(1,271,595)	-
Depreciation of Property, Plant and Equipment	4	2,657,686	2,442,838
Amortization of Right of Use Asset	5	33,658	34,159
Provision for Inventories	9	292,269	(3,366,450)
Provision for Retiring Gratuity	15	1,504,914	1,582,013
Interest Income	20	(360)	(1,282)
Provision Reversal for Trade and Other Receivables	18	(260,371)	-
Finance Expense	19	4,396,721	1,829,602
Exchange Loss		6,144,238	13,771,931
Operating Loss before Working Capital Changes		(16,715,499)	(30,086,422)
Decrease in Inventories		7,895,409	16,272,901
(Increase) in Trade and Other Receivables		(12,778,625)	(2,251,388)
Increase in Trade and Other Payables		5,814,426	3,602,732
Cash Flows Use in Operating Activities		(15,784,289)	(12,462,178)
Interest Paid		(3,482,274)	(1,531,962)
Gratuity Paid	15	(600,000)	(571,800)
Net Cash (Used in) Operating Activities		(19,866,563)	(14,565,940)
<b>Cash Flows from/(Used in) Investing Activities</b>			
Acquisition of Property, Plant and Equipment	4	(74,300)	(529,700)
Receipts from loans and receivables	8	422,726	338,181
Interest Received	20	360	1,282
Net Cash Flows From / (Used in) Investing Activities		348,786	(190,237)
<b>Cash Flows from/(Used in) Financing Activities</b>			
Repayments of loans and borrowings	14.1	(2,513,782)	(4,567,462)
Proceed from Interest Bearing Loans and Borrowings		-	3,824,422
Issued Voting Shares	12	25,520,000	-
Net Cash Flows From/(Used in) Financing Activities		23,006,218	(743,040)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>3,488,441</b>	<b>(15,499,217)</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	11	<b>18,671,311</b>	<b>34,170,528</b>
<b>Cash and Cash Equivalents at the end of the year</b>	11	<b>22,159,752</b>	<b>18,671,311</b>

The accounting policies and notes on pages 28 through 55 form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 CORPORATE INFORMATION

### 1.1 General

Blue Diamonds Jewellery Worldwide PLC (“Company”) is a public limited liability Company incorporated and domiciled in Sri Lanka and listed in the Colombo Stock Exchange. The registered office of the Company and principal place of business is located at No.49, Ring Road, Phase 1, IPZ, Katunayake.

### 1.2 Principal Activities and Nature of Operations

During the year, the principal activity of the Company was the manufacture and export of diamond studded gold jewellery.

### 1.3 Parent Entity and Ultimate Parent Entity

There is no identifiable ultimate parent for the Company.

### 1.4 Responsibility for financial statements

The responsibility of the Directors in relation to the financial statements is set out in the Statement of Directors’ Responsibility report in the Annual report.

### 1.5 Approval of Financial Statements by Directors

The financial statements of Blue Diamonds Jewellery Worldwide PLC for the year ended 31 March 2023 were authorized for issue in accordance with a resolution of the Board of Directors on 05<sup>th</sup> October 2023.

## 2 BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements of the Company, which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No 7 of 2007.

### 2.2 Basis of Measurement

The Financial Statements have been prepared on an accrual basis and under the historical cost convention except for buildings, plant and machinery that have been measured at fair value.

### 2.3 Going Concern

The Company has made significant strides in the past year, showcasing robust financial performance with a reduction in net losses by Rs.23.8 Mn from 41.5 Mn in 2022 to 17.8 Mn in current year, increased revenue by Rs. 15.1 Mn from 28.1 Mn in 2022 to 43.3 Mn in current year, and a substantial improvement in gross profit by Rs. 8.7 Mn from 1.2 Mn in 2022 to 9.9 Mn in current year. These indicate a resilient operational stance, in the face of economic challenges.

Furthermore, the Company has successfully secured strategic partnerships with multiple parties, local and international, all of which present lucrative opportunities for expansion and brand elevation. These ventures, coupled with the imminent finalization of additional partnerships, are expected to have a transformative impact on the company’s order book and pave the way for market expansion.

The Directors are confident in the Company’s ability to continue its operations and have taken proactive steps, such as the securing of new investor funds to address any potential concerns. On 19<sup>th</sup> January 2023 the Company issued ordinary voting shares (by private placement) of 88 Mn at Rs.0.29 per share amounting to Rs. 25.52 Mn to “Ambrosia Management Pte Ltd” and the stated capital increased from (Voting Share) Rs.75.25 Mn to Rs.100.77 Mn as at year end. On June 9,2023, the company held a right issue for voting shares of 404,922,518 and non-voting shares of 31,343,091 at Rs.0.29 and 0.25 per share and raised an amount of Rs. 117.43 Mn and Rs.7.84 Mn for voting and non-voting shares, respectively. The successful private placement and rights issue, along with ongoing discussions with potential investors, demonstrate the Company’s commitment to securing the necessary resources for sustained growth.

Considering these positive developments and the support of our shareholders, the Directors believe that there is no material uncertainty related to the events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. The financial statements for the year ended March 31, 2023, have been prepared on a going concern basis.



## NOTES TO THE FINANCIAL STATEMENTS

### 2.4 Functional and Presentation Currency

The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. There was no change in the Company's presentation and functional currency during the current year.

### 2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

#### Estimates and Assumptions

The preparation of Financial Statements of the Company in conformity with Sri Lanka Accounting Standards, requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognized in the Financial Statements of the Company are as follows:

#### (a) Impairment losses on Trade & Other Receivables

Company reviews its receivables and other receivable at each reporting date to assess whether an allowance for impairment should be recorded in the financial statements. Judgment by the management is required in the estimation of these amounts and such estimations are based on assumptions about several factors and actual results may differ, resulting in future changes to the allowance.

#### (b) Carrying value of inventories:

The mechanism for determining the carrying values of inventories involves the use of management judgments and estimates. Such judgments and estimates include the determination of quantities of respective raw material used per manufactured article based on mix of gold, the estimates of design cost for jewellery articles and gold conversion rates for melting/re-melting process of gold and jewellery.

#### (c) Provision for Slow moving inventories:

Provision for slow moving inventories is recognized based on the best estimates available to management on their future recovery. Refer Note 9.1. As Management uses present conditions and historical information as the basis to determine the future saleability/recoverability, actual future losses on inventories could vary from the provision made in these financial statements.

#### (d) Revaluation of Property, Plant and Machinery

The Company measures buildings, plant and machineries at revalued amounts with changes in fair value being recognized in Other Comprehensive Income and in the Statement of Equity. The Company engaged independent valuation specialists to determine fair value of buildings, plant and machineries.

The management decided that the carrying value of the buildings, plant and machinery has not significantly changed from the previous year. Therefore, management decided not to reevaluate the buildings, plant and machinery in the current year.

### 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied consistently for all periods presented in the Financial Statements by the Company.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.6.1 Foreign Currency Translation

Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined

#### 2.6.1.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes, after eliminating sales within the Company.

##### a) Sale of Goods

Sales of goods are recognized on delivery of products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

##### a. Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

##### b. Goods transferred at a point in time

Under SLFRS 15, revenue is recognized upon satisfaction of a performance obligations. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally, on delivery of the goods.

##### b) Interest Income

Interest Income is recognized in profit or loss as it accrues and is calculated by using the effective interest rate method.

##### c) Others

Other income is recognized on an accrual basis.

### 2.6.2 Taxation

#### *Current Income Tax*

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No 24 of 2017 and the amendments there to.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

## NOTES TO THE FINANCIAL STATEMENTS

### **Sales Tax**

Revenues, expenses and assets are recognized net of the amount of sales tax, except, where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities, in which case, the sales tax is recognized as a part of the cost of the asset or part of the expense items, as applicable and receivable and payable that are stated with the amount of sales tax included. The net amount of sales tax recoverable from or payable to the taxation authorities is included as a part of receivables or payables in the statement of financial position.

### **Deferred tax**

Deferred income tax is provided, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against, which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws), that have been enacted or substantively enacted at the date of reporting Statement of Financial Position. Deferred income tax relating to items recognized directly in equity is recognized in Statement of Changes in Equity and not in the Statement of Comprehensive Income.

### **2.6.3 Property, Plant and Equipment**

#### **Basis of recognition**

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

#### **Basis of recognition**

The Company applies the Cost Model to all categories of Property, Plant & Equipment except for buildings, Plant and Machinery and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

The Company applies the Revaluation Model to the entire class of buildings, plant and machinery for measurement after initial recognition. Such properties are carried at revalued amounts, being their fair value at the date of revaluation, less any subsequent accumulated depreciation on buildings and any accumulated impairment losses charged subsequent to the date of valuation. Buildings of the Company are revalued every three to four years or more frequently if the fair values are substantially different from their carrying amounts to ensure that the carrying amounts do not differ from the fair values at the reporting date.

On revaluation of an asset, any increase in the carrying amount is recognized in Other Comprehensive Income and presented in Revaluation Reserve in equity or used to reverse a previous loss on revaluation of the same asset, which was charged to the Statement of profit or loss. In this circumstance, the increase is recognized as income only to the extent of the previous write down in value. Any decrease in the carrying amount is recognized as an expense in the Statement of profit or loss or charged in Other Comprehensive Income and presented in Revaluation Reserve in equity only to the extent of any credit balance existing in the Revaluation Reserve in respect of the same asset. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to Retained Earnings on retirement or disposal of that asset.

## NOTES TO THE FINANCIAL STATEMENTS

### Derecognition

An item of property, plant and equipment is derecognized upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the Statement of Profit or Loss in the year the asset is derecognized.

### Depreciation

Depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

### 2.6.4 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration as per SLFRS 16 and recognized right of use assets and lease liability.

#### Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

#### Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

#### Determination of the lease term for lease contracts with renewal and termination options (Company as a lessee)

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company applies judgment in evaluating whether it is reasonably certain whether to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

## NOTES TO THE FINANCIAL STATEMENTS

### Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments.

### 2.6.5 Intangible Assets

#### *Computer Software*

Acquired computer software licenses are capitalized based on the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful life of 5 years. Costs associated with maintaining computer software programs are recognized as an expense when incurred.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the Statement of Profit or Loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or infinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the Statement of Profit or Loss in the expense category consistent with the function of the intangible assets. Intangible assets with infinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level.

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit or Loss when the asset is derecognized.

### 2.6.6 Financial Instruments - Initial Recognition and Subsequent Measurement

#### Financial Assets

##### Initial recognition and measurement

Financial assets within the scope of SLFRS 9 are classified as amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Except for trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

## NOTES TO THE FINANCIAL STATEMENTS

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The Company's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments.

### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

#### Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows  
and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables and short-term investments.

#### Financial assets at fair value through OCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.  
and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.

#### Financial assets designated at fair value through OCI

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

## NOTES TO THE FINANCIAL STATEMENTS

### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established

### Derecognition

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

### Impairment of Financial Assets

The Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### Financial Liabilities

#### *Initial Recognition and Measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables as appropriate. All financial liabilities are recognized initially at fair value. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

#### *Subsequent Measurement*

For the purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

#### a) Financial Liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

#### b) Financial Liabilities at fair value through profit or loss

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Statement of Profit or Loss

### 2.6.7 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

### 2.6.8 Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same;
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 7.

### 2.6.9 Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow-moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formulae: -

Raw Materials	-	At actual cost on weighted average basis
Finished Goods, Work-in-Progress	-	At the standard costing which included all direct expenditure and production overheads.
Gold, and Gold frames	-	At actual cost on weighted average basis.

The provision for slow moving inventories is recognized based on the expectations of the Management on future recovery through sale of Inventory Items and aging of the inventory.

### 2.6.10 Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.



## NOTES TO THE FINANCIAL STATEMENTS

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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

Contingent assets are disclosed, where inflow of economic benefit is probable.

### 2.6.11 Employee Benefit Liability

#### a) Defined Benefit Plan - Gratuity

Gratuity is a defined benefit plan. The Company is liable to pay gratuity in terms of the relevant statute.

The company measures the present value of the promised retirement benefit for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the projected unit credit method (PUC) as required by LKAS No. 19, Employee Benefits. Also, the defined benefit plan of the company is operated according to the regulations and provisions given under the “Payment of Gratuity Act No. 12 of 1983”

The item is stated under Defined Benefit Liability in the Statement of Financial Position.

#### Recognition of Actuarial Gains and Losses

Any actuarial gains and losses arising are recognized immediately in Other Comprehensive Income.

#### Recognition of Interest Cost and Current Service Cost

Interest cost and current service cost are recognized immediately in Statement of Profit or Loss.

#### b) Defined Contribution Plans - Employees’ Provident Fund and Employees’ Trust Fund

Employees are eligible for Employees’ Provident Fund contributions and Employees’ Trust Fund contributions in line with respective statutes and regulations. The company contributes the defined percentages of gross emoluments of employees to an approved Employees’ Provident Fund and to the Employees’ Trust Fund respectively, which are externally funded.

### 2.6.12 Expenditure recognition

Expenses are recognized in the Statement of Profit or Loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Statement of Profit or Loss.

For the purpose of presentation of the Statement of Profit or Loss, the “function of expenses” method has been adopted, on the basis that it presents fairly the elements of the Company and Company’s performance.

### 2.6.13 Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, fair value losses on financial assets at fair value through profit or loss, impairment losses recognized on financial assets (other than trade receivables) that are recognized in the Statement of Profit or Loss.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

## NOTES TO THE FINANCIAL STATEMENTS

### 2.7 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### Definition of Accounting Estimates - Amendments to LKAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

#### Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgment is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

#### Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgments, provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- \* Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies

- \* Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosure.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

#### Classification of Liabilities as Current or Non-current - Amendments to LKAS 1

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify -

- \* What is meant by a right to defer settlement

- \* That a right to defer must exist at the end of the reporting period

- \* That classification is unaffected by the likelihood that an entity will exercise its deferral right

- \* That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

- \* Disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

## NOTES TO THE FINANCIAL STATEMENTS

	2023 Rs.	2022 Rs.
<b>3 REVENUE</b>		
Sales	43,255,202	28,117,962
	<u>43,255,202</u>	<u>28,117,962</u>

### 3.1 Segment Information - Revenue

The Company's internal organisation and management is structured based on products which are similar in nature and process and where the risk and return are similar. As such for management purposes, the Company is organised into manufacturing and selling of diamond studded jewellery and selling of diamonds based on their products and reported as one business segment.

In addition, management purposes, turnover is analyzed based on the geographical locations. Such as local and exports.

	2023 Rs.	2022 Rs.
Export Sales - Jewellery	35,398,983	20,494,979
Local Sales - Jewellery	2,856,219	7,622,983
Local Sales - Diamonds	5,000,000	-
	<u>43,255,202</u>	<u>28,117,962</u>

## 4 PROPERTY, PLANT AND EQUIPMENT

### 4.1 Gross Carrying Amounts At Valuation

	Balance as at 01.04.2022 Rs.	Additions Rs.	Revaluation Rs.	Balance as at 31.03.2023 Rs.
Building on Leasehold Land	68,933,000	-	-	68,933,000
Plant & Machinery	16,100,000	61,800	-	16,161,800
	<u>85,033,000</u>	<u>61,800</u>	<u>-</u>	<u>85,094,800</u>

### At Cost

	Balance as at 01.04.2022 Rs.	Additions Rs.	Revaluation Rs.	Balance as at 31.03.2023 Rs.
Furniture & Fittings	5,901,446	-	-	5,901,446
Factory Equipment	31,242,248	12,500	-	31,254,748
	<u>37,143,694</u>	<u>12,500</u>	<u>-</u>	<u>37,156,194</u>
	<u>122,176,694</u>	<u>74,300</u>	<u>-</u>	<u>122,250,994</u>

### 4.2 Depreciation At Valuation

	Balance as at 01.04.2022 Rs.	Charge for the Period Rs.	Revaluation Rs.	Balance as at 31.03.2023 Rs.
Building on Leasehold land	-	1,723,325	-	1,723,325
Plant & Machinery	-	805,119	-	805,118
	<u>-</u>	<u>2,528,444</u>	<u>-</u>	<u>2,528,443</u>

## NOTES TO THE FINANCIAL STATEMENTS

### PROPERTY, PLANT AND EQUIPMENT (Contd...)

#### 4.2 Depreciation (Contd...) At Cost

	Balance as at 01.04.2022	Charge for the Period	Revaluation	Balance as at 31.03.2023
	Rs.	Rs.	Rs.	Rs.
Furniture & Fittings	5,783,488	47,250	-	5,830,738
Factory Equipment	31,010,540	81,992	-	31,092,533
	36,794,029	129,242	-	36,923,271
	36,794,029	2,657,686	-	39,451,715

#### 4.3 Net Book Values At Valuation

Building on Leasehold land  
Plant & Machinery

	2023 Rs.	2022 Rs.
Building on Leasehold land	67,209,675	68,933,000
Plant & Machinery	15,356,681	16,100,000
	82,566,356	85,033,000
<b>At Cost</b>		
Furniture & Fittings	70,708	117,958
Factory Equipment	162,215	231,708
	232,923	349,665
	82,799,279	85,382,665

#### 4.4 The Rates of Depreciation is Estimated as follows;

Building on Leasehold land  
Plant & Machinery  
Furniture & Fittings  
Factory Equipment

	2023	2022
Building on Leasehold land	40 Years	23 Years
Plant & Machinery	20 Years	20 Years
Furniture & Fittings	4 Years	4 Years
Factory Equipment	4 Years	4 Years

The Company incorporates straight line basis to depreciate all of its assets over these useful life times.

According to the revaluation report, useful life of Building on Leasehold Land and Plant & Machinery was estimated to 40 years and 20 years respectively

- 4.5 Property, Plant & Equipment with a cost of Rs.36,627,444 (2022 - Rs.20,954,480/-) have been fully depreciated and continue to be used by the Company.
- 4.6 Depreciation on Building 02 and Plant & Machinery amount of Rs.1,129,118 was allocated to the cost of sale .
- 4.7 During the financial year the Company acquired Rs.74,300/- Property, Plant & Equipment.(2022 - Rs.529,700/-)
- 4.8 The fair value of Buildings of Katunayake Export Processing Zone, Kadirana South, Katunayake determined by means of revaluation during the financial year 2021/2022 by Siri Nissanka, Chartered and Incorporated Valuer in reference to market based evidence. The fair value of Plant and Machinery determined by means of revaluation during the financial year 2021/22 by Mr.N.A.A.D Nissanka Chartered and Incorporated Valuer in reference to comparison method of valuation and Depreciated Replacement Cost method. The results of such revaluations were incorporated in these Financial Statements from its effective date which is 31 March 2022.

## NOTES TO THE FINANCIAL STATEMENTS

### PROPERTY, PLANT AND EQUIPMENT (Contd...)

#### 4.9 Revaluation of Building, Plant & Machinery

The Company uses the revaluation model of measurement of buildings. The Company engaged independent expert valuer to determine the fair value of its buildings Plant & Machinery.

Property	Method of Valuation	2023 Rs.	2022 Rs.	Valuers Details	Effective Date of Valuation
Building on Leasehold land	Cost Approach	68,933,000	68,933,000	Siri Nissanka, Chartered and Incorporated Valuer	31 March 2022
Plant & Machinery	Depreciation Replacement Cost Approach	16,100,000	16,100,000	N.A.A.D Nissanka Chartered and Incorporated Valuer	31 March 2022

#### 4.10 Description of Significant Unobservable Inputs to Valuation 2022

The significant assumptions used by the valuer for valuations are follows;

Property	Area	Method of Valuation	Inputs used for measurement	Area	Range	Sensitivity of Fair value to unobservable input
Building on Leasehold land	Building 1	Cost Approach	Per sq.ft. rate	4870 sq feet	Rs.8,500.00	Positively correlated
	Building 2	Cost Approach	Per sq.ft. rate	4,800 sq feet	Rs.2,700.00	Positively correlated
	Building 3	Cost Approach	Per sq.ft. rate	3578 sq feet	Rs.1,000.00	Positively correlated
	Other Building	Cost Approach	Per sq.ft. rate	N/A	N/A	Positively correlated
Plant and Machinery	Existed Building Floor Area	Depreciation Replacement Cost Approach	Fair Value of the Assets	N/A	Rs.16,100,000	Negatively correlated

#### 4.11 The carrying amount of revalued assets of the Company that would have been included in the financial statements had that been carried at cost less depreciation is as follows:

Class of Asset	Cost Rs.	Cumulative Depreciation If assets were carried at cost Rs.	Net Carrying Amount 2023 Rs.	Net Carrying Amount 2022 Rs.
Buildings on Leasehold Land	15,431,449	(15,431,449)	-	-
Plant and Machinery	166,243,351	(165,790,118)	453,233	421,442

## NOTES TO THE FINANCIAL STATEMENTS

### 5 RIGHT OF USE ASSET

Balance at the beginning of the Period  
Amortized during the Period

2023	2022
Rs.	Rs.
2,288,773	2,322,932
(33,658)	(34,159)
<u>2,255,115</u>	<u>2,288,773</u>

5.1 Leasehold land has been obtained from Government of Sri Lanka on a 99 year lease. This lease commenced on 07 March 1991. The Remaining lease period as at 31 March 2023 is 67 years.

5.2 Company has mortgaged the leasehold rights of the factory property depicted as lot No. 49A and 49B in plan no. 3804 dated 21 December 2006 made by T.K. Dharmasena LS of the Land called Kadiranaawatta situated at Kadirana South Village, Katunayake in the district Gamapaha, western province and owned by the Company.

### 6 INTANGIBLE ASSETS

Computer Software (Note 6.1)  
Technological Rights (Note 6.2)

2023	2022
Rs.	Rs.
-	-
-	-
<u>-</u>	<u>-</u>

#### 6.1 Software

**Cost**  
Balance at the beginning of the year  
Balance at the end of the year

2023	2022
Rs.	Rs.
12,795,818	12,795,818
<u>12,795,818</u>	<u>12,795,818</u>

#### Accumulated Amortization

Balance at the beginning of the year  
Balance at the end of the year

2023	2022
Rs.	Rs.
12,795,818	12,795,818
<u>12,795,818</u>	<u>12,795,818</u>

#### Net Book Values

-	-
<u>-</u>	<u>-</u>

#### 6.2 Technological rights

Technological rights purchased value  
Provision made  
Carrying amount as at 31<sup>st</sup> March

2023	2022
Rs.	Rs.
229,731,188	229,731,188
(229,731,188)	(229,731,188)
<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

- 6.3 The Company entered into an understanding with Energen Holding Company Limited, Mauritius, in 1997/98, to develop solar chimney technology to generate power. The Company subcontracted this development work to a foreign Company and purchased the technological rights at a cost of Rs. 229,731,188/- from the foreign Company. Former deputy Chairman had undertaken to sell the technological rights at the AGM held in 1997/98. However the sales didn't take place.

### 7 Financial Assets - Fair Value Through OCI

	2023 Rs.	2022 Rs.
Quoted Investments (Note 7.1)	112,353	112,353
Non-quoted Investments (Note 7.3)	-	-
(-) Provision on Share investment	(112,353)	(112,353)
	-	-

#### 7.1 Quoted Investment

	No of Shares		2023 Rs.	2022 Rs.
	2023	2022		
Renuka City Hotel PLC	420	420	105,000	105,000
Merchant Bank of Sri Lanka & Finance PLC	707	707	7,353	7,353
			112,353	112,353

- 7.2 The Company holds the share investments of Renuka City Hotel PLC and Merchant Bank of Sri Lanka & Finance PLC. Based on the internal assessment of the management there will be no future economic benefit to the Company from this investment. Accordingly an adjustment was made against the said investment during the year 2019/2020 and fully provided from the books.

#### 7.3 Non-quoted Investments

	2023	2022	2023 Rs.	2022 Rs.
Energen Holding Ltd (Note 7.4)	5,000,000	5,000,000	-	-
Fior Drissage Jewellers Ltd (Note 7.5)	538,315	538,315	-	-
			-	-

## NOTES TO THE FINANCIAL STATEMENTS

### FINANCIAL ASSETS - FAIR VALUE THROUGH OCI (Contd...)

- 7.4 The Company holds an investment of Rs. 287.5 Mn in Energen Holding Company Ltd. Based on the internal assessment and opinion of the Directors there will be no future economic benefit to the Company from this investment. Accordingly a full provision was made against the said investment during the year 2000/2001.
- 7.5 During the year 2014, the Company has ceased to have significant influence over Fior Drissage Jewelers Ltd. However based on internal assessment and opinion of the Directors there will be no future economic benefit to the Company from this investment. Accordingly a full provision was made against the said investment during the year ended 31 March 2014.

8 LOAN RECEIVABLES	2023	2022
	Rs.	Rs.
Balance at the beginning of the Period	1,268,179	1,606,360
Repayments	(422,725)	(338,181)
Interest Receivables	-	-
	<u>845,453</u>	<u>1,268,179</u>
Receivable within one year	845,453	1,268,179
Receivable after one year	-	-
	<u>845,453</u>	<u>1,268,179</u>

9 INVENTORIES	2023	2022
	Rs.	Rs.
Diamonds	31,997,984	32,278,841
Gems	20,120,544	21,360,484
Raw Golds	3,395,878	1,806,855
Finished Goods	47,828,394	56,955,537
	<u>103,342,800</u>	<u>112,401,717</u>
Less: Provision for Inventories (Note 9.1)	(12,764,495)	(12,472,226)
	<u>90,578,305</u>	<u>99,929,491</u>
Work in Progress	1,163,508	-
	<u>91,741,813</u>	<u>99,929,491</u>

9.1 Provision for inventories	2023	2022
	Rs.	Rs.
Balance at the beginning of the year	12,472,226	15,838,676
Provision made during the year	292,269	-
Provision Reversal	-	(3,366,450)
Balance at the end of the year	<u>12,764,495</u>	<u>12,472,226</u>

- 9.2 During the year 2022/2023 the Company more than five years old stock had been increased, which the resulted in the additional provision made of Rs.292,269.



## NOTES TO THE FINANCIAL STATEMENTS

10 TRADE AND OTHER RECEIVABLES			2023	2022
			Rs.	Rs.
Trade Receivables			60,758,174	60,750,993
Less : Provision for Impairments (Note 10.1)			(57,227,460)	(57,274,996)
			3,530,715	3,475,997
Advances and Other Receivables			14,718,370	2,467,668
Less : Provision for Other Receivables (Note 10.2)			(2,088,434)	(2,301,269)
			16,160,650	3,642,396
<b>10.1 Provision for Trade Receivables</b>			<b>2023</b>	<b>2022</b>
			Rs.	Rs.
Balance at the beginning of the year			57,274,996	57,274,996
Provision Reversal			(47,536)	-
Balance at the end of the year			57,227,460	57,274,996
<b>10.2 Provision for Other Receivables</b>			<b>2023</b>	<b>2022</b>
			Rs.	Rs.
Balance at the beginning of the year			2,301,269	4,897,145
Provision Reversal			(212,835)	-
Write -Off during the year			-	(2,595,876)
Balance at the end of the year			2,088,434	2,301,269
<b>11 CASH AND CASH EQUIVALENTS</b>			<b>2023</b>	<b>2022</b>
			Rs.	Rs.
<b>11.1 Favorable Cash and Cash Equivalent Balances</b>				
Cash and Bank Balance			22,164,252	18,678,311
			22,164,252	18,678,311
<b>11.2 Unfavorable Cash and Cash Equivalent Balances</b>				
Bank Overdraft (Note 14)			(4,500)	(7,000)
<b>11.3 Cash and Cash Equivalents for the Purpose of Cash Flow Statement</b>			22,159,752	18,671,311
Rs.17,207,986 has been deposited in bank for the pending legal case. This deposit is set aside and is restricted to use. Please refer the note 26.1				
<b>12 STATED CAPITAL</b>			<b>No of Shares</b>	<b>2023</b>
	<b>2023</b>	<b>2022</b>	Rs.	Rs.
Voting Shares	294,601,782	206,601,782	100,770,657	75,250,657
Non - Voting Shares	194,633,623	194,633,623	26,009,881	26,009,881
			126,780,538	101,260,538
On 19 <sup>th</sup> January 2023 the Company issued the ordinary voting shares (by private placement) 88,000,000 per share Rs.0.29 amount Rs.25,520,000 to "Ambrosia Management Pte Ltd". Increased the fully paid number of voting shares from 206,601,782 to 294,601,782 and increased to Rs.100,770,853				
<b>12.1 Rights, Preference and Restrictions of Classes of Capital</b>				
The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the Company. All shares rank equally with regard to the Company's residual assets.				
<b>13 RESERVES</b>			<b>2023</b>	<b>2022</b>
			Rs.	Rs.
Revaluation Reserves			57,037,025	69,296,855
			57,037,025	69,296,855

## NOTES TO THE FINANCIAL STATEMENTS

### 13. RESERVES(Contd...)

13.1 Buildings, Plant and Machineries have been revalued by independent incorporated valuer in 2021/22. The said Buildings, Plant and Machineries were valued based on Market Approach, Cost Approach, Income Approach and Depreciation Replacement Method as further explained in Note 4.8. The result of such valuations were incorporated in the financial statements by transferring the surplus arisen thereon to the revaluation reserve.

### 14 INTEREST BEARING LOANS AND BORROWINGS

	2023 Amount Repayable Within 1 Year	2023 Amount Repayable After 1 Year	2023 Total	2022 Amount Repayable Within 1 Year	2022 Amount Repayable After 1 Year	2022 Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank Loan (14.1)	25,700,527	21,078,243	46,778,771	8,959,725	34,653,561	43,613,286
Bank Overdrafts (11.2)	4,500	-	4,500	7,000	-	7,000
	<u>25,705,027</u>	<u>21,078,243</u>	<u>46,783,271</u>	<u>8,966,725</u>	<u>34,653,561</u>	<u>43,620,286</u>

#### 14.1 Bank Loans

Interest rate	As At 01.04.2022	Loans Obtained	Repayment	Accrued interest	Exchange Gain / Loss	As At 31.03.2023	
		Rs.	Rs.	Rs.	Rs.	Rs.	
Bank of Ceylon PLC - 83062838	LIBOR + 4.5 % p.a	33,364,301	-	(202,493)	1,622,078	3,000,734	37,784,621
Bank of Ceylon PLC - 84269258	LIBOR + 4.5 % p.a	2,809,705	-	(466,319)	43,454	308,239	2,695,079
Bank of Ceylon PLC- 85897333	4.00%	1,701,485	-	(1,156,535)	5,177	-	550,126
Bank of Ceylon PLC- 88427153	LIBOR + 4.5 % p.a	5,737,795	-	(688,434)	100,500	599,083	5,748,944
		<u>43,613,286</u>	<u>-</u>	<u>(2,513,782)</u>	<u>1,771,209</u>	<u>3,908,058</u>	<u>46,778,770</u>

#### Terms and Conditions

Loan Number	Grant Amount (Rs)	Interest Rate	Security	Monthly Installment (Rs)
Bank of Ceylon PLC - 83062838	51,427,250	3M LIBOR + 4.5% (Floor Rate 5%) p.a	BOI Land in Katunayake EPZ	981,434 + Interest
Bank of Ceylon PLC - 84269258	4,408,050	3M LIBOR + 4.5% (Floor Rate 5%) p.a	Personal Guarantee of Mrs.P.M Gamage (Mannaging Director of Company)	65,426 + Interest
Bank of Ceylon PLC- 85897333	3,192,000	4% p.a	BOI Land in Katunayake EPZ	93,035 + Interest
Bank of Ceylon PLC- 88427153	5,625,650	3M LIBOR + 4.5% (Floor Rate 5%) p.a	BOI Land in Katunayake EPZ	115,986 + Interest

### 15 RETIREMENT BENEFIT LIABILITY

	2023 Rs.	2022 Rs.
As at 1 April	5,255,157	6,171,386
Current Service Cost	707,917	702,879
Interest Cost on benefit Obligations	796,997	879,134
Actuarial Gain on Obligation	(662,428)	(1,926,441)
Payments/Payable during the Year	(1,012,917)	(571,800)
As at 31 March	<u>5,084,726</u>	<u>5,255,157</u>

The retirement benefit gratuity of the Company is based on Projected unit cost method. The principal assumptions used in determining the cost of employee benefits were,

# NOTES TO THE FINANCIAL STATEMENTS

## RETIREMENT BENEFIT LIABILITY(Contd...)

	2023	2022
Salary increment Rate	16.20%	13.7%
Discount Rate	18.02%	15.7%
Retirement Age	60 Years	60 Years

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government Bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. During the year 2022/2023, bond yield has increased and this resulted in the change of discount rate in the year of 2022/2023 compared to the year of 2021/2022.

A quantitative sensitivity analysis for significant assumption As at 31 March 2023 and 2022 is shown below.

Sensitivity Level	Salary Increment Rate		Discount rate	
	Increase	Decrease	Increase	Decrease
	1%	1%	1%	1%
2023 Impact on Defined Benefit Obligation	506,484	(451,748)	(440,996)	501,911
2022 Impact on Defined Benefit Obligation	516,238	(461,912)	(450,664)	511,482

### 15.1 Maturity Profile

Maturity Profile of the Defined Benefit Obligation as at 31<sup>st</sup> March is as follows,

	2023	2022
Future Working Life Time		
Within Next 12Months	340,000	1,525,800
Between 2-5 Years	746,956	1,042,244
Beyond 5 Years	3,997,770	2,687,111
	<u>5,084,726</u>	<u>5,255,157</u>

### 16 TRADE AND OTHER PAYABLES

	2023	2022
	Rs.	Rs.
Trade Payable	1,372,052	1,747,307
Other Payables -Related Party (Note 16.1)	11,618,427	8,420,280
- Other	3,814,900	2,642,683
Sundry Creditors including Accrued Expenses	23,873,229	22,053,913
	<u>40,678,609</u>	<u>34,864,183</u>

#### 16.1 Other Payables Related Party

	Relationship	2023	2022
		Rs.	Rs.
Muve Colombo (Pvt) Ltd (Note 27)	Other Related Party	-	7,500
Payable to Managing Director (Note 27.1)	KMP	9,268,426	7,272,780
Payable to EX/NI Director (Note 27.1)	KMP	200,000	900,000
Payable to NE/IP Director (Note 27.1)	KMP	2,150,000	240,000
		<u>11,618,426</u>	<u>8,420,280</u>

### 17 LOSS PER SHARE

Basic Loss Per Share is calculated by dividing the net profit/loss for the period attributable to equity holders by the weighted average number of ordinary shares outstanding during the period. The weighted average number of ordinary shares outstanding during the period and the previous period are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

The following reflects the income and share data used in the Basic/Diluted loss Per Share computations:

	2023	2022
	Rs.	Rs.
<b>Amount Used as the Numerator:</b>		
Net Earnings Attributable to Equity Shareholders	(30,013,931)	(41,526,181)
	<u>(30,013,931)</u>	<u>(41,526,181)</u>
<b>Number of Ordinary Shares Used as the Denominator:</b>		
Weighted Average Number of Ordinary Shares in Issue	489,235,405	401,235,405

## NOTES TO THE FINANCIAL STATEMENTS

18 OTHER OPERATING INCOME	2023 Rs.	2022 Rs.
Scrap Sales	1,271,595	1,988,870
Payable Write Back	-	38,406
Sand Sale	100,000	-
Trade Receivable Provision Reversal	260,371	-
Stock Provision Reversal	-	3,366,450
	1,631,966	5,393,726
	1,631,966	5,393,726
19 FINANCE COST	2023 Rs.	2022 Rs.
Over Draft Interest	14,000	15,000
Interest Expenses	4,382,721	1,814,602
	4,396,721	1,829,602
	4,396,721	1,829,602
20 FINANCE INCOME	2023 Rs.	2022 Rs.
Interest Income	360	1,282
	360	1,282
	360	1,282
21 INCOME TAX EXPENSE	2023 Rs.	2022 Rs.
<b>Current Income Tax</b>		
Current Tax Expense	-	-
(Over) / Under Provision of Current Taxes in respect of Prior Years	-	-
<b>Deferred Income Tax</b>		
Deferred Taxation Charge/(Reversal) (Note 23)		
Due to change in rate	(12,658,180)	
Due to change in temporary difference	199,621.98	(4,814,646)
<b>Income tax expense reported in the Income Statement</b>	(12,458,558)	(4,814,646)
	(12,458,558)	(4,814,646)

As per the agreement under Section 17 of BOI Law No.4 of 1978, the tax exemption period ended on 31st March 2004. However, the Company's export income of gold, gems or jewellery are exempted from income tax . Local sales are liable for income tax.

Reconciliation between Current Tax Expense and the product of Accounting Loss.	2023 Rs.	2022 Rs.
Accounting Loss before income tax	(30,212,659)	(46,340,827)
Aggregate Disallowed Items	13,216,455	19,748,458
Aggregate Allowable Expenses	(1,267,282)	(880,929)
Income not subject to Tax	-	(3,367,733)
Taxable Profit	(18,263,486)	(30,841,031)
Taxable Non business income	360	1,282
Less: Carried forward tax loss utilized	(360)	(1,282)
Taxable income	-	-
Statutory Tax Rate	30%	24%
Current Income Tax Expenses	-	-
	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 22 PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

Stated after Charging/(Crediting)

- Included under Administration Expenses

	2023 Rs	2022 Rs
- Depreciation and amortization	2,691,344	2,442,838
- Directors' Remuneration	4,964,200	5,111,700
- Salaries	10,809,300	23,752,572
- Defined Benefit Plan Costs - Gratuity	1,504,914	1,582,013
- Defined Contribution Plan Costs - EPF & ETF	1,560,467	1,596,215
Provision for bad debts	-	-
Auditors Remuneration	1,116,579	864,000
Legal Fees	35,000	44,900

### 23 DEFERRED TAXATION

	Statement of Financial Position		Income Statement		Statement of Other Comprehensive Income	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Deferred Tax Liability</b>						
Accelerated Depreciation for Tax Purposes and Revaluation of Property, Plant and Equipment	24,675,384	11,851,644	563,910	(307,306)	12,259,830	4,544,946
<b>Deferred Tax Assets</b>						
Defined Benefit Plans	(1,525,418)	(735,722)	(988,424)	(138,958)	198,728	269,702
Losses available for offset against future taxable Income	(19,320,618)	(9,369,810)	(9,950,808)	(4,846,032)	-	-
Inventory provision	(3,829,349)	(1,746,112)	(2,083,237)	477,648	-	-
<b>Deferred Income Tax Reversal / (Expense)</b>			(12,458,558)	(4,814,648)	12,458,558	4,814,648
<b>Net Deferred Tax Liability / (Assets)</b>	-	-				

The tax losses as at the reporting date was Rs.218,569,030 which gave rise to deferred tax asset of Rs.65,570,709 (31.03.2022 - Rs.42,778,545). Due to uncertainty of future taxable profits, the unrecognised deferred tax asset was Rs.46,250,091 (31.03.2022 Rs.33,408,735).

### 24 FAIR VALUE MEASUREMENT

The Company uses the following hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

## NOTES TO THE FINANCIAL STATEMENTS

### 24 FAIR VALUE MEASUREMENT (Cont.)

The Company held the following financial instruments carried at fair value in the statement of financial position:

	Level 1		Level 2		Level 3	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
<b>Assets Measured at Fair Value</b>						
Plant and Machinery	-	-	-	-	15,356,681	16,100,000
Buildings on Leasehold Land	-	-	-	-	67,209,675	68,933,000
	-	-	-	-	82,566,356	85,033,000

#### Financial Assets and Liabilities measured or disclosed at Fair Value

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Those assumptions for assets categorized as Level 3 has been described under respective note numbers.

During the reporting period ended 31 March 2022 and 2023, there was no transfers for Level 2 fair value measurements.

### 25 ASSETS PLEDGED

The Company has pledged following assets as security for liabilities.

Nature of Assets	Nature of Liability	2023 Rs.	2022 Rs.	Included Under
Leased Hold Rights of the Factory Property	Bank Loan	69,464,789	71,221,773	Leased Hold Properties

### 26 COMMITMENTS AND CONTINGENCIES

#### 26.1 Pending Litigation

Two Former directors of the Blue Diamond Jewellery Worldwide PLC ('Company') filed action in the labour tribunal against the company on grounds of having being illegally terminated. The decision was delivered in favour of the applicants in the labor tribunal.

The company appealed against the aforesaid labour tribunal to the High Court of Negombo (Case No.HCALT 562/2017 and HCALT 563/2017) where in the decision was overturned and court held in favor of the company.

Being aggrieved by the said decision the applicants invoked the jurisdiction of the Supreme Court (Case No. SC(spl) LA/428/2019 and SC(spl) LA/429/2019) to set aside the judgment. The said matter was concluded and the judgment was against the company. Accordingly a sum of Rs.17,207,895.69 was awarded to the two petitioners.

Further, there are no other legal matters pending against the company.

### 27 RELATED PARTY DISCLOSURES

#### Transactions with Key Management Personnel of the Company

Key management personnel include members of the Board of Directors of Blue Diamond Jewellery Worldwide PLC.

Key management personnel ("KMPs") are those having authority and responsibility for planning, directing and controlling the activities of the entity and include Board of Directors. Accordingly, fees, emoluments and other benefits paid to KMPs are as follows,

As at 31 March	2023 Rs.	2022 Rs.
Short-term employee benefits	4,964,200	5,111,700
Sales to KMP's	-	-
	4,964,200	5,111,700

## NOTES TO THE FINANCIAL STATEMENTS

### 27 RELATED PARTY DISCLOSURES (Cont.)

#### Transactions with Other Related Entities

Other entities are entities which are controlled, jointly Controlled or significantly influenced by the Key Management Personnel (“KMPs”) and their Close Family Members (“CFMs”) or shareholders who have either control, jointly control or significant influence over the entity.

Other related entities include Muve Colombo (Pvt) Ltd.

As at 31 March	2023 Rs.	2022 Rs.
Opening Balance as at 01st April	7,500	120,000
Purchase From Muve	-	187,500
Payment To Muve	(7,500)	(300,000)
Amounts Payable to related Entities	-	7,500

27.1 Details of Related Party Transactions With KMPs	Managing Director	Non Executive / Independent Director	Executive / Non Independent Director
As at 1st April 2022	(7,272,780)	(1,140,000)	-
Expenses paid behalf of the Company	(843,331)	-	-
Sales of goods	-	-	-
During the year Settled	2,325,975	-	-
Receipts on Sales	-	-	-
Short-term employee benefits	(3,754,200)	(950,000)	(200,000)
Payments on Short -term employee benefits	820,425	-	-
Director Fees	-	(60,000)	-
Payments on Director Fees	-	-	-
Interest on loan Balance	(544,515)	-	-
As at 31st March 2023	(9,268,426)	(2,150,000)	(200,000)

### 27.2 NON-RECURRENT RELATED PARTY TRANSACTIONS

Name of the Related Party	Relationship	Value of the Related Party Transactions entered into during the Financial Year	Value of Related Party Transactions as a % of Equity and as a % of Assets	Terms and Conditions of the Related Party Transactions	The Rationale for entering into the transactions
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There weren't any Non-Recurring Related Party Transactions.

#### RECURRENT RELATED PARTY TRANSACTIONS

Name of the Related Party	Relationship	Nature of the transaction	Aggregate value of Related Party Transactions entered into during the Financial Year	Aggregate Value of Related Party Transactions as a % of Net Revenue/ Income	The Rationale for entering into the transactions
<b>2023</b>					
KMP	Member of Board	Short-term employee benefits	4,964,200		NOTE NO 27.3
KMP	Member of Board	Sales	-	11%	NOTE NO 27.3
			4,964,200		
<b>2022</b>					
KMP	Member of Board	Short-term employee benefits	5,111,700		NOTE NO 27.3
KMP	Member of Board	Sales	-	18%	NOTE NO 27.3
			5,111,700		

No Other transactions had taken place involving key management personnel and their close family members.

## NOTES TO THE FINANCIAL STATEMENTS

### 27 RELATED PARTY DISCLOSURES (Contd...)

#### 27.3 Terms and Conditions of Transactions with Related Parties

Transactions with related parties were at normal course of business of the company.

Sales of goods to related parties were made at on the basis of the price lists in force with non related parties.

### 28 EVENTS OCCURRING AFTER THE REPORTING DATE

28.1 On June 9, 2023, the company held a right issue for voting shares of 404,922,518 and non-voting shares of 31,343,091 per share at Rs.0.29 and Rs.0.25 raised an amount of Rs.117,427,530.22 and Rs.7,835,772.75 for voting and non-voting shares, respectively. All necessary regulatory and compliance approvals from the CSE and SEC were obtained, along with shareholder approval, prior to the issue.

28.2 On July 20, 2023 the legal matter (Case No: SC/SPL/428/2019 and SC/SPL/429/2019) was concluded and the judgment was against the company, accordingly a sum of Rs.17,207,986 was awarded to the two petitioners, who were former directors of Blue Diamonds Jewellery Worldwide PLC

### 29 FINANCIAL ASSETS AND LIABILITIES

#### Financial Assets and Liabilities for which Fair Value Approximates Carrying Value

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Following is a list of financial assets and liabilities whose carrying amount is a reasonable approximation of fair value due to short-term maturities of these instruments.

#### Assets

Trade and Other Receivables  
Other Financial Investments  
Cash in Hand and at Bank

#### Liabilities

Trade and Other Payables

Methods and assumptions used to estimate fair value are disclosed under note 24 to the Financial Statements.

#### Reclassification of financial assets

There were no reclassifications during 2023 & 2022.

### 30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company has trade and other receivables, and cash and short-term deposits that arise directly from its operations. The Company's principal financial liabilities comprise of trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations.

The Risk management is overlooked by the Company, in close corporation with the board of directors. It focuses on actively securing the Company's short to medium term cash flows by minimizing the exposure to financial markets. Long term financial investments are managed to generate lasting returns. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the company is exposed are described below.

#### Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions.

The Company trades only with recognized, credit worthy third parties. It is the Company's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

#### Trade and Other receivables

Customers credit risk is managed through established policies and procedures relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with the assessment.

The requirement for an impairment is analyzed at each reporting date on an individual basis for major customers Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.



## NOTES TO THE FINANCIAL STATEMENTS

### 30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

Trade receivables	2023	2022
	Rs.	Rs.
Neither past due, not impaired	3,530,715	3,475,997
Past due but not impaired		
31-60 days	-	-
61-90 days	-	-
>90 days	-	-
Past due and impaired	57,227,460	57,274,996
<b>Total</b>	<b>60,758,174</b>	<b>60,750,993</b>

#### Liquidity Risk

The Company's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the Company has available funds to meet its medium term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Company holds cash and undrawn committed facilities to enable the Company to manage its liquidity risk.

The Company monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Company's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans and overdrafts.

#### Liquidity risk management

The business units attempt to match contracted cash outflows in each time bucket using a combination of operational cash inflows and other inflows that can be generated through the liquidation of short term investments, repurchase agreements or other secured borrowings.

#### Contractual maturity analysis

The table below summarizes the maturity profile of the Company's financial liabilities at 31 March 2023 and 31 March 2022 based on contractual undiscounted payments.

	Less than 3 months	3 to 12 months	1 to 5 years	>5 Years	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>2023</b>					
Trade and Other Payables	1,198,759	39,479,850	-	-	40,678,609
Interest Bearing Loans and Borrowings	-	25,705,027	21,078,244	-	46,783,270
	<b>1,198,759</b>	<b>65,184,877</b>	<b>21,078,244</b>	<b>-</b>	<b>87,461,879</b>
<b>2022</b>					
Trade and Other Payables	34,864,183	-	-	-	34,864,183
Interest Bearing Loans and Borrowings	-	8,966,725	34,653,561	-	43,620,286
	<b>34,864,183</b>	<b>8,966,725</b>	<b>34,653,561</b>	<b>-</b>	<b>78,484,469</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

#### Capital Management

Capital includes equity attributable to the equity holders of the company.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions to maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The stated capital of the company as at 31<sup>st</sup> March 2023 is Rs.126,780,538 representing 294,601,782 ordinary voting share and 194,633,623 non-voting shares. The stated capital was increased from Rs.101,260,538 to Rs.126,780,538 (Note 12) On 19<sup>th</sup> January 2023, The Board of directors of the company has decided to increase of stated capital by private placement and resolution pertaining to the private placement was adopted by the shareholders at the Extraordinary General Meeting(EGM), which was held on 19<sup>th</sup> January 2023.

The Stated Capital of the Company is Rs.126,780,538/- represented by 489,780,538 fully paid ordinary shares(Note 12).

Other than mentioned above, no changes were made in the objectives, policies or processes for managing capital during the year ended 31 March 2023.

#### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (specially due to currency risk and interest rate risk).

The objective of market risk management is to manage and control market risk exposures within the acceptable parameters while optimizing the return.

The sensitivity analysis in the following sections related to the position As at 31 March 2023 and 2022.

The analysis excludes the impact of movements in market variables on the carrying value of other post-retirement obligations, provisions and the non-financial assets and liabilities.

The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2023.

#### Impact on statement of profit or loss due to interest rate variations

		2023	2022
Interest Bearing Loans & Borrowings			
	+1	507,724	335,739
	-1	(507,724)	(335,739)

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's investment to the financial instruments.

#### Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

82% of turnover is derived from export sales during the year. The company can identify the foreign currency risk related to this in the following ways:

- Raw materials will be negatively impacted by LKR depreciation, however as majority of raw materials are imported, this risk is minimised.
- Rupees depreciation will negatively impact the prepayment of USD loans by the company.

The regulator has imposed a restriction on forward exchange contracts for foreign currency purchases.

Therefore, the company has significant exposure to foreign currency risk however this risk is mitigated as the company's Rupees costs have reduced in turn, as the company is a majority foreign currency earner.



## NOTES TO THE FINANCIAL STATEMENTS

### **Economic Risk**

Economic risk refers to when a company's market value is continuously impacted by an unavoidable exposure to currency fluctuations. Economic stability due to the higher budget deficit, higher current account deficit, high unemployment, higher inflation and balance payment of deficit may lead to possible downgrading of country's sovereign credit rating. This can have adverse impact to companies' business operations and its cross-border transactions and international trade business.

However, in conversation with existing and new buyers, this impact has not been seen therefore whilst it remains an overall country risk, it has not directly affected the company.

The overall decrease in demand in the luxury jewellery market poses a greater risk to the company's business, as approaching recessions in its export markets can impact its ongoing business.

### **Operational Risk**

Operational risk can occur at every level in the company. Operational risks are categorized as those that may occur from routine operations. Such risks and their sources are related to physical resources in the internal environment and can be a result of a variety of factors such as human errors, machinery malfunctions, and software related disruptions.

The Company has been in operation since 1990 and has strict protocol regarding all areas of the manufacturing process, from protective equipment, Responsibility hand-offs and safety training. This risk is not seen as significant to the company.

## FIVE YEAR PERFORMANCE SUMMARY

Five Year Performance Summary for the year ended 31 <sup>st</sup> March	Rs. '000				
	2019	2020	2021	2022	2023
Revenue	44,232	38,110	148,441	28,118	43,255
Gross profit/(loss)	4,406	4,206	22,456	1,170	9,885
(loss)before taxation	(45,048)	(25,771)	(1,386)	(46,341)	(30,213)
(loss)for the year	(44,590)	(26,440)	(1,795)	(41,526)	(17,754)
<b>Financial position</b>					
Total assets	274,568	208,054	207,159	211,190	215,967
	274,568	208,054	207,159	211,190	215,967
Equity	170,798	142,638	138,336	126,385	122,355
Total liabilities	103,770	65,415	68,823	84,805	93,612
	274,568	208,054	207,159	211,190	215,967
<b>Other information</b>					
Earnings/(loss)per share(Rs.)	(0.11)	(0.07)	(0.004)	(0.10)	(0.04)
Net asset per share(Rs.)	0.43	0.36	0.34	0.31	0.25
Current ratio(times)	2.63	4.03	3.52	2.75	1.94
<b>Market price per share</b>					
Market price per share(voting)as at 31 <sup>st</sup> March	0.50	0.50	0.90	0.50	0.9
Market price per share(non-voting)as at 31 <sup>st</sup> March	0.30	0.20	0.30	0.30	0.3
Highest price per share during the year(voting)(Rs.)	0.80	1.00	0.90	1.40	1.2
Highest price per share during the year(non-voting)(Rs.)	0.40	0.60	0.50	0.70	0.5
Lowest price per share during the year(voting)(Rs.)	0.40	0.30	0.30	0.50	0.5
Lowest price per share during the year(non-voting)(Rs.)	0.20	0.10	0.20	0.30	0.2

## PUBLIC SHAREHOLDING

### Float Adjusted Market Capitalization

Share Type	No of Shares	Public holding %	No. of Shares (Public Holding)	No of Public Share Holders	Market Price - As at 31.03.2023	Market Capitalization -As At 31.03.2023	Float Adjusted Market Capitalization -As At 31.03.2023
Voting	294,601,782	56.89%	79,606,011	13,686	0.9	265,141,604	71,645,410
Non-Voting	194,633,623	98.35%	191,416,723	4,673	0.3	57,390,087	57,425,017

The Company is compliant with the Minimum Public Holding requirement under option 5 of rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange

## SHAREHOLDER INFORMATION

### DISTRIBUTION OF SHAREHOLDING - VOTING ORDINARY SHARES AS AT 31<sup>ST</sup> MARCH 2023

Value Band	No. of Shareholders	No. of Shares	%
1 - 1,000	10,913	2,288,995	0.79
1,001 - 10,000	2115	7,394,388	2.51
10,001 - 100,000	514	17,175,121	5.83
100,001 - 1,000,000	126	40,586,961	13.77
1,000,001 - above	21	227,156,317	77.10
<b>Total</b>	<b>13,689</b>	<b>294,601,782</b>	<b>100%</b>

Name of Shareholder	No. of shares as at 31 <sup>st</sup> March 2023	%	No. of shares as at 31 <sup>st</sup> March 2022	%
AMROSIA MANAGEMENT PTE LTD	88,000,000	29.87%	-	-
MISS.P.M.K.GAMAGE	36,648,472	12.44%	36,648,472	17.74%
V V S LANKA HOLDINGS (PVT) LTD	21,824,985	7.41%	21,824,985	10.56%
MR.X.LIQJANG	16,800,730	5.70%	16,800,730	8.13%
MR.W.YIN	11,432,629	3.88%	11,432,629	5.53%
SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	10,265,852	3.48%	10,265,852	4.97%
MR.S.S.SOORIYARACHCHI	8,306,565	2.82%	8,306,565	4.02%
MR.S.YUSOOF	6,653,561	2.26%	-	-
MRS.V.SARASWATHY	6,121,987	2.08%	6,121,987	2.96%
BIMPUTH FINANCE PLC	3,454,566	1.17%	3,454,566	1.67%
PEOPLES LEASING & FINANCE PLC/ K.L.UDAYANANDA	3,104,069	1.05%	3,104,069	1.50%
CEYLINCO INSURANCE COMPANY LTD (GENERAL FUND) A/C 2	2,400,300	0.81%	2,400,300	1.16%
MR.A.M.BROOKER	2,347,299	0.80%	2,347,299	1.14%
MR.C.S.PERERA	1,695,999	0.58%	-	-
MR.M.T.RAJABKHAN	1,610,673	0.55%	1,610,673	0.78%
PEOPLES LEASING & FINANCE PLC/ DR.H.S.D.SOYSA & MRS.G.SOYSA	1,334,400	0.45%	1,334,400	0.65%
MR.D.K.A.K.WEERATHUNGA	1,324,546	0.45%	1,324,546	0.64%
MR.C.SATHKUMARA	1,320,744	0.64%	1,320,744	0.64%
THE FINANCE PORTFOLIO MANAGEMENT COMPANY LIMITED	1,300,000	0.44%	1,300,000	0.63%
MR.N.R.SOORIYARACHCHI	1,208,940	0.41%	1,208,940	0.59%
<b>Total</b>	<b>294,601,782</b>		<b>206,601,782</b>	

	<b>2023</b>	<b>2022</b>
<b>PUBLIC HOLDING</b>	56.89%	81.32%

## SHAREHOLDER INFORMATION

### DISTRIBUTION OF SHAREHOLDING - NON VOTING ORDINARY SHARES AS AT 31<sup>ST</sup> MARCH 2023

Value Band	No. of Shareholders	No. of Shares	%
1 - 1,000	2038	689,430	0.35
1,001 - 10,000	1503	6,740,935	3.47
10,001 - 100,000	883	32,388,574	16.64
100,001 - 1,000,000	222	69,258,640	35.58
1,000,000 - above	28	85,556,044	43.96
<b>Total</b>	<b>4.674</b>	<b>194,633,623</b>	<b>100%</b>

Name of Shareholder	No. of shares as at 31st March 2023	%	No. of Shares as at 31st March 2022	%
SERAKA INVESTMENTS LIMITED	16,560,000	8.51%	16,560,000	8.51%
MR.S.ABISHEK	8,088,148	4.16%	8,088,148	4.16%
MR.S.SIVAPIRIYAN	5,859,586	3.01%	-	2.70%
MERCHANT BANK OF SRI LANKA & FINANCE PLC 01	5,250,000	2.70%	5,250,000	2.70%
MR.R.E.RAMBUKWELLE	3,635,000	1.87%	3,635,000	1.87%
MRS.V.SARASWATHI	3,500,998	1.80%	3,500,998	1.80%
MR.C.R.PERERA	3,225,008	1.66%	3,225,008	1.66%
MISS.P.M.K.GAMAGE	3,216,900	1.65%	3,216,900	1.65%
MR.W.L.T.ANANDAWANSA	2,852,921	1.47%	2,852,921	1.47%
MRS.W.A.N.FONSEKA	2,994,928	1.28%	2,994,928	1.54%
MR.H.K.S.HALLOLUWA	2,355,901	1.22%	2,383,901	1.22%
MR.M.S.M.YOONUS	2,323,500	1.19%	2,323,500	1.19%
DR.A.M.A.D.S.ABEYSINGHE	2,320,000	1.19%	2,320,000	1.19%
MR.R.R.GOMEZ	2,100,000	1.08%	2,100,000	1.08%
MISS.S.DURGA	2,079,424	1.07%	2,079,424	1.07%
MR.D.I.L.MADUSHAN	2,000,001	1.03%	2,000,001	1.03%
MR.G.HETTIGE	2,000,000	1.03%	2,000,000	1.03%
MR.C.S.D PERERA	1,935,308	0.99%	-	0.92%
MR.S.M.NAZEER	1,800,000	0.92%	1,800,000	0.92%
MISS.R.KERTHIKA	1,793,795	0.92%	1,793,795	0.92%
<b>Total</b>	<b>194,633,623</b>		<b>194,633,623</b>	

	<b>2023</b>	<b>2022</b>
<b>PUBLIC HOLDING</b>	98.35%	98.35%

## NOTICE OF ANNUAL GENERAL MEETING OF BLUE DIAMONDS JEWELLERY WORLDWIDE PLC FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2022/2023

NOTICE IS HEREBY GIVEN that the Thirty Third Annual General Meeting of Blue Diamonds Jewellery Worldwide PLC (“the Company”) will be held as a virtual meeting on Friday, 27th October 2023 at 10.30 a.m., emanating from the Board room of Blue Diamonds Jewellery Worldwide PLC., at No. 49, Ring Road, Phase 1, I.P.Z., Katunayake to transact the following businesses.

- 01 To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Audited Financial Statements for the year ended 31st March 2023 together with the Report of the Auditors thereon.
- 02 To re-elect Mr. S. A. S. Jayasundara who retires by rotation in terms of Article 25 (1) of the Articles of Association of the Company and offers himself for re-election.
- 03 To re-appoint Mr. L.T.W.Andrew who was appointed to the Board on 19th January 2023 in terms of Article 21(3) of the Articles of Association of the Company.
- 04 To re-appoint Mr. P.U.K. Thenuwara who was appointed to the Board on 19th January 2023 in terms of Article 21(3) of the Articles of Association of the Company.
- 05 To re-appoint Ms. B.R.J.Shantharaj who was appointed to the Board on 19th January 2023 in terms of Article 21(3) of the Articles of Association of the Company.
- 06 To re-appoint M/s. Ernst & Young, Chartered Accountants as Auditors of the Company for the ensuing year and authorize the Directors to determine their remuneration.
- 07 To authorize the Directors to determine and make donations.

By Order of the Board

Sgd.

Janashakthi Corporate Services Limited  
Secretaries  
at Colombo  
5<sup>th</sup> October 2023

### NOTES:

- 01 The Shareholders are requested to register with their first names and last names via the below link before 4.00p.m., on 25th October 2023, to receive the link to join the AGM. The same names should be used to log in to participate in the AGM on 27th October 2023. <https://www.bluediamondsplc.com/agm>
- 02 A member entitled to attend and vote at the above Meeting is entitled to appoint a Proxy to attend and vote on behalf of him/her. A Form of Proxy is enclosed for this purpose. A Proxy need not be a member of the Company.
- 03 The completed Form of Proxy must be forwarded by email to [agm2023@bluediamondsplc.com](mailto:agm2023@bluediamondsplc.com), fax to 0112372498, WhatsApp to 0773647178 or directly deposited at the office of the Company Secretaries, Janashakthi Corporate Services Limited, No. 15, Walukarama Road, Colombo 03. No registration of proxies will be accommodated after this deadline.
- 04 Shareholders who are unable to participate at the Meeting through the online meeting platform are encouraged to appoint a director as his/her proxy by forwarding the duly completed Proxy Form clearly indicating their vote under each matter set out in the Proxy Form to the Company Secretaries as specified above in order that their vote may be identified and recorded as if he/she were present at the Meeting.





## BLUE DIAMONDS JEWELLERY WORLDWIDE PLC FORM OF PROXY

I/We, .....Of.....  
.....being a Member/s of the above named Company, hereby appoint  
Mr/Mrs/Miss.....(holder of NIC No.....) of  
.....failing him/her,

- |                             |                 |                           |                 |
|-----------------------------|-----------------|---------------------------|-----------------|
| (i) Mr. L.T.W.Andrew        | or failing him, | (iv) Mr. P.U.K. Thenuwara | or failing him, |
| (ii) Mrs.M.Gamage - Brooker | or failing her, | (vi) Ms. B.R.J.Shantharaj |                 |
| (iii) Mr.S.A.S.Jayasundara  | or failing him, |                           |                 |

as my/our Proxy to represent me/us to speak and vote on my/our behalf for/or against the resolution and/or to speak at the 33rdAnnual General Meeting of the Company to be held as a virtual meeting emanating from the Boardroom of Blue Diamonds Jewellery Worldwide PLC., at No. 49, Ring Road, Phase 1, I.P.Z., Katunayake on Friday, 27th October 2023 at 10.30 a.m., and at any adjournment thereof for the following purposes.

Please indicate your preference by placing a 'X' in the box of your choice against each Resolution.

	For	Against
1. Receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Audited Financial Statements for the year ended 31st March 2023 together with the Report of the Auditors thereon.		
2. Re-election of Mr. S. A. S. Jayasundara who retires by rotation in terms of Article 25 (1) of the Articles of Association of the Company.		
3. Re-appointment of Mr. L.T.W.Andrew in terms of Article 21(3) of the Articles of Association of the Company.		
4. Re-appointment of Mr. P.U.K. Thenuwara in terms of Article 21(3) of the Articles of Association of the Company.		
5. Re-appointment of Ms. B.R.J.Shantharajin terms of Article 21(3) of the Articles of Association of the Company.		
6. Re-appointment of M/s. Ernst & Young, Chartered Accountants, as Auditors of the		
7. Authorizing Directors to determine and make donations.		

Signed on this.....day of.....2023

.....  
\*Signature/s

.....  
Shareholder's NIC/PP/Co. Reg. No.



## INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY

1. Please perfect the Form of Proxy overleaf, after filling in legibly your full name and address, by signing in the space provided and filling the date of signature and your National Identity Card Number.
2. The completed Form of Proxy must be forwarded to the Company Secretaries by email [agm2023@bluediamondsplc.com](mailto:agm2023@bluediamondsplc.com), fax 0112372498, WhatsApp to 0773647178 or directly deposited at the Office of Company Secretaries, Janashakthi Corporate Services Limited, No.15, Walukarama Road, Colombo 03 not less than 48 hours before the time fixed for the Meeting.

No registration of proxies will be accommodated after this deadline.

3. If an Attorney has signed the Form of Proxy, the relative Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. If the Shareholder is a company or a corporate body, the Proxy should be executed in accordance with its Articles of Association or Constitution. The Company may but shall not be bound to require evidence of the authority of any such attorney or officer.
5. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.





BLUE  
DIAMONDS  
JEWELLERY

BLUE DIAMONDS JEWELLERY WORLDWIDE PLC  
ANNUAL REPORT 2022 / 2023

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