



Radiant Gems International PLC

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Company Registration No. PQ 197

Radiant Gems International PLC

Dehigahapitiya, Getahetta.

28/02/2022

Report by the Directors.

Dear Shareholders,

Intimation of a Serious Loss of Capital.

The Companies Act no 7 of 2007 which came into effect on 3rd May 2007 requires a company to call an Extraordinary General meeting of its shareholders in terms of section 220 of the Act in the event of the Company having had a serious loss of capital situation. In general terms a serious loss of capital has occurred when the net assets of the company are less than half of its stated capital. Section 220 further requires a report to be prepared by the Board to advise the shareholders on the matters referred to in subsection 2 of the said section.

The balance sheet reveals that the net assets of the Company as at 31st March 2021 is in negative (Rs.4,601,265/-), whereas the stated capital of the Company as per the requirements of the Companies Act No 7 of 2007 would be Rs.12,000,000/-. Based on the above figures, it is apparent to the Board that, there has been a serious loss of capital and the shareholders should be appraised of such fact in terms of section 220 (2).

As per the Audited Financial Statements of year 2021, the Company has incurred a net loss of Rs.11,567,676/- resulting the cumulative net loss of (Rs.130,369,092/-) as at 31st March 2021.

Directors: Sidath Munasinghe (Chairman / Managing Director), Mihindu Munasinghe (Director / General Manager),
Sunil Abhayawardhane, Dinesh Madushanka.

A summary of net profit/ (Loss) for the last five years, together with the cumulative losses are as follows.

Years	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
	LKR	LKR	LKR	LKR	LKR
Profit/(Loss) for the year	(11,567,676)	(1,777,310)	(16,199,007)	3,951,476	(1,797,596)
Retained Earnings	(130,369,092)	(118,224,648)	(116,334,538)	(110,420,642)	(113,772,045)

The losses have been incurred due to the following reasons;

1. The turnover of the company was reduced during 2020/2021 financial year caused by the reduction in orders received from regular clients due to adverse economic condition resulted by COVID-19 global pandemic situation, and the Turnover during the last quarter ended 31st March 2021 was Rs.18,977,301/-only, while the turnover of the first three quarters were Rs.53,297,918/-, hence showing a significant reduction in turnover of the First and last quarters of the financial year.
2. There is a significant depreciation of the Sri Lankan Rupees during the financial year, hence, increasing the BOC term loan payable and interest payable by Rs.1,429,459/- and resulting to increase exchange loss by 1,823,042/= during the period.

The above two reasons for such serious loss of capital are out of the control of the management of the company, however, the company has taken actions to mitigate the risks.

Actions taken by management to address the above issues includes,

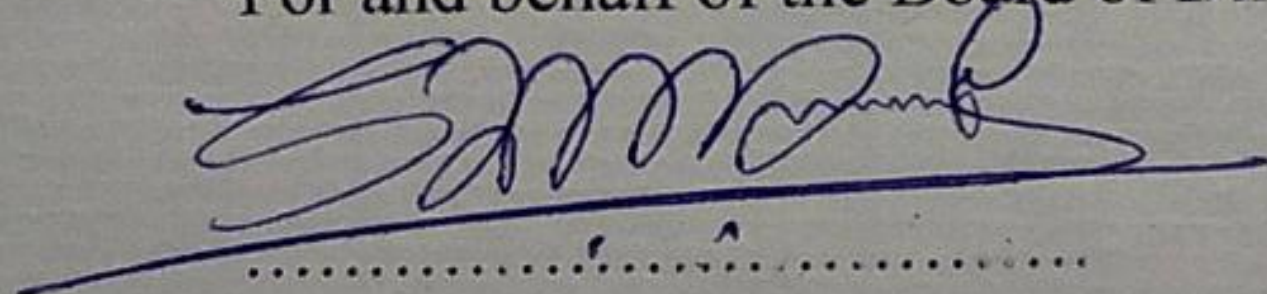
1. The company has been able to increase the turnover of the company up to Rs..76,432,465/- during the first three quarters of the financial year 2021/2022, while convensing the clients and obtaining more orders despite the global pandemic situation

2. During the last quarter ended 31st December 2021 company was able to make a profit of Rs.2,857,430/-
3. During the month of January 2022 the company was able to get a new orders from a new client in Thailand
4. We wish to enter to the international Gem Market at the end of this year
5. To increase the orders we receive by negotiating with our current clients s, in the next few months by 5% to 10%
6. Finding new clients to get more orders, by the end of September 2022, expecting at least two new clients
7. Increasing the Production capacity to meet the new orders by recruiting new qualified production staff, by end of June 2022
8. Increasing the production efficiency to increase the production, by finding out the staff idling, bottle necks, and areas where need more training is needed to increase the efficiency by the end of July 2022
9. Immediately introducing cost controls and cost cutting to minimize the production cost etc,

Net Asset Status as at 31st December 2021

The status of the Net Assets as at 31st December 2021 after adjusting the audit entries, the Company is suffering from a Serious Loss of Capital of Rs. (-5,118,673.83) negative balance, however, the management of the Company ensures to the shareholders to continue its operations further even if the Company is passing the most challenging period of its history due to global pandemic situation of COVID-19.

For and behalf of the Board of Directors of



S.H.Munasinghe

Chairman/Managing Director.

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