



Radiant Gems International PLC

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Company Registration No. PQ 197

Radiant Gems International PLC

Dehigahapitiya ,Gatahatta.

30/08/2022

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.

Balance sheet reveals that the net assets of the Company as at 31st March 2022 are **Rs.(25,591,905/-)** 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 the year 2022, the Company has incurred a net loss of **Rs.19,950,567/-** resulting the cumulative net loss of **Rs.150,673,292/-** as at 31st March 2022.

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

Years	31-Mar 2022 LKR	31-Mar 2021 LKR	31-Mar 2020 LKR	31-Mar 2019 LKR	31-Mar 2018 LKR
Profit /(Loss) for the year	(19,950,567)	(11,567,676)	(1,777,310)	(16,199,007)	3,951,476
Retained Earnings	(150,673,292)	(130,369,092)	(118,224,649)	(116,334,538)	(110,420,642)

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

The losses have been incurred due to the following reasons ;

1. The Company incurred an exchange loss of Rs.19,574,175/- during the period due to the depreciation of Sri Lanka Rupee against USD, which is the major reason for high amount of net loss. This exchange loss incurred due to measurement of FCBU loan payable to BOC on spot exchange rate as at 31st March 2022, which accounts approximately 50% of the operational expenses of the Company.
2. Operational expenses of the Company increased significantly due the prevailing hyper inflationary and crisis situation of the country.

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 the management to address the above issues includes,

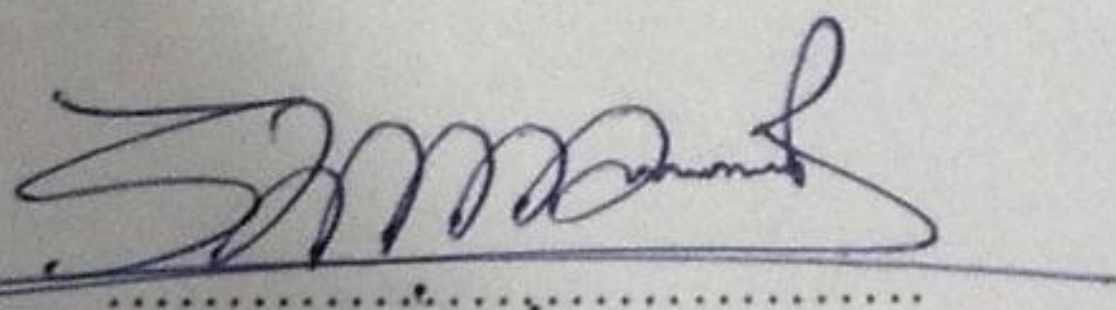
1. The company has been able to increase the turnover of the company up to Rs.46,574,370/- during the first quarter of the financial year 2022/2023, while stimulating the buyers and obtaining more orders despite the prevailing economic crisis is highly threatening the Company where the Company gave extraordinary effort to solve the transportation issues of staff while suffering from fuel shortage.
2. The Diversification strategy is under the evaluation of the management in order to enter the mass market where the Company intention is to sell its own gem stock in the international market, as a strategy for mitigation of market risk.
3. The management intends to seek the possibility of refinancing the FCBU loan with the intention to request an interest wave off. And we have started to pay loan from June-2022.

Net Asset Status as at 31st July 2022

As at 31st July 2022, the Company is suffering from a Serious Loss of Capital of Rs (Rs.10,737,142/-), however, the management of the Company ensures to the shareholders to continue its operations further as the Company has progressed during the 1st quarter of 2022/23 in terms of turnover, profitability and net assets as well as the management is determined to reverse the negative trend and in the process of improving the performance with new strategies.

For and behalf of the Board of Directors of

Radiant Gems International PLC



S.H.Munasinghe
Chairman/Managing Director.