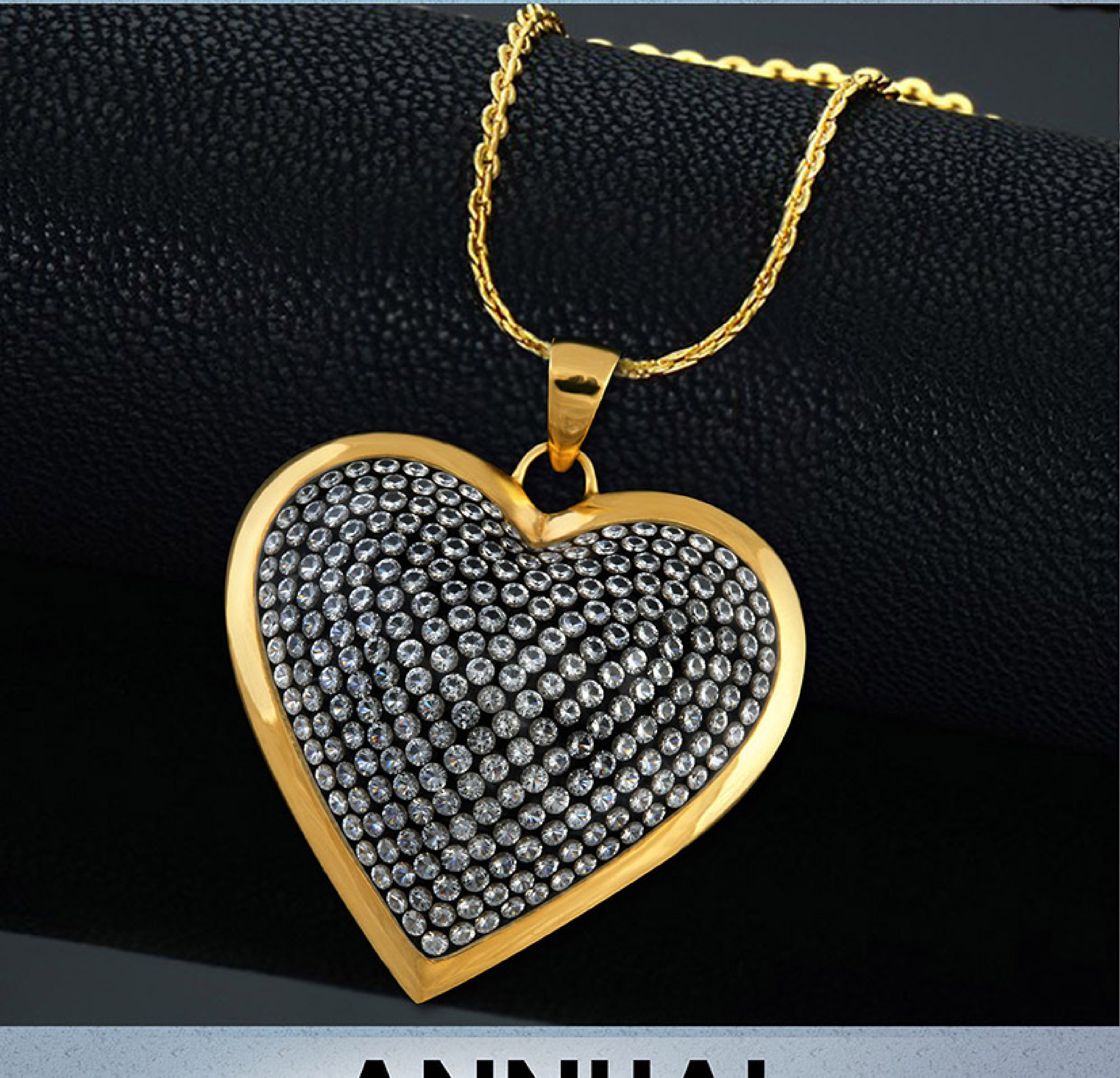
Blue Diamonds Jewellery Worldwide PLC



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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.

Being established in 1991, 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.

fior®
floating diamonds

Vision and Mission

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.

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..

CORPOPATE 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
07th March 1991 and listed with Colombo Stock Exchange
on 31st March 1992

Date Of Incorporation

21st November 1990

Company Registration Number

PQ 94

Board Of Directors

Mr. Sudath Jayasundara
Ms. Manjaree Gamage
Mr. Chamindra Gamage
Mr. Gayan Serasinghe
Mr. W.C.Gunadasa
Mr. Tishya Wickremesinghe
Mr. K.V.Amila Sanjeewa
Mr. Zhao Ruiyun
Ms. Dong Lili
Dr. M.G.M.S.Zurfick

Secretaries

AFA CORPORATE SERVICES(PVT)LTD.
No. 14, Dharmakirhiyarama Road,
Colombo 03,
Sri Lanka.
Tel : 0094 11 2342807
Fax : 0094 11 2335833
E-mail : shanilfd@gmail.com

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

M/s.KPMG
Chartered Accountants
32 A, Sri Mohamed Macan Marker Mawatha,
Colombo 03.

Lawyers

Ms. Anjali Wijayasingha
The Employers' Federation of Ceylon
385 J 3, Old Kotte Road,
Rajagiriya,
Sri Lanka.

Registrars

AFA CORPORATE SERVICES(PVT)LTD.
No. 14, Dharmakirhiyarama Road,
Colombo 03,
Sri Lanka.
Tel : 0094 11 2342807
Fax : 0094 11 2335833
E-mail : shanilfd@gmail.com

Financial Year End

31st March

Bankers

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

CHAIRMAN'S MESSAGE

Dear Shareholders,

It is with a continuing sense of positivity, I present to you the 2016/17 Annual Report of Blue Diamonds Jewellery Worldwide PLC along with the Audited Financial Statements for the Financial Year ended as of 31st March 2017. I am confident in stating that the Company was at a critical turning point in its history - the past year has been a truly challenging one and we humbly request the patience of our shareholders to allow us to overcome these obstacles and excel the Company to success.

Performance in Financial Year & the way forward
As shown in the Audited financial Statements, although the bottom line has only improved marginally compared to 2015/2016 by 7%, there has been a significant improvement in the opinion of the audit report in terms of qualifications as well as provisions. Upon the advice of our auditors, we will be taking steps to revise our inventory valuation policy and tightening our financial controls to further reduce provisions.

From the inception of the new Management in July 2016, significant improvement has been noted especially in foreign customers and local sales - this will be further reflected in next year's Annual Report more significantly.

During the year, the company was able to recover several overseas key client accounts that had been discontinued by rebuilding past relationships. Further, through the attendance of international trade fairs and exhibitions, the company has started building up the global presence of the 'Fior' brand, in addition to strengthening its network of new suppliers and potential customers.

In terms of the strategy, the company has greatly utilized the unique ability of the Company and its management. The opening of a new showroom has given the company a solid presence in the local market and a direct sales channel to better service for local customers. Furthermore, training has increased the Company's production range which has allowed it to produce both customised jewellery and also supply to key local retailers. Investment in social media as well as the other advertising channels has bolstered the Company's reputation in the local market. Additionally, extensive participation in local fairs has successfully created created an awareness about our brand and also allowed us to connect one on one with both existing customers and reach out to new customers. Corporate sales have also become a key element to capture the business community as well as the local market.

Although there is a significant market segment to be capitalized on here, we firmly believe that the Company's true potential can only be realized within the international fine jewellery arena, through large wholesalers, high-end storefronts, online retailers and consignments with independant sellers. Participating in international jewellery exhibitions has paved the way to explore and enter into new contracts with diversified products in global market.

In terms of corporate governance, the Company is now fully compliant with the values of integrity, fairness & transparency in all matters. The introduction of Board sub-committees, with regular meetings and experienced members, has been made a priority, in conjunction with ensuring the committees are fully functional to ensure good governance and to protect the interest of the shareholders whilst ensuring satisfaction of the regulatory bodies.

Appreciation
I would like to express my sincere gratitude to our esteemed shareholders for their continuing trust - with the support of our core team, we hope to achieve significant revenue growth and generate sustainable profit in next Financial Year.

....

Chairman - Sudath Jayasundara
Attorny-at-law
03rd October 2017

BOARD OF DIRECTORS

Mr. Sudath Jayasundara

(Non Executive / Independent Director)

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 companis, Chairman Shraddha Television and Lakviru Radio (Guaranteed)Company, Chairman Compassion Products (Pvt)Ltd, Director Bimputh Finance PLC, Director Bogawantalawa Tea Estates PLC, Director Metropolitant Resources PLC, Director Harischandra Mills PLC, Director Sithara (Pvt)Ltd, Director Sri Lanka International Arbitration Centre(Guaranteed) Company.

Ms. Manjaree Gamage

(Executive / Non Independent Director)

Ms.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 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. Chamindra Gamage

(Non-Executive / Non-Independent Director)

Mr. Chamindra Gamage joined the Board of Directors of Blue Diamond Jewellery Worldwide PLC on 06th August 2016 Heholds a BSc (Hons.) Degree in Economics and MSc Degree in Accounting and Finance from the London School of Economics and Political Science. Mr. Gamage has substantial post qualifications and management experience. His early career included working at companies such as including MAS Holdings and Sampath Chinkara Securities. His entry into his family business,Daya Group has enabled him to serve at corporate management level in several diversified companies. He is currently holds the position of Group Director and overseas the Construction, Financial Services, Leisure, Packaging and Logistical Services of the group.

He is also an active member of several prestigious business chambers locally and globally, including the YPO (Young Presidents Organization), EO (Entrepreneurs Organization) and COYLE (Chamber of Young Lankan Entrepreneurs) with a focus on identifying business opportunities for expansion within Sri Lanka as well as international joint ventures. He was appointed as the Honorary Consul to the Republic of Colombia in 2017 with the aim of increasing economic and political ties between Sri Lanka and Colombia.

Mr. W.C.Gunadasa

(Executive Non-Independent Director)

Mr. Wasantha Chandrakumara Gunadasa joined Blue Diamonds Jewellery Worldwide PLC., in August 2015 as the Deputy CEO and currently serves as the Chief Executive Officer. He has over 25 years experience in the Gem & Jewellery Industry including Branded Jewellery Designing, manufacturing and exports.

In the year 1996 he started his own Company (LIVEART) and has done subcontracting work for a number of local export Companies and export to Europe and USA market.

In the year 2010 he was the Chief Executive Officer of Natural Gems (Pvt) Ltd.,In the year 2013 he was the Managing Director of Square Feet (Pvt) Ltd.,

Ms. Dong Lili

Executive Director

Ms.Dong Lili who is 25 years of age has three and a half years of work experience in providing services as a Secretary and in job procurement.

Dr. M.G.M.S.Zurfick

Non - Executive Director

Dr. M.G.M.S.Zurfick a well-known Businessman and Sporting personality in Local and International forum. Counting over 4 decades of experience in the Gem and Jewelery Trade in Sri Lanka & oversease attracting significant foreign exchange to the country. Have spearhead in promoting Sri Lankan Gem and Jewelery and other Sri Lankan product in Japan, Korea and other countries.

BOARD OF DIRECTORS(CONT'D)

Mr. S.M.Gayan Serasinghe

ACA, BBA (Col), MAAT
(Executive / Non-Independent Director)

Mr. Gayan Serasinghe having wide experience in finance & Accounting and holds a bachelor of Business Administration degree from the University Of Colombo, Sri Lanka and He is an Associate member of the Institute of Chartered Accountants of Sri Lanka.

He started his professional career as a Senior Accountant at Damro Group of Companies (The largest furniture Manufacturer in Asia). After serving for 5 years in Damro group of companies experiencing costing & Finance he served as a financial Controller for Securitas-Sri Lanka (World's second largest multinational organization listed in Swedish stock market) having branch offices in 120 countries. Mr.Serasinghe has experienced in managing, controlling finance and group reporting skills in Oracle R12 and Hyperion Financial Management (HFM).

Mr. Zhao Ruiyun

Non - Executive Director

Mr. Zhao Ruiyun who is 39 years of age has 15 years experience in the real estate and property development business.

Mr. K.V.Amila Sanjeewa

ACA, B.Sc. Accounting (sp)
(Independent Non-executiveDirector/ Chairman of the Audit Committee)

Mr. Amila Sanjeewa was appointed to the board on 03rd 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 Jayawardenapura. 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)

Tishya Wickremesinghe is currently a Director of SITHARA Limited& VARNA Limited, which are in the Manufacturing Industry, andholds 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.

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.

fior
floating diamonds

CORPORATE GOVERNANCE(CONT'D)

Rule No.	Subject	Requirement	Compliance status as at 31st March 2017	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 Ten Directors as at reporting date. Out of which six 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	Names of independent Directors should be disclosed in the annual report	Complied with.	The names of the Independent Directors are disclosed on the pages 06 to 07 of the Annual Report
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 to 07 of the Annual Report
7.10.5.	Remuneration Committee	A Listed company shall have a Remuneration Committee	Complied with.	The committee was established 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 Three Non-Executive Independent Director
7.10.6.	Audit Committee	A listed company shall have an Audit Committee	Complied with.	The committee was established during the year as at reporting date it was established.
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. The Chairman of the committee is a member of a recognized accounting body.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is a sub-committee of the Main Board, to which it is accountable and it is wholly consisted of three Non-Executive Independent Directors.
The Audit Committee has written terms of references, dealing clearly with its authority and duties and is established for the purpose of assisting the Board in fulfilling their oversight responsibilities regarding the integrity of the Financial Statements, risk management, internal control, and compliance with legal and regulatory requirements, review of External Auditor's performances and independence.

The following activities were carried out by the Audit Committee during the year ended 31st March 2017.
Compliance with Financial Reporting

The Audit Committee considered the quarterly and annual financial statements prior to the publication and the review includes:

- Appropriateness and changes in Accounting Policies.
- Significant estimates and judgment made by the management.
- Compliance with relevant Accounting Standards and applicable regulatory requirements.
- Adequacy of provision against possible losses.
- Issues arising from the External audit.

Compliance with Laws & regulations
The Audit Committee reviewed the reports submitted by the management on the state of compliance with applicable laws and regulations, and settlement of statutory payments.

Internal Controls
The Committee is satisfied that an effective system of internal control is in place to provide reasonable assurance on safeguarding of the Company's assets and reliability of financial statements. Effectiveness of the Company's system of Internal Control is evaluated through reports furnished by Management and External Auditors.

The Audit Committee monitors and reviews;
- The coverage of the annual audit plan.
- External Auditors

The Audit Committee reviewed the independence and objectivity of the External Auditors, Messrs KPMG Chartered Accountants.

The Committee reviewed the non-audit services and its impact on the independence of the External Auditors.

Conclusion
The Audit Committee is satisfied that the effectiveness of the organizational structure of the Company and of the implementation of the Company accounting policies and operational controls provide reasonable assurance that the affairs of the Company are managed in accordance with Company policies, and that the Company assets are properly accounted for and adequately safeguarded.

....
K.V.Amila Sanjeewa
Chairman – Audit Committee
03rd October 2017

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee is a subcommittee of the Board. The members of the Committee consist of Three Independent Non Executive Directors.
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.
The Committee has acted within the parameters set by its terms of reference.
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. No Director is involved in determining his own remuneration.

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.
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 endeavour to maintain remuneration levels that are sufficient to attract and retain Executive Directors and Members of the Management team, to run the Company successfully.
The Director's emoluments are disclosed on page 35.

....
T.N.Wickramasinghe
Chairman-Remuneration Committee
03rd October 2017

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 31st March 2017.

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 19 to 53 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 17 to 18 of the Annual Report.

6.ACCOUNTING POLICIES

Accounting policies adopted in preparation of the Financial Statements are given on page 23 to 34 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. 08 to the Financial Statements.

8. DIVIDENDS

The Directors do not recommend a dividend on ordinary shares for the year ended 31st March 2017.

9. BOARD OF DIRECTORS

The Directors of the Company as at 31st March 2017 were as follows:

Mr. Zhao Ruiyun (appointed on 23rd January 2015)
Ms. Dong Lili (appointed on 12th February 2015)
Dr. M.G.M.S.Zurfick (appointed on 05th August 2015)
Mr. W.C.Gunadasa (appointed on 11th December 2015)
Mr. S.M.G.K.Serasinghe (appointed on 22nd January 2016)
Mr. S.A.S.Jayasundara (appointed on 15th July 2016)
Ms. P.M.K.Gamage (appointed on 15th July 2016)
Mr. T.N.Wickremesinghe (appointed on 15th July 2016)
Mr. C.K.Gamage (appointed on 16th August 2016)
Mr. K.V.Amila Sanjeewa (appointed on 03rd March 2017)

APPOINTMENTS TO THE BOARD OF DIRECTORS DURING THE FINANCIAL YEAR

Mr. G.A.Samantha Pushpakumara (appointed on 28th April 2016)
Mr. Dayanath Chandrajith Jayasuriya (appointed on 20th June 2016)
Mr. Somasundaram Prabaharan (appointed on 20th June 2016)
Mr. S.A.S.Jayasundara (appointed on 15th July 2016)
Ms. P.M.K.Gamage (appointed on 15th July 2016)
Mr. T.N.Wickremesinghe (appointed on 15th July 2016)
Mr. C.K.Gamage (appointed on 16th August 2016)
Mr. K.V.Amila Sanjeewa (appointed on 03rd March 2017)

RESIGNATIONS TO THE BOARD OF DIRECTORS DURING THE FINANCIAL YEAR

Mr. Yang Chong (Resigned on 06th june 2016)
Mr. Guo wei (Resigned on 06th june 2016)
Mr. Dayanath Chandrajith Jayasuriya (Resigned on 23rd June 2016)
Mr. G.A.Samantha Pushpakumara (Resigned on 15th July 2016)
Mr. Somasundaram Prabaharan (Resigned on 15th July 2016)
Mr. Xia Liqiang (Resigned on 30th September 2016)
Ms. Zhao Min (Not-re elected on 15th December 2016)
Ms. Zho Rui Chun (Not-re elected on 15th December 2016)

APPOINTMENTS AFTER THE CONCLUSION OF THE YEAR

Not applicable

RESIGNTIONS 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.28, "Related party transaction" to the Financial Statements.

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

10.COMPANY SECRETARIES

Messrs AFA CORPORATE SERVICES (PVT) LTD was appointed as Secretaries to the Company with effect from 28th February 2017 while Messrs. KHL CORPORATE SERVICES Limited resigned as Secretaries to the Company with effect from 28th February 2017. Further Messrs AFA CORPORATE SERVICES (Pvt)Ltd was appointed as the registrars of the company with effect from 15th March 2017 in plase of KHL CORPORATE SERVICES 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 14 to 15 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 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 31st March 2017 was as follows:

11.1.Audit Committee

1. Mr. K.V.Amila Sanjeewa - Chairman / Indipandant non Executive Director
2. Mr.S.M.G.K.Serasinghe - Executive Non Indipandant Director
3. Mr. T.N. Wickremesinghe - Indipandant non Executive Director
4. Dr.M.G.M.S.Zurfick - Indipandant non Executive Director

11.2.Related party Transactions Committee

1. Mr. T.N. Wickremesinghe - Chairman / Indipandant non Executive Director
2. Ms. Manjaree Gamage - Executive / Non Independent Director
3. Mr.S.M.G.K.Serasinghe - Executive Non Indipandant Director
4. Mr. C.K.Gamage - Director - Non-Executive / Non-Independent Director
5. Dr.M.G.M.S.Zurfick - Indipandant non Executive Director

11.3.Remuneration Committee

1. Mr. T.N. Wickremesinghe - Chairman / Indipandant non Executive Director
2. Dr.M.G.M.S.Zurfick - Indipandant non Executive Director
3. Mr.S.M.G.K.Serasinghe - Executive Non Indipandant Director
4. Mr. C.K.Gamage - Director - Non-Executive / Non-Independent 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. 10 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 31st March 2017 is Rs.373,640,569 representing 206,601,782 ordinary voting shares and 194,633,623 non-voting shares.

16. SHAREHOLDERS

An analysis of the distribution of the ordinary shareholders is given on pages 55 to 56 of the Annual Report.

The list of 20 largest ordinary shareholders of the Company is given on pages 55 to 56 of the Annual Report.

17. DIRECTOR'S HOLDING OF SECURITIES OF THE COMPANY

No.	As at 31st March	Voting No. of Shares		Non-voting No. of Shares	
		2017	2016	2017	2016
01	Ms. P.M.K. Gamage	36,648,472	Nil	3,495,172	Nil
02	Mr Xia Liqiang	Nil	31,946,930	Nil	Nil
03	Mr.S.A.S. Jayasundara	Nil	Nil	Nil	Nil
04	Ms.Dong Lili	Nil	Nil	Nil	Nil
05	Mr. C.K. Gamage	Nil	Nil	Nil	Nil
06	Mr. T.N. Wickremesinghe	Nil	Nil	Nil	Nil
07	Mr. Zhao Ruiyun	Nil	Nil	Nil	Nil
08	Mr. K.V.Amila Sanjeewa	Nil	Nil	Nil	Nil
09	Dr.M.G.M.S.Zurfick	Nil	1,000	Nil	Nil
10	Mr. W.C.Gunadasa	Nil	Nil	Nil	Nil
11	Mr.S.M.G.K.Serasinghe	Nil	Nil	Nil	Nil
	Total	Nil	**31,947,930**	3,495,172	**Nil**

18. 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 31st March, 2017 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(CONT'D)

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.

19.AUDITORS

The Financial Statements for the period under review have been audited by Messers KPMG. Rs.735,500 payable by the Company as audit fee for the year ended 31st March 2017.

20.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.

21.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.30 of the Financial Statements.

22.NOTICE OF MEETING

Notice of meeting relating to the 27th Annual General Meeting is given on pages 57 to 58 of the Annual Report.

For and on behalf of the Boards

.... Director

.... Director

....
SECRETARIES
AFA CORPORATE SERVICES(PVT)LTD.
No. 14, Dharmakirhiyarama Road,
Colombo 03,
Sri Lanka.
Tel : 0094 11 2342807
Fax : 0094 11 2335833
E-mail : shanilfd@gmail.com
03rd October 2017
Colombo

REPORT OF THE AUDITORS

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
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TO THE SHAREHOLDERS OF BLUE DIAMONDS JEWELLERY WORLDWIDE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Blue Diamonds Jewellery Worldwide PLC, ("the Company"), which comprise the statement of financial position as at March 31, 2017, statements of profit or loss and other comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information as set out in pages 19 to 53 of this annual report.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

- As disclosed in Note 5 to these financial statements, the Company has recorded Revenue of Rs.27, 234,308 for the year ended 31 March 2017. The management was not able to provide us with one complete invoice book which was relevant to the reporting period as it was lost. The rest of invoice books as a whole have not been used according to sequential order, although we did not come across a situation where specific invoices/ series of invoices within a respective invoice book had been misplaced. This raises concerns over the completeness and accuracy of Revenue reported during the financial year and we are unable to ascertain whether adjustments if any, had to be made.

REPORT OF THE AUDITORS(CONT'D)

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- We were not able to verify the existence and recoverability of the Trade Receivables of Rs.55, 809.579 (against which a provision of Rs 32,965,411 has been made by the management) reported as at 31 March 2017, under Note 20 to these financial statements by alternative audit procedures due to unavailability of a customer wise breakup for the said amounts and third party confirmations.

- As per the policy of the Company as set out in Note 3.10 to these financial statements, all inventory items except for finished products, work in progress and Gold frames are to be valued at weighted average cost (WAC) based on the records maintained in US Dollars (USD). The inventories being non-monetary items need to be measured in terms of historical cost in USD, and translated using the exchange rate at the date of the transaction. However, the management was unable to value the purchases made in the previous years and during the year accordingly, due to lapses in the process to trace the purchase dates of the relevant inventory items. As a result, the opening inventory stock and additions during the year have been valued at an average exchange rate applicable to prior and current year. In addition, the management had to use a few assumptions to conclude on the valuation of different categories of the inventories reported in these financial statements. As at reporting date the management has made a provision of Rs 62, 900,900 against the total inventory of Rs 173,804,372. Due to the level of assumptions used as described above, we could not ascertain the adequacy of provision and determine whether any further adjustments had to be made to the value of inventory as at reporting date. .

- As the Company has neither established a formal process to record and monitor journal entries nor had implemented appropriate controls in place to ensure timely and correct recording of all transactions in the accounting system. This had resulted in many adjustments being passed to these financial statements during the audit as audit adjustments.

  As a result of these matters, we were unable to determine whether any further adjustments might have been found necessary in respect of recorded or unrecorded balances, and the elements making up these financial statements

Qualified Opinion

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of Blue Diamonds Jewellery Worldwide PLC as at March 31, 2017 and of its financial performance and its cash flows for the year ended in accordance with Sri Lanka Accounting standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of a qualified opinion and scope and limitations of the audit are as stated above.
b) In our opinion 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 and the financial statements of the Company except for those described under "Basis for Qualified Opinion", comply with the requirements of section 151 of the Companies Act.

   However, as described under "Basis for Qualified Opinion" we were unable to determine whether any further adjustments might have been found necessary in respect of recorded or unrecorded balances, and the elements making up these financial statements and accordingly, the resultant impact on the Company's net assets and any possible implications, if any, under section 220 of the same Act .

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CHARTERED ACCOUNTANTS
3rd October 2017

Colombo, Sri Lanka

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March,	Note	2017 Rs.	2016 Rs. Restated
Revenue	5	27,234,308	65,586,702
Cost of sales		(50,459,644)	(87,111,596)
Gross loss		**(23,225,336)**	**(21,524,894)**
Selling and distribution expenses		(14,869,943)	(13,540,346)
Administrative expenses		(36,228,920)	(49,395,452)
Loss from operations	6	**(74,324,199)**	**(84,460,692)**
Net finance income	7	3,314,468	8,290,319
Loss before income tax		**(71,009,731)**	**(76,170,373)**
Income tax expense	8	(839,283)	(1,086,319)
Loss for the year		**(71,849,014)**	**(77,256,692)**
Other comprehensive income			
- Net changes in the fair value of financial assets available-for-sale	14.3	(9,776)	(6,522)
- Actuarial gain/(loss) on defined benefit plans	23.2	734,333	1,486,138
- Related tax		(115,143)	(278,799)
Total other comprehensive income for the year		**609,414**	**1,200,817**
Total comprehensive income for the year		**(71,239,600)**	**(76,055,875)**
Basic loss per share	9	**(0.18)**	**(0.19)**

The Notes to the Financial Statements form an integral part of these Financial Statements.

Figures in the brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31st March,	Note	2017 Rs.	2016 Rs.
ASSETS			Restated
Non-current assets			
Property, plant and equipment	10	32,503,606	35,024,484
Leasehold property	11	2,459,576	2,494,424
Intangible assets	12	-	89,746
Financial assets - Available-for-sale	14	133,515	143,291
Investment in subsidiary	15	-	500,000
Financial assets - loans and receivables	16	41,928,017	40,974,040
Loan receivable	19	2,426,674	3,105,114
Total non-current assets		**79,451,388**	**82,331,099**
Current assets			
Inventories	18	110,903,472	135,372,568
Amounts due from related parties	17	-	3,949,558
Loan receivable	19	1,270,257	1,109,352
Trade and other receivables	20	29,193,359	29,934,309
Short term investments		4,639,427	4,301,059
Cash and cash equivalents	21	20,248,288	43,547,122
Total current assets		**166,254,803**	**218,213,968**
Total assets		**245,706,191**	**300,545,067**
EQUITY AND LIABILITIES			
Equity			
Stated capital	22	373,640,569	373,640,569
General reserves		129,472,859	129,472,859
Revaluation reserve		17,693,651	17,693,651
Financial assets available-for-sale reserve		(160,984)	(151,208)
Accumulated losses		(332,626,896)	(261,397,072)
Total equity		**188,019,199**	**259,258,799**
Non-current liabilities			
Employee benefits	23	5,869,205	6,124,401
Bimputh Loan payable	24	13,194,165	-
Total non-current liabilities		**19,063,370**	**6,124,401**
Current liabilities			
Trade payables	25	4,506,095	4,297,347
Current taxation	26	2,319,544	1,365,118
Other payables and accruals	27	12,328,055	14,578,723
Bank overdraft	21	19,469,928	14,920,679
Total current liabilities		**38,623,622**	**35,161,867**
Total liabilities		**57,686,992**	**41,286,268**
Total equity and liabilities		**245,706,191**	**300,545,067**

The Notes to the Financial Statements form an integral part of these Financial Statements.
These financial statements have been prepared in compliance with the requirements of Companies Act No.7 of 2007.

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Gayan Serasinghe
(Director - Finance)

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Signed for and on behalf of the board:

....
Sudath A.S.Jayasundara
(Chairman)
03rd October 2017
Colombo.

....
W.C.Gunadasa
(CEO/ Executive Director)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2017

	Stated Capital	Revaluation Reserve	General Reserve	Financial assets Available for sale Reserve	Accumulated Losses	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2015	**373,640,569**	**17,693,651**	**129,472,859**	**(144,686)**	**(185,347,719)**	**335,314,674**
Loss for the year (Previously reported)	-	-	-	-	(81,139,754)	(81,139,754)
Prior year adjustment (Refer note 33.1)	-	-	-	-	3,883,062	3,883,062
Loss for the year (Restated)					(77,256,692)	(77,256,692)
Other comprehensive income for the year						-
- Net Change in fair value of available-for-sale financial assets	-	-	-	(6,522)	-	(6,522)
- Actuarial gain on Defined Benefit Plans (Net of tax)	-	-	-	-	1,207,339	1,207,339
Total comprehensive income for the year	-	-	-	(6,522)	(76,049,353)	(76,055,875)
Balance as at 31st March 2016 (Restated)	**373,640,569**	**17,693,651**	**129,472,859**	**(151,208)**	**(261,397,072)**	**259,258,799**
Balance as at 1st April 2016	**373,640,569**	**17,693,651**	**129,472,859**	**(151,208)**	**(261,397,072)**	**259,258,799**
Loss for the year	-	-	-	-	(71,849,014)	(71,849,014)
						-
Other comprehensive income for the year						-
- Net Change in fair value of available-for-sale financial assets	-	-	-	(9,776)	-	(9,776)
- Actuarial gain on Defined Benefit Plans (Net of tax)	-	-	-	-	619,190	619,190
Total comprehensive income for the year	-	-	-	(9,776)	(71,229,824)	(71,239,600)
Balance as at 31st March 2017	**373,640,569**	**17,693,651**	**129,472,859**	**(160,984)**	**(332,626,896)**	**188,019,199**

The Notes to the Financial Statements form an integral part of these Financial Statements.

Figures in the brackets indicate deductions.

Note A The General Reserve was created in 1994/95 by transferring Rs.100 Mn from retained earnings and Rs.35 Mn as a reserve against doubtful debt.

Note B The Available for Sale Reserve includes the net Gain/(loss) on changes in fair value of Investments in equity shares classified as Available-for-Sale.

STATEMENT OF CASH FLOWS

For the year ended 31st March,	2017	2016
	Rs.	Rs.
Cash flow from operating activities		
Loss before tax	(71,009,731)	(76,170,373)
Adjustments for:		
Depreciation on property, plant & equipment	3,128,670	4,102,148
Amortization of intangible assets	89,746	213,689
Amortization of lease hold land	34,848	34,574
Provision for inventories	15,079,150	27,828,124
Provision for other receivables	785,647	-
Provision for retiring gratuity	1,176,939	1,224,480
Interest income	(5,576,511)	(7,289,845)
Write off of investment in subsidiary	500,000	-
Finance expnese	2,728,973	784,553
Write off of Related party receivables	3,949,558	-
Operating loss before working capital changes	**(49,112,711)**	**(49,272,650)**
Decrease / (increase) in trade & other receivables	1,970,687	(23,482,000)
Decrease / (increase) in inventories	9,399,830	(660,251)
Increase in trade payables	208,748	394,076
Decrease in related party payable	-	(8,554,119)
Increase in related party receivables	-	(3,949,558)
(Decrease) / increase in other payables and accruals	(2,250,668)	3,886,811
Net cash used in operations	**(39,784,114)**	**(81,637,691)**
Retiring gratuity paid	(697,802)	(800,775)
Interest paid	(2,469,132)	(784,553)
Income taxes paid	-	(1,065,160)
Net cash flow used in operating activities	**(42,951,048)**	**(84,288,179)**
Cash flow from investing activities		
Interest income received	17,980,759	2,215,321
Purchase and construction of property, plant & equipment	(607,792)	(536,735)
Purchase of intangible assets	-	(75,000)
Receipts from loans and receivables	929,998	423,301
Refundable deposits paid	(1,200,000)	-
Investment in Fixed deposits	(15,000,000)	-
Net cash from investing activities	**2,102,965**	**2,026,887**
Cash flow from financing activities		
Loans Obtained	13,000,000	-
Net cash from financing activities	**13,000,000**	**-**
Net decrease in cash and cash equivalents	(27,848,083)	(82,261,292)
Cash & cash equivalents at the beginning of the year	28,626,443	110,887,735
Cash & cash equivalents at the end of the year (Note 21)	**778,360**	**28,626,443**

The Notes to the Financial Statements form an integral part of these Financial Statements.

Figures in the brackets indicate deductions.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1. Domicile and Legal Form

Blue Diamonds Jewellery Worldwide Plc ("the Company") is a public limited liability company incorporated and domiciled in Sri Lanka on 21st November 1990. The registered office of the Company and the principal place of business is situated at No. 49, Ring Road, Phase 1, IPZ, Katunayake. The ordinary shares of the Company are listed in the Colombo Stock Exchange.

Ultimate Parent

There is no identifiable ultimate parent for the Company.

1.2. Principal Activities and Nature of Operations

The principal activities of the Company are manufacture and export of diamond studded gold jewellery.

There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

1.3. Number of Employees

The number of employees of the Company as at 31st March 2017was 35 (2016– 35)

1.4. Date of Authorization for Issue

The Financial Statements of the Company for the year ended 31st March 2017 were authorized for issue in accordance with a resolution of the Board of Directors on 03rd October 2017.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company, which comprise the Statement of Financial Position, Statement of Profit or Loss and other comprehensive income, Changes in Equity and Cash Flow Statement, together with the notes, (the "Financial Statements") of the Companyas at 31st March 2017 and for the year then ended have been prepared in accordance with new Sri Lanka Accounting Standards(SLAS) prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by the Institute of Chartered Accountants of Sri Lanka and complies with the requirements of the Companies Act No 07 of 2007.

2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently which no adjustments being made for inflationary factors affecting the financial statements, except for the following material items in the statement of financial position:

- Available for sale financial assets are measured at fair value;

- Building are measured at revalued amounts; and

- Liability for employee benefits is recognized as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.

2.3 Comparative Figures

Where necessary, comparative figures have been rearranged to conform with the current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

2.4 Functional and Presentation Currency

All values presented in the Financial Statements are in Sri Lankan Rupees (Rs.) unless otherwise indicated. All financial information presented in Sri Lanka Rupees has been given to the nearest rupee, unless stated otherwise.

2.5 Use of Estimates and Judgments

The preparation of these Financial Statements in conformity with SLAS's requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements is included in the following notes:

- Current taxation (Note 3.2 (a))
- Deferred taxation and utilization of tax losses (Note 3.2 (b))
- Measurement of Employee benefits (Note 3.13)
- Provisions and contingencies (Note 3.15and 3.16)
- Impairment (Note 3.12)

• Going concern

The management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

2.6. Materiality and Aggregation

Each material class of similar items is presented separately. Items of dissimilar nature or function are presented separately unless they are immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements unless otherwise indicated.

3.1 Foreign Currency Translation

Transactions in foreign currencies are translated to the functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available for- sale equity instruments, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS

3.2 Income Tax Expense

Income tax expenses comprise of current & deferred tax expenses recognized in the Income Statement.

(a) Current Tax

The Company's liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act No 10 of 2006 and amendments thereto.

The Company's export income from gold, gems or jeweler is exempt from income tax as per Section 13(i) of the Inland Revenue Act No.10 of 2006.

(b)Deferred Tax

Deferred tax is provided on the balance sheet liability method for all temporary differences as at reporting date between the tax bases of assets and liabilities and their carrying amounts of assets and liabilities for financial reporting purposes. The balance in the deferred taxation account represents income tax applicable to the difference between the written down values for tax purpose of the assets on which tax depreciation has been claimed and the net book value of such asset, offset by the provision for employee benefit which is deductible for tax purpose only on payment.

Deferred tax assets, including those related to temporary tax effect of income tax losses and credits available to be carried forward are recognized only to the extent that it is probable that future taxable profit will be available against which the assets can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.3 Events occurring after the Reporting date

The materiality of the events occurring after the reporting date have been considered and appropriate adjustments to or disclosure have been made in the financial statements where necessary.

ASSETS AND BASES OF VALUATION

Assets classified as current assets on the reporting are cash and bank balances and those which are expected to be realized in cash during the normal operating cycle or within one year from the reporting date whichever is shorter. Assets other than the current assets are those, which the Company intends to hold beyond a period of one year from the reporting date.

3.4 Property, Plant and Equipment

a) Cost and Valuation

An item of Property, Plant & Equipment that qualifies for recognition as an asset is initially measured at its cost.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Cost Model

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

NOTES TO THE FINANCIAL STATEMENTS

Revaluation Model

The Company applies the Revaluation Model to the entire class of free hold buildings 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. Building 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 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 that asset. Any balance remaining in the revaluation reserve in respect of an asset, is transferred directly to Retained Earnings on retirement or disposal of the asset.

b) De recognition

Items of property, plant and equipment are derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or losses rising on de-recognition of the asset is included in the statement of comprehensive income the year the asset is derecognized.

c) Subsequent cost

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul costs, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the statement of comprehensive income as an expense as incurred.

d) Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of Property, Plant and Equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows.

Plant & Machinery	20 years
Buildings	26, 24, 19 years (Based on the valuers recommendation)
Furniture & Fittings	4 years
Equipment	4 years
Motor Vehicles	4 years

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognized.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

NOTES TO THE FINANCIAL STATEMENTS

e) Impairment of property, plant and equipment

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognized in the statement of comprehensive income unless it reverses a previous revaluation surplus for the same asset.

3.5 Leasehold property

Leasehold property comprises of land use right and stated at cost.

The leasehold rights under operating leases are charged to the income statement on a straight- line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

The cost of improvements to or on leased property is capitalized, and depreciated over the unexpired period of the lease or the estimated useful lives of improvements, whichever is shorter.

Leasehold land is amortized over the lease period of 99 years and 50 years.

3.6 Leased assets

Finance leases

Leased in terms of which the Companyassumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to property, plant and equipment.

Operating leases

Other leases are operating leases and are not recognized in the Company's statement of financial position.

3.7 Intangible Assets

An intangible asset is an identifiable non monitory asset without physical substance held for use in the production or supply goods or other services, rental to others or for administrative purposes.

Basis of recognition

An intangible asset is initially recognized at cost, if it is probable that future economic benefit will flow to the enterprise, and the cost of the asset can be measured reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Computer software

All computer software costs incurred, licensed for use by the Company, which are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the Balance Sheet under the category intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses.

Amortization

Intangible assets with finite lives are amortized over the estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets are amortized on a straight line basis in the Income Statement from the date on which the asset was available for use, over the best estimate of its useful life. The estimated useful life of software is 4 years. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year-end.

NOTES TO THE FINANCIAL STATEMENTS

De-recognition

An intangible asset is de-recognized on disposal or when no future economic benefits are expected from its use and subsequent disposal.

3.8 Investments in Associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating activities.

Associates are accounted for using the equity method (equity accounted investees) and are initially recognized at cost. The cost of the investment includes transaction costs.

The Financial Statements include the Company's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee. Associate Companies of the Company which have been accounted for under the equity method of accounting are disclosed under Notes to these Financial Statements.

The Company's Associate Company has a common financial year end which ends on 31st March.

Discontinuation of equity method accounting

The Company discontinues the use of the equity method from the date when it ceases to have significant influence over an associate and shall account for the investment in accordance with LKAS 39 from that date, provided the associate does not become a subsidiary or a joint venture as defined in LKAS 31. On the loss of significant influence, the Company shall measure at fair value any investment the investor retains in the former associate. The Company recognise in profit or loss any difference between:

(a) the fair value of any retained investment and any proceeds from disposing of the part interest in the associate; and
(b) the carrying amount of the investment at the date when significant influence is lost.

When an investment ceases to be an associate and is accounted for in accordance with LKAS 39, the fair value of the investment at the date when it ceases to be an associate shall be regarded as its fair value on initial recognition as a financial asset in accordance with LKAS 39.

3.9 Investments in Subsidiary

Investments in subsidiaries are recorded at cost less impairment in the Financial Statements of the Company. The net assets of each subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognized to the extent of its net assets loss.

3.10 Inventories

Inventories are valued at lower of cost or net realizable value, after making due allowance for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realization and / or cost of conversion from their existing state to saleable condition.

NOTES TO THE FINANCIAL STATEMENTS

The cost of each category of inventories is determined as follow:

• All inventory items except for Finished Products, Work-in-Progress and Gold Frames - WIP are stated at weighted average cost and include expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

• Finished Products and Work-in-Progress based on the standard costing which included all direct expenditure and production overheads.

• Gold, and Gold frames - WIP stock are valued based on cost or net realizable value whichever is lower.

• The Net Realizable Value (NRV) of inventories is determined through Comparison of cost with international market values of metals and stones, Valuation from a certified valuerand use management assessments;

The following factors are considered in determining NRV by management:

• Determination of the raw material costs of products for finished goods;
• The inventory movements and future use. (consumable stocks/gemstones);
• The market patterns(based on actual event taken place);
• The process losses; and
• The cost of disposing efforts (commissions cost of trade fairs etc).

When NRV cannot be determined a provision will be determined, based on the past data and historical events.

3.11 Financial Instruments

a) Non-derivative financial assets

The Companyinitially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Companybecomes a party to the contractual provisions of the instrument.

The Companyderecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Companyis recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Companyhas a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: available for sale and loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, including service concession receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for-sale and that are not classified in any of the previous categories. The Company's investments in equity securities and certain debt securities are classified as available-for-sale financial assets.

Available for sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

3.12 Impairment of assets

3.12.1 Non derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

Financial assets measured at amortized cost

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available for sale financial assets

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

3.12.2 Non-financial assets

The carrying amounts of the Company's non-financial assets inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.
The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

LIABILITIES AND PROVISIONS

Liabilities classified as Current Liabilities on the Statement of financial position are those obligations payable on demand or within one year from the statement of financial position. Items classified as non current liabilities are those obligations, which expire beyond a period of one year from the Statement of financial position date.

All known liabilities have been accounted for in preparing the financial statements. Provision and liabilities are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.13 Employee benefits

3.13.1 Defined contribution plan - Employees' Provident Fund & Employees' Trust Fund

A defined contribution plan is a post- employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Company contributes 12% and 3% of gross emoluments of employees as Provident Fund and Trust Fund contribution respectively.

3.13.2 Defined Benefit Plans - Retirement Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

As required by LKAS 19 - Employee Benefits, which became effective from 1 January 2012, the Company used to obtains actuarial valuation performed by a qualified actuary every 3 years using projected unit credit method up to 2013.

The Company has provided for gratuity liability based on an internally generated model using a formula based on projected unit credit method as recommended by LKAS 19.

However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability is not externally funded.

NOTES TO THE FINANCIAL STATEMENTS

Actuarial Gains and Losses

The re - measurements of the net defined benefit liability, which comprise actuarial gains and losses are recognized in Other Comprehensive Income.

3.13.3 Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are provided.

3.14 Non derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Companyderecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Companyhas a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Companyhas the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

3.15 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.16 Contingencies and capital commitments

All material Capital Commitments and Contingent Liabilities of the Companyare disclosed in the respective notes to the Financial Statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

3.17 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and that 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 sales taxes.

The following specific criteria are used for the purpose of recognition of revenue.

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Revenue is recognized when significant risks and rewards of ownership have been transferred to the customers.

Dividend income

Dividend income is recognized in profit or loss on the date that the Group’s right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

Other Income

Other income is recognized on an accrual basis.

Net gains and losses of a revenue nature on the disposal of property, plant and equipment and other noncurrent assets including investments have been accounted for in the assets.

3.18 Expenditure recognition

Operating Expenses

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 comprehensive income in arriving at the profit or loss for the year.

Finance income and expense

Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liabilities. When calculating the effective interest rate, the Companyestimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Borrowing Cost

All borrowing costs are recognised as an expense in the period in which they are incurred except those that are directly attributable to the construction or development of property, plant and equipment which are capitalized as a part of the cost of that asset during the period of construction or development.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.19 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group/ Company's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

There are no distinguishable components to be identified as segments for the Company.

3.20 Related party disclosure

Disclosures has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/ decisions of the other, irrespective of whether a price is charged.

NOTES TO THE FINANCIAL STATEMENTS

3.21 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares.
Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3.22 Statement of cash flows

The Cash Flow Statement has been prepared using the Indirect Method of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Cash Flow Statements.

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

4 New Accounting Standards issued but not effective as at reporting date

A number of new standards and amendments to standards which have been issued but not yet effective as at the reporting date have not been applied in preparing these Financial Statements. Accordingly, these Accounting Standards have not been applied in preparing these Financial Statements.

The following new standards are not expected to have a significant impact of the Company's Financial Statements.

New or amended Standard	Summary of the Requirement	Possible impact on consolidated Financial Statements
SLFRS 9 Financial Instruments	SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from LKAS 39. Effective for annual periods beginning on or after 1 January 2018.	The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 9.
SLFRS 15 Revenue from Contracts with Customers	SLFRS 15 replaces all existing revenue requirements in SLFRS (LKAS 11 Construction Contracts, LKAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue -Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. Effective for annual periods beginning on or after 1 January 2018.	The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 15.
SLFRS 16 Leases	SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between on-balance sheetfinance leases and off - balance sheet operating leases.Instead there will be a single on balance sheet accountingmodel that is similar to the current finance lease accounting. Effective for annual periods beginning on or after 1 January 2019.	The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March,	2017	2016
	Rs.	Rs.
5 REVENUE		(Re-stated)
Gross revenue		
Export sales	12,020,465	45,118,703
Local sales	15,213,843	20,467,999
	27,234,308	**65,586,702**
Total value of export (Inclusive of raw materials) - Note 5.1	**19,360,035**	**59,082,251**

5.1 The Company receives the raw materials from most of their customers. Therefore, the Company charges a margin only on labour cost and does not consider the cost of raw material for their product costing and pricing. The said margins are reported under export sales

In current financial year the above basis was relavant only for the Export Sales generated from Toko Company Ltd.

5.2 The Company had received cash of Rs.3,883,062/- during the year relating to consignment sales that had taken place in the prior year.The Company had erroneosly recorded the above transaction in the current year which has been corrected by re-stating the prior year Export Sales by Rs.3,883,063.(Previously stated Rs.41,235,641/-)

6 LOSS FROM OPERATIONS

Loss from operations is stated after charging/(reversing) expenses including the following:

	2017	2016
Auditors' remuneration - Statutory audit	735,500	700,000
Director's remunerations	6,159,182	18,534,144
Depreciation and amortization	3,253,264	4,350,411
Personal cost (Note 6.1)	19,338,833	23,398,520
Registrars and secretarial fees	363,410	729,298
Legal fees	310,983	598,553
Provision for inventories (Note 6.2)	15,079,150	27,828,124
Provision for other receivables	785,647	-
Write off of investment in subsidiary	500,000	-
Write off Ceylon Joy International (Pvt) Ltd (Note 17)	72,144	-
Write off VVS Lanka (Pvt) Ltd (Note 17)	3,877,414	-
6.1 Personnel Cost		
Salaries and wages	15,680,765	19,283,510
Defined contribution plan cost - EPF & ETF	2,481,129	2,890,530
Defined benefit plan cost - Retiring gratuity	1,176,939	1,224,480
	19,338,833	**23,398,520**

6.2 The provision for inventories comprise of provision for impairment due to fall in net realizable value of inventories of Rs.Nil (2016 - Rs.20,228,410) and for slow moving items of Rs.15,079,150 (2016 - Rs. 7,599,714.)

7 NET FINANCE INCOME

	2017	2016
7.1 Finance income		
Interest on call / fixed deposits & Savings	5,244,100	4,913,422
Interest on term loan	412,463	479,191
Interest on repo	-	1,897,232
Net gain on translation of foreign currency	353,476	1,785,027
Interest Income on refundable deposit	33,402	-
Total finance income	**6,043,441**	**9,074,872**
7.2 Finance expenses		
Interest expense	215,544	-
Overdraft Interest	2,469,132	784,553
Interest expense on refundable deposit	44,297	-
Total finance expenses	**2,728,973**	**784,553**
Net finance income	**3,314,468**	**8,290,319**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March,		2017	2016
		Rs.	Rs.
8	**INCOME TAX EXPENSE**		
8.1	**Income tax**		
	Current tax expense		
	Current tax on profits for the year (Note 8.3)	954,426	1,365,118
		954,426	**1,365,118**
	Deferred tax expense		
	Origination of deferred tax liabilities (Note 13.1)	(1,312,086)	226,579
	Origination of deferred tax assets (Note 13.2)	1,196,943	(505,379)
		(115,143)	(278,799)
	Total income tax expense	**839,283**	**1,086,319**

8.2 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 as per Section 13 (i) of the Inland Revenue Act No.10 of 2006 and amendments thereto. Local sales are liable for income tax.

		2017	2016
8.3	**Reconciliation of accounting loss and taxable income**		
	Loss before taxation	(71,009,731)	(76,170,373)
	Non business income	(5,244,100)	(7,289,845)
	Disallowed expenses and provisions	25,388,312	36,479,538
	Allowable expenses	(1,936,697)	(2,440,404)
	Statutory loss from business	**(52,802,216)**	**(49,421,084)**
	Taxable Non business income	5,244,100	7,500,649
	Utilization of tax losses from local sales	(1,835,435)	(2,625,227)
	Taxable income	**3,408,665**	**4,875,422**
	Current tax on non business income for the year at 28% (2016 - 28%)	**954,426**	**1,365,118**
8.4	**Tax loss analysis**		
	Tax loss brought forward	(70,034,412)	(54,977,875)
	Tax loss for the year	(29,496,789)	(17,681,764)
	Tax loss utilized	1,835,435	2,625,227
	Tax loss carried forward	**(97,695,766)**	**(70,034,412)**

9 **BASIC LOSS PER SHARE**

Basic loss per share is calculated by dividing the net loss for the year attributable to ordinary shareholders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

The followings reflect the loss and share data used in the basic loss per share computation:

	2017	2016
Loss attributable to ordinary shareholders	(71,849,014)	(77,256,692)
Weighted average number of ordinary shares	401,235,405	401,235,405
Basic loss per share	**(0.18)**	**(0.19)**

9.1 There was no potential dilution as at year end. Therefore, diluted earnings/ (loss) per share is the same as basic earnings/ (loss) per share shown above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2017

10 PROPERTY, PLANT & EQUIPMENT

	Buildings	Plant & Machinery	Furniture & Fittings	Office & Factory Equipment	Total 2017	Total 2016
	Rs	Rs	Rs	Rs	Rs	Rs
Cost/Revaluation						
As at 01st April 2016	19,000,000	165,628,559	5,025,046	30,525,323	220,178,928	219,642,193
Additions	-	112,692	321,000	174,100	607,792	536,735
Balance as at 31st March 2017	19,000,000	165,741,251	5,346,046	30,699,423	220,786,720	220,178,928
Depreciation						
As at 01st April 2016	1,474,722	149,155,551	4,930,680	29,593,491	185,154,444	181,052,296
Charge for the year	737,361	1,687,617	232,303	471,389	3,128,670	4,102,148
Balance as at 31st March 2017	2,212,083	150,843,168	5,162,983	30,064,880	188,283,114	185,154,444
Carrying amount						
As at 31st March 2017	**16,787,917**	**14,898,083**	**183,063**	**634,543**	**32,503,606**	
As at 31st March 2016	17,525,278	16,473,008	94,366	931,832		35,024,484

10.1 The buildings were revalued as at 31th March 2014, by Messrs A.A.M.Fathihu - F.I.V.(Sri Lanka) Incorporated valuer. The surplus on revaluation relating to Buildings were incorporated in the Financial Statements from its effective date which is 31th March 2014. Such Assets were valued on an open market value on existing use basis, the surplus arising from the revaluation was transferred to the revaluation reserve.

10.2 During the financial year, the Company acquired Property, Plant and Equipments to the aggregate value of Rs.607,792 and cash payments amounting to Rs 607,792 were made during the year for purchase of Property, Plant and Equipments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2017

10 **PROPERTY, PLANT & EQUIPMENT (Cont.)**

10.3 The carrying amount of Company's revalued buildings that would have been included in the financial statements had the buildings been carried at cost less depreciation is as follows:

	2017 (Rs)			2016 (Rs)		
Class of assets	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	21,034,500	4,471,518	16,562,982	21,034,500	3,713,412	17,321,088

10.4 Plant and machinery includes fully depreciated assets with a cost of Rs. 131.9 Mn (2016 Rs 131.9 Mn), which are being used in the normal business activities. These assets could not be valued due to the complexity involved in valuing such specialized machinery.

As at 31st March,

	2017	2016
11 LEASEHOLD PROPERTY	**Rs.**	**Rs.**
Balance at the beginning of the year	2,494,424	2,528,998
Amortized during the year	(34,848)	(34,574)
Balance at the end of the year	**2,459,576**	**2,494,424**

Leasehold land has been obtained from Government of Sri Lanka on a 99 year lease. This lease commenced on 7th March 1991. The remaining lease period as at 31st March 2017 is 73 years.

12 INTANGIBLE ASSETS

	2017	2016
Computer software (Note 12.1)	-	89,746
Technological rights (Note 12.2)	-	-
	-	**89,746**
12.1 Computer software		
Cost		
Balance at the beginning of the year	12,795,818	12,720,818
Additions during the year	-	75,000
Balance at the end of the year	**12,795,818**	**12,795,818**
Accumulated Amortization		
Balance at the beginning of the year	12,706,072	12,492,383
Charge for the year	89,746	213,689
Balance at the end of the year	**12,795,818**	**12,706,072**
Carrying amount		
As at 31st March	**-**	**89,746**
12.2 Technological rights		
Technological rights purchased value	229,731,188	229,731,188
Provision made during the financial year 2000/2001	(229,731,188)	(229,731,188)
Carrying amount as at 31st March	-	-

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March 2017

12 INTANGIBLE ASSETS (Cont.)

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.

The Board of Directors of the Company decided to make full provision against the investment in 2000/01 due to the uncertainty regarding future economic benefits from the investment. The said investment has not been written off against the provision as at the reporting date, as the Board of Directors is still in the process of evaluating any possibility of recovering the said investment.

13 DEFERRED TAXTATION

As at 31 March,	2017	2016
Deferred taxation	Rs.	Rs.
Deferred tax liability (Note 13.1)	4,740,921	6,053,007
Deferred tax asset (Note 13.2)	(4,740,921)	(6,053,007)
	-	-
The movements on the deferred tax account is as follows:		
13.1 Deferred tax liability		
Balance at the beginning of the year	6,053,007	5,826,428
(Reversal) / origination during the year	(1,312,086)	226,579
Balance at the end of the year	**4,740,921**	**6,053,007**
13.2 Deferred tax asset		
Balance at the beginning of the year	6,053,007	5,826,428
(Reversal) / origination during the year	(1,196,943)	505,379
Reversal during the year - recognized in other comprehensive income	(115,143)	(278,799)
Balance at the end of the year	**4,740,921**	**6,053,007**

Deffered tax assets and liabilities are attributable to the following :

	2017		2016	
	Temporary difference	Tax effect	Temporary difference	Tax effect
Deferred tax liabilities	Rs.	Rs.	Rs.	Rs.
Property, plant and equipment	16,931,861	4,740,921	21,617,884	6,053,007
Deferred tax assets				
Employee benefits	(3,286,755)	(920,291)	(4,103,349)	(1,148,937)
Tax losses	(13,645,106)	(3,820,630)	(17,514,535)	(4,904,070)
	(16,931,861)	**(4,740,921)**	**(21,617,884)**	**(6,053,007)**

During the year Company has provided for deferred taxation since there is a tax effect on temporary differences due to the fact that Company's local sale income has increased which is taxable at 28%.

The tax losses as at the reporting date was Rs.97,695,766 which gave rise to deferred tax asset of Rs.27,354,814. However, deferred tax asset has been recognised only up to deferred tax liability due to the uncertainty regarding the availability of future taxable profits against which the deferred tax asset would be utilized. Accordingly, the unrecognised deferred tax asset as at the reporting date was Rs.23,534,184.

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March,	2017	2016
	Rs.	Rs.
14 FINANCIAL ASSETS - AVAILABLE FOR SALE		
Quoted Investments (Note 14.1)	133,515	143,291
Non-quoted Investments (Note 14.2)	-	-
	133,515	**143,291**

14.1 Quoted Investments

	2017			2016		
	No of shares	Cost	Carrying Amount	No of shares	Cost	Carrying Amount
		Rs.	Rs.		Rs.	Rs.
Renuka City Hotel PLC						
Balance at the beginning of the year	420	12,000	136,080	420	12,000	138,642
Addition during the year	-	-	-	-	-	-
Net changes in the FV during the year			(12,180)	-	-	(2,562)
Balance at the end of the year	**420**	**12,000**	**123,900**	**420**	**12,000**	**136,080**
Merchant Bank of Sri Lanka & Finance PLC						
Balance at the beginning of the year	707	282,500	7,211	707	282,500	11,171
Addition during the year	-	-	-	-	-	-
Net changes in the FV during the year	-	-	2,404	-	-	(3,960)
Balance at the end of the year	**707**	**282,500**	**9,615**	**707**	**282,500**	**7,211**
	1,127	**294,500**	**133,515**	**1,127**	**294,500**	**143,291**

14.2 Non-quoted Investments

	2017			2016		
	No of shares	Cost	Carrying Amount	No of shares	Cost	Carrying Amount
		Rs.	Rs.		Rs.	Rs.
Energen Holding Ltd (Note 14.4)	5,000,000	287,500,000	-	5,000,000	287,500,000	-
Fior Drissage Jewellers Ltd (Note 14.5)	538,315	6,039,533	-	538,315	6,039,533	-
	5,538,315	**293,539,533**	**-**	**5,538,315**	**293,539,533**	**-**

14.3 Net changes in the FV of AFS investments during the year

	2017	2016
	Rs.	Rs.
Quoted Investments	(9,776)	(6,522)
Unquoted Investments	-	-
	(9,776)	(6,522)

NOTES TO THE FINANCIAL STATEMENTS

14 FINANCIAL ASSETS - AVAILABLE FOR SALE (Cont.)

14.4 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.

The Board of Directors is still in the process of evaluating any possibility of recovering the said investment and searching avenues of recovering disposal income of technological rights stated above (Note 14.2). Therefore, the Company will continue to disclose the investment made in Energen Holdings Company Ltd and technological rights to be sold to Energen International Limited in 2015/16 financial statements at zero value.

14.5 During the year 2014, the Company has ceased to have significant influence over Fior Drissage Jewelers Ltd . Accordingly, the investment has been classified under financial assets - Available for sale and accounted in accordance with LKAS 39. However based on internal assessment 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 31st March 2014.

15 INVESTMENT IN SUBSIDIARY

	2017			2016		
	No of shares	Cost	Carrying Amount	No of shares	Cost	Carrying Amount
		Rs.	Rs.		Rs.	Rs.
Ceylon Joy International (Pvt) Ltd	-	-	-	10	500,000	500,000
	-	**-**	**-**	**10**	**500,000**	**500,000**

15.1 The Company has invested on Ceylon Joy International (Pvt) Ltd and acquired 100% of Ceylon Joy International (Pvt) Ltd. The Company has not consolidated the Financial Statements of subsidiary "Ceylon Joy international limited" that acquired during December 2014 because it has not yet been able to ascertain the fair values of certain of the subsidiary's material assets and liabilities at the acquisition date. This investment is therefore accounted for on a cost basis by the Company.

Based on a board resolution, the Company has disposed the subsidiary on 25th February 2016 for a consideration of Rs.600,000. However, the Company did not have sufficient and appropriate audit documentation for the disposal of subsidiary and accordingly no gain or loss has been recognized on disposal as at 31st March 2016 and the cash received amounting to Rs 600,000 has been set off against the amounts due from Ceylon Joy International (Pvt) Ltd.Accordingly , the Company has continued to record its investment in subsidiary in the statement of financial possition as at 31st March 2016.

During the year ended 31st March 2017 , the investment value in Ceylon Joy International (Pvt) Ltd has been written off and charged to income statement since the Company did not have an investment as at the reporting date.

16 FINANCIAL ASSETS - LOAN AND RECEIVABLES

	2017	2016
	Rs.	Rs.
Fixed Deposit-NTB	25,536,003	40,974,040
Fixed Deposit Bimuth Finance	15,202,909	-
Refundable Deposit (Note 16.2)	1,189,105	-
	41,928,017	**40,974,040**

16.1 The details of the above fixed deposit investment as follows,

	NTB	Bimputh
Invested amount	**Rs.25,000,000**	**15,000,000**
Interest rate	**16%**	**15%**
Maturity date	**17-Jan-22**	**14-Feb-22**

Refundable Deposit

	2017	2016
	Rs.	Rs.
Fair Value of the refundable deposit	701,837	-
Prepaid rent	487,268	-
	1,189,105	**-**

Above Refundable deposit was made to Mr. M.H.V.Pinsiri Wijepala for Deed of Lease No.46/3997 for No.730, Galle Road, Colombo 03. for a period of five years starting from 15th December 2016.

LKAS 39, "Financial instruments - Recognition and Measurement", requires all financial instruments to be initially measured at fair value. Subsequent measurement would be based on the categorization of the financial instrument. Accordingly, deposits have been initially recognized at fair value, and subsequently measured at amortized cost.

Further, the Company has recognised the difference between fair value and face value of the deposits as pre paid rent and amortised on straight line basis through profit or loss over the tenure of the deposits.

NOTES TO THE FINANCIAL STATEMENTS

17 AMOUNT DUE FROM RELATED PARTIES

	2017	2016
	Rs.	Rs.
Ceylon Joy International (Pvt) Ltd	-	72,144
VVS Lanka (Pvt) Ltd	-	3,877,414
	-	**3,949,558**

Note 17.1

During the year, Company has written off the receivable balances from both the companies based on the internal assessment on recoverability.

As at 31st March,	2017 (Rs)	2016 (Rs)
18 INVENTORIES		
Diamonds	42,509,770	42,798,629
Gems	12,329,141	12,476,532
Raw gold	2,236,971	1,771,030
Work in progress	891,011	-
Finished goods	22,580,843	90,299,482
Consumables	9,053,364	9,269,305
Components and silver	164,914	143,684
Stocks on consignment basis	84,038,358	26,435,656
	173,804,372	183,194,318
Provision for inventories (Note 18.1)	(62,900,900)	(47,821,750)
	110,903,472	**135,372,568**
18.1 Provision for inventories		
Balance at the beginning of the year	47,821,750	19,993,626
Provision made during the year	15,079,150	27,828,124
Balance at the end of the year	62,900,900	47,821,750

18.2 A valuation has been carried out on the Gem and Diamond stocks by Ms.Damayanthi Epa, former member of the National Gem and Jewellery Authority on the market values as at 31st March 2017 were as follows :

	2017	2016
Category	Market value (Rs)	Market value (Rs)
Diamond	56,068,247	25,367,070
Gem	14,373,628	15,432,992
	70,441,875	**40,800,062**

19 LOAN RECEIVABLE

	2017 (Rs)	2016 (Rs)
Balance at the beginning of the year	4,214,466	4,405,626
Repayments	(929,998)	(423,301)
Interest receivbale	412,463	232,141
Balance at the end of the year	**3,696,931**	**4,214,466**
Receivable within one year	1,270,257	1,109,352
Receivable after one year	2,426,674	3,105,114
	3,696,931	**4,214,466**

19.1 The Company granted a loan to Fior Drissage Jewellery Ltd (FDJ) in February 2011 and the loan was treated as a related party loan and as explained in note 14.5, Fior Drissage Jewellery Ltd (FDJ) ceased to be an associate of the company from 1st March 2014. Accordingly the loan receivable from FDJ has been reported separately as " Loan receivable". Fair value adjustment on said loan has been reversed during the year 2014/15 since Company has no significance influence over FDJ as at reporting date.

Terms and conditions of the above loan is as follows;

Initial amount granted in February 2011	Rs. 5,892,850
Interest rate	12%
Period of repayment	10 years

NOTES TO THE FINANCIAL STATEMENTS

20 TRADE AND OTHER RECEIVABLES

	2017 Rs.	2016 Rs. (Restated)
Trade receivables	55,809,579	61,036,442
Less: Impairment provision	(32,965,411)	(32,965,411)
Consignment receivables (Note 20.1)	3,132,558	-
	25,976,726	**28,071,031**
Loans and advances to employees (Note 20.2)	1,033,509	958,409
Deposits and advances	1,764,334	1,735,584
Value added tax recoverable	608,157	608,157
WHT receivable	2,154,374	119,222
	5,560,374	**3,421,372**
Less : Provision for other receivables (Note 20.3)	(2,343,741)	(1,558,094)
	3,216,633	**1,863,278**
	29,193,359	**29,934,309**

20.1 Since the opening Consignment receivable balances can not trace with the opening trade receivable balance , the receivable balance generated from during the year sales were recorded seperately.

20.2 Loans and advances given to employees are short term and the tenure period is equal or less than three months.

20.3 Provision for other receivables

	2017	2016
	Rs.	Rs.
Balance at the beginning of the year	1,558,094	1,558,094
Provison charged during the year	785,647	-
Balance at the end of the year	**2,343,741**	**1,558,094**

Based on internal assessment, provision of Rs. 2,343,741/- was made for other receivables due to inadequated suporting evidence for existence and accuracy of other receivables as at 31/03/2017.

21 CASH AND CASH EQUIVALENTS

As at 31st March,	2017	2016
	Rs.	Rs.
Cash at bank	11,301,871	34,563,602
Letters of gurantee	7,705,000	7,705,000
Fixed deposits	831,455	827,048
Saving account	383,702	404,212
Cash on hand	26,260	47,260
Cash and cash equivalents	**20,248,288**	**43,547,122**
Bank overdraft	(19,469,928)	(14,920,679)
Cash and cash equivalents for the purpose of statement of cash flows	**778,360**	**28,626,443**

22 STATED CAPITAL

	No. of shares		Value	
	2017	2016	2017	2016
			Rs.	Rs.
Voting				
No. of shares as at beginning of the year	206,601,782	206,601,782	277,666,888	277,666,888
No. of shares as at end of the year	**206,601,782**	**206,601,782**	**277,666,888**	**277,666,888**
Non voting				
No. of shares as at beginning of the year	194,633,623	194,633,623	95,973,681	95,973,681
No. of shares as at end of the year	**194,633,623**	**194,633,623**	**95,973,681**	**95,973,681**
	401,235,405	**401,235,405**	**373,640,569**	**373,640,569**

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March,

23 EMPLOYEE BENEFITS

23.1 Defined contribution plan

Following contributions have been made to Employees' Provident Fund and Employees' Trust Fund during the year.

	2017	2016
Employees' Provident Fund	Rs.	Rs.
Employers' contribution	1,986,104	1,879,777
Employees' contribution	1,324,069	1,253,185
Employees' Trust Fund	495,025	470,844

23.2 Defined benefit plan

	2017	2016
Balance at the beginning of the year	6,124,401	7,186,834
Provision recognized during the year **(Note 23.2.1)**	1,176,939	1,224,480
Actuarial gain during the year **(Note 23.2.2)**	(734,333)	(1,486,138)
	6,567,007	6,925,176
Payments made during the year	(697,802)	(800,775)
Balance at the end of the year	**5,869,205**	**6,124,401**

The Company used a qualified actuary in the past years to determine the provision for retirement benefits. The last valuation was carried out in 2012/13. During the year, the Company carried out the valuation based on an internally generated model using formula

23.2.1 Provision recognized in the statement of profit or loss

	2017	2016
Current service cost	589,808	589,843
Interest on obligation	587,131	634,637
	1,176,939	**1,224,480**

23.2.2 Acturial gain and loses recognised in other comprehensive income

	2017	2016
Cumulative loss as at 1st April 2016	890,255	2,376,393
Gain recognised during the year	(734,333)	(1,486,138)
Cumulative loss as at 31st March 2017	**155,922**	**890,255**

23.3 The principal assumptions used in determining the cost of employees benefits were:

	2017	2016
Discount rate	11%	10.50%
Future salary increment rate	9%	10%
Staff turnover rate	**30%**	**30%**

23.4 Sensitivity of assumptions used

If there is a change in the assumption by 1%, the following would be the impact on employee benefits

	2017			
	Discount rate	Effect	increment rate	Effect
Effect on defined benefit obligation liability				
Increase by 1%	12%	(146,605)	10%	153,480
Decrease by 1%	10%	152,072	8%	(150,602)

24 Bimputh Loan Payable

	2017	2016
	Rs.	Rs.
Balance at the beginning of the year	-	-
Loans obtained during the year (Note 24.1)	13,000,000	-
Interest accrual for the year	194,165	-
Balance at the end of the year	**13,194,165**	-

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March,

24.1 The Company has obtained a loan of Rs.13,000,000 /- against the Fixed deposit of Rs.15,000,000/- kept at the Bimputh Finance Plc which is a related party of the Company.

The above loan was granted on 15th February 2017, to be repaid within 60 months, in lump sum together with the interest at 16.50%.

At maturity , balance of the above deposit will be paid to Bluediamonds Jewelery world wide Plc after recovering the interest and the capital of the above said loan.

25 TRADE PAYABLES

	2017	2016
	Rs.	Rs.
Trade creditors	4,506,095	4,297,347
	4,506,095	**4,297,347**

26 CURRENT TAXATION

	2017	2016
Balance at the beginning of the year	1,365,118	1,065,160
Provision for the year	954,426	1,365,118
Payments made during the year	-	(1,065,160)
Balance at the end of the year	**2,319,544**	**1,365,118**

27 OTHER PAYABLES AND ACCRUALS

	2017	2016
Accrued expenses	449,026	367,026
Advance received on export sales	5,486,281	5,486,281
Other payables	6,392,748	8,725,416
	12,328,055	**14,578,723**

28 RELATED PARTY DISCLOSURE

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24 - Related Party Disclosures. The details of which are reported below.

28.1 Transactions with key management personnel of the Company

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities directly or indirectly. Accordingly, the KMP include members of the Board of Directors of the Company.

Directors appointment details:

Name of the director	Date of appointment to the board	Date of resignation / Cessation	Duration
Mr. Zhao Ruiyun	23rd January 2015	-	As at date
Ms. Dong Lili	12th February 2015	-	As at date
Dr. M.G.M.S.Zurfick	05th August 2015	-	As at date
Mr. W.C.Gunadasa	11th December 2015	-	As at date
Mr. S.M.G.K.Serasinghe	22nd January 2016	-	As at date
Mr. S.A.S.Jayasundara	15th July 2016	-	As at date
Ms. P.M.K.Gamage	15th July 2016	-	As at date
Mr. T.N.Wickremesinghe	15th July 2016	-	As at date
Mr. C.K.Gamage	16th August 2016	-	As at date
Mr. K.V.Amila Sanjeewa	03rd March 2017	-	As at date
Mr. Yang Chong	23rd June 2014	06th june 2016	1 year 11 months 13 days
Mr. Guo wei	03rd April 2014	06th june 2016	2 year 02 months 03 days
Mr. Dayanath Chandrajith Jayasuriya	20th June 2016	23rd June 2016	3 days
Mr. G.A.Samantha Pushpakumara	28th April 2016	15th July 2016	2 months 17 days
Mr. Somasundaram Prabaharan	20th June 2016	15th July 2016	25 days
Mr. Xia Liqiang	20th March 2014	30th September 2016	2 year 07 months 10 days
Ms.Zhao Min	20th March 2014	15th December 2016	2 years 8 months 25 days
Mr.Zhao Rui Chun	23rd January 2015	15th December 2016	1 years 10 months 22 days

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2017

28.1 RELATED PARTY DISCLOSURE (Cont.)

Compensation paid to/on behalf of key management personnel of the Company during the year are as follows:

	2017	2016
	Rs.	Rs.
Short term employment benefits	6,064,000	18,438,904
Post employment benefits	95,182	95,240
	6,159,182	**18,534,144**

In addition to the above, the Company provides non cash benefits to the KMPs.

Name of the related party	Relationship	Name of the director	Nature/Rational of transaction
Daya Aviation	Managing Director	Ms. Manjaree Gmage	Provinding visa/Air ticketing
Bimputh Finance PLC	Director	Mr. Chamidra Gamage	Providing financial services
Building Solution (PVT)Ltd.	Director	Mr. Chamidra Gamage	Providing construction services
Chamma Technology	Director	Mr. Chamidra Gamage	Providing CCTV system

The following transactions has been taken place with KMPs durnig the period.

Name of the related party	Nature of transaction	Value of transactions during the ear (Rs)	
		2017	2016
Ms.P.M.K.Gamage	Sale of Jewellery items	681,659	-
Mr.C.K.Gamage	Sale of Jewellery items	90,204	-
Mr.S.A.S.Jayasundara	Sale of Jewellery items	124,100	-

28.2 Transactions with related entities

Name of the related party	Relationship	Nature of transaction	Value of transactions during the year (Rs)	
			2017	2016
Ceylon Joy (Pvt) Ltd	Subsidiary	Purchase of gems & diamonds from Ceylon Joy	-	4,285,920
	Up to 31/03/16	Payment received from Ceylon Joy	-	4,006,558
		Sale proceeds from disposal	-	600,000
VVS Lanka Holdings	Related Company	Sale of jewellary to VVS Lanka	-	1,330,576
	Up to 31/03/16	Purchase of gems from VVS Lanka	-	15,851,514
		Settlement of advance BDJW to VVS	-	6,300,000
		Market value of the inventory sent to VVS Lanka on consignment basis	-	9,143,784
		Market value of the inventory returned	-	30,300,910
		Settlement of advance from VVS to BDJW	-	600,000
Daya Aviation	Related Company	Visa / Air ticketing services	607,000	-
Bimputh Finance PLC	Related Company	Fixed deposit	15,000,000	-
		Loan Facility	13,000,000	-
Chamma Technology	Related Company	CCTV Security System	146,625	-
Building Solution (PVT)Ltd.	Related Company	Showroom Interior Decoration	1,300,387	-

29 CONTINGENT LIABILITIES

The following cases have been filed against the Company and no provision is made in the Financial Statements.

Case number	Parties	Current positions
LT Negambo No. 21/Add/1152/2013	M.M.N Priyantha Vs Blue Diamonds Jewellery Worldwide PLC	Ongoing
LT Negambo No. 21/Add/1153/2013	Ajantha Dias Vs Blue Diamonds Jewellery Worldwide PLC	Ongoing

Except for the above mentioned cases , there were no other legals cases as at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

30 EVENTS AFTER THE REPORTING DATE

There were no material events occurring after the reporting date which require adjustments to or disclosures in the financial statements.

30.1 Resignations/appointment of Directors

Subsequent to the reporting date there were no chenges in the board.

31 FINANCIAL RISK MANAGEMENT

31.1 Introduction and overview

The Company has exposure to the following risks from its use of financial instruments:

1. Credit risk
2. Liquidity risk
3. Market risk
4. Interest Rate risk
5. Operational risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout this financial statement.

31.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

31.3 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. However, geographically there is no concentration of credit risk.

The Management Committee has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Companys of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

NOTES TO THE FINANCIAL STATEMENTS

As at 31st March,

31 FINANCIAL RISK MANAGEMENT (Cont.)

31.3 Credit risk (cont.)

The maximum credit risk of the Company is limited to the carrying value of these financial assets as at 31st March 2017.

	2017	2016
	Rs.	Rs.
Trade receivable	25,976,726	28,071,031
Other receivable	5,560,374	3,421,372
Financial assets available-for-sale	133,515	143,291
Related party receivable	-	3,949,558
Loan receivables	3,696,931	4,214,466
Financial assets - Loan and receivables	41,928,017	40,974,040
Cash & Short term deposits	5,417,787	32,927,502

The credit risk arising from the deposits made in financial institutions are managed by the group policy directions provided by the Board of Directors.

Blue Diamond Jewellery Worldwide PLC transacts only with a limited number of institutions all of which have stable credit ratings. The Company exposure and credit rating of counterparties are continuously monitored and appropriate provisioning policy has been implemented to mitigate any exposure risk.

Impairment losses

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows;

	2017	2016
Collective impairments	Rs.	Rs.
Balance as at 1st April	32,965,411	32,965,411
Impairment loss recognised during the year	-	-
Balance as at 31st March	**32,965,411**	**32,965,411**

31.4 Liquidity risk

The liquidity risk of the Company arises from having insufficient cash resources to meet its obligations as they arise. Insufficient liquidity resources could have an adverse impact on the Company's operations while impairing investor, customer and supplier confidence thereby weakening its competitive position. The Company had adopted a number of strategies in order to ensure that sufficient cash resources are available to meet both operational and investment liquidity whilst meeting its debt servicing obligations

The Company ensures its liquidity is maintained by investing in short, medium and long term financial instruments to support operational and other funding instruments.

As at 31st March,	2017	2016
	On Demand	On Demand
	Rs.	Rs.
Trade payable	4,506,095	4,297,347

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2017

31 FINANCIAL RISK MANAGEMENT (Cont.)

31.5 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

31.6 Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes on foreign exchange rates. The Company monitors the fluctuations in foreign currencies with appropriate strategies to minimize risk. The Company's exposure to foreign currency risk is as follows

As at 31st March	2017			2016		
	USD Converted to Rs.	Rs.	Total	USD Converted to Rs.	Rs.	Total
Other receivable	-	5,560,374	5,560,374	-	3,421,372	3,421,372
Financial assets available-for-sale	-	133,515	133,515	-	143,291	143,291
Loan receivable	-	3,696,931	3,696,931	-	4,214,466	4,214,466
Cash & Short term deposits	-	5,417,787	5,417,787	-	32,927,502	32,927,502
Trade payable	(4,506,095)	-	(4,506,095)	(4,297,347)	-	(4,297,347)
	(4,506,095)	**14,808,607**	**10,302,512**	**(4,297,347)**	**40,706,631**	**36,409,284**

Foreign Currency Sensitivity

An estimation of the impact of the currency risk with respect of financial instruments with a 5% change in US Dollar exchange rate is given below. In calculation of risk it is assumed that all other variable factors are held constant. The calculation of sensitivity has been performed only on the assets and liabilities denominated in foreign currency of the Company as at 31st March 2017.

	2017		2016	
As at 31st March 2017	**Effect on profit or loss**	**Effect on equity**	**Effect on profit or loss**	**Effect on equity**
	Rs.	**Rs.**	**Rs.**	**Rs.**
LKR Depreciated against USD by 5%	(237,163)	(237,163)	(222,948)	(222,948)
LKR appreciated against USD by 5%	237,163	237,163	222,948	222,948

31.7 Interest rate risk

Interest rate risk is the risk that the fair value of the cash flows of financial instruments will fluctuate because of changes in market interest rates; interest rate risk arises on interest bearing financial instruments recognized in the statement of financial position.

The interest rate risk of the Company arises from financial instruments which are exposed to variable or fixed interest rates. Variable interest rates expose the Company to cash flow due to the impact on the quantum of interest payable. Financial instrument s with fixed interest rates are subject to variations in fair values due to market interest movements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2017

31 FINANCIAL RISK MANAGEMENT (Cont.)

31.7 Interest rate risk (cont)

The Company monitors market interest rate movements and takes steps to minimize the interest rate risk associated with financial instruments with rates.

Profile

At the end of the reporting period the interest rate profile of the Company's interest bearing financial instruments was as follows,

As at 31st March	Carrying amount (Rs.)	
	2017	2016
Fixed rate instruments		
Financial assets		
- Fixed deposits (Note 21)	831,455	827,048
- Loan receivable (Note 19)	3,696,931	4,214,466
- Financial assets - Loan and receivables (Note 16)	41,928,017	40,974,040
- Short Term Investments	4,639,427	4,301,059
	51,095,830	**50,316,613**
Variable rate instruments		
Financial assets		
- Savings deposits (Note 21)	383,702	404,212
Financial liabilities		
- Bank overdraft (Note 21)	(19,469,928)	(14,920,679)
	(19,086,226)	**(14,516,467)**

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss. A change of 100 basis points in interest rate would have increased or decreased equity by Rs.510,958 as at 31st March 2017. (31st March 2016: Rs.503,166)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rate at the end of the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
31st March 2017	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Variable rate instruments	(190,862)	190,862	(190,862)	190,862
31st March 2016				
Variable rate instruments	(145,165)	145,165	(145,165)	145,165

31.8 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2017

32 GOING CONCERN

The Company has incurred a loss of Rs.71,849,014 (2016 - Rs.77,256,692) during the year ended 31st March 2017 and as at that date the Company's accumulated losses amounted to Rs.2017 - Rs.332,626,896 (2016-Rs.261,397,072) However the Board of Director's are of the view that the Company is financially viable to meet its financial obligations in the ensuring the financial year considering the liquid assets of the Company and the decision taken as follows:

The Board has several new members, with experience in turning around loss-making firms and is working on an overall business strategy to take the company forward.

The Company will continue to participate at fairs at a local level as well pursue export opportunities in the international market by exhibiting at fairs abroad. Onboard sales, having now been identified as a successful sales channel, will also be focused on by way of selling the products on more airlines.

Further, resource has been increased in the necessary areas, namely in design and production, so as to improve the brand value of the products and keep up with ever-changing market trends.

33 COMPARATIVE FIGURES

Where necessary information has been restated to conform to current year's presentation and classification.

33.1 Correction of errors in the Revenue

The Company had received cash of Rs.3,883,062/- during the year relating to consignment sales that had taken place in the prior year.The Company had erroneosly recorded the above transaction in the current year which has been corrected by re-stating the prior year Export Sales by Rs.3,883,063.(Previously stated Rs.41,235,641/-)

I. Statement of financial position	Impact of correction of error		
31st March 2016	As previously reported Rs.	Adjustments Rs.	As restated Rs.
Total Assets	**296,662,005**	**3,883,062**	**300,545,067**
Trade Receivables (Note 20)	57,153,380	3,883,062	61,036,442
Total Equity	**255,375,737**	**3,883,062**	**259,258,799**
Retained earnings	(265,280,134)	3,883,062	(261,397,072)

II. Statement of profit or loss and other comprehensive income	Impact of correction of error		
31st March 2016	As previously reported Rs.	Adjustments Rs.	As restated Rs.
Loss for the year	**81,139,754**	**3,883,062**	**77,256,692**
Revenue **(Note 05)**	61,703,640	3,883,062	65,586,702
Total comprehensive income for the year	**(79,938,937)**	**3,883,062**	**(76,055,875)**
Impact on EPS	**(0.20)**	**0.01**	**(0.19)**

34 DETERMINATION OF FAIR VALUE

This note explains the methodology for valuing our financial assets and liabilities, and provides an analysis of these according to a 'fair value hierarchy', determined by the market observability of valuation inputs.

34.1 Valuation models

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.
The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in Note 3(10). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2017

34 DETERMINATION OF FAIR VALUE (Cont.)

34.2 Fair value hierarchy

Assets and liabilities recorded at fair value in the Statement of financial position are measured and classified in accordance with a fair value hierarchy consisting of three "levels" based on the observability of inputs available in the marketplace used to measure the fair values as discussed below:

• **Level 1:** Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. The company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price), without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

• **Level 2:** Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

• **Level 3:** Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the

instruments.

34.3 Valuation Methodologies of Financial Instruments Measured at Fair Value.

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

31st March 2017 Rs.	Note	Fair value hierarchy Level 1	Level 2	Level 3	Total
Available for sale financial assets:					
Quoted Investments	14.1	133,515	-	-	133,515
Non-quoted Investments	14.2	-	-	6,039,533	6,039,533
		133,515	-	6,039,533	6,173,048

31st March 2016 Rs.	Note	Fair value hierarchy Level 1	Level 2	Level 3	Total
Available for sale financial assets:					
Quoted Investments	14.1	143,291	-	-	143,291
Non-quoted Investments	14.2	-	-	293,539,533	293,539,533
		143,291	-	293,539,533	293,682,824

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March 2017

34 DETERMINATION OF FAIR VALUE (Cont.)

34.4 Fair values of Financial Assets and Liabilities not carried at fair value

Set out below is a comparison of the carrying amounts and fair values of the financial instruments of the Company which are not measured at fair value in the financial statements. These tables do not include non-financial assets and liabilities.

	Note	2017		2016	
		fair value	Statement of financial position	fair value	Statement of financial position
Loans and receivables :					
Fixed-Term Deposit	16	40,738,912	40,738,912	40,974,040	40,974,040
Loan Receivables	19	3,696,931	3,696,931	4,214,466	4,214,466
Trade receivables	20	25,976,726	25,976,726	28,071,031	28,071,031
Other receivables	20	3,216,633	3,216,633	1,863,278	1,863,278
Short Term Investments		4,301,059	4,301,059	4,301,059	4,301,059
Cash & cash equivalent	21	20,248,288	20,248,288	43,547,122	43,547,122
		98,178,549	**98,178,549**	**122,970,996**	**122,970,996**
Financial liabilities :					
Trade payables	25	4,506,095	4,506,095	4,297,347	4,297,347
Other payables and accruals	27	12,328,055	12,328,055	14,578,723	14,578,723
Bank overdraft	21	19,469,928	19,469,928	14,920,679	14,920,679
		36,304,078	**36,304,078**	**33,796,749**	**33,796,749**

34.4.1 Fixed-Term Deposit

The fair values of fixed term deposits with remaining maturity of less than one year and variable rate loans and advances are estimated to approximate their carrying amounts. For fixed rate term deposits with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using market rates of term deposits of similar credit risks and maturity.

34.4.2 Other financial assets

The carrying amount of cash and bank balances approximate fair value due to the relatively short maturity of the financial instruments.

The fair value of the Loans to staff, agent and policy holders has been computed based on the interest rates prevailed at reporting date.

Other receivables items the carrying value has been considered as the fair value due to the timing of the cash flows.

34.4.3 Financial liabilities

This nature of financial liabilities of carrying value has been considered as the fair value due to the timing of the cash due.

35 CAPITAL COMMITMENTS

There were no other capital commitments as at the reporting date

36 DIRECTORS RESPONSIBILITY FOR FINANCIAL REPORTING

The Board of Directors is responsible for preparing and presenting these Financial Statements in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and the requirement of the companies Act No 07 of 2007.

FIVE YEAR PERFORMANCE SUMMARY

Five Year Performance Summary for the year ended 31st March					Rs.'000
	2013	2014	2015	2016	2017
Revenue	83,091	50,692	41,600	65,587	27,534
Gross profit	22,220	(2,329)	(13,592)	(21,525)	(23,225)
Profit/(loss)before taxation	(25,683)	(36,162)	(85,866)	(76,170)	(71,009)
Profit/(loss)for the year	(26,218)	(36,417)	(87,314)	(77,257)	(71,849)
Financial position					
Total assets	319,918	318,799	366,716	300,545	245,706
	319,918	318,799	366,716	300,545	245,706
Equity	301,155	264,902	335,315	259,259	188,019
Total liabilities	18,763	53,897	31,401	41,286	57,687
	319,918	318,799	366,716	300,545	245,706
Other information					
Earnings/(loss)per share(Rs.)	(0.1)	(0.14)	(0.27)	(0.19)	(0.18)
Net asset per share(Rs.)	1.17	1.03	1.02	0.64	0.47
Current ratio(times)	19.13	4.79	11.75	6.20	4.30
Market price per share(voting)as at 31st March 2017	3.00	3.40	1.40	1.00	0.90
Market price per share(non-voting)as at 31st March 2017	1.50	1.10	0.60	0.40	0.30
Highest price per share during the year(voting)(Rs.)	6.30	4.40	3.90	1.30	1.50
Highest price per share during the year(non-voting)(Rs.)	2.90	1.80	1.30	0.50	0.50
Lowest price per share during the year(voting)(Rs.)	2.80	1.50	1.10	0.60	0.07
Lowest price per share during the year(non-voting)(Rs.)	1.40	0.70	0.50	0.20	0.30

SHAREHOLDER INFORMATION

DISTRIBUTION OF SHAREHOLDING – VOTING ORDINARY SHARES AS AT 31ST MARCH 2017

Value Band	No. of Shareholders	No. of Shares	%
1 – 1,000	9,525	2,239,888	1.08
1,001 – 10,000	2,226	7,689,278	3.72
10,001 – 100,000	642	21,227,187	10.27
100,001 – 1,000,000	153	45,663,177	22.10
1,000,001 & over	18	129,782,252	62.81
Total	**12,564**	**206,601,782**	**100.00**

Name of Shareholder	No. of shares as at 31st March 2017	%	No. of Shares as at 31st March 2016	%
MISS. MANJAREE GAMAGE	36,648,472	17.74	5,719,147	2.77
V V S LANKA HOLDINGS (PVT) LTD	21,824,985	10.56	21,824,985	10.56
MR. XIA LIQIANG	16,800,730	8.13	31,946,930	15.46
MR. WENYUE YIN	11,897,189	5.76	-	-
SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	10,559,100	5.11	10,559,100	5.11
MR. SAVITH SENASUM SOORIYARACHCHI	8,306,565	4.02	-	-
MRS. VASUDEVAN SARASWATHY	4,101,811	1.99	4,101,811	1.99
BIMPUTH FINANCE PLC	3,454,566	1.67	-	-
CEYLINCO INSURANCE CO LTD. (GENERAL FUND) A/C 2	2,400,300	1.16	2,400,300	1.16
CEYLINCO INSURANCE CO LTD. (LIFE FUND) A/C1	2,400,300	1.16	2,400,300	1.16
SAMPATH BANK PLC/MRS SARASWATHY VASUDEVAN	2,020,176	0.98	2,020,176	0.98
NATION LANKA CAPITAL LTD/KARAGODA LOKU GAMAGE UDAYANANDA	1,604,069	0.78	-	-
MR. KARAGODA LOKU GAMAGE UDAYANANDA	1,500,000	0.73	-	-
THE FINANCE PORTFOLIO MANAGEMENT COMPANY LIMITED	1,300,000	0.63	1,300,000	0.63
MR. MOHAMED IMTIAZ SAMSUDEEN	1,220,000	0.59	1,483,438	0.72
MR. NIHAL RANJAN SOORIYARACHCHI	1,208,940	0.59	-	-
FIRST CAPITAL MARKETS LTD/MR.S.P.JAYAKUMAR	1,127,025	0.55	-	-
MR. URALA SARATH WAIDYANATHA	1,010,612	0.49	-	-
S & L INVESTMENTS (PRIVATE) LTD	966,900	0.47	-	-
MR. PALLEGEDERA BANDARA ABEYKOON	874,000	0.42	-	-
Total	**206,601,782**		**206,601,782**	

	2017	2016
PUBLIC HOLDING	82.26	73.97

SHAREHOLDER INFORMATION

DISTRIBUTION OF SHAREHOLDING - NON VOTING ORDINARY SHARES AS AT 31ST MARCH 2017

Value Band	No. of Shareholders	No. of Shares	%
1 - 1,000	1,952	709,706	0.36
1,001 - 10,000	1,696	7,748,441	3.9
10,001 - 100,000	981	35,817,885	18.40
100,001 - 1,000,000	252	73,439,361	37.73
1,000,001 & over	30	76,918,230	39.51
Total	**4,911**	**194,633,623**	**100.00**

Name of Shareholder	No. of shares as at 31st March 2017	%	No. of Shares as at 31st March 2016	%
SERAKA INVESTMENTS LIMITED	16,560,000	8.51	16,560,000	8.51
MR. SITHAMPALAM ABISHEK	8,088,148	4.16	7,888,148	4.05
SEYLAN BANK LIMITED/RUWAN PRASANNA SUGATHADASA	4,167,826	2.14	-	-
MRS. VASUDEVAN SARASWATHI	3,500,998	1.80	2,699,004	1.39
MISS. PROMODYA MANJAREE KILITTUWA GAMAGE	3,495,172	1.80	-	
MR. COLOMBAPATABENDIGE RANJITH PERERA	3,225,008	1.66	2,575,008	1.32
FIRST CAPITAL MARKETS LIMITED/MR.S.P.JAYAKUMAR	2,699,004	1.39	2,699,004	1.39
MR. HITIHAMY MUDIYANSELAGE CHAMPAKA BANDARA MAVILMADA	2,400,000	1.23	2,400,000	1.23
MISS. SITHAMPALAM DURGA	2,079,424	1.07	1,875,486	0.96
MR. GAMINI HETTIGE	2,000,000	1.03	2,000,000	1.03
ACUITY PARTNERS (PVT) LIMITED/MR.S.N.M. SEMASINGHE	1,952,743	1.00	1,952,743	1.00
MR. MADANASINGHE NOEL RATNAPRIYA	1,895,212	0.97	-	-
MR. CHANDANA PEIRIS MALALANAYAKE	1,879,249	0.97	1,879,249	0.97
MR. HITIHAMI KORALAGE PUSHPAKUMARA	1,825,000	0.94	1,700,000	0.87
MISS. RAGUPATHY KERTHIKA	1,793,795	0.92	1,600,000	0.82
MR. WANNIACHCHIGE LAL TILAKESIRI ANANDAWANSA	1,713,612	0.88	-	
MR. MOHAMED MANZOOR MOHAMED AZMIN	1,540,000	0.79	1,540,000	0.79
MR. RAVINDRA ERLE RAMBUKWELLE	1,495,000	0.77	1,495,000	0.77
MR. MOHAMED HANIF ASLAM KAMIL	1,417,144	0.73	1,441,768	0.74
MR. MOHAMED IMTIAZ SAMSUDEEN	1,406,812	0.72	-	-
Total	**194,633,623**		**194,633,623**	

	2017	2016
PUBLIC HOLDING	98.20	100

NOTICE OF ANNUAL GENERAL MEETING OF BLUE DIAMONDS JEWELLERY WORLDWIDE PLC

FOR THE YEAR ENDED 31ST MARCH 2016/2017

NOTICE IS HEREBY GIVEN that the Twenty seventh Annual General Meeting of Blue Diamonds Jewelry Worldwide PLC will be held at Clarion Hub, 1374, Negombo Road, Kurana, Katunayake on Thursday 30th November 2017 at 10.00a.m.

AGENDA

01. To receive and consider the Annual report of the board of Director together with the financial statements of the company for the year ended 31st march 2017 and the Report of the Auditors thereon.

02. To propose the following resolution as an ordinary resolution for the re appointment of Dr. M.G.M.S Zurfick who has reached the age of seventy six(76) years.

03. "IT IS HERE BY RESOLVED that the age limit referred to in section 211 of the company act No.7of 2007 shall not apply to Dr. M.G.M. S Zurifick who has reach the age of seventy six(76) years prior to the this Annual general meeting and that he be re appointed as a director of the company.

04. To re-elect as a Director Zhao Rui Yun who retires by rotation in term of article 86 of the articles of association of the company and being eligible, has offered himself for re election.

05. To re-elect as a Director Dong LIli who retires by rotation in term of article 86 of the articles of association of the company and being eligible, has offered himself for re election.

06. To re-elect as a Director Kalugala Vidanalage Amila Sanjeewa who was appointed to the independent non executive director on 03rd March 2017 and retires at the end of the AGM in term of article of association of the company and being eligible, has offered himself for re elected.

07. To reappoint Auditors, for the year 2017/2018 and to authorize the Directors to determine their remuneration.

Note:-

a) Any Member entitle to attend and vote is entitled to appoint a proxy in his stead.
b) A form of proxy accompanies this notice. A proxy need not be a shareholder.
c) nstruments appointing proxies must be lodged with the company not less than 48 hours before the meeting.

....

AFA CORPORATE SERVICES (PVT)LTD
Secretaries
BLUE DIAMOND JEWELLERY WORLDWIDE PLC
On this 03rd day of October 2017.

Notes:

**A member is entitled to appoint a Proxy to attend and vote at this meeting on his/her behalf.*

**A Proxy need not be a member of the Company.*

**A member wishing to vote by Proxy may use the Form of Proxy enclosed.*

**To be valid the completed Form of Proxy must be lodged at the Registrar's Office:A.F.A. Corporate Services (Pvt)Ltd, No. 14, Dharmakirhiyarama Road, Colombo 03, Sri Lanka not less than 48 hours before the time appointed for the holding of the meeting.*

**Members/ Proxy Holders are kindly requested to bring along with them their National Identity Card or a similar form of accepted identity when attending the meeting.*

BLUE DIAMONDS JEWELLERY WORLDWIDE PLC
FORM OF PROXY

I/We,...of.......................................
....being Member/Members of the above named Company, hereby appoint …..of
....failing him,

(i)	Mr. S A S Jayasundara	or failing him,	(vi)	Mr. T N Wickremesinghe	or failing him,
(ii)	Dr. M G M S Zurfick	or failing him,	(vii)	Mr. C K Gamage	or failing him,
(iii)	Mr. W C Gunadasa	or failing him,	(viii)	Mr. K.V.Amila Sanjeewa	or failing him,
(iv)	Mr. S M G K Serasinghe	or failing him,	(ix)	Mr. Zhao Ruiyun	or failing him,
(v)	Ms. P M K Gamage	or failing her,	(x)	Ms. Dong Lili	or failing her,

as my/our proxy to represent me/us and to speak and vote for me/us on my/our behalf at the (Annual or Extraordinary, as the case may be) General Meeting of the Blue Diamonds Jewellery Worldwide PLC to be held on the Thirtieth (30) day of November 2017 and at any adjournment thereof for the following purposes;

		For	Against
1.	To receive and consider the Annual report of the board of Director together with the financial statements of the company for the year ended 31st march 2017 and the Report of the Auditors thereon.		
2.	To propose the following resolution as an ordinary resolution for the re appointment of Dr. M.G.M.S Zurfick who has reached the age of seventy six (76) years.		
3.	"IT IS HERE BY RESOLVED that the age limit referred to in section 211 of the company act No.7of 2007 shall not apply to Dr. M.G.M. S Zurifick who has reach the age of seventy six(76) years prior to the this Annual general meeting and that he be re appointed as a director of the company.		
4.	To re-elect as a Director Zhao Rui Yun who retires by rotation in term of article 86 of the articles of association of the company and being eligible, has offered himself for re election.		
5.	To re-elect as a Director Dong LIli who retires by rotation in term of article 86 of the articles of association of the company and being eligible, has offered himself for re election.		
6.	To re-elect as a Director Kalugala Vidanalage Amila Sanjeewa who was appointed to the independent non executive director on 03rd March 2017 and retires at the end of the AGM in term of article of association of the company and being eligible, has offered himself for re elected.		
7.	To reappoint Auditors, for the year 2017/2018 and to authorize the Directors to determine their remuneration.		

Signed this.......................day of.......................Two Thousand and Seventeen.

....
*Signature/s

Note:

*Please delete the inappropriate words
*Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY

1. Please fill in your details legibly

2. The duly completed Form of Proxy should be deposited at the Office of the Secretaries, AFA CORPORATE SERVICES(PVT)LTD, No.14, Dharmakirhiyarama Road, Colombo 03, Sri Lanka. 48 hours before the time appointed for the holding of the meeting.

3. If an Attorney has signed the Form of Proxy, the related 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

BLUE DIAMONDS JEWELLERY WORLDWIDE PLC

ANNUAL REPORT 2016 / 2017

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