

ANNUAL REPORT 2008-2009

Making figures count



LERROS

GERMANY.1979



SELECT CITYWALK, SAKET - NEW DELHI



100 FT ROAD - BANGALORE



THE GREAT INDIA PLACE - NOIDA

Board of Directors

Mr. Deepak Seth	-	Chairman
Mr. Pallak Seth	-	Vice-Chairman
Mr. Pulkit Seth	-	Managing Director
Mr. Sanjay Pershad	-	Non-executive Director
Dr. Ashutosh P. Bhupatkar	-	Non-executive Independent Director
Mr. S. B. Mohapatra	-	Non-executive Independent Director
Mr. Chittranjan Dua	-	Non-executive Independent Director
Mr. Rajendra K. Aneja	-	Non-executive Independent Director

Company Secretary

Mr. Sandeep Sabharwal

Audit Committee

Dr. Ashutosh P. Bhupatkar	-	Chairman
Mr. Sanjay Pershad	-	Member Director
Mr. S. B. Mohapatra	-	Member Director

Remuneration Committee

Mr. S. B. Mohapatra	-	Chairman
Mr. Rajendra K. Aneja	-	Member Director
Dr. Ashutosh P. Bhupatkar	-	Member Director

Shareholders Grievance & Transfer Committee

Dr. Ashutosh P. Bhupatkar	-	Chairman
Mr. Pulkit Seth	-	Member Director
Mr. S. B. Mohapatra	-	Member Director

Finance Committee

Mr. S. B. Mohapatra	-	Chairman
Mr. Pulkit Seth	-	Member Director
Dr. Ashutosh P. Bhupatkar	-	Member Director

Auditors

M/s S. R. Dinodia & Co.
Chartered Accountants
K-39, Cannaught Place
New Delhi -110001

Bankers:

AXIS Bank Limited
The Hongkong and Shanghai
Banking Corporation Ltd.
Punjab National Bank
Standard Chartered Bank
Royal Bank of Scotland
UCO Bank
China Trust Commercial Bank

Registered Office:

"Pearl House"
A-3, Community Centre,
Naraina Industrial Area, Phase-II,
New Delhi -110028

Corporate Office:

446, Udyog Vihar, Phase- V,
Gurgaon-122016 (Haryana)



LERROS FASHIONS INDIA PVT. LTD.

- The Company has launched Retail Chain of High Fashion Apparels under LERROS Brand of Germany. This domestic retail chain is carried by the Joint Venture Company LERROS Fashions India Pvt. Limited, in collaboration with LERROS GmbH, Germany. Main highlights of this domestic retail chain business are:
- Won the award for the best new brand launch for 2008 at the Images Fashions Awards 2009, recognized by the International Council of Shopping Centre (ICSC).
- Opened 8 LERROS exclusive stores across the country. Also have 11 shop in shop across the country.
- Have already formed partnerships with Shoppers Stop, Central, among the large retailers. Further, also tied up with other regional retailers.
- Whole sale business has also been started with Mumbai and Gujarat covered on Spring Summer 2009.
- Have already achieved 50% contribution from women's wear which augurs well for the brand growth. In the women's wear segment there is a distinct gap in the market in the western casual wear segment which we are tapping.
- Our product price puts us in the mid premium segment of the market along with Benetton, Tommy Hillfinger, S. Oliver, etc.



Enter New Product Segment / products

- Baby-wear, division of Poeticgem for exclusive supply to ASDA from UK, setup in January 2009
- New division of Poeticgem for marketing Licensed products in UK, setup in September, 2008
- Zamira and its subsidiary established to target Mid and Upper Fashion market. Zamira set-up in June 2007 and subsidiary setup in January 2009
- JV with GES Corp to source Home Décor products, operating from Hong Kong, setup in June 2008
- New company Poetic Knitwear to target Sweater market in UK
- Acquired “Pample Mouse” brand and initiated business to cater to Jersey wear market in UK

Enter New Geographical areas

- JV with GES Corp to market apparel to South American customers, set up in June 2008. JV operating from Hong Kong, China and Chile

Strategic expansion of Manufacturing

- Expansion of Woven facility in P T Norwest, Indonesia, capacity enhancement of 2 ml. pcs.
- Expansion of Knits facility in Norp Knit, Bangladesh
- Acquired 30% stake in a manufacture unit in Vietnam in January 2009

Establish strategic vendor relationship

- Identified as strategic vendor for top retailers
- Ranked as biggest garment vendor to ASDA/ MATALAN, UK / JC Penney, USA and number fifth largest garment vendor to Tesco, UK. Also among top five vendors out of India to GAP Inc, Kohls, USA
- Working with other retailers closely to be classified as strategic vendor.

Brand & Retailing

- Launched leading international brand LERROS from Germany in India with 40% foreign equity participation by LERROS GmbH.
- Acquired Licences from Geoffrey Beene, LLC to market men’s casual slacks, casual shorts and dress slacks under the Geoffrey Beene mark in USA

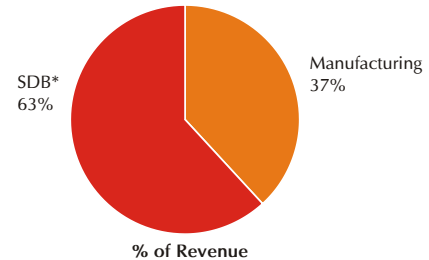
Design Centre & Corporate Office

- To show case our designing capabilities, a design centre cum corporate office is being built at Sector 32, Gurgaon

REVENUE SEGMENTATION

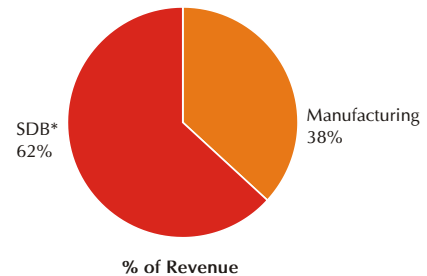
REVENUE FROM BUSINESS DIVISIONS

Revenue Segmentation: Consolidated FY 09



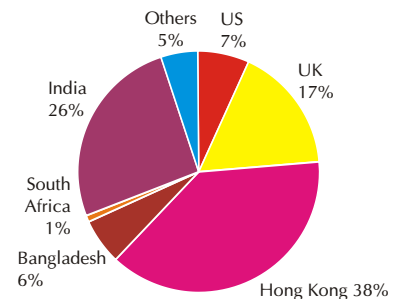
* Selling & Distribution Business

Revenue Segmentation: Consolidated FY 08

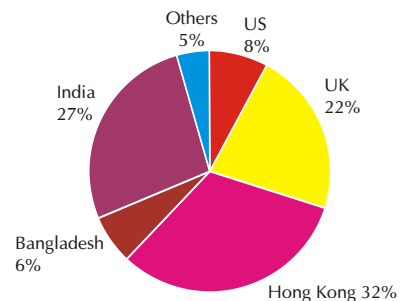


REVENUE FROM GEOGRAPHICAL LOCATIONS

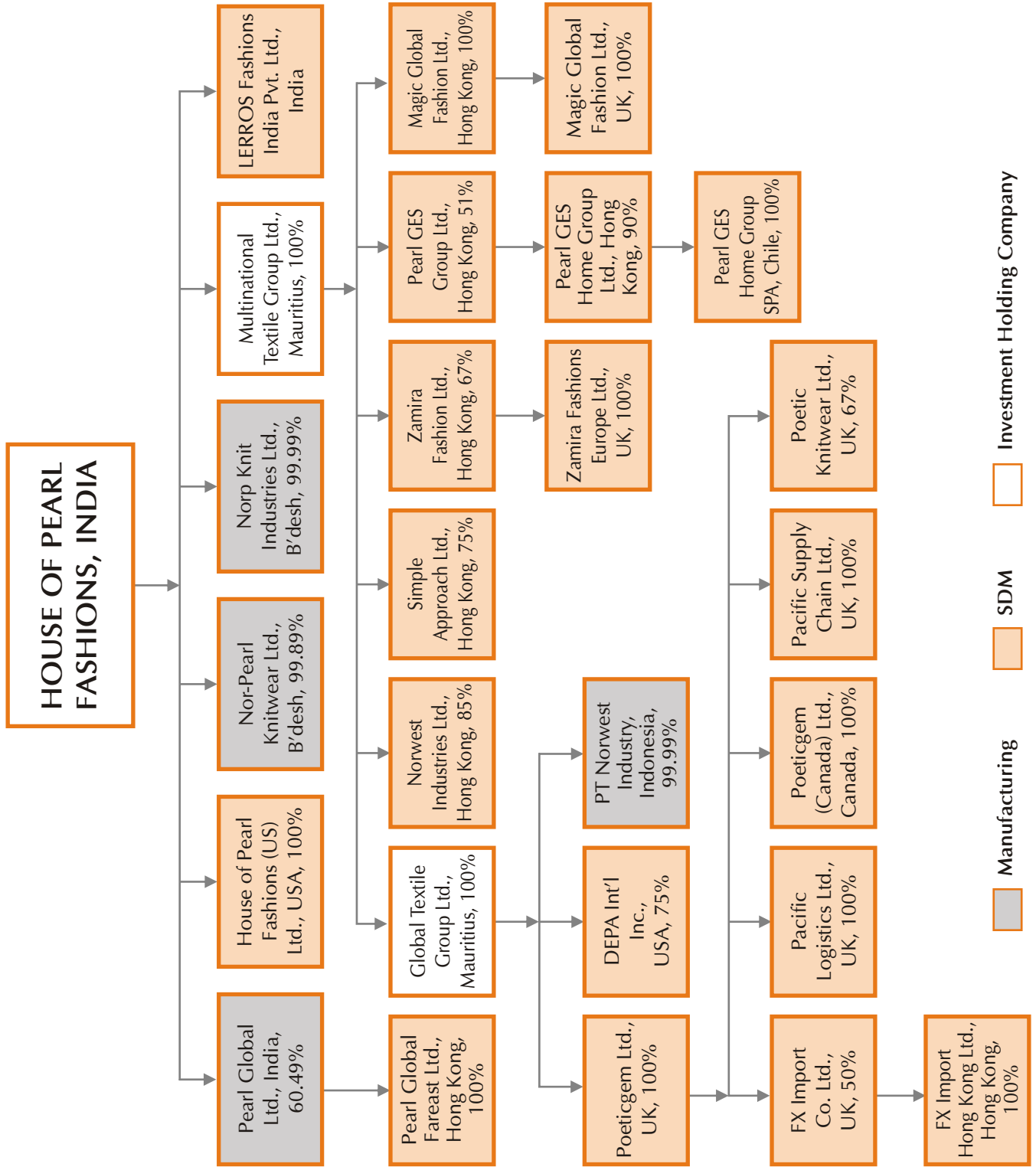
Location wise Revenue Segmentation: FY 09



Location wise Revenue Segmentation: FY 08



INTEGRATING BUSINESSES UNDER HOUSE OF PEARL FASHIONS LIMITED



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DIRECTORS' REPORT

To the Shareholders,

The Directors of your Company have pleasure in presenting the 20th Annual Report and Audited Accounts for the year ended 31st March 2009, together with the Auditors' Report thereon.

CONSOLIDATED WORKING RESULTS

	(Rs. in Lacs)	
	2008-2009	2007-2008
Income	144790.93	108,002.57
Other Income	3482.68	3707.09
Profit before Tax & Adjustments	179.43	7539.80
Provision for Tax	41.43	1214.67
Provision for Forward contract loss	-	1280.27
Provision for Bad debt	(5.79)	(26.97)
Profit After Tax	132.21	5019.32
Profit brought forward	9900.85	5348.63
Profit Available for Appropriations	10438.62	10349.66
EPS (in Rs.)	2.76	25.65

WORKING RESULTS OF THE COMPANY

	(Rs. in Lacs)	
	2008-2009	2007-2008
Income	2283.25	1512.88
Other Income	2025.46	1498.95
Profit before Tax	1188.73	1171.28
Provision for Tax	272.08	105.29
Profit After Tax	916.66	1065.98
Profit brought forward (incl. AS 15 adjustment)	1068.58	451.41
Profit Available for Appropriations	1985.24	1517.40

BUSINESS AND OPERATIONS

The international trade has shrunk due to the recession. The low consumer demand in the western world has forced the retailers to re-strategise their businesses. The overall buying by these retailers have gone down by at least 25% as they are focusing on clearing up their inventories. The mid market retailers have been badly affected as consumers are flocking to value retailer for bargains. The retail industry in US and EU is going through the consolidation phase and large numbers of retailers especially in mid market have closed down. Despite of such gloomy market scenario, your company has managed to post impressive top -line growth in excess of 34% on year-on-year basis.

Your company enjoys strategic partnerships with some of the top retailers of the world due to its global foot prints and strong value offerings. The retailers have resorted to vendor consolidation to counter the drop in demand and are currently canalizing their buying through limited strategic vendors only. Your company has remained as a strategic vendor with them due to its unique business model and highly motivated team.

Your company has managed to not only retain its market share but has driven growth by entering new product categories like knitwear, bottom wear and baby wear. The strategic acquisitions that your company has made over last year are helping it add customers and enter new geography.

The margins however remained under pressure as retailers are asking for sharper prices. The new strategic acquisitions have also taken a toll on margin in existing businesses, as they are in the first year of operations. As a result the profit after tax has dropped to Rs.132 lacs this year from Rs.5019 lacs in last year.

ACQUISITIONS & NEW SUBSIDIARIES

The Company, through its wholly owned subsidiary Multinational Textile Group Ltd., has acquired 30% stake in the Premier Pearl Garment Joint Stock Company, Vietnam. Vietnam offers high labour efficiency and high quality of stitch work.

Multinational Textile Group Ltd. formed a Joint Venture Company "Pearl GES Group Limited" with GES Corp to source Home Decor products from South American Market. Further, Pearl GES Group Limited formed a subsidiary "Pearl GES Home Group Limited" in Hong Kong. Pearl GES Home Group Limited, further incorporated a wholly owned subsidiary company in Chile in the name of "Pearl GES Home Group SPA".

The Company through Multinational Textile Group Ltd. formed Simple Approach Limited in Hong Kong. Multinational Textile Group Ltd. formed a wholly owned subsidiary "Magic Global Fashions Ltd" in Hong Kong to target Denim and young fashion in France, Holland and Germany.

The company has set up one sub-sub-sidiary in UK in the name of Poetic Knitwear Limited, subsidiary of Poeticgem Limited for trading activities.

Zamira Fashions Limited, Hong Kong, a sub-sub-sidiary of the company formed a new company in United Kingdom in the name of "Zamira Fashions Europe Limited".

Pearl Global Ltd, a subsidiary Company has also incorporated a new Company "Pearl Global Fareast Ltd" in Hongkong for sourcing and trading of garments from Fareast Countries.

The Company has already entered into retail chain business in India through its Joint Venture Lerros Fashions India Pvt. Ltd, with German brand "LERROS" after receipt of regulatory approval of Government. This Company has already opened 8 stores in Metro Cities and 11 shop in shop in India. Lerros Fashions India Pvt. Ltd. became subsidiary of the Company w.e.f. 31st March 2009.

CORPORATE SOCIAL RESPONSIBILITY

The company has been taking up and fulfilling its fundamental responsibility towards society. Little Pearl Educational Society, set up by the group has been imparting employment oriented higher education through Pearl Academy of Fashion (PAF), Management Studies through Pearl School of Business (PSB) and retail sector education through Indian Retail School (IRS). PAF, a pioneering institute of fashion technology has been imparting quality education in fashion for more than a decade. PSB is conducting BBA and MBA courses, imparting entrepreneurial talent to students. IRS has taken initiative to impart career oriented training in retail sector. ARPAN is helping underprivileged children, studying in 1st to 5th level financially and also supporting the school system.

AWARDS AND RECOGNITION

Based on our fulfilling corporate social duties and responsibilities, J C Penny has awarded the Company with "Best Corporate Social Responsibility" award. The company has been selected for this award out of entire vendors of J C Penny in Asia Pacific region.

DIVIDEND

The Directors do not recommend any dividend for the year under review, and would like to conserve cash for future growth.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of your Company, Mr. Deepak Seth, Mr. Pulkit Seth, Mr. Rajendra K Aneja and Mr. Chitranjan Dua, would retire by Rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Necessary resolutions for their appointment are included in the notice convening Annual General Meeting.

DIRECTORS IDENTIFICATION NUMBER (DIN)

The following are the Directors Identification Number (DIN) of your Directors:

Mr. Deepak Seth - 00003021	Dr. Ashutosh Prabhudas Bhupatkar - 00479727
Mr. Pallak Seth - 00003040	Mr. Chitranjan Dua - 00036080
Mr. Pulkit Seth - 00003044	Mr. Samar Ballav Mohapatra - 00327410
Mr. Sanjay Pershad - 00003054	Mr. Rajendra Kumar Aneja - 00731956

SUBSIDIARY COMPANIES

In line with the requirements of Accounting Standards AS - 21 issued by the Institute of Chartered Accountants of India, consolidated financial statements presented by the Company include the financial information of its Subsidiaries. As required under Section 212 of the Companies Act, 1956, the statement in respect of the Subsidiary companies is annexed herewith and forms an integral part of this Annual Report.

AUDITORS

The Auditors, M/s S. R. Dinodia & Co., Chartered Accountants, New Delhi, retire at the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

FIXED DEPOSITS

Your Company has not accepted any Fixed Deposits from Public or Shareholders.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, with respect to Directors Responsibility Statement, it is hereby confirmed:

- That in the preparation of the accounts for the financial year ended 31st March 2009, the applicable accounting standards issued by the Institute of Chartered Accountants of India have been followed. There are no material departures from prescribed accounting standards in the adoption of the accounting standards.

- ii) That the Directors have adopted such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review.
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That the Directors have prepared the accounts for the financial year ended 31st March 2009 as a 'going concern' and on accrual basis.

LISTING

The shares of your Company are listed at Bombay Stock Exchange Limited, Mumbai and National Stock Exchange of India Limited, Mumbai. The listing fees to the Stock Exchanges for the year 2009-10 have been paid.

REGISTRAR AND SHARE TRANSFER AGENT

Link Intime India Pvt. Ltd (formerly known as Intime Spectrum Registry Limited) has been appointed as Registrars and Share Transfer Agent (RTA) as common agency both for physical and demat shares, as required under Securities Contract (Regulation) Act, 1956. The detail of RTA forms part of the Corporate Governance Report.

CORPORATE GOVERNANCE

Report on Corporate Governance along with the certificate of the Auditors, confirming compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement, forms part of the Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS

A detailed review of operations, performance and future outlook of the Company is given separately under the head "Management Discussion and Analysis".

AUDITORS' REPORT

In respect of Auditors' observation in Auditors' Report on the Consolidated Financial Statements, on one subsidiary, Pearl Global Fareast Ltd., the Financial Statements whereof have been certified by management, we submit that this subsidiary incorporated on 16th March 2009, had not commenced any business till 31st March 2009. Other observations of the Auditors, if any, have been adequately explained in Notes to Accounts and need no further clarification.

PARTICULARS OF EMPLOYEES

A statement showing particulars of employees required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is annexed hereto as Annexure I and forms an integral part of the Report.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 relating to 'Energy Conservation' and 'Technology Absorption' are not applicable. Information pertaining to activities relating to exports, initiative taken to increase exports, development of new export markets and exports plans are as follows:

The Company through subsidiaries is into export of garments to various countries and has taken various initiatives for increasing exports like strengthening design & development, outsourcing garments from cost effective locations. The Company has through subsidiaries, explored new markets in South America. The Company has valued buyers across the globe and plans to cater to new markets and also to cater to 'A' category of International buyers especially through Chennai unit of its subsidiary.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The company is not carrying on export apart from through subsidiaries.

Total Foreign Exchange used and earned (in RS.):

	2008-2009	2007-2008
Foreign Exchange Earnings		
Export of Goods- FOB basis	215,827,507	3,880,275
	<u>215,827,507</u>	<u>3,880,275</u>
Foreign Exchange Outgo		
Foreign Traveling	4,474,073	3,963,355
Commission	2,151,273	
	<u>6,625,346</u>	<u>3,963,355</u>

ACKNOWLEDGEMENT

The Directors of your Company are thankful to Bankers, Business Associates, Customers, Members, Government Bodies & Regulators for the continuous support received from them and place on record their appreciation for the sincere services rendered by the employees at all level.

For and on behalf of the Board
for House of Pearl Fashions Limited

(Samar Ballav Mohapatra)

Director

DIN: 00327410

(Dr. Ashutosh P Bhupatkar)

Director

DIN: 00479727

Place : Gurgaon
Date : 31.07.2009

Annexure-I to the Directors' Report

Name of the Employee	Age (Years)	Designation	Remuneration (Rs.)	Qualification	Experience (in years)	Date of Employment	Nature of Duties	Previous Employment & Post held
Pulkit Seth	29	Managing Director	50,07,800/-	Graduate in Management, Studies from, Leonard N. Stern School of Business, New York, University	8 Years	01.04.2005	Managing the Company	Norwest Industries Ltd., Hong Kong, as Joint Managing Director and became Managing Director in the year 2003.
Rishi Raj Vig	39	Chief Finance Officer	28,31,360/-	B.Com, ICWA, CPA (US)	19 Years	27.02.2006	Finance & Accounts	Sr. GM (F&A) Pearl Global Limited GM Finance, Shahi Exports Private Limited March 2005 – February 2006
Col. Ramesh Wahi	59	Group Chief Information Officer (IT)	27,65,000/-	M.Tech	37 Years	17.08.2006	Information Technology	Vice President NIIT-GIS Ltd., August 2000 – July 2006

Notes:

- Employments of aforesaid officials are on contractual basis. Other terms and conditions are as per Company's Rule.
- Remuneration calculated under Section 198 of the Companies Act, 1956 and includes Salary, Medical Expenses, Company's contribution to Provident Fund and House Rent Allowance or any Expenditure incurred in providing Rent Free Residential Accommodation and Allowances.
- None of the above mentioned employee except Managing Director hold the prescribed Percentage of equity shares in the company within the meaning of 217(2A)(a)(iii) of the Company's Act, 1956.

CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY

Corporate Governance is based on the principles of integrity, fairness, equity, transparency, accountability and commitment to values. Good governance practices stem from culture and mindset of the organization.

The Company has an unwavering commitment to uphold sound corporate governance standards and highest business conduct. Being a value driven organization, House of Pearl Fashions Limited has always worked towards building trust with stakeholders based on the principles of corporate governance.

House of Pearl Fashions strives to foster a corporate culture in which high standards of ethical behavior, individual accountability and transparent disclosure are ingrained in all its business dealings and shared by its board of directors, management and employees. Over the years, governance process and systems have been strengthened at House of Pearl Fashions. In addition to complying with the statutory requirements, effective governance system and practices towards improving transparency, disclosures, internal controls and promotion of ethics at work-place. Your Company is committed to best Corporate Governance and has fully complied with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges. The Company in its endeavor towards the best Corporate Governance and to provide transparency initiated various measures.

This Report, along with the chapters on Management Discussion and Analysis and additional Shareholder's information, reports Company's compliance with Clause 49 of the Listing Agreement.

2. BOARD OF DIRECTORS

As on 31st March 2009, the company's Board of Directors consists of 8 (Eight) members. The Chairman of the Board is non-executive Promoter director. The Board comprises of one executive director and seven non-executive directors, of whom four are Independent Directors. The composition of the Board is in conformity with the requirements of Clause 49 of the listing agreement. All non-executive independent directors are persons of eminence and bring a wide range of expertise and experience to the Board.

6 (Six) Board Meetings were held during the year. The dates on which the meetings were held are as follows:

2nd April 2008, 13th May 2008, 20th June 2008, 30th July 2008, 31st October 2008 and 31st January 2009.

Composition and Category of the Board as on 31.03.2009 and their attendance in the Board and Annual General Meetings are as hereunder:

S. No.	Name of Director	Category	No. of outside directorships	No. of Committee		Attendance	
				Member	Chairman	Board Meetings	Annual General Meetings
1.	Mr. Deepak Seth	Non-Executive Chairman	1	–	–	4	Yes
2..	Mr. Pallak Seth	Non Executive Vice–Chairman	1	–	–	–	No
3.	Mr. Pulkit Seth	Managing Director	1	2	–	4	Yes
4.	Mr. Sanjay Pershad	Non–Executive Director	1	1	–	3	No
5.	Dr. Ashutosh P. Bhupatkar	Independent Director	1	2	2	4	Yes
6.	Mr. Samar Ballav Mohapatra	Independent Director	5	2	2	6	Yes
7.	Mr. Chittranjan Dua	Independent Director	5	–	–	3	No
8.	Mr. Rajendra Aneja	Independent Director	–	–	–	2	No
9.	Mr. Tom Tar Singh*	Independent Director	–	–	–	–	No

* Mr. Tom Tar Singh resigned from the Board with effect from 22nd December 2008.

Mr. Deepak Seth, Chairman, being father, is related to Mr. Pulkit Seth, Managing Director and Mr. Pallak Seth, Vice Chairman.

Notes:

1. The committees considered for the purpose are those prescribed under clause 49 (IV) (B) of the Listing Agreement.

2. Foreign Companies, Bodies corporate, Private companies and Companies under section 25 of the Companies are excluded for the above purpose.

As stipulated by Clause 49, none of the directors was a member of more than 10 committees, or a Chairman of more than 5 committees across all companies in which he was a director.

There is no Nominee or Institutional Directors on the Board of the Company.

Information supplied to the Board

The board has complete access to all information with the company. Inter alia, the following information are provided to the board and the agenda papers for the meetings are circulated in advance of each meeting or are tabled.

- Annual Operating plans and budgets, Capital budgets, updates;
- Quarterly results for the company and its operating divisions or business segments;
- Minutes of meetings of Audit Committee and other committees of the board;
- Information on recruitment and remuneration of senior officers just below the board level including appointment or removal of Chief Financial Officer and Company Secretary;
- Materially important show cause, demand, prosecution and penalty notices;
- Fatal or serious accidents or dangerous occurrences;
- Any materially significant effluent or pollution problems;
- Any materially relevant default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company;
- Any issue, which involves possible public or product liability claims of a substantial nature;
- Details of any joint venture or collaboration agreement;
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property;
- Significant labour problems and their proposed solutions;
- Any significant development in the human resources and industrial relations fronts;
- Sale of material nature, of investments, subsidiaries, assets, which is not in the normal course of business;
- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement, and
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholder services such as non-payment of dividend and/or delay in share transfer.

Compliance with the Code of Conduct

The Company has adopted a "Code of Conduct for the Directors and Senior Management". The Code is available on the official website of the Company www.houseofpearl.com.

It is hereby affirmed that the Directors and Senior Management have given an annual affirmation of compliance with the code of conduct.

3. AUDIT COMMITTEE

The Audit Committee has been constituted as per Section 292A of the Companies Act, 1956 and the guidelines set out in Clause 49 of the Listing Agreement. The terms of reference includes:-

- Overseeing financial reporting processes.
- Reviewing periodic financial results, financial statements and adequacy of internal control systems.
- Discussion and review of periodic audit reports and
- Discussions with external auditors about the scope of audit including the observations of the auditors.
- Recommending the appointment, remuneration and removal of statutory auditors.
- Discussing with internal auditors any significant findings and follow up there on.
- Reviewing the adequacy of internal control systems with management, external and internal auditors and reviewing the Company's financial risk and management policies.
- Reviewing the financial statements and quarterly financial results.

The members of the Audit Committee and their attendance are as under:

Audit Committee Composition	Attendance Particulars	
	No. of Meetings held	No. of Meetings attended
Dr. A. P. Bhupatkar - Chairman Director	5	4
Mr. Sanjay Pershad - Member Director	5	1
Mr. S. B. Mohapatra - Member Director	5	5

All the members of an Audit Committee are Non- Executive Directors and the Chairman of the Committee is Non- Executive and Independent Director. All the members of the committee possess financial/accounting expertise.

Mr. Sandeep Sabharwal, General Manager and Company Secretary acts as Secretary of the Audit Committee.

During the year, the Audit Committee, under the Chairmanship of Dr. A. P. Bhupatkar has met five times and discharged its responsibilities in accordance with Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement. The meetings of the Audit Committee were held on 2nd April 2008, 20th June 2008, 30th July 2008, 31st October 2008 and 22nd January 2009 during the financial year 2008-09. The maximum gap between any two meetings was less than four months.

4. REMUNERATION COMMITTEE

The remuneration committee comprised of Mr. S.B. Mohapatra, Chairman, Dr. A.P. Bhupatkar and Mr. Rajendra Aneja as members.

Terms of Reference of the Remuneration Committee include:

- To determine the remuneration, review performance and decide on variable pay of executive Directors.
- To determine the number of stock options to be granted under the company's Employees Stock Option Schemes and administration of the stock option plan.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Remuneration Committee.
- Establishment and administration of employee compensation and benefit plans.

All the members of the Remuneration Committee are Non Executive and Independent Directors.

The meeting of the Remuneration Committee was held on 22nd June 2008 in the financial year 2008-09

The Remuneration Policy of the Company for managerial personnel is primarily based on the following criteria:

- Performance of the Company, its divisions and units
- Track record, potential, past remuneration and performance of individual appointee
- External competitive environment.

Details of remuneration paid to all the Directors for the year 2008-09:

Mr. Pulkit Seth has been re-appointed as Managing Director of the Company with a remuneration of Rs.30 Lacs per month, subject to approval of Central Government of India, with effect from 1st June 2008. Pending approval of the Central Government, the Company has paid Rs. 50,07,800/- as salary to Managing Director till disposal of our application by Central Government. Provident Fund contribution of the Company is Rs.7,800/-.

The Company pays Rs.20,000/- as Sitting Fee to all the Non-Executive Directors for each Board Meeting attended. Details of the sitting fees paid for the year 2008-09 to the Non-Executive Directors are as follows:

Mr. Deepak Seth	Mr. Pallak Seth	Mr. Sanjay Pershad	Mr. Chitranjan Dua	Mr. Samar Ballav Mohapatra	Mr. Rajendra K Aneja	Dr. Ashutosh P. Bhupatkar	Mr. Tom Tar Singh
Rs.80,000/-	NIL	Rs.60,000/-	Rs.60,000/-	Rs.1,20,000/-	Rs.40,000/-	Rs.80,000/-	NIL

Besides above, the Company does not pay any other commission or remuneration to its Directors. The Company has no policy of stock option for its Directors.

Mr. Deepak Seth, Chairman holds 6.31% equity shares, Mr. Pallak Seth, Vice-Chairman holds 6.70% and Mr. Pulkit Seth, Managing Director holds 6.70% equity shares of the Company. No other director holds any equity share in the Company.

As required, a brief profile and other particulars of the Director seeking re-appointment is given in the Notice of the 20th Annual General Meeting and forms part of the corporate governance report.

5. FINANCE COMMITTEE

The Finance Committee comprised of Mr. S.B. Mohapatra, Chairman, Mr. Pulkit Seth and Dr. A. P. Bhupatkar as members.

The finance committee review and adopt the Auditor's Limited Review Report.

The meeting of the Finance Committee was held on 26th August 2008 in the financial year 2008-09.

6. SHAREHOLDER GRIEVANCE & TRANSFER COMMITTEE

The Shareholder Grievance & Transfer Committee comprising of:

1. Dr. A. P. Bhupatkar - Chairman Director
2. Mr. Pulkit Seth - Member Director
3. Mr. S. B. Mohapatra - Member Director

The Chairman of the Committee is Non- Executive and Independent Director.

Mr. Sandeep Sabharwal, General Manager & Company Secretary, is the Compliance Officer of the Company with effect from 1st May 2008.

Status of Shareholders Complaints during the year

Complaints at the beginning of the year 1st April 2008	Complaints received during the year 1st April 2008 - 31st March 2009	Complaints settled during the year 1st April 2008 - 31st March 2009	Complaints pending at the ending of the year 31st March 2009
NIL	10	10	NIL

7. CEO/CFO CERTIFICATION

The Managing Director and Chief financial Officer have certified to the Board, inter alia, the accuracy of financial statements and adequacy of Internal Controls for the financial reporting purpose as required under Clause 49(V) of the Listing Agreement, for the year ended 31st March 2009.

8. GENERAL BODY MEETINGS

Location and time where last 3 Annual General Meetings were held:

Year	AGM	Location	Date	Time
2005-06	17th	A-3, Community Centre, Naraina Industrial Area, Phase-II, New Delhi-110028	25-08-2006	11:30 A.M.
2006-07	18th	Air Force Auditorium, Subroto Park, New Delhi-110010	27-08-2007	2.30 P.M.
2007-08	19th	Sri Sathya Sai International Centre, Pragati Vihar (Near Pragati Vihar Hostel) Lodhi Road, New Delhi-110 003	29-08-2008	2.30 P.M.

Detail of Special Resolutions Passed During last three Annual General Meetings:

Sl. No.	Particulars of Special Resolution	Date	Financial Year
1.	Re-appointment of Mr. Pulkit Seth as Managing Director for a period of five years w.e.f. 01.06.2008 with a remuneration of Rs.30 Lacs p.m., subject to approval of Central Government.	29th August 2008	2007-08
2.	Loan of Rs.27.50 Crore to Pearl Global Ltd, a subsidiary of the Company	27th August 2007	2006-07
3.	Alteration of Articles of Association of the Company	27th August 2007	2006-07
4.	Appointment of Mr. Pulkit Seth as Managing Director for a period of three years w.e.f. 15.07.2006 without remuneration	25th August 2006	2005-06
5.	Issue of equity shares under IPO of the Company	25th August 2006	2005-06

Special Resolution passed last year through postal ballot - details of voting pattern:

During the financial year 2008-09, the Company had conducted a Postal Ballot for change in the Object and utilization of proceeds of the Public Issue as contained in prospectus dated 29.01.2007, results of the same was declared on 23.06.2008.

Voting Pattern:

Number of valid postal ballot forms received	:	358
Number of invalid postal ballot forms received	:	10
Total valid votes polled	:	12772106
Votes in favour of the Resolution	:	12767371
Votes against the Resolution	:	4735
Percentage of shares voted in favour to shares voted	:	99.259%

Person who conducted the postal ballot exercise:

M/s Deepak Bansal & Associates, Company Secretaries, conducted the Postal Ballot

Whether any special resolution is proposed to be conducted through postal ballot and Procedure for postal ballot:

It is proposed to pass a special resolution through postal ballot relating to authorizing Board to make investments, grant loans and to give guarantees or provide securities in connection with loans, provided the aggregate amount not to exceed Rs.1500 crore. The necessary resolution is being sent to shareholders for their approval. The company will appoint a Company Secretary in Practice as Scrutinizer to conduct the Postal Ballot. Mr. Pulkit Seth, Managing Director and Mr. Sandeep Sabharwal, Company Secretary, are made responsible for the entire Postal Ballot process.

9. DISCLOSURES

- 1) There had been no materially significant related party transaction that might have potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in Note No. 10 of Schedule 17 to the Accounts in the Annual Report.
- 2) There has been no non-compliance, penalties/strictures imposed on the company by Stock Exchange(s) or SEBI or any other Statutory Authority, on any matter related to capital markets, during the last three years.
- 3) Presently, the Company does not have a Whistle Blower Policy. No personnel of the Company have been denied access to the Audit Committee.
- 4) The Company has complied with all the mandatory requirements of Clause 49.

As regard the non-mandatory requirements, the extent of compliance has been stated in this report against each of them.

10. MEANS OF COMMUNICATION

- (i) The quarterly results of the Company are published in leading and widely circulated English/Hindi National/Regional Newspapers as per the requirements of the Listing Agreement with the Stock Exchanges. The results are also fax and courier to the Stock Exchanges where the Company is listed.
- (ii) The results normally published in Business Standard (English) and Veer Arjun (Hindi).
- (iii) The Company's Financial Results, Shareholding Pattern and official news releases are displayed on the Company's website www.houseofpearl.com
- (iv) The Company regularly updates the media, analysts, institutional investors, etc., through a formal presentation on its financials as well as other business developments.

Annual Report is sent to all the Stock Exchanges and Members of the Company.

The Management Discussion and Analysis forms an integral part of this 20th Annual Report.

11. GENERAL SHAREHOLDER INFORMATION

(i) Annual General Meeting

20th Annual General Meeting is scheduled as under:-

Day	Date	Time	Venue
Friday	18th September 2009	11:30 A.M.	Sri Sathya Sai International Centre Auditorium, Pragti Vihar (Near Pragti Vihar Hostel), Lodhi Road, New Delhi 110003

(ii) Financial Calender, 2009-10

First Quarter Results	:	Last week of July 2009
Second Quarter & Half Yearly Results	:	Last week of October 2009
Third Quarter Results	:	Last week of January 2010
Fourth Quarter & Annual Results	:	Last week of June 2010

(iii) **Financial year** : The financial year covers the period 1st April to 31st March.

(iv) **Date of Book Closure** : 11th September 2009 to 18th September 2009 (both days inclusive)

(v) Listing on Stock Exchanges and their Stock Code

Name of the Stock Exchanges, wherein shares of the Company are currently listed and their Script Code:

Stock Exchange	Script Code
Bombay Stock Exchange Ltd., Mumbai	532808
National Stock Exchange of India Ltd., Mumbai	HOPFL

The Annual Listing Fee for the financial year 2009-2010 has been paid to the Stock Exchanges within stipulated time.

The ISIN No. of the equity shares of your Company is **INE940H01014**.

(vi) Market Price Data: High, Low during each month in financial year 2008-09:

MONTH(S)	BOMBAY STOCK EXCHANGE Company Code: 532808		NATIONAL STOCK EXCHANGE Company Code: HOPFL	
	HIGH	LOW	HIGH	LOW
April 2008	176.00	133.45	176.00	132.25
May 2008	172.00	141.50	170.00	143.50
June 2008	150.00	94.05	107.45	95.00
July 2008	117.00	84.50	116.70	85.50
August 2008	130.45	99.15	131.00	100.00
September 2008	124.00	78.20	124.30	76.00
October 2008	87.00	43.25	85.00	41.70
November 2008	68.20	55.50	69.00	55.10
December 2008	74.50	56.05	77.00	58.00
January 2009	71.85	44.00	72.95	42.00
February 2009	53.50	39.00	55.50	38.65
March 2009	52.85	36.00	52.00	36.50

(vii) Share price performance in comparison to BSE Sensex and NSE Nifty:

MONTH(S) (As on end of last trading day of the months)	SHARE PRICES COMPARISON			
	HOPFL	BSE (Sensex)	HOPFL	NSE (Nifty)
April 2008	160.75	17287.31	161.20	5165.90
May 2008	144.75	16415.57	144.60	4870.10
June 2008	97.45	13461.60	97.20	4040.55
July 2008	101.75	14355.75	102.40	4332.95
August 2008	103.65	14564.53	103.90	4360.00
September 2008	80.40	12860.43	80.65	3921.20
October 2008	55.15	9788.06	55.05	2885.60
November 2008	61.35	9092.72	60.65	2755.10
December 2008	66.55	9647.31	65.85	2959.15
January 2009	45.95	9424.24	45.90	2874.80
February 2009	40.95	8891.61	40.40	2763.65
March 2009	44.80	9708.50	44.85	3020.95

(viii) Registrar and Share Transfer Agent

Link Intime India Pvt. Ltd. (formerly Intime Spectrum Registry Limited)
A-40, 2nd Floor, Naraina Industrial Area, Phase - II, New Delhi - 110 028.
Tel. No. : 011 - 41410592 - 94
Fax No. : 011 - 41410591
E-mail : delhi@linkintime.co.in

(ix) Share Transfer System

The Company's shares being in compulsory demat form are transferable through the depository system. The Shares in physical form are processed by the Registrar and Transfer Agents and approved by the Shareholders' Grievances and Transfer Committee. Share transfer process reviewed by the Board.

(x) Distribution Schedule

(a) Distribution of Equity Shareholding of the Company as on 31st March 2009

Number of Equity Shares * held	Shareholders		Equity shares held	
	Numbers	% to total	Numbers	% to total
Upto 2500	29793	95.155	1736759	8.906
2501 - 5000	935	2.986	345543	1.772
5001 - 10000	330	1.054	245911	1.261
10001 - 20000	128	0.409	182483	0.936
20001 - 30000	35	0.112	87870	0.451
30001 - 40000	22	0.070	78532	0.403
40001 - 50000	16	0.051	73708	0.378
50001 - 100000	16	0.045	99617	0.511
100001 and above	37	0.118	16649920	85.383
Total	31310	100	19500343	100

(b) Categories of Shareholders as on 31st March 2009

PROMOTERS	No. of Folio's	% to total Folios	No. of Shares held	% to total Shares
NRI	2	0.006	25,37,590	13.013
Indian	5	0.016	1,03,73,652	53.197
TOTAL (A)	7	0.022	1,29,11,242	66.210
Institutional Investors (Mutual Funds/UTI /Banks/FI's etc.)	8	0.026	18,53,338	9.504
FII's	4	0.013	4,36,262	2.237
Insurance Companies	2	0.006	5,13,332	2.632
NRI's / OCB's	118	0.377	4,90,114	2.513
Other Bodies Corporate	431	1.377	4,19,493	2.151
Others (Clearing Members)	29	0.093	11,420	0.059
Others (Individual)	29,376	93.850	26,94,649	13.818
Others (HUF)	1,332	4.255	1,70,333	0.873
Others (Trusts)	1	0.003	160	0.000
TOTAL (B)	31,301	99.974	65,89,101	33.787
TOTAL { (A) + (B) } = (C)	31,308	100.000	1,95,00,343	100.00

* Equity Share of the face value of Rs.10/- each.

(xi) Dematerialisation of Shares and liquidity

The shares of the Company are in compulsory demat segment and are available for trading in the depository systems of both NSDL and CDSL. As on 31st March 2009, 1,91,74,519 equity shares of the Company forming 98.33 % of the Share Capital of the Company stand dematerialized.

(xii) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity:

The Company has not issued any GDRs/ADRs/Warrants etc. during the Financial Year 2008-09.

(xiii) Plant locations:

The Company presently has no plant, however its Subsidiary Companies have plants at various locations in India, Bangladesh and Indonesia, as follows:

- i) 446, Udyog Vihar, Phase-V, Gurgaon - 122 016 (Haryana)
- ii) 751, Pace City II, Sector 37, Khandsa, Gurgaon - 122 004 (Haryana)
- iii) 16-17, Udyog Vihar, Phase VI, Khandsa, Gurgaon - 122 004 (Haryana)
- iv) D-6/II, Phase II, Zone B, MEPZ-SEZ, Tambaram, Chennai - 600 045 (Tamil Nadu)
- v) Nor-Pearl Knitwear Ltd., Plot # 61-72+85, Comila EPZ, Comilla, Bangladesh.
- vi) Norp Knit Industries Ltd., North Khilkar, P.O. National University, Gazipur, Bangladesh.
- vii) P.T. Norwest Industry, Tanjung Emas Export, Processing Zone, Blok A-15-15a, JL Coaster No. 8, Semarang, 50174, Indonesia.

(xiv) Registered Office of the Company:

A-3, Community Centre, Naraina Industrial Area, Phase-II, New Delhi - 110 028

Corporate Office & Address for Correspondence:

446, Udyog Vihar Phase-V, Gurgaon - 122 016 (Haryana)

In case of any Complaint, Investors can contact Compliance Officer:

Mr. Sandeep Sabharwal
 GM and Company Secretary
 House of Pearl Fashions Limited
 446, Phase V, Udyog Vihar, Gurgaon - 122 016, Haryana (India)
 Tel. No. : 91 - 124 - 4651714
 Fax No. : 91 - 124 - 4651173
 E mail : sandeep.sabharwal@hosueofpearl.com

Non-Mandatory Requirements

The status/extent of compliance of non mandatory requirements is as follows:

- (1) (a) Maintenance of Non-Executive Chairman's Office
 Presently, the Company is not maintaining office of the Non-Executive Chairman.
- (b) Independent Directors may have tenure, not exceeding, in the aggregate, a period of nine years, on the Board of the Company.
 As on date, there are no Independent Directors having a term of office exceeding nine years.
- (2) Remuneration Committee.
 Already constituted. Details given in the preceding paragraphs.
- (3) Half-yearly financial performance and summary of significant events to be sent to each household of shareholders.
 The Company's Financial Results, Shareholding Pattern and official news releases are displayed on the Company's website www.houseofpearl.com.
- (4) Audit Qualifications - presently not applicable to the Company.
- (5) Training of the Board Members.
 Presently the Company does not have such training programme.
- (6) Mechanism for evaluating Non-Executive Board Members.
 Presently, the Company does not have such a mechanism as contemplated for evaluating the performance of Non-Executive Board Members.
- (7) Whistle Blower Policy
 Presently, the Company does not have a Whistle Blower Policy. However, No personnel has been denied access to the Audit Committee.

Electronic Clearing Service (ECS)

SEBI had vide its Circular No. DCC/FITTCIR-3/2001 dated October 15, 2001 advised that all companies should mandatorily use ECS facility wherever available. In the absence of ECS facility, companies may use warrants for distributing the dividends and vide its Circular No. D&CC/FITTCIR-04/2001 dated November 13, 2001 had advised companies to mandatorily print the Bank Account details furnished by the Depositories, on the dividend warrants. This ensures that the dividend warrants, even if lost or stolen, cannot be used for any purpose other than for depositing the money in the accounts specified on the dividend warrants and ensures safety for the investors. However, members who wish to receive dividend in an account other than the one specified while opening the Depository account, may notify their DPs about any change in the Bank Account details.

Depository Services

For guidance on depository services, shareholders may write to the Company or to the respective Depositories:

National Securities Depository Ltd.
 Trade World, 4th Floor, Kamala Mills Compound
 Senapati Bapat Marg, Lower Parel, Mumbai-400013
 Telephone : 022-24994200
 Facsimile : 022-24972993
 E-Mail : info@nsdl.co.in
 Website : www.nsdl.co.in

Central Depository Services (India) Ltd.
 Phiroze Jeejeebhoy Towers
 28th Floor, Dalal Street, Mumbai-400023
 Telephone : 022-22723333/3224
 Facsimile : 022-22723199
 E-Mail : investors@cDSLindia.com
 Website : www.cDSLindia.com

MANAGEMENT DISCUSSION & ANALYSIS

House of Pearl Fashions Limited is multinational, ready to wear apparel Company operating in three business streams: manufacturing, marketing and distribution and sourcing of garments through its subsidiaries. House of Pearl also provides total supply chain solutions to our customers, which include value retailers as well as higher-end fashion brand retailers in the United States and Europe. Our multi stream business model enables us to offer multi country, multi gender and multi product options to our global customers. We believe these capabilities make us a preferred vendor for garment retailers around the world.

House of Pearl has marketing and distribution offices in U.K., U.S. and Hong Kong. These offices oversee our marketing and merchandizing teams across Canada, Europe, Hong kong, U.K and U.S. that interact with our customers at their locations, which helps us to better understand our customers' requirements. We have sourcing business in Hong Kong with offices in China, Bangladesh and India. We have developed strong relationship with over 150 third party manufacturing units in China, Bangladesh and India.

We have fabric development centers in China and India as well as design and product development teams in U.K., U.S., India and Hong Kong. The fabric development teams circulate the latest fabric ideas to all the designers who develop a product profile, which is then sent to the manufacturing facilities for product development. Our design and product development teams support all three streams of our business across all locations.

INDUSTRY STRUCTURE & DEVELOPMENT

The economic downturn or more appropriately recession, has taken every sector down and garment export is one of the worst hit. There has been an overall shortfall in the import of garments both by the US and the EU, which are in the grip of recession. The heat of the contraction of garment imports by the developed countries like the US, the EU group of countries and Japan has been felt by almost all the developing countries, exporting to these countries, save a few exceptions. US import of readymade garments during January'08 to February'09 was USD 10.40 billion, a decline of 11.6 % over corresponding period previous year. US import from India accounted for USD 556 million, a decline of 8.5 %. Import by EU during 2008 was 109.8 billion Euros, an increase of 1.26% over previous year. Import of EU countries from India registered a decline of 0.49%. Similar is the case with Japan, where the garment imports have contracted.

However, the provisional figures released by Apparel Exports Promotion Council showed that India exported garments worth \$10.13 billion during 2008-09, as compared \$9.68 billion, registering 4.6% growth over last year. The full year performance saw both small surges and slides, depending upon primarily the value of Indian Rupee as compared to US Dollar, which essentially decides how competitive we are in the world garment market. This further need to be read in the context of level of demand for garments in all important export destinations, have gone down.

COMPANY PERFORMANCE AND FUTURE OUTLOOK

Operational Highlights

Despite global recession, the company has achieved a total income to Rs. 1482.73 crores compared to Rs. 1117.10 crores on consolidated basis, a growth of 32%. The growth compared to our competitors' performance is more remarkable. The top line growth has been possible mainly due to the following:-

1. We are strategic partners for some of the major global retail chains, to whom we offer complete supply chain solutions.
2. With our global manufacturing and sourcing network, we can offer strong value proposition to customers.
3. We have introduced new product categories like bottom, baby wear and have entered new geographies and markets through acquisitions, as separately disclosed below.

The Company's bottom-line has dropped despite of growth in the top-line. The main reasons for importing profitability are as under:-

1. There has been pressure on margins of the existing businesses due to recession. However, these businesses have still reported profits.
2. The company's new acquisitions and ventures, being at initial stages, reported losses and have impacted the existing businesses' profits on consolidation.
3. The sweater business of Nor Pearl Knitwear at Bangladesh had major execution problems and ended up Air lifting of approx. 1 million pieces at our cost. This business is under restructuring.

Acquisition/Joint Ventures

Poeticgem Limited, subsidiary of the company, has setup a subsidiary company 'Poetic Knitwear Limited', UK, for developing knits as a major products category.

Pearl Global Ltd, a subsidiary Company has also incorporated a new Company "Pearl Global Fareast Ltd" in Hongkong for sourcing and trading of garments from Asian Countries.

The Company, through its wholly owned subsidiary Multinational Textile Group Ltd., has acquired 30% stake in the Premier Pearl Garment Joint Stock Company, Vietnam. Vietnam offers high labour efficiency and high quality of stitch work.

Multinational Textile Group Ltd. formed a Joint Venture Company "Pearl GES Group Limited" with GES Corp to source Home Decor products from South American Market. Further, Pearl GES Group Limited formed a subsidiary "Pearl GES Home Group Limited" in Hong Kong. Pearl GES Home Group Limited, further incorporated a wholly owned subsidiary company in Chile in the name of "Pearl GES Home Group SPA".

The Company through Multinational Textile Group Ltd. formed Simple Approach Limited in Hong Kong. Multinational Textile Group Ltd. formed a wholly owned subsidiary "Magic Global Fashions Ltd" in Hong Kong to target Denim and young fashion in France, Holland and Germany.

Zamira Fashions Limited, Hong Kong, a sub-subsidiary of the company formed a new company in United Kingdom in the name of "Zamira Fashions Europe Limited".

The Company has already entered into retail chain business in India through its Joint Venture Lerros Fashions India Pvt. Ltd, with German brand 'LERROS' after receipt of regulatory approval of Government. This Company has already opened 8 stores and 11 shop-in-shop in Metro Cities in India.

The company, through its subsidiary, House of Pearl (US) Limited, has signed a Multi-year License Agreement with Geoffrey Beene, LLC to take on license brands for marketing of Men's Casual Slacks, Casual Shorts and Dress Slacks.

OPPORTUNITIES

The small players who could not bear the financial turmoil during recession have closed down. Major players will find more biz opportunities from developed countries with the recovery of global economy. International buyers are also consolidating vendors so as to have reliable suppliers on their panel. Our company is a strategic vendor for various reputed buyers.

The new Government is expected to adopt multi-pronged strategy to address the problems concerning exports. Some suggestions have been made to Govt to support the export industry, important ones are to hike drawback rates, provide adequate funds to exporters at reasonable rates, income tax exemptions etc.

Now there is an increasing demand of branded apparel segment in the domestic retail market for the same features that are valued in demanding export markets. These shifts in retail are fuelling the demand for good quality and trendy apparel, which in turn deepening the importance of aesthetics and design in the domestic market. Another important paradigm shift in Indian apparel retail pertains to the rise of the purchasing power of the younger of middle-class consumers, has led to burgeoning demand for locally designed, ready to wear clothing in Indian metros. In fact, it is fuelling demand for domestic and overseas branded apparel at a rapid pace. This demand is augmented by the arrival on the scene of retailing formats such as malls that are providing ready outlets for goods catering to this growing market niche. Thus, from the demand side, this preference for higher value apparel, and the growing availability of organized distribution channels through which these products can be marketed is creating the conditions for the rise or development of whole new segments of the apparel industry in India with higher value capabilities on the supply side across the value chain.

RISKS & CONCERNS

As the world financial crisis which started in 2008 has become worse in 2009, the textiles and clothing industries may be more adversely affected as the importing countries may reduce their imports worldwide including from India. The overseas buyers are reducing not only their orders but also their prices due to serious liquidity problems being faced by them. The fortunes of garment exporters would therefore continue to fluctuate in rough weather in international market.

Garment manufacturing is extremely labour intensive and will remain so even with greater automation. A congenial labour environment is, therefore, necessary to ensure maximum productivity. The obsolete and antiquated labour legislation has hindered the growth of the extremely labour intensive garment manufacturing. The restrictive industrial and labour laws restrain management's capability to respond professionally, effectively and speedily to the fast changing dynamic international textile scenario and request for labour reforms with flexible labour laws to increase productivity.

There is an urgent need for flexible labour norms specific to garment manufacturers and exporters to enable them to meet the increasing international competition especially with regard to employment of casual labour and overtime hours of work during high season which are necessitated by the requirement of meeting tight delivery schedules required for export.

While the rupee has appreciated more than 15% compared with the dollar over the last year and a half, competing countries currencies have not appreciated correspondingly.

INTERNAL CONTROL SYSTEM

The Company's internal control system has been designed to provide for:

- i) Accurate recording of transactions with internal checks and prompt reporting.
- ii) Adhere to applicable Accounting standards and policies.
- iii) Review of capital investments and long term business plans.
- iv) Periodic review meetings to manage effectively implementation of system.
- v) Compliance with applicable statutes, policies, listing requirements and operating guidelines of the Company.
- vi) Effective use of resources and safeguarding of assets.
- vii) IT systems with in built controls to facilitate all of the above.

The Company has adequate systems of internal controls to ensure that transactions are properly recorded, authorized and reported apart from safeguarding its assets. Your company is in the process of implementing Phase 2 of SAP for its manufacturing units.

The Company has its own Corporate Internal Audit set up which carries out periodic audits at all locations and all functions and brings out deviations to internal control procedures. The observations arising out of audit are periodically reviewed and compliance ensured.

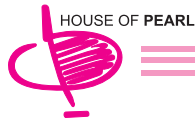
HUMAN RESOURCE MANAGEMENT

Our success depends on our ability to recruit, train and retain quality personnel. Accordingly special emphasis is placed on human resources function in our Company.

The Company adopts a "People first" approach to leverage the potential of employees. Systems and methods to improve employee productivity through continuing skill up-gradation and training and by emphasizing the importance of quality products and customer satisfaction.

CAUTION STATEMENT

Investors are cautioned that this discussion contains statements that involve risks and uncertainties. Words like anticipate, believe, estimate, intend, will, expect and other similar expressions are intended to identify such forward looking statements. The Company assumes no responsibility to amend, modify or revise any forward looking statements, on the basis of any subsequent developments, information or events. Besides the Company cannot guarantee that these assumptions and expectations are accurate or will be realized and actual results, performance or achievements could thus differ materially from those projected in any such forward looking statements.



AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE AS PER CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGE

The Members of **HOUSE OF PEARL FASHIONS LIMITED**

We have examined the compliance of the conditions of Corporate Governance by House of Pearl Fashions Limited, for the year ended on 31st March 2009, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

The compliance of the conditions of the Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedure and implementations thereof, adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For S.R. DINODIA & CO.
CHARTERED ACCOUNTANTS

(SANDEEP DINODIA)
PARTNER
M. No. 83689

Place : New Delhi
Date : 27th June, 2009

CERTIFICATION BY MANAGING DIRECTOR AND CHIEF FINANCE OFFICER OF HOUSE OF PEARL FASHIONS LIMITED

We, Pulkit Seth, Managing Director and Rishi Vig, Chief Finance Officer of House of Pearl Fashions Ltd., to the best of our knowledge and belief certify that:

- a. We have reviewed the financial statements and Cash Flow Statement for the year ended 31st March 2009 and to the best of our knowledge and belief:
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
 - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. We also certify that to the best of our knowledge and belief, there are no transactions entered into by House of Pearl Fashions Ltd., during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct.
- c. We are responsible for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the Auditors and the Audit Committee:
 - i. Significant Changes, if any, in Internal controls during the year.
 - ii. Significant changes, if any, in accounting policies during the year and that the same have been disclosed in the Notes to the financial statements; and
 - iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.
- e. We affirm that we have not denied any personnel, access to the Audit Committee of the Company (in respect of matters involving misconduct, if any)
- f. We further declare that all Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct for the current year.

Place : Gurgaon
Date : 21.06.2009

(Pulkit Seth)
Managing Director

(Rishi Vig)
Chief Financial Officer

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF HOUSE OF PEARL FASHIONS LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF HOUSE OF PEARL FASHIONS LIMITED

We have examined the attached Consolidated Balance Sheet of **House of Pearl Fashions Limited** ("the Company") and its subsidiaries (the Company & its subsidiaries constitute "the Group"), as at March 31st 2009, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An Audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of certain subsidiaries, whose financial statement reflect total assets of **Rs. 5,881,719,252** as at March 31st 2009 and total revenues of **Rs. 12,171,395,033** for the year then ended. These financial statements have been audited by others auditors whose reports have been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the report of the other auditors.

We further report that in respect of one subsidiary, not audited by us, the financial statements have been certified by management and in our opinion, insofar it relates to the amounts included in respect of the subsidiary are based solely on these certified financial statements. However, the size of such subsidiary in the consolidated position is not significant in relative terms. The certified financial statement as at March 31st 2009 of the said subsidiary reflects **NIL** total assets and total revenues of **Rs. NIL** for the year then ended.

We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21-Consolidated Financial Statements, notified by the Companies (Accounting Standards) Rules, 2006 and on the basis of separate audited/ certified financial statements of House of Pearl Fashions Limited and its subsidiaries included in the consolidated financial statements.

Based on our audit and on consideration of reports of other auditors on separate financial statements and other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31st 2009;
- (b) In case of the Consolidated Profit and Loss Account, of the profits of the Group for the year ended on that date; and
- (c) In the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For S. R. Dinodia & Co.
Chartered Accountants

(Sandeep Dinodia)
Partner
M. No. 083689

Place : New Delhi
Date : 30.06.2009

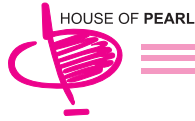
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2009

PARTICULARS	SCHEDULE	(Amount in Rupees)			
		AS AT 31ST MARCH 2009		AS AT 31ST MARCH 2008	
SOURCES OF FUNDS					
Shareholder's Funds					
Share Capital	1	195,003,430		195,003,430	
Reserves & Surplus	2	4,502,504,754	4,697,508,184	4,144,174,860	4,339,178,290
Minority Interest			316,873,094		380,702,341
Loan Funds					
Secured Loans	3		1,914,338,991		1,955,029,311
Unsecured Loans	4		99,840,238		115,699,466
			7,028,560,507		6,790,609,408
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	5	3,227,199,728		2,765,952,012	
Less: Depreciation/Amortisation		716,904,877		534,474,434	
Net Block		2,510,294,851		2,231,477,578	
Capital Work in Progress		197,283,255	2,707,578,106	116,139,872	2,347,617,450
Investments	6		278,671,905		1,021,147,063
Deferred Tax Asset (Net) (Refer to Note No. 13 of Schedule 17)			44,560,804		18,734,289
Current Assets, Loans & Advances					
Inventories	7	1,368,693,739		1,104,785,538	
Sundry Debtors	8	3,032,670,707		2,059,694,045	
Cash & Bank Balances	9	901,989,796		871,605,601	
Loans & Advances	10	1,077,304,993		994,602,413	
		6,380,659,235		5,030,687,597	
Less :Current Liabilities & Provisions					
Current Liabilities	11	2,359,369,923		1,348,873,192	
Provisions	12	23,539,620		278,703,799	
		2,382,909,543		1,627,576,991	
Net Current Assets			3,997,749,692		3,403,110,606
			7,028,560,507		6,790,609,408
Significant Accounting Policies	16				
Notes to Account	17				

As per our report of even date attached

On behalf of the Board of Directors

For S. R. DINODIA & CO.,
Chartered Accountants(Deepak Seth)
Chairman
DIN 00003021(Dr. Ashutosh P. Bhupatkar)
Director
DIN 00479727(Sandeep Dinodia)
Partner
M. No.083689(Rishi Vig)
Chief Finance Officer(Sandeep Sabharwal)
Company SecretaryPlace : New Delhi
Date : 30.06.2009



CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

PARTICULARS	SCHEDULE	(Amount in Rupees)	
		CURRENT YEAR	PREVIOUS YEAR
INCOME			
Turnover			
Sales		14,351,898,188	10,691,755,484
Export Incentives		127,194,793	108,501,887
		<u>14,479,092,981</u>	<u>10,800,257,371</u>
Other Income	13	348,267,746	370,708,932
		<u>14,827,360,727</u>	<u>11,170,966,303</u>
EXPENDITURE			
Purchase of Trading Goods		8,225,328,098	5,569,781,127
Manufacturing, Administrative, Selling & Other Expenses	14	6,282,589,961	4,582,061,098
Finance Cost	15	135,449,494	132,218,083
Depreciation/Amortisation		166,050,127	132,925,903
		<u>14,809,417,680</u>	<u>10,416,986,210</u>
PROFIT			
Profit before Taxation and Adjustments		17,943,047	753,980,092
Provision for - Forward Contract loss		-	(128,026,792)
Provision for - Current Tax		(21,040,352)	(174,406,263)
Provision for - Wealth Tax		(165,863)	(200,000)
Provision for - Deferred Tax		22,700,853	55,340,667
Provision for - Fringe Benefit Tax		(5,651,246)	(4,602,000)
Tax Adjustments for Earlier Years		13,767	2,400,527
Provision For Doubtful Debts Written back		-	142,750
Provision For Doubtful Debts		(578,893)	(2,696,889)
Profit Before Minorities Interest		<u>13,221,313</u>	<u>501,932,093</u>
Minorities Share in (Profits)/Loss		40,556,191	(1,828,539)
Profit Brought Forward		990,084,653	534,862,605
Amount Available For Appropriation		<u>1,043,862,157</u>	<u>1,034,966,159</u>
Appropriations:			
Proposed Dividend		-	29,250,515
Tax on Dividend		-	4,971,125
Transfer to General Reserve		-	10,659,865
Adjustment for earlier years		1,215,181	-
Balance carried to Balance Sheet		1,042,646,976	990,084,653
		<u>1,043,862,157</u>	<u>1,034,966,158</u>
Earning per share (Rs.)			
Basic Earning Per Share		2.76	25.65
Diluted Earning Per Share		2.76	25.65
(Refer note 12 of schedule 17)			
Significant Accounting Policies	16		
Notes to Account	17		

As per our report of even date attached

On behalf of the Board of Directors

For S. R. DINODIA & CO.,
Chartered Accountants

(Deepak Seth)
Chairman
DIN 00003021

(Dr. Ashutosh P. Bhupatkar)
Director
DIN 00479727

(Sandeep Dinodia)
Partner
M. No.083689

(Rishi Vig)
Chief Finance Officer

(Sandeep Sabharwal)
Company Secretary

Place : New Delhi
Date : 30.06.2009

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

	CURRENT YEAR	PREVIOUS YEAR
(Amount in Rupees)		
A. Net Profit Before Tax and Extraordinary Items	17,943,047	753,980,092
Adjustments :		
Depreciation	166,050,127	132,925,903
Sundry Balance Written Back	-	(2,616,149)
Bad Debts Written Off	(578,893)	142,750
Loss/ (Profit) on sale of Investment	(16,210,939)	(4,497,260)
Loss/ (Profit) on sale of Assets	(529,491)	1,592,179
Foreign Currency Translation Reserve	168,064,959	-
Foreign Exchange Fluctuation	(49,456,569)	(63,254,549)
Finance Cost	135,449,494	132,218,083
Non operating Incomes	(100,404,154)	(146,410,621)
Operating Profit /(loss) before working capital changes	320,327,581	804,080,428
Adjustment for :		
Trade and Other Receivables	(635,387,917)	(958,588,761)
Inventories	(238,361,129)	(109,577,681)
Trade Payables	402,703,076	147,757,493
Cash Generated from operations	(150,718,389)	(116,328,521)
Direct Taxes (Paid)/ Refunds	(107,715,154)	(180,413,562)
Net Cash Generated / (used) in operating Activities	(258,433,543)	(296,742,083)
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(249,759,224)	(437,342,722)
Sale of Fixed Assets	12,301,840	39,964,715
Investment made during the year	(18,470,118)	(999,747,667)
Investment made in Subsidiaries	(116,163,034)	(51,298,472)
Sale of Investment	759,345,832	1,668,541,393
Increase In Deposits	-	-
Interest Income	62,643,308	51,374,322
Dividend Received	23,401,709	84,337,920
Rent Received	14,359,137	10,698,379
Cash from investing activities	487,659,450	366,527,868
C. Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	-	-
Interest Expense	(135,449,494)	(132,218,083)
Repayment (to)/ from Minority interest	(21,881,284)	-
Dividend Tax Paid	(4,971,125)	(2,792,272)
Dividend Paid	(29,446,830)	(6,437,837)
Loan Taken/(Repayment) Net	(56,549,548)	139,558,262
Net cash used in financing activities	(248,298,281)	(1,889,930)
Net Increase/(Decrease) in Cash/Cash equivalents(A+B+C)	(19,072,374)	67,895,855
Foreign Exchange Fluctuation	49,456,569	63,254,549
Cash / Cash equivalents at the beginning of the year	871,605,601	740,455,197
Cash / Cash equivalents at the close of the year	901,989,796	871,605,601
Components of Cash and Cash equivalents		
Cash in hand	34,774,622	8,314,981
Cheques/Demand Drafts in hand	14,638,575	3,943,878
Balance with Banks		
i) In Current Accounts	313,691,312	179,856,149
ii) In Fixed Deposits *	177,131,647	337,850,482
iii) In Margin Account	38,337,517	41,494,215
iv) Exchange retention Quota with United Comm Bank	150,047	145,896
v) Fixed Deposit (Unutilised money of IPO Proceeds)	323,266,076	300,000,000
Cash / Cash equivalents at the close of the year	901,989,796	871,605,601

As per our report of even date attached

On behalf of the Board of Directors

For S. R. DINODIA & CO.,
Chartered Accountants(Deepak Seth)
Chairman
DIN 00003021(Dr. Ashutosh P. Bhupatkar)
Director
DIN 00479727(Sandeep Dinodia)
Partner
M. No.083689(Rishi Vig)
Chief Finance Officer(Sandeep Sabharwal)
Company SecretaryPlace : New Delhi
Date : 30.06.2009

SCHEDULES FORMING PART OF THE BALANCE SHEET

	(Amount in Rupees)	
	AS AT 31ST MARCH 2009	AS AT 31ST MARCH 2008
SCHEDULE - 1		
SHARE CAPITAL		
Authorised		
24,990,000 (P.Y. 24,990,000) Equity Shares of Rs. 10/- each	249,900,000	249,900,000
10,000 (P.Y. 10,000) 4% Non Cumulative Redeemable Preference share of Rs. 10/- each	100,000	100,000
	<u>250,000,000</u>	<u>250,000,000</u>
ISSUED, SUBSCRIBED & PAID UP		
19,500,343 (Previous Year 19,500,343) Equity Shares of Rs.10/- each		
Fully Paid Up *	195,003,430	195,003,430
	<u>195,003,430</u>	<u>195,003,430</u>
Notes:		
*Out of Which 9,329,338 equity shares were allotted in 2006-07 as fully paid bonus shares by capitalisation of accumulated profits and General Reserve.		
SCHEDULE - 2		
RESERVE & SURPLUS		
Capital Redemption Reserve	2,233,337	2,233,337
Investment Reserve-Available for Sale	(13,392,347)	4,418,036
Amalgamation Reserve	3,715,105	3,715,106
Share Premium	2,714,855,707	2,714,855,707
General Reserve	-	-
Opening Balance	33,222,959	19,887,741
Transfer from profit & Loss A/c	-	10,659,865
Transitional Provision on account of adjustment in accordance with revised Accounting Standard -15 of Indian Subsidiary	-	2,675,353
Revaluation Reserve	23,772,230	23,772,230
Capital Reserve on Consolidation	466,655,910	429,476,444
(Refer Note 6 of Schedule17)		
Hedging Reserve	(13,480,811)	(23,628,000)
Transfer from minority to group on change in shareholding	(1,003,281)	(767,317)
Foreign Currency translation reserve	243,278,969	(33,208,295)
Profit & Loss Account	1,042,646,976	990,084,653
	<u>4,502,504,754</u>	<u>4,144,174,860</u>
SCHEDULE - 3		
SECURED LOANS		
FROM BANKS		
a) Term Loan		
- Loan in functional Currency	231,838,809	226,506,712
- Foreign currency Loan	-	71,820,000
b) Working Capital Loan		
- Loan in functional Currency	1,344,483,567	1,162,513,432
- Foreign currency Loan	258,541,596	285,222,109
Bank Over draft	45,977,405	180,634,968
FROM OTHERS		
- Term Loan	33,497,614	28,332,090
	<u>1,914,338,991</u>	<u>1,955,029,311</u>
(Refer note 3 of the schedule 17)		
SCHEDULE - 4		
UNSECURED LOANS		
Loan from others	99,840,238	115,699,466
	<u>99,840,238</u>	<u>115,699,466</u>

SCHEDULE - 5
FIXED ASSETS

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION					NET BLOCK		
	AS ON 01.04.2008	Additions	Deductions	Diff. in Foreign Exchange	Total 31.03.2009	As on 01.04.2008	Additions	Deductions/ Adjustments	Diff. in Foreign Exchange	Up to 31.03.2009	As on 31.03.2009	As on 31.03.2008
Intangible Assets												
– Goodwill	323,037,793	119,147,055	–	–	442,184,848	–	–	–	–	–	442,184,848	323,037,793
– Software	15,734,521	3,551,219	–	–	19,285,740	698,084	3,473,940	–	–	4,172,024	15,113,716	15,036,437
– Trade Mark	262,742	–	–	80,798	343,540	132,149	75,467	–	49,895	257,511	86,029	130,593
Tangible Assets												
Land Freehold	218,729,775	22,171,591	–	–	240,901,366	–	–	–	–	–	240,901,366	218,729,775
Land Leasehold	16,642,027	–	–	–	16,642,027	1,126,672	431,978	–	–	1,558,650	15,083,377	15,515,355
Building	803,573,034	68,222,652	12,885,480	14,917,164	873,827,370	110,679,972	39,004,813	5,434,080	9,879,122	154,129,827	719,697,543	692,893,062
Investment Property	188,030,785	–	–	58,779,642	246,810,427	3,975,995	4,382,911	–	1,796,193	10,155,099	236,655,328	184,054,790
Plant & Machinery	874,258,574	60,395,381	173,979	63,566,128	998,046,104	262,061,303	72,529,266	70,928	22,154,919	356,674,560	641,371,544	612,197,271
Vehicles	94,588,735	29,596,377	13,612,217	3,381,873	113,954,768	33,717,319	15,355,904	9,394,319	2,037,187	41,716,091	72,238,677	60,871,416
Furniture & Fixtures	212,274,901	47,734,090	–	12,955,307	272,964,298	105,503,054	32,987,579	–	9,750,482	148,241,115	124,723,183	106,771,847
Assets held for Disposal												
– Land and Building	2,239,240	–	–	–	2,239,240	–	–	–	–	–	2,239,240	2,239,240
Total	2,749,372,127	350,818,365	26,671,676	153,680,912	3,227,199,728	517,894,548	168,241,858	14,899,327	45,667,798	716,904,877	2,510,294,851	2,231,477,579
Capital Work-in-progress	116,139,873	110,420,607	30,662,961	1,385,736	197,283,255	–	–	–	–	–	197,283,255	116,139,873
Grand Total	2,865,512,000	461,238,972	57,334,637	155,066,648	3,424,482,983	517,894,548	168,241,858	14,899,327	45,667,798	716,904,877	2,707,578,106	2,347,617,452
Previous Year	2,450,305,016	680,133,698	154,252,299	(94,094,531)	2,882,091,884	444,305,138	135,286,507	12,937,430	(32,179,781)	534,474,433	2,347,617,451	2,005,999,878

Notes:

- Capital WIP includes Capital Advance Rs.656,218 (Previous year Rs. 4,156,218) out of which Rs. 326,583 paid to DDA for converting its leasehold land into freehold land.
- CWIP includes pre-operative expenses of Rs. 4,657,668 (Previous year : Rs. 7,827,157).
- In the last year, the Company had initiated the process of converting its leasehold land into freehold land. However, the deed is yet to be transferred in the name of the Company.
- Opening balance of land includes Rs. 45,229,131 on account of revaluation on 31.03.2002.
- Opening balance of buildings includes Rs. 5,932,276 on account of reduction in revaluation on 31.03.2002.
- Capital work in progress include Rs. 7,900,890 (Previous Year 2,693,630) being borrowing cost capitalised in accordance with Accounting Standard AS-16 on "Borrowing Cost" as specified in the Companies Accounting Standard Rules 2006.
- The above includes the amount of Land & Building of Rs. 30,508,377 situated at Nashipur, Tensli District Gurgaon for which the company has executed an agreement for the construction of commercial project with DLF Retail Developers Ltd. on 30th November, 2007. However, as certified by the management, the work has not started during the financial year 2008-2009.
- Depreciation charged during the year includes Rs. 2,191,731 (P. Y. Rs. 2,360,604) on account of depreciation related to acquisition of subsidiaries during the year.

SCHEDULES FORMING PART OF THE BALANCE SHEET

	(Amount in Rupees)	
	AS AT 31ST MARCH 2009	AS AT 31ST MARCH 2008
SCHEDULE - 6		
INVESTMENTS		
Long-term-at cost		
(Unquoted- Non Trade)		
Held to maturity		
Investment in Government Securities		
National Saving Certificate (Pledged with Sales Tax Authorities)	4,000	4,000
Investment in Equity Shares		
PAF International Ltd. 4,000 Shares (Previous Year 4,000) of TK100 each	308,000	236,000
Current Investment		
Held for Trading		
Investment in Equity Shares		
Quoted (Trade)		
GIVO Ltd 49,800 Equity Shares (Previous year 49,800) of Rs.10/- each fully paid up	153,384	382,464
Quoted (Non - trade)		
Investment in Equity Shares		
Power Grid Corporation Limited Nil (P.Y. 13,200) of Rs. 10/- each fully paid up	-	1,292,940
Reliance Industries Limited Nil (P.Y. 610) of Rs. 10/- each fully paid up	-	1,381,345
Reliance Communication Limited Nil (P.Y. 2,400) of Rs. 10/- each fully paid up	-	1,219,920
Yes Bank Nil (P.Y. 5,200) of Rs. 10/-each fully paid up	-	877,500
BHEL Nil (P.Y. 730) of Rs. 10/- each fully paid up	-	1,501,282
Tata Steel Limited Nil (P.Y. 2,200) of Rs. 10/- each fully paid up	-	1,524,930
Bhagheeratha Engineering Ltd 5,000 Equity Shares (Previous year 5,000) of Rs.10/- each fully paid up	60,750	60,750
PNB Gilts Ltd 18,398 Equity Shares (Previous year 18,398) of Rs.10/- each fully paid up	342,203	507,784
Punjab National Bank 3,000 Equity Shares (Previous year 3,000) of Rs.10/- each fully paid up	1,232,700	1,524,450
UCO Bank 3,900 Equity Shares (Previous year 3900) of Rs.10/- each fully paid up	93,600	144,105
Chennai Petroleum Ltd 1,000 Equity Shares (Previous year 1,000) of Rs.10/- each fully paid up	94,450	279,650
ICICI Bank Ltd 1,000 Equity Shares (Previous year 1,000) of Rs.10/- each fully paid up	332,600	770,100
Gem Spinners 10,800 Equity Shares (Previous year 10,800) of Rs.10/- each fully paid up	33,480	42,012
Unquoted (Trade)		
Vau Apparels Pvt. Ltd. 10 Equity Shares (Previous year 10) of Rs.10/- each fully paid up	100	100

SCHEDULES FORMING PART OF THE BALANCE SHEET

	AS AT 31ST MARCH 2009	(Amount in Rupees) AS AT 31ST MARCH 2008
Unquoted (Non Trade)		
Tata Equity Management Fund	-	1,649,750
50,000 Units (Previous 50,000) of Rs. 10/- each		
Investment in Mutual Funds		
Unquoted (Non - trade)		
Reliance Equity Advantage Fund	-	7,366,504
Nil (Previous Year 733,496.33) unit of Rs. 10.043 each		
J M Contra fund - Growth Plan	-	7,021,467
Nil (Previous Year 733,496.33) units of Rs. 9.5726 each		
SBI Mutual Fund	-	1,233,000
Nil (Previous 1,00,000 Units) of Rs. 10/- each		
Principal Infrastructure & serv Ind Fund	-	1,255,038
Nil (Previous 98899.756) of Rs. 10/- each		
Principal Junior Cap Fund	-	752,000
Nil (Previous 50,000 Units) of Rs. 10/- each		
Principal Large Cap Fund	-	1,001,000
Nil (Previous 55,554.957 Units) of Rs. 10/- each		
Reliance Mutual Funds	-	132,800
Nil (Previous 10,000 Units) of Rs. 10/- each		
Held to Maturity		
Birla Sunlife Qlty Interval Series 1	-	51,140,393
Nil (Previous Year 5,114,033.19) units of Rs. 10.0188 each		
HSBC Interval Fund Plan- 1 Instl.	-	50,354,974
Nil (Previous Year 5,035,475.94) units of Rs. 10.0190 each		
ING Fixed Maturity Fund -Series 41	-	50,000,000
Nil (Previous Year 5,000,000) units of Rs. 10.0465 each		
ICICI Prudential Interval Fund II Qlty	-	116,042,095
Nil (Previous Year 11,604,209.48) units of Rs. 10.0109 each		
Kotak Qlty Interval Plan Series 4	-	43,466,053
Nil (Previous Year 4,346,580.56) unit of Rs. 10.0148 each		
Reliance Fixed Horizon Fund VI Series-2	-	50,000,000
Nil (Previous Year 5,000,000) unit of Rs. 10.0128 each		
Sundaram BNP Paribas Interval Fund Qlty- Plan- A Retail Div.	-	42,500,000
Nil (Previous Year 4,249,065.21) unit of Rs. 10.0571 each		
Templeton Fixed Horizon Fund Series-II	-	100,000,000
Nil (Previous Year 10,000,000) units of Rs. 10.8840 each		
Citicorp Finance (India) Ltd.	25,000,000	25,000,000
25 (Previous year 25) units of Rs. 1,000,000.00 each		
Capital Protected Debt Structure Product-AAACE Scheme	-	25,000,000
Available for Sale Securities		
Investment in Mutual Funds Unquoted- Non Trade		
Birla Sunlife Income Fund-Qlty Div.	-	48,621,888
Nil (Previous year 4,573,939.14) units of Rs. 10.6302 each		
DSPML Cash Plus Fund- Instl DD	-	39,424,196
Nil (Previous year 39,420.25) units of Rs. 1000.10 each		
DSPML World Gold Fund	4,484,111	5,172,073
365,256.78 (Previous year 365,256.78) units of Rs. 12.276 each		
Franklin India Income fund	-	48,184,473
Nil (Previous year 4,595,299.59) units of Rs. 10.4856 each		

SCHEDULES FORMING PART OF THE BALANCE SHEET

	AS AT 31ST MARCH 2009	(Amount in Rupees) AS AT 31ST MARCH 2008
HDFC Cash Management Saving Plan	-	20,123,335
Nil (Previous year 1,891,931.04) units of Rs. 10.6364		
JM Money Manager Fund Super Plus Plan- Growth	-	52,096,516
Nil (Previous Year 4,598,631.45) units of Rs. 11.3287 each		
Kotak Bond Regular Plan	-	48,933,073
Nil (Previous Year 4,649,620.65) unit of Rs. 10.5241 each		
Reliance Liquid Plus Fund- Instl Plan- Daily Div.	-	100,298,793
Nil (Previous Year 100,184.94) unit of Rs. 1001.1364 each		
Reliance Medium Term Fund Daily Div. Plan	27,059,547	-
1,582,846.165 (Previous Year Nil) unit of Rs. 17.0955 each		
ICICI Prudential Flexible Income Plan Premium-Daily Dividend	80,524,695	-
7,615,708.603 (Previous Year Nil) unit of Rs. 10.5735 each		
Principal Floating Rate Fund FMP-Instl Option-Dividend Reinvest	25,311,523	-
2,528,042.81 (Previous Year Nil) unit of Rs. 10.0123 each		
HDFC Cash Management Fund- Treasury Advantage Plan Wholesale	60,529,215	-
6,033,914.626 (Previous Year Nil) unit of Rs. 10.0315 each		
Investments in Unit Trusts	53,107,547	72,628,310
	<u>278,671,905</u>	<u>1,021,147,063</u>

Note No. 1:

Aggregate amount of quoted investment is Rs. 2,343,167 (P.Y. Rs. 11,509,232)

Aggregate market value of quoted investment is Rs. 2,343,167 (P.Y. Rs. 11,509,232)

Note No. 2:

Aggregate amount of Unquoted investment is Rs. 276,850,438 (P.Y. Rs. 1,009,637,831)

SCHEDULES FORMING PART OF THE BALANCE SHEET

	AS AT 31ST MARCH 2009	AS AT 31ST MARCH 2008
(Amount in Rupees)		
SCHEDULE - 7		
INVENTORIES		
(As taken, Valued and certified by the management)		
Stores and Spares	5,889,283	3,753,414
Finished Goods		
– Manufacturing	433,903,152	341,788,811
– Traded	311,966,113	302,344,392
Work in Progress	176,293,225	122,576,846
Raw Material	432,591,748	332,683,970
Goods in Transit (Raw Material)	1,854,158	1,638,105
Goods in Transit (Finished Goods)	6,196,060	–
	<u>1,368,693,739</u>	<u>1,104,785,538</u>
SCHEDULE - 8		
SUNDRY DEBTORS		
(Unsecured - Considered Good)		
Over Six Months	47,681,949	31,812,258
Others	2,984,988,758	2,027,881,787
(Unsecured - Considered Doubtful)		
Over Six Months	578,893	2,696,889
Less: Provision For Doubtful Debts	578,893	–
	<u>3,032,670,707</u>	<u>2,059,694,045</u>
SCHEDULE - 9		
CASH AND BANK BALANCES		
Cash in hand	34,774,622	8,314,981
Cheques/Demand Drafts in hand	14,638,575	3,943,878
Balance with Banks		
i) In Current Accounts	313,691,312	179,856,149
ii) In Fixed Deposits *	177,131,647	337,850,482
iii) In Margin Account	38,337,517	41,494,215
iv) Exchange retention Quota with United Comm Bank	150,047	145,896
v) Fixed Deposit (Unutilised money of IPO Proceeds)	323,266,076	300,000,000
	<u>901,989,796</u>	<u>871,605,601</u>
*Pledged Rs. 15,807,138 (Previous Year 337,850,482)		
SCHEDULE - 10		
LOANS & ADVANCES		
(Unsecured - Considered Good)		
Loans	95,094,924	89,827,516
Advances Recoverable in cash or in kind or for value to be received	733,354,288	830,665,152
Security Deposit	61,540,028	26,925,089
Derivative Financial Instrument	153,894,666	–
Export Incentive Receivables	33,421,087	47,184,656
	<u>1,077,304,993</u>	<u>994,602,413</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

	AS AT 31ST MARCH 2009	(Amount in Rupees) AS AT 31ST MARCH 2008
SCHEDULE - 11		
CURRENT LIABILITIES		
Sundry Creditors		
- Due to Others	1,565,102,238	880,156,330
Other Liabilities	793,365,598	467,618,460
Unpaid Dividend *	902,087	1,098,402
	<u>2,359,369,923</u>	<u>1,348,873,192</u>
* It does not include any amount which is due to Investor Education and Protection Fund.		
SCHEDULE - 12		
PROVISION		
Leave Encashment	2,709,395	6,062,668
Gratuity	14,063,223	8,988,321
Proposed Dividend	-	29,250,515
Tax on Dividend	-	4,971,125
Provision for Forward Contracts	-	128,026,792
Employee Benefit	2,501,760	1,587,900
Provision for Taxation (Net of Advance tax)	4,265,242	99,816,478
	<u>23,539,620</u>	<u>278,703,799</u>
	CURRENT YEAR	PREVIOUS YEAR
SCHEDULE - 13		
OTHER INCOME		
Rent	14,359,137	10,698,379
Interest on Loans & others	11,000,888	5,820,355
Interest on Fixed Deposit with Bank	51,642,420	45,553,967
Other Operating Income	159,206,825	103,561,350
Dividend From Non Trade Investments	23,401,709	84,337,920
Profit on sale of Non-Trade/Current/Short Term Investments	19,178,356	322,850
Income from Investment	-	1,086,712
Income from Reinvestment of Investment at fair value	-	4,079,813
Profit on sale of assets	529,491	-
Sundry Balances Written Back	-	2,616,149
Foreign Exchange	-	63,254,549
Miscellaneous Income	68,948,920	49,376,888
	<u>348,267,746</u>	<u>370,708,932</u>

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

			(Amount in Rs.)	
SCHEDULE - 14		CURRENT YEAR		PREVIOUS YEAR
MANUFACTURING, ADMINISTRATIVE, SELLING & OTHER EXPENSES				
Raw Material Consumed				
Opening Stock	331,675,549		352,550,231	
Effect of Exchange Difference on Reinstatement of Opening Stock	3,792,369		(5,517,049)	
Purchases	2,038,580,017		1,699,641,741	
Less:				
Cost of Goods Sold	134,314,814		88,101,955	
Sale of Fabric	-		-	
Closing Stock	424,634,422	1,815,098,700	331,675,549	1,626,897,419
(Increase) / Decrease in Stock				
Work in Progress				
Opening Stock	84,382,662		94,593,843	
Effect of Exchange Difference on Reinstatement of Opening Stock	7,648,565		(30,901,530)	
Closing Stock	(115,227,066)	(23,195,839)	(84,382,662)	(20,690,349)
Finished Goods		-		-
Opening Stock	615,029,902		605,919,954	
Effect of Exchange Difference on Reinstatement of Opening Stock	44,357,876		(27,069,894)	
Closing Stock	(687,130,465)	(27,742,687)	(615,029,902)	(36,179,842)
Manufacturing Expenses		851,187,783		709,931,162
Stores and Spares Consumed		41,622,571		37,382,737
Power & Fuel		83,029,184		87,525,959
Salaries, Wages & Bonus		1,759,504,943		1,159,102,214
Contribution to Provident Fund & Other Funds		96,603,203		67,446,534
Staff Welfare Expenses		33,730,931		28,381,465
Legal & Professional Charges		194,156,076		55,527,841
Travelling & Conveyance		182,132,480		115,213,303
Rent		91,644,784		54,287,804
Rates & Taxes		31,569,294		19,939,808
Repair & Maintenance				
- Building	1,498,892		1,626,391	
- Plant & Machinery	883,044		1,996,785	
- Others	42,122,275	44,504,211	27,669,469	31,292,645
Printing & Stationary		76,224,119		51,476,995
Auditor's Remuneration		12,560,096		11,064,589
Communication Expenses		50,089,615		37,481,532
Freight Outward		116,124,049		61,981,015
Insurance		29,725,614		21,862,089
Packing, Clearing & Forwarding Charges etc.		77,199,512		62,468,780
Commission Expenses		30,536,370		26,400,402
Loss on Sale of Fixed Assets		-		1,592,179
Loss on Reinstatement of Investment at Fair Value		126,166		992,115
Loss on sale of Trade Investment		2,841,251		-
Return, Rework & Claims		34,905,097		22,397,195
Bank Charges		129,349,437		72,121,644
Foreign Exchange Fluctuation		194,416,777		-
Factoring Charges		24,314,244		20,216,577
Selling & Marketing Exp.		191,731,614		180,257,412
Bad Debts written off		1,617,563		142,750
Miscellaneous Expenses		136,982,803		75,547,124
		<u>6,282,589,961</u>		<u>4,582,061,098</u>
SCHEDULE - 15				
FINANCE COST				
Interest :				
- Fixed Loans		64,506,933		77,100,483
- Leasing Charges		1,916,117		1,624,504
- Others (Net)		69,026,444		53,493,096
		<u>135,449,494</u>		<u>132,218,083</u>

SCHEDULE ANNEXED TO AND FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2009.

SCHEDULE -16

SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

The consolidated financial statements '(CFS)' of the company together with its subsidiaries are prepared and presented under historical cost convention on accrual basis of accounting except for investment available for sale and held for trading which is measured at fair value and land building which is measured at revalued cost in accordance with the accounting policies of the parent company unless otherwise stated and comply with the requirement of the Accounting Standard 'AS- 21' on "Consolidated Financial Statement" issued by the Institute of Chartered Accountants of India and the relevant provision of the Companies Act, 1956 for the parent and Indian subsidiaries.

Investments in the subsidiary companies, except where investments are acquired exclusively with a view to its subsequent disposal in the immediate near future, are accounted in accordance with accounting principles as defined in the AS 21.

2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires making of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets & liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between the actual results and estimates are recognized in the year in which the results are known /materialized.

3. Principles of Consolidation

The consolidated financial statements relate to M/s House of Pearl Fashions Limited ('the Company') and its subsidiary Companies. The consolidated financial statements have been prepared on the following basis.

- The financial statements of the company and its subsidiary companies have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.
- As far as possible, the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements. Inconsistency, if any, between the accounting policies of the subsidiary, have been disclosed in the notes to accounts.
- The difference of the cost to the company of its investment in subsidiaries over its share in the equity of the investee company as at the date of acquisition of stake is recognized in financial statements as Goodwill or Capital Reserve, as the case may be.
- Minority interest in the Equity & Results of the entities that are controlled by the company is shown as a separate item in the Consolidated Financial Statement.
- The Financial statements of the entities used for the purpose of consolidation as drawn up to the same reporting period as the company i.e. Financial year ended March 31, 2009 and March 31, 2008.
- The CFS are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statement.

4. The effect of Changes in Foreign Exchange Rates.

a) Translation of Financial Statements of Foreign Operations

- In view of Accounting Standard-"11" 'Changes in Foreign Exchange Rates' issued by the Institute of Chartered Accountants of India, the operations of the foreign subsidiaries are identified as non integral subsidiaries of the company, and translated into Indian Rupee.
- The Assets and Liabilities of Foreign operations, including Goodwill/Capital Reserve arising on consolidation, are translated in Indian Rupee (INR) at foreign exchange rate at closing rate ruling as at the balance sheet date.
- The revenue and expenses of foreign operations are translated in Indian Rupee (INR) at yearly average currency exchange rate, of the respective years.
- Foreign exchange differences arising on translation are recognized as, 'foreign exchange translation reserve' in balance sheet under the head 'Reserve & Surplus'.

b) Foreign Currency Transactions

- In case of parent company & its Indian subsidiaries sales made in foreign currencies are translated on average monthly exchange rate.
 - In case of foreign subsidiaries the sales made in foreign currency are translated at the rate ruling at the date of transaction.
- Gain/Loss arising out of fluctuation in the exchange rate on settlement of the transaction is recognized in the profit and loss account.

- Other transactions in foreign currency are recognized on initial recognition at the exchange rate prevailing at the time of transaction.
- Foreign Currency monetary items are reported using the closing rate as on balance sheet date. The resultant exchange gain/loss are dealt with in profit & loss account.
- Premium or discount on forward contracts are amortized in the profit and loss account over the period of the contract. Exchange differences on such contracts are recognized in the statement of Profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year.

5. Inventories

- i) Inventories of traded goods are valued at lower of procurement cost (FIFO Method) or estimated net realizable value. Cost includes expenses incurred in acquiring the inventories and bringing them to their existing location and condition.
- ii) Inventory of manufactured goods, WIP and raw material are valued at lower of cost (on weighted average basis) or net realizable value, except in case of foreign subsidiaries inventories are valued at lower of cost or net realizable value on FIFO basis. Cost includes an appropriate share of overheads.

6. Cash Flow Statement

Cash Flow is reported using the indirect method as specified in the Accounting Standard (AS)-3, 'Cash Flow Statement' issued by the Institute of Chartered Accountants of India.

7. Revenue Recognition

- a) Revenue is recognized when significant risk and rewards of ownership transferred to the buyer in accordance with the applicable Accounting Standards.
- b) Export Sales is recognized on the basis of date of Airway Bill/Bill of Lading/Forwarder Cargo receipt. In case of Multinational Textile Group Ltd and its subsidiaries sales are recognized when invoices are made and delivered to customers at the time of shipment.
- c) Sales are shown net of sales return/rejection & trade discounts and include freight & insurance recovered from buyers as per terms of sales.
- d) Income from job work is recognized on the basis of proportionate completion method.
- e) Interest income is recognized on time proportion basis. In case of Multinational Textile Group Limited and its subsidiaries interest income is recognized on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of financial asset.
- f) Investment income is recognized as and when the right to receive the same is established.
- g) Handling Fee income, in the period in which the services are rendered.
- h) Commission Income is recognized when the services are rendered.
- i) Dividend Income is recognized when the right to received is established. In case of Nor Pearl Knitwear Limited (foreign subsidiary) dividend is accounted for when it is received.
- j) Sales in case of high sea sales are recognized on transfer of title of goods to the customer.
- k) Sale of software is recognized at the delivery of complete module & patches through transfer of code.

8. Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. The cost comprises the purchase price and any attributable cost including borrowing cost of bringing the asset to its working condition for its intended use.

9. Depreciation

Depreciation on fixed asset is provided on Straight Line Method in accordance with and in the manner specified in the statute governing the respective companies. In case of Hopp Fashions (a Partnership Firm), depreciation on fixed assets have been provided on written down value (WDV) method, as prescribed under Income Tax Act, 1961.

In case of Indian companies except Hopp Fashions (a Partnership firm) fixed assets costing up to Rs. 5,000/- are depreciated fully in the year of purchase.

Cost of Leasehold land is amortized over the period of lease.

Software and Trademark is amortized over the period of 5 years which in the opinion of the management is the estimated economic life.

In the case of Multinational Textile Group Limited and its subsidiaries, leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the group will obtain ownership by the end of the lease term.

In the case of Multinational Textile Group Limited and its subsidiaries, Investment properties are interest in land & buildings held to earn rental income and/ or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at costs, including transaction costs and any direct attributable expenditure, and subsequently at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight line basis to write off the cost of each investment property, which is the shorter of 50 years and the terms of the lease.

10. Investments**In case of Indian companies**

The company has classified its investments as follows:

Held for trading : Trading securities are those (both debt & equity) that are bought and held principally for the purpose of selling them in near term, such securities are value at fair value and gain/loss is recognized in the income statement.

Held to Maturity : Investment in debt & capital guard products are classified as held to maturity only if the company has the positive intent and ability to hold these securities to maturity, such securities are held at historical cost.

Available-for-sale financial assets : Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity & debt instruments that are designated as available for sale or are not classified in any of the other three categories, being investments at fair value through profit or loss for trading, loans and receivables and held-to-maturity investments. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, with gains or loss recognized as a separate component of equity as "Investment Revaluation Reserve" until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because, first the variability in the range of reasonable fair value estimates is significant for that investment or, secondly the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment.

Fair value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date.

In case of Nor Pearl Knitwear Limited (a foreign subsidiary) investments are stated at cost.

In case of Multinational Textile Group Limited and its subsidiaries

Available for Sale Financial Assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other three categories, being investments at fair value through profit or loss, loans and receivable and held to maturity investments. After initial recognition, available for sale financial assets are measured at fair value, with gain or losses recognized as a separate component of equity until the investments is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because, first the variability in the range of reasonable fair value estimates is significant for that investment or, secondly the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment.

11. Financial instruments and hedging

The Company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as:

Fair value hedges A hedge of the exposure to changes in the fair value of recognized asset or liability or an unrecognized firm commitment (except for foreign risk), or an identified portion of such asset, liability or firm commitment that is attributable to a particular risk and could effect profit or loss.

12. Employee Benefits**In case Indian companies:**

Expenses and Liabilities in respect of employee benefits are recorded in accordance with Revised Accounting Standard 15 - Employees Benefits (Revised 2005) issued by the Institute of Chartered Accountants of India.

(i) Post Employment Benefit Plans

Payments to Defined Contribution Retirements Benefit Schemes are charged as an expenses when they fall due.

Defined Benefit Schemes: The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date.

Actuarial gains and losses are recognized in full in the profit and loss account for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight line basis over the average period until the benefit become vested.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

(ii) Short Term Employee Benefits

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders the service.

In case of Foreign Companies:**In case of Multinational Textile Group Limited**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their services in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service cost and the fair value of any plan assets are deducted. The discount rate is yield at the reporting date on AA credit rated bonds that have maturity dates approximating the terms of the group obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the group, the recognized asset is limited to the net total of any unrecognized past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The company operates a mandatory provident fund retirement benefits scheme (the "MPF scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employee's basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the company in an independently administered fund. The company's employer's contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the company's representative office which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The representative office is required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

In case of Norp Knit Industries Limited (one of the Foreign subsidiary), the retirement benefits plan has not been introduced by the company.

In case of Nor Pearl Knitwear Limited (one of the Foreign Subsidiary), the company maintains contributory provident fund for its permanent employees in which both employer and employee contribute @ 8.33% of basic salary.

13. Borrowing Cost

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

14. Leases**In case of Indian companies:**

- a) In respect of lease transactions entered into prior to April 1, 2001, lease rentals of assets acquired are charged to profit & loss account.
- b) Lease transactions entered into on or after April,1, 2001:
 - Assets acquired under leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalized at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.
 - Assets acquired under leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the profit & Loss Account on accrual basis.
 - Assets leased out under operating leases are capitalized. Rental income is recognized on accrual basis over the lease term.

In case of Foreign companies:

In case of Multinational Textile Group Limited and its subsidiaries, rental payable under operating lease are charged against income on a straight line basis over the lease term.

Assets obtained under hire purchase contracts are capitalized as tangible assets and depreciated over their useful lives. Obligation under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to income statement so as to produce a constant periodic rate of the change on the net obligation outstanding in each period.

15. Taxes On Income

- Income tax on the profit or loss for the year comprises current tax. The current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date.
- The Deferred tax is recognized on timing differences; being the differences between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
- The Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized if there is a virtual certainty that there will be sufficient future taxable income available to reverse such losses.

In case of Foreign Subsidiaries:

Multinational Textile Group Limited and its subsidiaries and House Of Pearl Fashions (US) Ltd.,

A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is only recognized if it is probable that profit will be available against which deductible temporary difference can be utilized.

Nor-Pearl Knitwear Limited

Taxation

As the company established in Export Processing Zone for 100% export of its manufactured products, income of the company is exempted from tax for a period of ten years from the date of commercial operation i.e. from 21 April 2005.

The provision of Section 53BB of the Income Tax Ordinance 1984 apply to industries set up in Export Processing Zone after completion of ten years. The bank, through which export proceeds of an exporter of knitwear and woven garments are received, shall deduct tax at the rate of 0.25 percent of the total export proceeds to the account of the exporter, which will be regarded as final tax.

Deferred Tax

Deferred tax liability/asset is accounted for all temporary timing differences arising between the tax base of the assets and liabilities and their carrying value for financial reporting process. In view of prevalent tax law as indicated, deferred tax accounting is not considered necessary as no temporary difference exists between tax of assets and liabilities and their carrying amounts in the financial statement.

Norp Knit Industries Limited and

Taxation

The company being established as a 100% Export Oriented Unit (EOU), the income of the company is exempted from tax for a period of five years from the date of commencement of commercial production i.e. from December 18, 2004. The provision of Section 53 BB of the Income Tax Ordinance 1984 apply to 100% EOU after completion of five years and are taxed as per provision which requires the bank through which the export proceeds of an exporter of knitwear and woven garments are received, shall deduct tax at the rate of 0.25 percent of the total export proceeds at the time of crediting the receipt to the account of the exporter and will be regarded as final tax liability.

Deferred Tax

The company has adopted deferred tax accounting policy as per Bangladesh Accounting Standard. Accordingly, deferred tax liability/asset is accounted for all temporary timing differences arising between the tax base of the assets and liabilities and their carrying value for financial reporting process. In view of prevalent tax law as indicated, deferred tax accounting is not considered necessary in view of fact that for assessment under the provision of section 53 BB no temporary difference will arise between tax base of assets and liabilities and their carrying amounts in the financial statement.

16. Impairment of Assets

An asset other than inventories is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

17. Provision, Contingent Liabilities and Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

SCHEDULE - 17

NOTES TO ACCOUNTS

1. Contingent Liabilities

In case of House of Pearl Fashions Limited (Holding Company)

- Counter Guarantee given by the company against bank guarantee given by the bank on its behalf for Rs. Nil (Previous year: 2,400,000).
- Corporate Guarantee given by the company to UCO Bank, Hongkong for securing trade finance limits to its step down subsidiary M/S Norwest Industries Ltd. Hong Kong for HK\$ 150 million equivalent to Rs. 1,009,500,000 & GBP 14 million equivalent to Rs. 1,038,240,000 (Previous Year : HK\$ 120 million equivalent to Rs. 615,600,000 and GBP 14 million equivalent to Rs. 1,114,400,000)
- Corporate Guarantee given by the company to HSBC Limited for securing credit facilities to its step down subsidiary M/s PT Norwest Industry, Indonesia for USD 2,500,000/- equivalent to Rs. 130,425,000 (Previous Year : USD 2,500,000/- equivalent to Rs. 99,750,000).
- Corporate Guarantee given by the company to HSBC Limited for securing working capital facilities to its subsidiary M/s Nor Pearl Knitwear Limited, Bangladesh for USD 4,525,000/- equivalent to Rs. 236,069,250/- (Previous Year: USD 4,525,000/- equivalent to Rs. 180,547,500/-).
- Corporate Guarantee given by the company to THE CIT GROUP /COMMERCIAL SERVICES INC. New York, for working capital and letter of credit facilities to its wholly owned subsidiary M/S House of Pearl Fashions (US) Ltd for USD 400,000 equivalent to Rs. 20,868,000 (Previous Year Rs. 7,884,479).
- Corporate Guarantee given by the company to ICICI Bank Limited, New Delhi for Rs. 100,000,000/- for derivatives limit to its subsidiary M/s Pearl Global Limited. (Previous Year : Rs. 100,000,000/-).
- Corporate Guarantee given by the company to UCO Bank for Rs. 150,000,000 for Term Loan and Working Capital Credit facilities to its Subsidiary M/S Pearl Global Limited (Previous Year: 50,000,000/-).
- Corporate Guarantee given by the company to Standard Chartered Bank for Rs. 410,000,000/- for securing Fund and Non-Fund based credit facilities to its subsidiary Pearl Global Limited (Previous Year : Fund Based Rs. 5.00 Cr. And Non-Fund Based Rs. 10 Cr.)
- Corporate Guarantee given by the company to HSBC for HKD 300 Million, equivalent to Rs. 2,019,000,000 for securing credit facilities to its step down subsidiaries Norwest Industries Ltd., Simple approach Ltd. And Zamira Fashion Ltd. (Previous Year: Rs. Nil)
- Corporate Guarantee given by the company to Standard Chartered Bank, Hong Kong for USD 16,928,000 equivalent to Rs. 883,133,760 for securing credit facilities to its step down subsidiary Norwest Industries Ltd. (Previous Year : Rs. Nil)
- Corporate Guarantee given by the company to HSBC, Bangladesh for BDT 150,685,000 equivalent to Rs. 116,027,450 for securing various credit facilities to its subsidiary Norp Knit Industries Ltd. (Previous Year: Rs. Nil)
- Counter Guarantee given by the company to Standard Chartered Bank, New Delhi for stand by letter of Credit (SBLC) of USD 285,000 equivalent to Rs. 14,868,450 in favour of Geoffrey Beene, USA on behalf of wholly owned subsidiary of House of Pearl Fashions (US) Ltd. (Previous Year : Nil)
- Corporate Guarantee given by the company to HSBC for Rs. 200,000,000/- for import documentary credit and import deferred payment credits to its subsidiary M/S Pearl Global Limited . (Previous Year: Nil)
- Corporate Guarantee given by the company to Development Credit Bank for USD 10,000,000/- equivalent to Rs. 521,700,000 for derivative/ FX Forward Contract to its subsidiary M/S Pearl Global Limited (Previous Year : Nil)
- Corporate Guarantee given by the company to Carat Media Services India Pvt. Ltd. For Rs. 5,000,000 for providing various services (Advertising Brands) to its subsidiary Lerros Fashions India Pvt. Ltd. (Previous Year : Nil)
- Corporate Guarantee given by the company to Standard Chartered Bank to secure derivative limits sanctioned to its subsidiary Pearl Global Limited the outstanding balance as on 31.03.2009 Rs. 150,518,093/- (Previous Year : Nil)
- Corporate Guarantee given by the company to Yes Bank for Rs. 87,500,000/- for securing term loan facility to its subsidiary M/S Pearl Global Limited (Previous Year Rs. 100,000,000)
- Exports Bills discounted with banks Rs. 10,301,946/- (Previous Year : Nil)

In case of Pearl Global Limited (Indian Subsidiary)

- Claims against the Company not acknowledged as debts and other matters Rs. 3,413,854 (Previous Year Rs. 3,413,854).
- Export Bills Discounted with banks Rs 212,561,243 (Previous Year Rs. 266,369,360).
- Counter Guarantees given by the company to the Sales Tax Department for its associates company Rs. 100,000 (Previous Year Rs. 100,000), for others Rs. 50,000 (Previous Year Rs. 50,000).
- Corporate Guarantee given by the company to Axis Bank for securing credit facility & term loan to Little People Education Society for Rs. 111,254,000 (Previous Year: Nil)
- Guarantee given to government authorities in respect of facilities availed by holding co. & other parties. Rs. 200,000 (Previous year Rs.200,000).

In case of Lerros Fashions India Pvt. Limited (Indian Subsidiary)

Unexpired Letter of Credit Rs. 2,204,648 (Previous Year: Nil)

In case of Norp Knit Industries Limited (Foreign Subsidiary)

The contingent liability of Norp Knit Industries Limited is Rs. 88,642,400 (Previous year Rs. 54,191,500) in respect of letters of credit outstanding.

In case of Nor Pearl Knitwear Limited (Foreign Subsidiary)

The contingent liability of Nor Pearl Knitwear Limited is Rs. 5,289,900 (Previous year Rs. 4,35,95,100) in respect of letters of credit outstanding and Rs 4,158,000 (Previous year 31,86,000) in respect of bank guarantee.

In case of Multinational Textile Group Limited and its subsidiaries (Foreign subsidiary)

At 31 March 2009, the sub-subsidiaries have the following Contingent Liabilities:

Poeticgem Limited

- The Sub-Subsidiary's banker, Royal Bank of Scotland plc have given a guarantee to H M Revenue & Customs amounting to Rs. 31,302,000 (Previous Year 43,782,469) on behalf of the Sub-subsidiary. The maximum liability of Poeticgem Limited to the bankers is 62,604,000 (Previous Year: 87,564,939).
- The Sub Subsidiary's bank has issued a letter of credit for Rs. 423,829,706 (Previous Year Rs. 645,178,172).
- The sub-subsidiary has extended an unlimited guarantee on the banking facilities of its subsidiary company Pacific Logistics Limited. This guarantee is supported by a debenture dated 17th August 2005. The Sub-subsidiary's maximum contingent liability under the guarantee as at 31st March 2009 is Rs. 4,682,988 (Previous Year Rs. 11,164,698)

Norwest Industries Limited

Guarantee given to banks in connection with facilities granted to third parties Rs. 232,350,833 (Previous Year Rs. 72,185,165).

Depa International Inc.

At 31 March 2009, Depa International Inc. had outstanding letters of credit amounting to a total of Rs. 63,297,183 (Previous Year 67,411,808).

2. Capital Commitments**In case of Indian companies**

Estimated amount of contracts remaining to be executed on capital account (Net of advances) Rs. 101,836,680 (Previous Year: Rs. 48,587,810)

3. Secured Loans**In case of House of Pearl Fashions Limited (Holding Subsidiary)**

- Vehicle loans are secured against hypothecation of respective vehicles.
- Term Loan from Axis Bank is secured by equitable mortgage on property situated at plot No. 21/13 - X, block-A Naraina Industrial Area, Phase-II, New Delhi owned by directors of the company and personal guarantee by the directors.

In case of Pearl Global Limited (Indian Subsidiary)

- Rupee term loan from UCO Bank is secured by
 - Exclusive first charge on the movable/immovable assets purchased from proceeds of term loan (including exclusive charge on the superstructure being built on the land at D-6/III, Phase II at MPEZ, SEZ Chennai.
 - Second charge on immovable property at 446, Udyog Vihar, Phase -V, Gurgaon after liquidation of HSBC charge, UCO bank will have 1st charge.
 - Hypothecation of goods, current assets and book debts for ad hoc credit facility.
- Rupees Term Loan and Working Capital From the Hongkong & Shanghai Banking Corporation is secured by:
 - First charge over stocks and receivables pari passu with consortium banks.
 - First pari passu charge over the company's movable fixed assets (present and future)
 - Exclusive first charge over the fixed assets of the Chennai unit at D-6/III, phase II at MEPZ, SEZ Chennai financed from the proceeds of the term loan.
 - Pari-Passu charge with UCO Bank by way of mortgage of the property situated at 446, Udyog Vihar Phase-V, Gurgaon to secure term loan.

- Rupees Term Loan from Yes Bank Ltd. is secured by exclusive charge on movable fixed assets of the company including plant & Machinery located at plot No. 751: Sector - 37 II, Pace City Gurgaon.
- Pre- post shipment advances and working capital facilities from PNB, UCO Bank, HSBC, China Trust Bank and Standard Chartered Bank which are secured by first pari passu charge on movable fixed assets present & future comprising vehicle, furniture and fixture, disposable fixed assets, the stock of raw material, stock in process, stores & spares, bill receivable & book debts and mortgage of the properties at:

Plot No. H-597-603, RIICO Industrial Area, Bhiwadi, Alwar
Plot No. H-605-606, RIICO Industrial Area, Bhiwadi, Alwar
Plot No. 16-17 Phase-VI Udyog Vihar, Gurgaon

- Vehicle loans are secured against hypothecation of respective vehicles.

In case of Multinational Textile Group Limited (Foreign subsidiary)**Poeticgem Limited**

- Long term bank loans are secured by a legal mortgage over the Freehold property at Teleflex plot, Burnleys, Kiln Farm, Milton Keynes and over the leasehold property at Flat 16, 15 Grosvenor Square, London, fixed and floating charges over the assets of the subsidiary and a cross guarantee between Poeticgem Limited and its subsidiary Pacific Logistics Limited. The Loans carry an average interest rate of 1.31 percent over the base rate.

- The company also has advances from factors that are secured by a charge on the trade receivables of the company.
- Bank overdrafts are repayable on demand. The average effective interest rate on bank overdrafts approximates 4.30% per annum (Previous Year 7%) and is determined, based on 1.75% plus base rate.
- In the case Pacific Logistics Limited, subsidiary of Poeticgem Limited, Bank Overdrafts is repayable on demand. Overdrafts of Rs. 4,682,988 (Previous Year: 11,164,698) have been secured by fixed and floating charges over the sub-subsidiary's assets. The weighted average interest rates on bank overdrafts are determined based on 2% plus the average bank base rate.

PT Norwest Limited

- One of the Sub-subsidiaries, PT Norwest Industry's has taken loan from HSBC for import and export facilities with combined maximum limit amounting to Rs. 130,425,000 (Previous Year 99,750,000) and subject to review at any time and in any event. These facilities are charged by interest of 3.25% and 4.5% per annum below the banks' prime lending rate for the year ended March 31, 2009. The average interest rate for the period of March 31, 2009 and 2008 each was 7% and 8.78% respectively. The loan is secured by the following:

- Letter of undertaking from shareholders to inject additional equity/subordinated loan to cover losses.
- Fiduciary transfer over Machinery and Equipment for Rs. 67,821,000 (Previous Year : Rs.51,870,000).
- Fiduciary transfer over Stocks for Rs. 57,387,000 (Previous Year: Rs. 43,890,000).
- Fiduciary transfer over Accounts Receivable for Rs. 57,387,000 (Previous Year : Rs. 43,890,000) and
- Corporate Guarantee from house of Pearl Fashions Ltd. Indian Law for Rs.130,425,000 (Previous year 99,750,000).
- Packing credit loan represents loan against Letter of Credit. As at March, 31 2009, the company using packaging Credit Loan which is part of Export Credit Facilities amount to Rs. 10,955,700 (Previous Year Nil)

- Norwest Industries Limited has banking the facilities is secured by way of:

- The sub-subsidiary's Pledge time deposit and marketable securities.
- Bank Guarantee issued by HSBC Bank and Standard Chartered Bank for Rs. 52,170,000 and 41,736,000 respectively.
- Guarantee from the holding company, a related party
- Guarantee from the director of the sub-subsidiary a related party.

- Mortgage loan of sub-subsidiary Norwest Industries Limited bears interest at 1.5% over 1 month HIBOR and is repayable by 113 monthly equal installments of Rs. 608,527 plus a final repayment of Rs. 608,527 commencing from 10th August 2007.

- The sub-subsidiary, Norwest Industries limited has also mortgage loan which is secured, bears interest at 2.5% below the Hongkong and Shanghai Banking Corporation limited best lending rate and is repayable by 113 equal installments of Rs. 639,250 commencing on 31st August 2008.

In case of Nor Pearl Knitwear Limited (Foreign subsidiary)

- First Charge after BEPZA over Stocks of Raw Materials, Work in Progress and Finished Goods for Rs. 251,790,000 (Previous Year 192,930,000) with Registrar of Joint Stock Companies (RJSC).
- First Charge after BEPZA over Book Debts and Receivables for Rs. 251,790,000 (Previous Year 192,930,000) with RJSC.
- First Charge after BEPZA over Plant & Machinery for Rs. 251,790,000 (Previous Year 192,930,000) with RJSC.
- Personal guarantee executed by the directors of House of Pearl Fashion Ltd. for Rs. 237,843,030 (Previous Year Rs. 181,904,100) supported by personal net worth statements for the credit facility.
- Corporate guarantee executed by House of Pearl Fashions Ltd. for Rs. 236,069,250 (Previous Year Rs.181,904,100).

4. The Subsidiaries considered in the consolidated financial statements are:

Name of the Enterprises	Country of Incorporation	% of voting power held as at 31.03.2009	% of voting power held as at 31.03.2008
M/s Pearl Global Ltd.	India	60.49%	60.49%
M/s Hopp Fashion	India	75.00%	75.00%
M/s Nor Pearl Knitwear Ltd.	Bangladesh	99.89%	99.89%
M/s Norp Knit Industries Ltd.	Bangladesh	99.99%	99.99%
M/s Multinational Textile Group Ltd.*	Mauritius	100.00%	100.00%
M/s House of Pearl Fashions (US) Ltd.	USA	100.00%	100.00%
M/s Lerros Fashions India Pvt. Ltd.	India	94.97%	-

Multinational Textile Group Limited holds the following subsidiaries:

Name of the Company	Date of Acquisition	Holding company	Country of Incorporation	% of voting power held as at 31.03.2009	% of voting power held as at 31.03.2008
Global Textiles Group Ltd.	31.03.2006	Multinational Textile Group Ltd.	Mauritius	100%	100%
Norwest Industries Limited	31.05.2006	Multinational Textile Group Ltd.	Hong Kong	85%	85%
Zamira Fashion Limited	20.09.2007	Multinational Textile Group Ltd.	Hong Kong	67%	67%
Pearl GES Group Limited	13.05.2008	Multinational Textile Group Ltd.	Hong Kong	51%	--
Simple Approach Limited	30.11.2008	Multinational Textile Group Ltd.	Hong Kong	75%	--
Magic Global Fashions Ltd.	19.01.2009	Multinational Textile Group Ltd.	Hong Kong	100%	--

Global Textiles Group Limited holds the following subsidiaries:

Name of the Company	Date of Acquisition	Holding company	Country of Incorporation	% of voting power held as at 31.03.2009	% of voting power held as at 31.03.2008
Poeticgem Limited	30.03.2006	Global Textiles Group Ltd.	UK	100%	100%
Depa International Inc.	30.03.2006	Global Textiles Group Ltd.	USA	75%	75%
PT Norwest Industry	30.03.2006	Global Textiles Group Ltd.	Indonesia	74%	74%
	15.05.2006			25.92%	25.92%
	31.01.2008			0.07%	0.07%

Poeticgem Limited holds the following subsidiaries:

Name of the Company	Date of Acquisition	Holding company	Country of Incorporation	% of voting power held as at 31.03.2009	% of voting power held as at 31.03.2008
Pacific Logistics Limited	27.10.2003	Poeticgem Limited	UK	100%	100%
Poeticgem (Canada) Limited	31.08.2006	Poeticgem Limited	Canada	100%	100%
Pacific Supply Chain Limited	16.04.2007	Poeticgem Limited	UK	100%	100%
FX Imports Company Limited	26.03.2008	Poeticgem Limited	UK	50%	50%
Poetic Knitwear Limited	31.03.2009	Poeticgem Limited	UK	67%	--

Zamira Fashions Limited holds the following subsidiary:

Name of the Company	Date of Acquisition	Holding company	Country of Incorporation	% of voting power held as at 31.03.2009	% of voting power held as at 31.03.2008
Zamira Fashions Europe Ltd.	25.03.2009	Zamira Fashion Limited	UK	100%	--

Pearl GES Group Limited holds the following subsidiary:

Name of the Company	Date of Acquisition	Holding company	Country of Incorporation	% of voting power held as at 31.03.2009	% of voting power held as at 31.03.2008
Pearl GES Home Group Ltd.	13.05.2008	Pearl GES Group Ltd.	Hong Kong	90%	--

Pearl GES Home Group Limited holds the following subsidiary:

Name of the Company	Date of Acquisition	Holding company	Country of Incorporation	% of voting power held as at 31.03.2009	% of voting power held as at 31.03.2008
Pearl GES Home Group SPA	31.07.2008	Pearl GES Home Group Ltd.	Chile	100%	--

Magic Global Fashions Limited holds the following subsidiary:

Name of the Company	Date of Acquisition	Holding company	Country of Incorporation	% of voting power held as at 31.03.2009	% of voting power held as at 31.03.2008
Magic Global Fashion Ltd.	23.01.2009	Magic Global Fashions Ltd. (Hong Kong)	UK	100%	--

Pearl Global Limited holds the following subsidiary:

Name of the Company	Date of Acquisition	Holding company	Country of Incorporation	% of voting power held as at 31.03.2009	% of voting power held as at 31.03.2008
Pearl Global Fareast Limited	16.03.2009	Pearl Global Limited	Hong Kong	100%	--

5. Alignment of Accounting Policy for consolidation.

- a. In case of partnership firm Hopp Fashions, the WDV method of depreciation (prescribed under Income Tax Act, 1961) was used, this is inconsistent with the SLM method of depreciation used in case of the parent and other subsidiaries. However as it is impractical & the amount is immaterial, no adjustment for the same has been made in the consolidated financial statements.

The Net Block on WDV rates has been applied is as follows

(Amount in Rupees)

S.No.	Particulars	31.3.2009	31.3.2008
1.	Net Block	2,005,458	2,309,301
2.	Depreciation on the basis of WDV debited to P&L A/c	303,843	353,977

- b. Multinational Textile Ltd has written back negative goodwill of Rs. 158,080,905/- (Previous Year Rs. Nil) on acquisition of subsidiaries. However as per Indian Accounting Standard 21 'Consolidated Financial Statements' any Goodwill/Capital Reserve on consolidation are required to be carried. Accordingly the amount written back by Multinational Textiles Group Ltd is reversed in the Profit & Loss Account and the same is carried as Capital Reserve on consolidation.

- c. In case of foreign subsidiaries, sales made in foreign currency are translated at the rate ruling at the date of transaction, this is inconsistent with the policy of parent company and its Indian subsidiaries, where sales are recognized at monthly average exchange rate. The sales from foreign subsidiaries represents 73.63% (Previous Year : 72.53%) i.e. Rs 10,660,505,823/- (Previous Year : Rs. 7,754,885,996) of total sales of Rs.14,479,092,981/- (Previous Year : Rs. 10,691,755,484)

- d. Foreign subsidiaries operate on different business model which is import of finished goods & distribution locally. The accounting policies of subsidiaries for inventories are as per requirement of the respective countries. The weighted average method of valuation of inventory leads to inconsistencies in valuation as the goods are sold to customers on order to order basis. Moreover the inventory held by the overseas companies are not very significant as they are pre sold inventories.

- e. In case of foreign subsidiaries inventories of Manufactured Finished Goods, WIP and Raw Material are valued on FIFO basis, this is inconsistent with the policy of parent company and its Indian subsidiaries, where it is valued on weighted average method. The composition of inventories represents as follows :

Particulars	Total Inventory	Inventory on FIFO Basis	% of Total Inventory
Finished Goods	433,903,152 (341,788,811)	79,057,573 (58,814,513)	18.22 (17.21)
WIP	176,293,225 (122,576,846)	91,904,822 (89,184,622)	52.13 (72.76)
Raw Material	432,591,748 (332,683,970)	61,335,073 (24,861,087)	14.18 (7.47)

Note: The Figures in brackets denote previous year figures.

6. Goodwill/(Capital Reserve) arising on acquisition of Subsidiaries

(Amount in Rupees)

Company	31.3.2009	31.3.2008
Pearl Global Limited	(308,575,005)	(308,575,005)
Nor Pearl Knitwear Limited	32,731,909	67,351,040
Norp Knit Industries Limited	33,555,837	36,302,706
M/s House of Pearl Fashions (US) Limited	-	2,805,850
M/s Multinational Textile Group Limited*	-	57,638,032
M/s Lerros Fashions India Pvt. Ltd.	49,664,215	-

* Goodwill/(Capital Reserve) arising on acquisition of Subsidiaries to Multinational Textiles Group Limited.

(Amount in Rupees)

	31.3.2009	31.3.2008
Global Textiles Group Ltd. #	135,614,320	103,718,830
Norwest Industries Ltd	(6,249,499)	(4,779,659)
Poeticgem Ltd.	(57,947,812)	(44,318,963)
Depa International Inc.	(82,941,627)	(63,434,366)
PT Norwest Industry	12,401,226	9,484,522
Pacific Logistic Ltd.	(10,941,907)	(8,368,451)

(Amount Rupees)

	31.3.2009	31.3.2008
Poeticgem (Canada) Ltd.	1,345,719	1,029,216
FX Imports UK	58,424,817	44,683,740
Pacific Supply Chain Ltd.	31,198	23,857
Simple Approach Ltd.	118,415,622	-

7. Payments to Auditors

(Amount in Rupees)

	2008-2009	2007-2008
Audit Fee	12,260,256	10,516,746
Other Matters *	250,000	400,550
Service Tax	163,255	203,389

* Included in professional charges and out of pocket expenses.

8. Managerial Remuneration

(Amount in Rupees)

	2008-2009	2007-2008
Salary	123,886,347	29,231,234
Contribution to PF	18,720	18,720
Perquisites	496,967	407,700
Total	124,402,034	29,657,654

Notes: The above managerial Remuneration has been provided in accordance with the statute governing the respective company.

9. The prior period item (Net) comprise of the following items:

(Amount in Rupees)

	2008-2009	2007-2008
I Income		
Discount	-	(329,440)
Electricity Expenses Recovered	-	(23,681)
Total (A)	-	(353,121)
II Expenditure		
Service Tax	-	1,316,665
Sales Promotion	-	55,032
Subscription	-	89,505
Accessories Purchase	-	196,306
Factory Maintenance	86,858	24,000
Domestic Traveling	-	46,245
Chemical Purchase	-	12,119
Embroidery	-	588,400
Interest on FBT	-	19,355
Commission	6,046	-
Purchases	-	118,706
Professional Charges	3,744,246	41,959
Sales Discount	2,432,322	-
Bank Charges	29,917	-
Duty Drawback	509,195	-
Testing Charges	199,999	-
Total (B)	7,008,583	2,508,292
Prior Period Item (Net)	7,008,583	2,155,171

10. Segment Reporting

For the year ended March 31, 2009, the company has identified geographical segments as its primary segment and business segment as its secondary segment.

The geographical segments of the company based on the location of assets are United States of America, United Kingdom, Hong Kong, Indonesia, India, Bangladesh and South Africa.

The business segments considered by the Company are:

- Manufacturing
- Marketing, Distribution, Sourcing and Trading.

A. Geographical Segment

(Amount in Rupees)

	USA	UK	HK	Bangladesh	India	South Africa	Others	Total	Elimination	Total
SEGMENT REVENUE										
Segment Sales	1,227,482,313 (932,729,052)	2,738,499,545 (2,568,861,391)	6,037,711,220 (3,803,127,192)	136,783,843 (117,409,977)	3,818,587,158 (3,045,371,376)	24,770,136 –	495,258,765 (332,758,383)	14,479,092,981 (10,800,257,371)	–	14,479,092,981 (10,800,257,371)
Inter Segment Sales	– (9,456,224)	67,379,966 (27,379,190)	125,095,847 (26,546,736)	864,507,375 (646,963,009)	398,199,537 (204,665,033)	178,312,314 –	474,674,460 (209,246,871)	2,108,169,500 (1,124,257,063)	2,108,169,500 (1,124,257,063)	– –
Total Segment Sales	1,227,482,313 (942,185,276)	2,805,879,512 (2,596,240,581)	6,162,807,068 (3,829,673,928)	1,001,291,218 (764,372,986)	4,216,786,695 (3,250,036,409)	203,082,450 –	969,933,225 (542,005,254)	16,587,262,481 (11,924,514,434)	2,108,169,500 (1,124,257,063)	14,479,092,981 (10,800,257,371)
Other Income	49,991,079 (26,639,909)	94,452,320 (482,856,351)	113,113,835 (135,709,049)	3,478,746 (10,082,950)	253,395,449 (241,915,722)	–	14,574,851 (2,036,861)	529,006,280 (899,240,842)	180,738,534 (528,531,910)	348,267,746 (370,708,932)
Total Segment Revenue	1,277,473,392 (968,825,185)	2,900,331,832 (3,079,096,932)	6,275,920,903 (3,965,382,977)	1,004,769,964 (774,455,936)	4,470,182,144 (3,491,952,131)	203,082,450 –	984,508,076 (544,042,115)	17,116,268,761 (12,823,755,276)	2,288,908,034 (1,652,788,973)	14,827,360,727 (11,170,966,303)
Total Revenue of each segment as a percentage of total revenue of all segment	7.46 (7.55)	16.94 (24.01)	36.67 (30.92)	5.87 (6.04)	26.12 (27.23)	1.19 –	5.75 (4.24)	100.00 (100.00)	–	–
Total Segment Operative Profit	(67,036,665) (23,298,257)	34,436,604 (266,848,012)	116,175,280 (375,841,679)	(88,598,467) (102,528,254)	252,990,164 (206,179,424)	53,033,609 (2,744,756)	30,613,049 (45,164,405)	331,613,574 (1,022,604,787)	–	331,613,574 (1,022,604,787)
Depreciation	4,185,558 (3,851,644)	30,845,764 (26,865,573)	27,504,245 (16,688,279)	36,731,315 (30,001,364)	49,607,376 (47,927,842)	–	15,223,897 (7,591,201)	164,098,155 (132,925,903)	1,951,972	166,050,127 (132,925,903)
Unallocated Expenses	–	–	–	–	–	–	–	–	–	12,736,032 (6,034,847)
Total Segment Result before Interest & Taxes	(71,222,223) (19,446,613)	3,590,841 (239,982,439)	88,671,035 (359,153,400)	(125,329,782) (72,526,890)	203,382,788 (158,251,582)	53,033,609 (2,744,756)	15,389,152 (37,573,204)	167,515,419 (889,678,885)	–	152,827,415 (883,644,037)
Total EBIT of each segment as a percentage of total EBIT of all segment	(42.52) (2.19)	2.14 (26.97)	52.93 (40.37)	(74.82) (8.15)	121.41 (17.79)	31.66 (0.31)	9.19 (4.22)	100.00 (100.00)	–	–
Net Financing Cost	–	–	–	–	–	–	–	–	–	135,449,494 (132,218,083)
Income Tax Expenses	–	–	–	–	–	–	–	–	–	4,156,608 (121,467,069)
Exceptional Loss	–	–	–	–	–	–	–	–	–	– (128,026,792)
Profit For the Year	–	–	–	–	–	–	–	–	–	13,221,313 (501,932,093)
SEGMENT ASSETS	556,232,103 (305,371,338)	1,447,129,127 (1,518,054,153)	2,492,380,066 (1,687,717,931)	699,801,138 (564,733,761)	4,603,398,394 (3,759,555,494)	302,631,440 (112,787,006)	410,510,392 (169,577,673)	10,512,082,660 (8,117,797,356)	–	10,512,082,660 (8,117,797,356)
Segment Assets as a percentage of total assets of all segments	5.29 (3.76)	13.77 (18.70)	23.71 (20.79)	6.66 (6.96)	43.79 (46.31)	2.88 (1.39)	3.91 (2.09)	100.00 (100.00)	–	–
SEGMENT LIABILITIES	324,455,820 (97,468,558)	1,037,154,521 (1,146,681,232)	1,330,968,918 (949,216,372)	170,679,600 (277,605,036)	1,204,498,538 (1,857,648,505)	75,434,533 (6,498,912)	59,606,103 (60,740,009)	4,202,798,033 (4,395,858,624)	–	4,202,798,033 (4,395,858,624)
Segment Liabilities as a percentage of total liabilities of all segments	7.72 (2.22)	24.68 (26.09)	31.67 (21.59)	4.06 (6.32)	28.66 (42.26)	–	1.42 (1.38)	100.00 (100.00)	–	–
Segment Capital Employed	231,776,283 (207,902,780)	409,974,606 (371,372,921)	1,161,411,149 (738,501,559)	529,121,538 (287,128,725)	3,398,899,856 (1,901,906,989)	227,196,907 (106,288,094)	350,904,289 (108,837,664)	6,309,284,627 (3,721,938,732)	–	6,309,284,627 (3,721,938,732)
Segment Capital Employed as a percentage of total capital employed of all segments	3.67 (5.59)	6.50 (9.98)	18.41 (19.84)	8.39 (7.71)	53.87 (51.10)	3.60 (2.86)	5.56 (2.92)	100.00 (100.00)	–	–
Capital Expenditure	323,715 (154,955)	44,655,068 (37,660,675)	72,915,609 (167,237,827)	2,765,403 (33,052,861)	194,462,719 (339,874,771)	–	– (2,688,632)	315,122,514 (580,669,721)	–	315,122,514 (580,669,721)
Segment Capital Expenditure as a percentage of total capital expenditure of all segments	0.10 (0.03)	14.17 (6.49)	23.14 (28.80)	0.88 (5.69)	61.71 (58.53)	–	– (0.46)	100.00 (100.00)	–	–
Depreciation	4,185,558 (3,851,644)	30,845,764 (26,865,573)	27,504,245 (16,688,279)	36,731,315 (30,001,364)	49,607,376 (47,927,842)	–	15,223,897 (7,591,200)	164,098,155 (132,925,902)	1,951,972	166,050,127 (132,925,902)

Note : Figures in the bracket below the current year denotes previous years amounts.

B. Business Segment

	Manufacturing	Marketing Distribution, Sourcing & Trading	Others	Total Segment	Elimination	Total
SEGMENT REVENUE						
External Sales	4,450,629,766 (3,495,539,736)	10,028,463,215 (7,304,717,635)	– –	14,479,092,981 (10,800,257,371)	– –	14,479,092,981 (10,800,257,371)
Inter Segment Sales	1,559,069,058 (1,060,874,913)	370,788,128 (63,382,151)	– –	1,929,857,186 (1,124,257,064)	1,929,857,186 (1,124,257,064)	– –
Total Segment Sales	6,009,698,824 (4,556,414,649)	10,399,251,343 (7,368,099,786)	– –	16,408,950,167 (11,924,514,435)	1,929,857,186 (1,124,257,064)	14,479,092,981 (10,800,257,371)
Other Income	271,449,045 (254,035,533)	257,557,235 (645,205,309)	– –	529,006,280 (899,240,842)	180,738,534 (528,531,910)	348,267,746 (370,708,932)
Total Segment Revenue	6,281,147,869 (4,810,450,182)	10,656,808,578 (8,013,305,095)	– –	16,937,956,447 (12,823,755,277)	2,110,595,720 (1,652,788,974)	14,827,360,727 (11,170,966,303)
Total Revenue of each segment as a percentage of total revenue of all segment	37.08 (37.51)	62.92 (62.49)	– –	100.00 (100.00)	– –	– –
Segment Result EBIDTA	136,594,616 (359,361,596)	195,018,958 (663,243,191)	– –	331,613,574 (1,022,604,787)	– –	331,613,574 (1,022,604,787)
Total EBIDTA of each segment as a total EBIDTA	41.19 (35.14)	58.81 (64.86)	– –	100.00 (100.00)	– –	– –
Depreciation	62,535,567 (85,520,406)	103,514,560 (47,405,497)	– –	166,050,127 (132,925,903)	– –	166,050,127 (132,925,903)
Unallocated Expenses	– –	– –	– –	– –	– –	12,736,032 (6,034,847)
Total Segment Result before Interest & Taxes	74,059,050 (273,841,190)	91,504,397 (615,837,694)	– –	165,563,447 (889,678,884)	– –	152,827,415 (883,644,037)
Total EBIT of each segment as a percentage of total EBIT of all segment	44.73 30.78	55.27 69.22	– –	100.00 100.00	– –	– –
Net Financing Cost	– –	– –	– –	– –	– –	135,449,494 (132,218,083)
Income Tax Expenses	– –	– –	– –	– –	– –	4,156,608 (121,467,069)
Exceptional Loss	– –	– –	– –	– –	– –	– (128,026,792)
Profit for the Year	– –	– –	– –	– –	– –	13,221,313 (501,932,093)
SEGMENT ASSETS	4,908,230,810 (4,493,866,928)	5,603,851,850 (3,623,930,427)	– –	10,512,082,660 (8,117,797,355)	– –	10,512,082,660 (8,117,797,355)
Segment Assets as a percentage of total assets of all segments	46.69 (55.36)	53.31 (44.64)	– –	100.00 (100.00)	– –	– –
SEGMENT LIABILITIES	2,806,669,254 (2,195,993,551)	1,396,128,779 (2,199,865,074)	– –	4,202,798,033 (4,395,858,625)	– –	4,202,798,033 (4,395,858,625)
Segment Liabilities as a percentage of total liabilities of all segments	67 (50)	33 (50)	– –	100 (100)	– –	– –
Segment Capital Employed	2,101,561,556 (2,297,873,378)	4,207,723,071 (1,424,065,353)	– –	6,309,284,627 (3,721,938,731)	– –	6,309,284,627 (3,721,938,731)
Segment Capital Employed as a percentage of total capital employed of all segments	33.31 (61.74)	66.69 (38.26)	– –	100.00 (100.00)	– –	– –
Capital Expenditure	270,143,732 (375,616,265)	44,978,783 (205,053,457)	– –	315,122,514 (580,669,722)	– –	315,122,514 (580,669,722)
Segment Capital Expenditure as a percentage of total capital expenditure of all segments	85.73 (64.69)	14.27 (35.31)	– –	100.00 (100.00)	– –	– –
Depreciation	62,535,567 (85,520,406)	103,514,560 (47,405,496)	– –	166,050,127 (132,925,902)	– –	166,050,127 (132,925,902)

Note: Figures in the bracket denotes previous year figures

11. Related Party Disclosure

Related party disclosure as required under Accounting Standard- "18" issued by the Institute of Chartered Accountants of India is given below :

Nature of Relationship	Concerns	Country of Incorporation
Associates	Pearl Wears	India
	Little People Education Society	India
	Crown Computerised Embroideries	India
	Vastras	India
	Pearl Academy of Fashion India Ltd.	India
	SACB Holdings Ltd	Mauritius
	Pallas Holding Ltd	Mauritius
	Pearl Retail Solutions Private Ltd.	India
	JSM Trading	Dubai
	PAF International Ltd	Bangladesh
	Deepak Seth & Sons (HUF)	India
	Lerros Fashions India Pvt. Ltd.	India
	Vau Apparels Private Ltd.	India
	Transnational Textiles Group Ltd.	Mauritius
	Lerros Modem GMBH	Germany
Key Managerial Person/ Whole time Director of the group/ Relatives	Mr. Deepak Seth Mr. Pallak Seth Mr. Pulkit Seth Mr. Sanjay Pershad Mr. Venkatesh Nagar Mr. Karkala Raja Rao Mr. Amit Bansal Mr. Suresh Purjabi Mr. S.M.Vij Mrs. Shefali Seth Mrs. Payel Seth	

(Amount in Rupees)

Nature of Transaction	Relationship	31.3.2009	31.3.2008
Advance Given	Associates	30,200,859	2,568,683
Advance Rent Paid	Associates		
Advance Recovered	Associates	3,750,000	877,654
Sale of Goods	Associates	1,209,119	35,339,350
	KMP	8,000,000	136,543
Sale of Fixed Assets	Associates	-	-
Sale of Software	Associates	18,738,500	9,952,250
Job Work	Associates	17,001,076	15,476,389
Job Work Recd.	Associates	-	-
Expenses Reimbursed	Associates	197,420	3,108,295
	KMP	59,058	-
Expenses Paid	Associates	100,000	
	KMP	190,609	
Expenses Recovered	Associates	1,555,636	216,671
	KMP	-	-
Interest received	Associates	10,332,584	4,162,233
	KMP	-	-
Sample Recovery	Associates	48,672	
Rent Paid	Associates	3,338,490	1,200,000
Rent Received	Associates	7,578,600	1,620,000
Commission Income	Associates	4,176,265	
Remuneration paid	KMP/WTD/Relative	8,918,720	29,657,654
Share Application Money	Associates	-	19,900,000
Loan Given	Associates	105,600,000	80,400,000
Loan Refund	Associates	4,500,000	33,403,000
Purchase of Goods	Associates	9,780,163	8,648,236
		24,950,505	-
Other Transactions	Associates	139,368	-
Gift Voucher	Associates	20,000	-
Closing Balance			
- Other Receivable	Associates	143,900,583	86,769,118
- Other Payable	Associates	5,784,070	3,403,350
- Loan	Associates	176,133,884	75,000,000
- Sundry Debtors	Associates	11,481,744	-
Closing Balance	KMP	-	136,543

12. Earning Per Share

The numerator and denominator used to calculate Basic and Diluted Earning per share.

(Amount in Rupees)

	2008-09	2007-08
Profit/(Loss) attributable to the equity shareholders	53,777,504	500,103,548
Basic & weighted average number of equity share outstanding during the year	19,500,343 shares	19,500,343 shares
Nominal Value of Equity shares	10	10
Basic Earning per share	2.76	25.65
Potential Equity Shares	Nil	Nil
Diluted Earning per share	2.76	25.65

13. The company has accounted for deferred tax as follows:

(Amount in Rupees)

	31.03.2009	31.03.2008
Deferred Tax Assets		
Unabsorbed Depreciation & Business Losses	44,671,500	34,583,563
Capital Losses	4,867,876	5,656,237
Others	67,309,414	58,312,682
Total (A)	116,848,790	98,552,482
Deferred Tax Liabilities		
Depreciation	72,287,986	79,818,193
Total (B)	72,287,986	79,818,193
Net Deferred Tax Assets/(Liabilities)	44,560,804	18,734,289

The tax impact for the above purpose have been arrived at by applying the prevailing tax rate as on Balance Sheet under the taxation law of respective countries.

14. The House of Pearl Fashions Limited has raised Rs. 2,854,335,000 lacs through a public issue of shares during the year, the proceeds of which are deployed as follows:

S. No.	Particulars	Amount (In Rs.)
A.	Investment in subsidiary companies for increasing the Group's production capacity by :	
	(i) Manufacturing Facilities at cost effective locations	22,815,793
	(ii) Expansion of a new bottom manufacturing facility by Pearl Global Limited at Madras Export Promotion Zone Tambaram	25,000,000
	(iii) Establishment of a new woven and knits manufacturing facility by PT Norwest Indonesia at Semarang , Indonesia	5,969,250
	(iv) Acquisition of an existing knitted garment Manufacturing facility by Pearl Global Limited in Khandsa Gurgaon Haryana, India	54,000,000
	(v) New manufacturing facility by Norp Knit Industries Ltd./ other subsidiaries or joint ventures companies at cost effective locations	8,980,200
B.	Investment in Pearl Global Ltd. For design centre	8,100,000
C.	Setting up an Integrated Information Technology System	116,841,337
D.	Prepayment of certain term loans availed by the company and its subsidiaries	492,374,989
E.	Investment in its subsidiary company, Multinational Textile, for payment of purchase of SACB Holdings Limited and Pallas Holdings Limited as part of the Group restructuring.	491,729,400
F.	Setting up a domestic branded apparel retail business	140,300,000
G.	Acquisition of existing companies to set up joint ventures companies for marketing & Distribution or whole sale and supply business in apparel, accessories or related segments within or outside India	311,503,000
H.	Meeting Share Issue expenses	191,950,492
I.	* Extended working capital & temporary loans to its subsidiaries as an interim use of funds	436,975,528
J.	Balance amount lying in Mutual Fund and Fixed Deposits & Bank Balance	547,795,011

* Payments of working capital loan of Rs. 200,000,000 for its subsidiary Pearl Global Ltd. As an interim use of funds.

* Extended a working capital loans of Rs. 100,273,248 on a rolling basis to its subsidiary House of Pearl Fashions (US) Ltd. As an interim use of funds.

* Extended a temporary loan of Rs. 136,702,280 for working capital to its subsidiary Nor Pearl Knitwear Ltd. As an interim use of funds.

15. Currency Derivative

The company utilizes currency derivatives to hedge significant future transactions and cash flows and is a party to a variety of foreign currency contracts and options in the management of its exchange rate exposures.

At the balance sheet date, the total notional amounts of outstanding forward foreign exchange contracts that the company has committed to are as below:

	31.03.2009 USD	31.03.2008 USD
Foreign Exchange Contract	43,883,866 (Equivalent to Rs.2,289,421,289)	77,846,318 (Equivalent to Rs.3,106,068,088)

These commitments have been entered into to hedge against future payments to suppliers and receipts from customers in the ordinary course of business that will fall due in the period ending 31 March 2010.

These arrangements are designed to address significant exchange exposures and are renewed on a revolving basis as required.

16. Lease

In the case of House of Pearl Fashions (US) Ltd.

The company has entered into a long term operation lease agreement for the rental of showroom space which expires on September 30, 2015. For the years ended March 31, 2009 and 2008, rent expenses amounted to Rs. 9,526,539 and Rs. 4,846,242, respectively.

(Amount in Rupees)

	2008-2009	2007-2008
Not later than 1 year	11,607,668	4,468,800
Later than 1 year and not later than 5 years	51,883,013	12,608,400
More Than 5 years	20,268,045	–
Total	83,758,726	17,077,200

In the case of Multinational Textile Group Limited and its subsidiaries

One of the sub subsidiary, Depa International Inc, leases warehouse space in New Jersey under lease which expires on April 14, 2011. The Sub subsidiary also lease showroom space in New York City under a lease which expires on October 14, 2010.

(Amount in Rs.)

	2008-2009	2007-2008
Not Later than 1 year	22,025,131	17,994,900
Later than 1 year and not later than 5 years	15,686,476	17,117,100
Total	37,711,607	35,112,000

Rent expenses for the showrooms and warehouse for the year ended 31 March 2009 and 2008 was Rs. 25,296,874 and Rs. 25,865,777 respectively.

Operating Lease Arrangements

The Sub subsidiaries Poetigem Limited, Norwest Industries Limited, Zamira Fashions Limited, FX Imports Company Limited and Pacific Logistics Ltd. had the following lease arrangements.

Norwest Industries Limited

The company lease its staff quarters under operating lease arrangements, such leases for properties are negotiated for terms ranging from one to three years.

Poetigem Limited and Pacific Logistics Limited

(Amount in Rs.)

	2008-2009	2007-2008
Minimum lease payments operating lease recognized in the income statement for the year	25,693,728	26,231,852

At the balance sheet date the sub subsidiaries had outstanding commitments for future minimum under non cancelable operating leases, which falls due as follows:

	Land & Buildings		Others	
	2008-2009	2007-2008	2008-2009	2007-2008
Within one year	8,619,110	5,909,190	48,394,248	35,940,204
In the second to fifth years	20,185,460	17,727,610	79,805,701	107,069,695
Total	28,804,570	23,636,800	128,199,949	143,009,899

Operating lease payments represent rent payable by the sub subsidiaries and sub subsidiaries.

Obligations under finance Lease

One of subsidiaries, Zamira Fashions Limited, had the following obligations under finance lease.

Amount payable under finance lease:	2008-2009	2007-2008
Within one year	1,800,230	1,371,482
In the second to fifth Year	600,059	1,828,617
	2,400,289	3,200,099
Less: Finance Charges	(137,101)	(303,438)
	2,263,187	2,896,660
Less than one year	664,385	1,724,198
More than year	1,598,802	1,172,461
Total	2,263,187	2,896,660

The lease terms is three years and the lease is repayable in fixed monthly installments. No arrangements has been entered into for contingent rental payments.

In the case of Pearl Global Limited

Assets taken on Lease

The company has taken certain assets on non-cancelable operating lease and lease rent amounting to Rs 3,071,903 (Previous Year Rs. 1,993,268) has been debited to Profit & Loss account. The future minimum lease payments is as under:

(In Rupees)

Minimum Lease Payments Payables	Current Year	Previous Year
(i) Not later than in 1 years	1,994,352	2,258,352
(ii) Later than 1 year but not later than 5 years	4,751,957	6,284,716
(iii) Later than 5 years	5,736,216	6,632,812

General Description of Lease Terms:

Particulars	Terms of Renewal	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
Naraina Industries Association	No	No	10% Every Year	No	No
P. Murugan	No	No	No	No	No
Ashish Dua	No	No	No	No	No
House of Pearl Fashions Ltd.	3 Yrs.	No	No	No	No

Assets given on lease

- a) The company has also given certain assets on non-cancelable operating lease and lease rent income amounting to Rs 7,403,100 (Previous Year Rs. 3,480,000) has been credited in Profit & Loss account. The future minimum lease payments receivables and the details of assets in respect of the assets, as at March 31, 2009 are as follows:

(In Rupees)

S.No.	Minimum Lease Payments Receivables	Current Year	Previous Year
(i)	Not later than in 1 years	7,631,100	2,064,000
(ii)	Later than 1 year but not later than 5 years	32,903,580	270,000
(iii)	Later than 5 years	90,620,784	-

b)

(In Rupees)

(i)	Gross Investment on Lease Assets	35,255,587	32,904,050
(ii)	Accumulated Depreciation	5,030,841	4,145,203
(iii)	Depreciation Charged during the Year	795,518	743,879

c) General Description of Lease Terms:

Particulars	Terms of Renewal	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
B-earth & Spire India P. Ltd.	4 YRS.	NO	20 % AFTER 2 YRS.	NO	NO
CROWN Computerized unit 16-17	NO	NO	NO	NO	NO
Crown Computerized unit 751	NO	NO	NO	NO	NO
Little People Education Society	10 YRS.	NO	20 % AFTER 5 YRS.	NO	NO

In case of Lerros Fashions India Pvt. Ltd.

(a) Assets taken on Lease

The company has taken certain assets on non-cancelable operating lease and lease rent amounting to Rs. 32,867,406/- (Previous Year Rs. Nil) and has been debited to Profit & Loss account.

The detail of future minimum lease payments is as under:

(Amount in Rs.)

Minimum Lease Payments Payables	Current Year	Previous Period
(i) Not later than in 1 year	42,039,099	-
(ii) Later than 1 year but not later than 5 years	79,968,199	-
(iii) Later than 5 years	46,712,938	-
Total	168,720,236	-

(b) General Description of Lease Agreements

Particulars	Terms of Renewal	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
DLF Promenade Mall	6 Years	No	15% after every three years	No	No
Mega Mall	66 Months	No	15% after every 33 months	No	No
Ambience Mall	6 Years	No	15% after every three years	20% of Net Sales Turnover	No
Noida Mall	2 Years	No	15% after every 29 months	No	No
Bangalore Mall	Automatically after every 3 years	No	15% after every three years	No	No
Select City walk Mall	No	No	15% after every three years	15% of Net Sales Turnover	No
Gurgaon Building	59 Months & 15 Days	No	15% after every three years	No	No
Warehouse Building	4 Years	No	12% after every two years	No	No

In the case of House of Pearl Fashions Ltd.

(a) Assets Given on Lease

- (i) The company has given certain assets on operating lease and lease rent income amounting to Rs. 2,803,500 (Previous Year Rs. 840,000) has been credited in Profit & Loss Account. The future minimum lease payments receivables and detail of assets as at 31st March, 2009 are as follows:

(Amount in Rupees)

Minimum Lease Payments Receivables	Current Year	Previous Year
Not later than 1 year	2,803,500	720,000
Later than 1 year but not later than 5 years	11,750,700	4,236,000
Later than 5 years	55,387,440	504,000

(ii)

	Current Year	Previous Year
Gross Investment on leased Assets	2,808,329	2,808,329
Accumulated Depreciation on Lease Assets as on 31st March, 2009	1,670,596	1,611,401
Depreciation Charged During the Year	59,195	59,195

(iii) General Description of Lease Terms:

Particulars	Terms of Renewal	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
PEARL GLOBAL LTD.	3 YRS.	NO	NO	NO	NO
LITTLE PEOPLE EDUCATION SOCIETY(PAF)	10 YRS.	NO	20 % AFTER EVERY 5 YRS.	NO	NO

(b) Assets taken on Lease

(i) The company has taken certain assets on non-cancelable operating lease and lease rent amounting to Rs. 5,372,780 (Previous Year Rs. 1,975,484). Out of this, Rs. 1,334,000 has been debited to Profit & Loss account and Rs. 4,038,780 have been included under the head Capital work-in-progress. The details of future minimum lease payments is as under:

(Amount in Rupees)

Minimum Lease Payments Payables	Current Year	Previous Year
(i) Not later than in 1 year	4,164,000	2,364,000
(ii) Later than 1 year but not later than 5 years	1,529,000	929,000
(iii) Later than 5 years	-	-
Total	-	3,293,000

(ii) General Description of Lease Term

Particulars	Terms of renewal	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
SHALIMA MOTIYAL	NO	NO	NO	NO	NO
LITTLE PEOPLE EDUCATION SOCIETY(PSB)	2 YRS.	NO	NO	NO	NO
SHAKUNTLA YADAV	NO	NO	NO	NO	NO

17. Employees Benefits (In the case of Indian Companies)

(i) Defined Contribution Plan

The company makes contribution towards provident fund to a defined contribution retirement benefit plan for qualifying employees. The provident fund plan is operated by the Regional Provident fund commissioner and the company is required to contribute a specified percentage of payroll cost to the retirement benefit schemes to fund the benefits.

The company recognized Rs. 20,067,354 (Previous Year: Rs. 5,227,501) for provident fund contributions in the profit and loss account. The contribution payable to these plans by the company are at rates specified in the rules of the schemes.

(ii) Defined Benefit Plan

The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligations. In the case of Pearl Global Limited (except Chennai Unit), the employees gratuity scheme is managed by Life Insurance Corporation. The obligation for leave encashment is recognized in the same manner as gratuity.

(a) Reconciliation of opening and closing balances of Defined Benefit Obligations

	Current Year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Defined benefit obligations at beginning of the year	11,778,866	2,870,629	6,073,107	9,968,657	950,364	3,782,281
Current Service Cost	2,565,310	1,804,380	1,159,162	2,565,310	1,367,732	2,423,394
Interest Cost	942,309	229,649	485,849	747,649	76,030	302,582
Actuarial (gain)/loss	5,588,746	(770,858)	(2,455,017)	(1,502,750)	486,241	3,042,561
Benefits paid	(9,716,518)	-	(2,553,706)	-	-	(3,488,150)
Defined Benefit Obligations at year end	11,158,713	4,133,800	2,709,395	11,778,866	2,880,367	6,062,668

(b) Reconciliation of opening and closing balances of fair value of plan assets

	Current Year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Fair value of plan assets at beginning of the year	5,670,912	-	-	2,606,470	-	-
Expected Return on plan assets	274,368	-	-	306,923	-	-
Contribution	5,000,528	-	-	2,757,519	-	-
Actuarial (gain)/loss	-	-	-	-	-	-
Benefits paid	(9,716,518)	-	-	-	-	-
Fair value of plan assets at the year end.	1,229,290	-	-	5,670,912	-	-

(c) Reconciliation of fair value of assets and obligations

	Current Year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Fair value of plan assets at 31st March 2009	1,229,290	-	-	5,670,912	-	-
Present value of obligation as at 31st March 2009	11,158,713	4,133,800	2,709,395	11,778,866	2,880,367	6,062,668
Net Assets/(Liability) recognized in balance sheet	(9,929,423)	(4,133,800)	(2,709,395)	(6,107,954)	(2,880,367)	(6,062,668)

(d) Expenses recognized during the year

	Current Year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Current Service Cost	2,565,310	1,804,380	1,159,162	2,565,310	1,367,732	2,423,394
Interest Cost	942,309	226,649	485,849	747,649	76,030	302,582
Expected return on plan assets	(274,368)	-	-	(306,923)	-	-
Actuarial (gain)/loss	5,588,746	(770,858)	(2,460,904)	(1,502,750)	486,241	3,042,561
Net Cost	8,821,997	1,263,171	(815,893)	1,503,286	1,930,003	5,768,537

(e) Actuarial Assumptions:

	Current Year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Discount Rate (per annum)	8.00%	8.00% p.a	8.00% p.a	8.00%	8.00% p.a	8.00% p.a
Future increase in compensation						
- House of Pearl Fashions Limited (Holding Company)	-	5.50% p.a	5.50% p.a	-	5.50% p.a	5.50% p.a
- Pearl Global Limited (Subsidiary)	5.00% p.a	5.50% p.a	5.50% p.a	5.00% p.a	5.00% p.a	5.00% p.a
- Lerros Fashions India Pvt. Ltd (Subsidiary)		5.00% p.a	5.00% p.a		-	-
- Hopp Fashion (Associates)	-	5.50% p.a	5.50% p.a	-	5.50% p.a	5.50% p.a
Expected rate of return on plan assets	8.00%	N.A	N.A	8.00%	N.A	N.A
In Service Mortality	L.I.C 1994-96 Ultimate	L.I.C 1994-96 duly modified	L.I.C 1994-96 duly modified	L.I.C 1994-96 Ultimate	L.I.C 1994-96 duly modified	L.I.C 1994-96 duly modified
Retirement age	58 Years	58 Years	58 Years	58 Years	58 Years	58 Years

In the case of Multinational Textile Group Limited and its subsidiaries**PT Norwest Industry (Sub subsidiary):**

The sub subsidiary provides benefits for its employees who achieve the retirement age at 55 based on the provisions of Labour Law no 13/2003 dated 25th March, 2003. The benefits are unfunded:

As of 31 March 2009 and 2008, employee benefits obligation is calculated by an independent actuary (PT. Bumi Dharma Aktuarial) using the projected unit credit method. The principal assumptions used in determining employee benefits obligation as of 31 March 2009 and 2008 are as follows:

	2008-09	2007-08
Financial Assumptions		
Discount Rate	11%	11%
Future Salary Increase	10%	10%
Other Assumptions		
Mortality rate	CSO'88	CSO'88
Disability rate	10%	10%
Normal retirement age	55 years	55 years

Voluntary resignation determined of 2-37% for employee before the age of 20-22 and will linearly until 0% at the age of 54.

Past service cost - non vested:

- Amortisation method: straight line.
- Amortisation method: the average period until the benefits becomes vested.

The amounts of employee benefits obligations recognized in the consolidated balance sheet were determined as follows:

Amount Recognized in Balance Sheet

(Amount in Rs.)

	2008-09	2007-08
Present value of obligation	2,441,191	1,313,468
Fair value	-	-
	2,441,191	1,313,468
Unrecognized Actuarial gains	60,569	274,432
Net Liability in Balance Sheet	2,501,760	1,587,900
Amount Recognized in Income Statement	Current Year	Previous Year
Current Service Cost	717,636	429,209
Interest Cost	154,048	87,308
Net Amortisation for the year	(23,235)	(10,516)
Expenses recognized in the Income Statement	848,449	506,002
Movement in the liability recognized in Balance sheet		
	2008-09	2007-08
At beginning of the year	1,587,900	1,183,219
Charge to Income statement	848,449	506,002
Foreign Currency Translation Reserve	65,411	(101,321)
At the end of the year	2,501,760	1,587,900

18. In view of the management, the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated as on balance sheet date.

19. Previous Year's figures have been regrouped/ recast wherever considered necessary.

Signature to consolidated schedules 1 to 17

As per our report of even date attached.

On behalf of the Board

For S. R. DINODIA & CO.,
Chartered Accountants

(Deepak Seth)
Chairman
DIN 00003021

(Dr. Ashutosh P. Bhupatkar)
Director
DIN 00479727

(Sandeep Dinodia)
Partner
M. No.083689

(Rishi Vig)
Chief Finance Officer

(Sandeep Sabharwal)
Company Secretary

Place : New Delhi
Date : 30.06.2009

AUDITORS' REPORT

To the members of **M/S HOUSE OF PEARL FASHIONS LIMITED**

We have audited the attached balance sheet of **House of Pearl Fashions Limited** as at **31st March 2009**, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes (a) examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement (b) assessing the accounting principles used in the preparation of the financial statements (c) assessing significant estimates made by management in the preparation of the financial statements and (d) evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 [as amended by the Companies (Auditor's Report) (Amendment) Order 2004] issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- (c) The Company's balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (e) On the basis of written representations received from the directors as on 31st March 2009 and taken on record by the Board of Directors. We report that none of the directors are disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the balance sheet, of the state of affairs of the company as at 31st March 2009;
 - (ii) in the case of the profit and loss account, the profit for the year ended on that date; and
 - (iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **S. R. DINODIA & CO.**
Chartered Accountants

Sd/-
(SANDEEP DINODIA)
Partner
Membership No. 083689

Place : New Delhi
Date : 30.06.2009

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our audit report of even date)

RE: M/S HOUSE OF PEARL FASHIONS LIMITED

- (i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) As explained to us, physical verification of major portion of fixed assets as at 31st March 2009 was conducted by the management during the year. In our opinion, the frequency of physical verification is reasonable. No material discrepancies were noticed on such verification.
- c) In our opinion and according to the information and explanations given to us, no substantial part of fixed assets has been disposed off by the Company during the year.
- ii) a) The inventory has been physically verified during the year by the management. In our opinion the frequency of verification is reasonable.
- b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) In our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii) a) The company has granted unsecured loans during the year to five parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum balance involved in the transaction is Rs. 629,989,205/- . (The year end balance was Rs. 664,790,141/-).
- b) The rate of interest and other terms and conditions on which has been given are not prime facie prejudicial to the interest of the company.
- c) In respect of the aforesaid loan, all the loans were repayable on demand
- d) The company had not taken any unsecured loans from the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause (iii) (e) to (g) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices, there is no continuing failure to correct the weaknesses in the aforesaid internal control systems.
- v) a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- b) In our opinion and according to explanation given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 and exceeding values of Rs.5 Lacs have been made at prices which are reasonable with regard to the prevailing market prices at the relevant times.

- vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of section 58A, 58AA and the other relevant provisions of the Companies Act, 1956 and rules framed thereunder.
- vii) In our opinion, the company has an internal audit system commensurate with the nature and size of its business.
- viii) The Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act 1956, for any of the products of the company.
- ix) a) According to the information and explanation given to us, the company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues except Employee State Insurance as applicable to it.

Statement of arrears of outstanding Statutory Dues as at the last day of the financial year for a period of more than six months.

Name of the statute	Nature of Dues	Amount in Rs.	Period to which Amount Relates	Due Date	Date of Payment
Employee State Insurance Act, 1948	ESI	55,542	2007-08	21st of corresponding month	Not Paid

- b) According to the records of the Company examined by us and the information and explanations given to us, there is no amount outstanding in respect of aforesaid statutory dues on account of any dispute as at 31st March, 2009.
- x) The company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to banks during the year. There were no dues payable to any financial institution or debenture holders.
- xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xiii) The company is not a chit fund or a nidhi mutual benefit fund society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xiv) The company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xv) In our opinion and on the basis of information and explanation given to us, the company has given the guarantees as mentioned in the point no. 1 of Schedule 17 for loans taken by others from banks or financial institutions.
- xvi) On the basis of information and explanation given to us, we are of opinion that the term loans were applied for the purposes for which the loans were obtained.
- xvii) According to the information and explanations given to us and on the basis of an overall examination of the balance sheet of the company, in our opinion, funds raised on short term basis have not been used for long term investments.
- xviii) During the year, the Company has not allotted any shares on preferential basis to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix) The Company has not issued any debentures during the year. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xx) We have verified the end use of money raised by the public issue as declared by the management in prospectus filed with "The Securities and Exchange Board of India" and as appearing in the Note No.20 of Schedule 17 - Notes to Account forming part of the financial statements.
- xxi) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanation given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year nor have we been informed of such case by the management.

For S. R. DINODIA & CO.
Chartered Accountants

Sd/-
(SANDEEP DINODIA)
Partner
Membership No. 083689

Place : New Delhi
Date : 30.06.2009

BALANCE SHEET AS AT 31ST MARCH, 2009

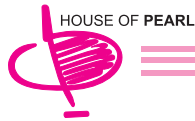
PARTICULARS	SCHEDULE	(Amount in Rupees)	
		AS AT 31ST MARCH 2009	AS AT 31ST MARCH 2008
SOURCES OF FUNDS			
Shareholder's Funds			
Share Capital	1	195,003,430	195,003,430
Reserves & Surplus	2	2,924,168,291	2,835,286,950
Loan Funds			
Secured Loan	3	57,293,326	7,000,000
		<u>3,176,465,047</u>	<u>3,037,290,380</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	25,806,719	15,190,599
Less: Accumulated Depreciation		<u>3,971,291</u>	<u>2,014,636</u>
Net Block		21,835,428	13,175,963
Capital Work in Progress		<u>131,550,733</u>	<u>85,386,932</u>
Investments (Refer Note No. 5 of Schedule 17)	5	1,685,013,186	1,957,800,045
Deferred Tax Asset (Refer Note No. 14 of Schedule 17)	6	7,048,173	10,123,671
Current Assets, Loans and Advances			
Inventories	7	-	161,659
Sundry Debtors	8	57,719,582	70,594,539
Cash & Bank Balances	9	350,979,800	455,406,747
Loans & Advances	10	965,972,764	507,268,374
		<u>1,374,672,146</u>	<u>1,033,431,319</u>
Less: Current Liabilities & Provision			
Current Liabilities	11	41,360,858	26,576,295
Provisions	12	2,293,761	36,051,255
		<u>43,654,619</u>	<u>62,627,550</u>
Net Current Assets		<u>1,331,017,527</u>	<u>970,803,769</u>
		<u>3,176,465,047</u>	<u>3,037,290,380</u>
Significant Accounting Policies	16		
Notes to Account	17		

As per our report of even date attached

For S. R. DINODIA & CO.,
Chartered Accountants(Sandeep Dinodia)
Partner
M. No.083689Place : New Delhi
Date : 30.06.2009

On behalf of the Board

(Deepak Seth)
Chairman
DIN 00003021(Rishi Vig)
Chief Finance Officer(Dr. Ashutosh P. Bhupatkar)
Director
DIN 00479727(Sandeep Sabharwal)
Company Secretary



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

PARTICULARS	SCHEDULE	(Amount in Rupees)	
		CURRENT YEAR	PREVIOUS YEAR
INCOME			
Sales		227,897,867	150,847,767
Export Incentives		427,619	440,160
Other Income	13	202,546,339	149,895,304
		430,871,825	301,183,231
EXPENDITURE			
Cost of Goods Traded		204,714,183	143,776,251
Manufacturing & Other Expenses	14	103,923,983	39,705,238
Finance Cost	15	1,403,078	143,119
Depreciation		1,956,655	430,552
		311,997,899	184,055,160
PROFIT BEFORE TAXATION AND ADJUSTMENTS:		118,873,926	117,128,071
Provision for Current Tax		(21,750,000)	(10,840,000)
Provision for Deferred Tax (Refer to Note No. 14 of Sch. 17)		(3,075,498)	(469,952)
Provision for Fringe Benefit Tax		(2,351,246)	(1,620,000)
Provision For Wealth Tax		(31,363)	-
Tax Adjustment for Earlier Years		-	2,400,527
PROFIT FOR THE YEAR		91,665,819	106,598,646
Profit brought forward		106,858,627	45,115,226
Adjustment on account transitional effect of AS-15 for investment in Partnership Firm		-	26,259
AMOUNT AVAILABLE FOR APPROPRIATION		198,524,446	151,740,131
APPROPRIATIONS :			
Proposed Dividend		-	29,250,515
Tax on Dividend		-	4,971,125
Transfer to General Reserve		-	10,659,865
Balance Carried to Balance Sheet		198,524,446	106,858,627
		198,524,446	151,740,131
Earnings per share (Rs.)			
- Basic		4.70	5.47
- Diluted		4.70	5.47
(Refer Note No.12 of Schedule `17')			
Significant Accounting Policies	16		
Notes to Account	17		

As per our report of even date attached

For S. R. DINODIA & CO.,
Chartered Accountants

(Sandeep Dinodia)
Partner
M. No.083689

Place : New Delhi
Date : 30.06.2009

(Deepak Seth)
Chairman
DIN 00003021

(Rishi Vig)
Chief Finance Officer

On behalf of the Board

(Dr. Ashutosh P. Bhupatkar)
Director
DIN 00479727

(Sandeep Sabharwal)
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

PARTICULARS	(Amount in Rupees)	
	CURRENT YEAR	PREVIOUS YEAR
A. Net Profit Before Tax and Extraordinary Items	118,873,926	117,128,071
Adjustments for:		
Depreciation	1,956,655	430,552
Sundry Balance Written Off	-	229,022
Foreign Exchange Fluctuation	(13,420,784)	516,635
Loss on sale of Assets	-	279,880
Loss on reinstatement of Investments	-	992,115
Profit on sale of Investments	-	-
Finance Cost	1,403,078	143,119
Share in the (Profit) / Loss from Partnership firm	(1,828,618)	736,514
Non operating Incomes	(167,740,766)	(149,785,684)
Sundry Balance Written Back	(1,157)	-
Operating Profit /(loss) before working capital changes	(60,757,666)	(29,329,777)
Adjustments for :		
Trade and Other Receivables	(16,190,556)	(131,204,190)
Inventories	161,659	(161,659)
Trade Payables	15,222,972	(5,297,831)
Cash Generated from operations	(61,563,591)	(165,993,457)
Direct Taxes (Paid)/ Refunds	(21,580,192)	(19,327,202)
Net Cash Generated / (used) in operating Activities	(83,143,783)	(185,320,659)
B. Cash Flow from Investing Operations:		
Sale of Fixed Assets	7,431,798	-
Fixed Assets Purchased	(64,211,718)	(92,013,439)
Investment made in Mutual Funds	(193,424,979)	(936,275,160)
(Increase)/Decrease in share application money	(95,672,044)	(71,747,638)
Purchase of Investments	(441,019,181)	(142,105,600)
Loan given	(354,989,205)	(237,684,611)
Sale of Investment	923,624,898	1,663,374,867
Interest on Fixed Deposits	36,473,393	33,754,275
Dividend on current investment-Non Trade	23,303,212	82,918,948
Dividend Income-from Subsidiary	45,236,717	9,939,176
Interest on Loan	39,735,536	21,079,199
Share in profit in Firm	1,828,618	(250,000)
Rent Received	2,803,500	840,000
Cash from investing activities	(68,879,455)	331,830,016
C. Cash Flow from Financing Activities		
Increase /(Decrease) in Security Deposit	19,481,162	(912,000)
Loans taken	54,161,304	7,000,000
Repayment of Loans	(3,867,978)	-
Dividend Paid	(29,224,778)	-
Tax on Dividend	(4,971,125)	-
Finance Cost	(1,403,078)	(143,119)
Net cash used in financing activities	34,175,507	5,944,881
Increase in Cash/Cash equivalents(A+B+C)	(117,847,731)	152,454,238
Exchange Fluctuations	13,420,784	(516,635)
Net Increase in Cash/Cash equivalents(A+B+C)	(104,426,947)	151,937,603
Cash / Cash equivalents at the beginning of the year	455,406,747	303,469,143
Cash / Cash equivalents at the close of the year	350,979,800	455,406,747
Components of Cash and Cash equivalents		
Cash and Cheques on hand	14,927,226	271,995
Balances with Scheduled Banks		
i) In Current Accounts	10,386,498	152,734,752
ii) In Fixed Deposits	2,400,000	2,400,000
iii) Fixed Deposit (Unutilised money of IPO Proceeds)	323,266,076	300,000,000
	350,979,800	455,406,747

As per our report of even date attached

On behalf of the Board

For S. R. DINODIA & CO.,
Chartered Accountants(Deepak Seth)
Chairman
DIN 00003021(Dr. Ashutosh P. Bhupatkar)
Director
DIN 00479727(Sandeep Dinodia)
Partner
M. No.083689(Rishi Vig)
Chief Finance Officer(Sandeep Sabharwal)
Company SecretaryPlace : New Delhi
Date : 30.06.2009

SCHEDULES FORMING PART OF THE BALANCE SHEET

	(Amount in Rupees)	
	AS AT 31ST MARCH 2009	AS AT 31ST MARCH 2008
SCHEDULE - 1		
SHARE CAPITAL		
Authorised		
24,990,000 (Previous Year 24,990,000) Equity Shares of Rs. 10/- Each	249,900,000	249,900,000
10,000 (Previous Year 10,000) 4% Non Cumulative Redeemable Preference Share of Rs. 10/- each	100,000	100,000
	<u>250,000,000</u>	<u>250,000,000</u>
Issued Subscribed & Fully Paid Up		
19,500,343 (Previous Year 19,500,343) Equity Shares of Rs 10/- Each fully paid up*.	195,003,430	195,003,430
	<u>195,003,430</u>	<u>195,003,430</u>
* Out of which 9,329,338 (Previous Year : 9,329,338) equity shares were allotted in 2006-07 as fully paid Bonus shares by capitalisation of accumulated profits and General Reserve		
SCHEDULE - 2		
RESERVES & SURPLUS		
General Reserve		
Opening Balance	11,323,604	663,739
Transfer from Profit & Loss A/c	-	10,659,865
	<u>11,323,604</u>	<u>11,323,604</u>
Amalgamation Reserve	990,000	990,000
Capital Redemption Reserve	600,000	600,000
Share Premium	2,713,246,130	2,713,246,130
Profit & Loss A/c	198,524,446	106,858,627
Available For Sale Investment Reserve	(515,889)	2,268,589
(Refer Note No. 5 of Schedule `17')	<u>2,924,168,291</u>	<u>2,835,286,950</u>
SCHEDULE - 3		
Secured Loans		
From Banks		
Term Loan*	47,600,000	-
From Others		
Vehicle Loan**	9,693,326	7,000,000
	<u>57,293,326</u>	<u>7,000,000</u>

Notes :

*Term Loan

(1) Repayable within one year Rs. 10,391,244 (Previous year : Nil)

**Vehicle Loan

(1) Repayable within one year Rs.4,617,220 (Previous year : 1,924,675)

(2) Secured against hypothecation of vehicles

SCHEDULE - 4
FIXED ASSETS

PARTICULARS	GROSS BLOCK						DEPRECIATION				NET BLOCK	
	As At 01.04.2008	Additions	Sales/Deduction	As at 31.03.2009	Up To 01.04.2008	For the Period	Adjustments/ Sales	Total up to 31.03.2009	As at 31.03.2009	As at 31.03.2008		
	(Amount in Rs.)											
Tangible Assets												
Land-Leasehold *	1,036,027			1,036,027	-	-	-	-	1,036,027	1,036,027		
Buildings	1,772,301			1,772,301	1,611,401	59,195	-	1,670,596	101,705	160,900		
Office Equipments	947,478	590,808		1,538,286	71,638	65,053	-	1,36,691	1,401,595	875,840		
Plant & Machinery	1,965,550	237,290		2,202,840	121,955	159,791	-	281,747	1,921,093	1,843,595		
Vehicle	8,350,599	8,691,991		17,042,590	10,867	1,547,107	-	1,557,974	15,484,616	8,339,732		
Furniture & Fittings	1,118,644	996,031		2,114,675	198,775	111,043	-	309,818	1,804,857	919,869		
Intangible Assets												
Software	-	100,000		100,000	-	14,466	-	14,466	85,534	-		
Capital Work in Progress**	15,190,599	10,616,120	-	25,806,719	2,014,636	1,956,655	-	3,971,291	21,835,428	13,175,963		
Previous Year	85,386,932	53,585,598	7,431,798	131,550,733	-	-	-	-	131,550,733	85,386,933		
	100,577,531	64,211,718	7,431,798	157,357,452	2,014,636	1,956,655	-	3,971,291	153,386,161	98,562,896		
	8,860,104	93,439,598	1,722,171	100,577,531	1,600,216	430,552	16,132	2,014,636	98,562,895	7,259,889		

* The company has applied for the conversion of lease hold land into the free hold land and all the requisite documents have been filed with the appropriate authorities.

** Capital Work in progress includes:

- Expenditure incurred on ERP implementation of Rs. 131,224,150 (Previous Year 77,956,496)
- Capital Advance Rs. 326,583 (Previous Year Rs. 326,583) to DDA for converting its leasehold land into freehold land
- Other Capital Advance Rs. Nil (Previous Year Rs. 3,500,000)
- Pre-Operative expenses of Rs. Nil (Previous year 3,603,853) (Refer to Note 16 of Sch.17)

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rupees)

	AS AT 31ST MARCH 2009	AS AT 31ST MARCH 2008
SCHEDULE - 5		
INVESTMENTS		
A. Long-term Investment		
Investment in Subsidiaries		
Pearl Global Ltd.		
Quoted - Trade		
4,969,588 (Previous Year 4,969,588) Equity Shares of Rs.10/- each fully paid up (Refer to Note 1)	3,413,870	3,413,870
Unquoted - Trade		
1,703,000 (Previous Year 1,372,000) Redeemable Preference Shares of Rs. 100/- each	170,300,000	137,200,000
Unquoted - Trade		
Norp Knit Industries Limited., Bangladesh 493,761 (Previous Year 493,761) Equity Shares of Taka 100 Each fully paid up	31,878,768	31,878,768
Nor Pearl Knitwear Limited., Bangladesh 2,654,597 (Previous Year 2,654,597) Equity Shares of TaKa 100 Each fully paid up	191,240,354	191,240,354
Multinational Textiles Limited, Mauritius 20071170 (Previous Year 13,017,610) Equity Shares of USD 1 each fully paid up	916,159,852	577,040,671
House of Pearl Fashions (U.S.) Limited 100 (Previous Year 100) without par value fully paid up shares	26,546,350	26,546,350
Lerros Fashions India Pvt. Ltd. 1890000 (Previous Year Nil) equity shares of Rs.10 each fully paid up	18,900,000	-
Lerros Fashions India Pvt. Ltd. 4990000 (Previous Year Nil) Preference shares of Rs.10 each fully paid up	49,900,000	-
Investment in partnership firm	53,764,901	51,936,283
B. Current Investment		
In Mutual Funds Unquoted - Non Trade		
Held to Maturity		
Birla Sunlife Qlty Interval Series 1 NIL (Previous Year 5,114,033.19)	-	51,140,393
HSBC Interval Fund Plan- 1 Instl. NIL (Previous Year 5,035,475.94)	-	50,354,974
ING Fixed Maturity Fund -Series 41 NIL (Previous Year 5,000,000.00)	-	50,000,000
ICICI Prudential Interval Fund II Qlty NIL (Previous Year 11,604,209.48)	-	116,042,095
Kotak Qlty Interval Plan Series 4 NIL (Previous Year 4,346,580.56)	-	43,466,053
Reliance Fixed Horizon Fund VI Series-2 NIL (Previous Year 5,000,000.00)	-	50,000,000
Sundaram BNP Paribas Interval Fund Qlty- Plan- A Retail Div. NIL (Previous Year 4,249,065.21)	-	42,500,000
Templetom Fixed Horizon Fund Series-II NIL (Previous Year 10,000,000) units of Rs. 10.8840 each	-	100,000,000
Citicorp Finance (India) Ltd. 25 (Previous year 25) units of Rs. 1,000,000.00 each	25,000,000	25,000,000
J M Financial Service (P) Ltd.- PMS Triple AAAce Scheme	-	25,000,000
Held For Trading		
Quoted - Non Trade		
Investment in Equity Shares		
Power Grid Corporation Limited Nil (P.Y. 13,200 shares) of Rs. 10/- each fully paid up	-	1,292,940
Reliance Industries Limited Nil (P.Y. 610 shares) of Rs. 10/- each fully paid up	-	1,381,345
Reliance Communication Limited Nil (P.Y. 2400 shares) of Rs. 10/- each fully paid up	-	1,219,920
Yes Bank Nil (P.Y. 5200 shares) of Rs. 10/- each fully paid up	-	877,500
BHEL Nil (P.Y. 730 shares) of Rs. 10/- each fully paid up	-	1,501,282
Tata Steel Limited Nil (P.Y. 2200 shares) of Rs. 10/- each fully paid up	-	1,524,930

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rupees)

	AS AT 31ST MARCH 2009	AS AT 31ST MARCH 2008
Investment in Mutual Funds Unquoted - Non Trade		
Reliance Equity Advantage Fund NIL (Previous Year 733,496.33) unit of Rs. 10.043 each	-	7,366,504
J M Contra fund - Growth Plan NIL (Previous Year 733,496.33) units of Rs. 9.5726 each	-	7,021,467
Available for Sale Securities		
Investment in Mutual Funds Unquoted - Non Trade		
Birla Sunlife Income Fund-Qtly Div. NIL (Previous year 4,573,939.14) units of Rs. 10.6302 each	-	48,621,888
DSPML Cash Plus Fund- Instl DD NIL (Previous year 39,420.25) units of Rs. 1000.10 each	-	39,424,196
DSPML World Gold Fund 365,256.78 (Previous year 365,256.78) units of Rs. 12.2766 each	4,484,111	5,172,073
Franklin India Income fund NIL (Previous year 4,595,299.59) units of Rs. 10.4856 each	-	48,184,473
HDFC Cash Management Saving Plan NIL (Previous year 1,891,931.04) units of Rs. 10.6364	-	20,123,335
JM Money Manager Fund Super Plus Plan- Growth NIL (Previous Year 4,598,631.45) units of Rs. 11.3287 each	-	52,096,516
Kotak Bond Regular Plan NIL (Previous Year 4,649,620.65) unit of Rs. 10.5241 each	-	48,933,073
Reliance Liquid Plus Fund- Instl Plan- Daily Div. NIL (Previous Year 100,184.94) unit of Rs. 1001.1364 each	-	100,298,793
Reliance Medium Term Fund Daily Div. Plan 1,582,846.165 (Previous Year NIL) unit of Rs. 17.0955 each	27,059,547	-
ICICI Prudential Flexible Income Plan Premium-Daily Dividend 7,615,708.603 (Previous Year NIL) unit of Rs. 10.5735 each	80,524,695	-
Principal Floating Rate Fund FMP-Instl Option- Dividend Reinvest 2,528,042.81 (Previous Year NIL) unit of Rs. 10.0123 each	25,311,523	-
HDFC Cash Management Fund- Treasury Advantage Plan Wholesale 6,033,914.626 (Previous Year NIL) unit of Rs. 10.0315 each	60,529,215	-
	<u>1,685,013,186</u>	<u>1,957,800,045</u>

Notes :

1. It Includes 4,752,000 (Previous Year 4,752,000) Bonus Shares and 1,888 shares issued by Pearl Global Limited in consideration for 549 shares of Mina Export being the amalgamated company.
2. Aggregate amount of of quoted investment is Rs. 3,413,870 (P.Y. Rs. 11,211,787)
3. Aggregate market value of quoted investment is Rs. 228,849,527 (P.Y. Rs. 247,332,058)
4. Aggregate amount of Unquoted investment is Rs. 1,681,599,316 (P.Y. Rs. 1,946,588,259)

SCHEDULE - 6

DEFERRED TAX ASSET (NET)

Opening Deferred Tax Asset	10,123,671	10,593,623
Less: Deferred Tax release for the year (Refer Note No. 14 of the Schedule `17')	(3,075,498)	(469,952)
	<u>7,048,173</u>	<u>10,123,671</u>

SCHEDULE - 7

INVENTORIES

(As taken, valued and certified by the management)

Traded Goods - Finished	-	161,659
	-	161,659

SCHEDULE - 8

SUNDRY DEBTORS

(Unsecured - Considered Good)

Over Six Months	24,290,991	-
Others	33,428,591	70,594,539
	<u>57,719,582</u>	<u>70,594,539</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

	AS AT 31ST MARCH 2009	(Amount in Rupees) AS AT 31ST MARCH 2008
SCHEDULE - 9		
CASH & BANK BALANCES		
Cash in Hand	288,651	251,995
Cheques in Hand	14,638,575	20,000
Balances with Scheduled Banks		
i) In Current Accounts	10,386,498	152,734,752
ii) Fixed Deposit*	2,400,000	2,400,000
ii) Fixed Deposit (Unutilised money of IPO Proceeds)	323,266,076	300,000,000
	<u>350,979,800</u>	<u>455,406,747</u>
*Pledge with the bank		
SCHEDULE - 10		
LOANS & ADVANCES		
(Unsecured -Considered Good)		
Loans to:		
Subsidiaries	454,889,205	200,000,000
Others	175,100,000	75,000,000
Advances recoverable in Cash or in Kind or for value to be received	326,418,336	200,669,571
Security Deposit	1,222,000	20,703,162
Advance Tax (including tax deducted at source)	8,343,223	10,895,641
Net of Provision of Rs. 34,173,071 (Previous Year : 10,040,462)	<u>965,972,764</u>	<u>507,268,374</u>
SCHEDULE - 11		
CURRENT LIABILITIES		
Sundry Creditors - others		
– Due to Micro, Smal and Medium enterprises *	–	–
– Others	39,223,938	24,224,909
Other Liabilities **	2,111,183	2,351,386
Unpaid Dividend	25,737	–
	<u>41,360,858</u>	<u>26,576,295</u>
* The company has not received information from vendors regarding the Micro, Small and Medium Enterprises and Development Act, 2006. Hence disclosure related to unpaid amount outstanding at the year end together with the amount of interest paid/payable have not been given. For this purpose, we have relied upon the information provided by the management. In previous year, there was no amount outstanding due to small scale industrial undertakings as at 31st March, 2009.		
** It does not include any amount due to be transferred to investor protection fund.		
SCHEDULE - 12		
PROVISIONS		
Proposed Dividend	–	29,250,515
Tax on Dividend	–	4,971,124
Provision For Leave Encashment	405,347	477,460
Provision For Gratuity	1,888,414	1,352,156
	<u>2,293,761</u>	<u>36,051,255</u>

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rupees)

	CURRENT YEAR		PREVIOUS YEAR	
SCHEDULE - 13				
OTHER INCOME				
Interest on Fixed Deposit with Bank		37,483,444		34,685,513
Tax Deducted At Source Rs. 6,934,286 (Previous Year 7,858,192)				
Interest on Loan (Others)		39,735,536		21,079,199
Tax Deducted At Source Rs. 8,150,617 (Previous Year Rs. 4,761,622)				
Rent Received		2,803,500		840,000
Tax Deducted At Source Rs.608,081 (Previous Year Rs. 162,888)				
Dividend on current investment-Non Trade		23,303,212		82,918,948
Dividend Income on Long term- trade investment with Subsidiary		45,236,717		9,939,175
Profit and Loss on sale of non-trade current/short-term investments				
- Mutual Fund	19,178,356		100,097	
- Shares Net of Loss of Rs. Nil (Previous Year : 140,833)	-	19,178,356	222,752	322,850
Profit from Partnership Firm		1,828,618		-
Commission Income		-		-
Foreign Exchange Fluctuation		32,975,799		-
Sundry Balances written back		1,157		-
Miscellaneous Income		-		109,620
		<u>202,546,339</u>		<u>149,895,304</u>
SCHEDULE - 14				
MANUFACTURING & OTHER EXPENSES				
Fabrication Charges		10,256,111		-
Washing & Other Expenses		-		300,402
Sampling Expenses		1,221,764		-
Power & Fuel		882,502		92,123
Salaries & Allowances		22,826,221		7,380,461
Employees Welfare		354,997		318,297
Gratuity		536,258		1,258,186
Audit Fees		661,800		674,160
Legal & Professional Charges		2,432,275		3,391,076
Rates & Taxes		512,600		321,329
Rent		1,334,000		235,000
Travelling & Conveyance		26,457,336		12,358,476
Insurance		792,531		553,026
Repair & Maintenance				
- Others	1,432,732	1,432,732	828,384	828,384
Printing & Stationary		1,823,423		1,253,106
Communication Expenses		2,702,926		1,604,064
Sundry Balances Written Off		-		229,022
Inward Freight & Clearing Charges		4,465,094		174,350
Freight Outward		2,073,034		-
Sales Promotions		203,551		1,610,534
Commission Expenses		2,151,273		-
Director Sitting Fees		440,000		480,000
Bank Charges		5,381,595		228,656
Loss on sale of Assets		-		279,880
Loss on reinstatement of non-trade investments at fair value		-		992,115
Entertainment Expenses		2,263,798		1,820,111
Loss From Partnership Firm		-		736,514
Foreign Exchange Fluctuation		-		516,635
Portfolio Management Fees		1,168,844		148,731
Penalties		8,640,000		-
Miscellaneous Expenses		2,909,318		1,920,600
		<u>103,923,983</u>		<u>39,705,238</u>
SCHEDULE - 15				
FINANCE COST				
Interest :				
- Term Loans		1,228,535		143,119
- Others		174,543		-
		<u>1,403,078</u>		<u>143,119</u>

SCHEDULE - 16

SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

The financial statements have been prepared to comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956 (the 'Act'). The financial statements have been prepared under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the company unless otherwise stated.

2. Use of Estimates

The preparation of financial statements is in conformity with generally accepted accounting principles which requires making of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets & liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between the actual results and estimates are recognized in the year in which the results are known / materialized.

3. Inventories

- Inventories of finished goods manufactured by the company are valued at lower of cost and estimated net realizable value. Cost includes material cost on weighted average basis and appropriate share of overheads.
- Inventories of finished goods traded are valued at lower of procurement cost (FIFO Method) or estimated net realizable value.
- Inventories of Raw Material, Work in Progress, Accessories & Consumables are valued at cost (weighted average method) or at estimated net realizable value whichever is lower. For WIP, cost included appropriate overheads.

4. Cash Flow Statement

Cash flows are reported using the indirect method as specified in Accounting Standard (AS-3) 'Cash Flow Statement'.

5. Depreciation

Depreciation on fixed assets is provided on Straight Line Method at the rates and in the manner as prescribed in Schedule XIV of the Companies Act. Fixed Assets Costing upto Rs. 5,000/- are depreciated fully in the year of purchase.

Software is amortized over the period of 5 years which in the opinion of the management is the estimated economic life.

6. Revenue Recognition

- Export sale is recognized on the basis of date of Airway Bill/ Bill of lading.
- Sales are shown as net of trade discount and includes Freight & Insurance recovered from buyers as per the terms of sale.
- Interest income is recognized on time proportion basis.
- Dividend income is recognized when the right to receive is established.

7. Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost including borrowing costs of bringing the asset to its working condition for its intended use. Related Pre-operative expenses are capitalized over the total project at the commencement of Project/commercial production.

8. Intangible Assets

Intangible assets such as technical know how fees, etc. which do not meet the criterions laid down, in the terms of Accounting Standard 26 on Intangible Assets, are written off in the year in which they are incurred. If such costs/ expenditure meet the criterion, it is recognized as an intangible asset and is measured at cost. It is amortized by way of a systematic allocation of the depreciable amount over its useful life and recognized in the balance sheet at net of any accumulated amortization and accumulated impairment losses thereon.

9. Foreign Currency Transactions

- Investments in foreign entities are recorded at the exchange rates prevailing on the date of making the investments.
- Sales made in foreign currency are translated on average monthly exchange rate. Gain/Loss arising out of fluctuation in the exchange rate on settlement of the transaction is recognized in the profit and loss account.
- Foreign Currency monetary items are reported using the closing rate. The resultant exchange gain/loss are dealt with in profit & loss account.

10. Investment and Financial Assets

As per AS-30, the company has classified its investments as follows:-

Held for trading: Trading securities are those (both debt & equity) that are bought and held principally for the purpose of selling them in near term, such securities are valued at fair value and gain/loss is recognised in the income statement.

Held to Maturity: The investments are classified as held to maturity only if the company has the positive intent and ability to hold these securities to maturity. Such securities are held at historical cost.

Available-for-sale financial assets: Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity & debt instruments that are designated as

available for sale and are initially recognized at their value. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, with gains or loss recognised as a separate component of equity as "Investment Revaluation Reserve" until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date.

11. Derivative financial instruments and hedging

The Company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as:

Fair value hedges: A hedge of the exposure to changes in the fair value of recognized asset or liability or an unrecognized firm commitment (except for foreign risk), or an identified portion of such asset, liability or firm commitment that is attributable to a particular risk and could affect profit or loss.

Cash flow hedges: A hedge of the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, and could affect profit or loss.

The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized immediately in the income statement.

12. Employee Benefit

Expenses and Liabilities in respect of employee benefits are recorded in accordance with Revised Accounting Standard 15 - Employees Benefits (Revised 2005) issued by the ICAI.

(i) Post Employment Benefit Plans

Payments to Defined Contribution Retirements Benefit Schemes are charged as an expense as they fall due.

For Defined Benefit Schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the profit and loss account for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight line basis over the average period until the benefit become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

(ii) Short Term Employee Benefits

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders the service.

13. Leases

Lease agreements executed after April 1, 2001 for taking assets on lease are classified as either finance lease or operating lease and are accounted for in accordance with the Accounting Standard (AS-19) issued by the Institute of Chartered Accountants of India.

Lease rent paid for leased assets in respect of which agreements were entered into prior to April 1, 2001 are charged to the Profit and loss account.

14. Taxes On Income

Current tax is amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized on timing differences being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized if there is a virtual certainty that there will be sufficient future taxable income available to reverse such losses.

15. Provision, Contingent Liabilities And Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

SCHEDULE – 17

NOTES TO ACCOUNT

1. **Contingent Liabilities**

- Corporate Guarantee given by the company to UCO Bank, Hongkong for securing trade finance limits to its step down subsidiary M/s Norwest Industries Ltd, Hong Kong for HK\$ 150 million equivalent to Rs. 1,009,500,000 & GBP 14 Million equivalent to Rs. 1,038,240,000 (Previous Year: HK\$ 120 million equivalent to Rs. 615,600,000 and GBP 14 million equivalent to Rs. 1,114,400,000)
- Corporate Guarantee given by the company to HSBC Limited, Indonesia for securing credit facilities to its step down subsidiary M/s PT Norwest Industry, Indonesia for USD 2,500,000/- equivalent to Rs. 130,425,000 (Previous Year USD 2,500,000/- equivalent to Rs. 99,750,000).
- Corporate Guarantee given by the company to HSBC Limited, Bangladesh for securing working capital facility to its subsidiary M/s Nor Pearl Knitwear Limited, Bangladesh for USD 4,525,000/- equivalent to Rs. 236,069,250 (Previous Year : USD 4,525,000/- equivalent to Rs. 180,547,500).
- Corporate Guarantee given by the company to THE CIT GROUP / COMMERCIAL SERVICES INC, New York for working capital and letter of credit facilities to its wholly owned subsidiary M/s House of Pearl Fashions (US) Ltd for USD 400,000 equivalent to Rs. 20,868,000 (Previous Year Rs.7,884,479).
- Corporate Guarantee given by the company to HSBC for HKD 300 Million, equivalent to Rs. 2,019,000,000 for securing credit facilities to its step down subsidiaries Norwest Industries Ltd., Simple Approach Ltd. and Zamira Fashion Ltd. (Previous Year: Rs. Nil).
- Corporate Guarantee given by the company to Standard Chartered Bank, Hongkong for USD 16,928,000 equivalent to Rs. 883,133,760 for securing credit facilities to its step down subsidiary Norwest Industries Ltd. (Previous Year: Rs. Nil).
- Corporate guarantee given by the company to HSBC, Bangladesh for BDT 150,685,000 equivalent to Rs. 116,027,450 for securing various credit facilities to its subsidiary Norp Knit Industries Ltd. (Previous Year: Rs. Nil).
- Counter Guarantee given by the company to Standard Chartered Bank, New Delhi for stand by Letter of Credit (SBLC) of USD 285,000 equivalent to Rs. 14,868,450 in favour of Geoffrey Beene, USA on behalf of wholly owned subsidiary House of Pearl Fashions (US) Ltd (Previous Year : NIL)

- Counter Guarantee given by the company against bank guarantee given by the bank on its behalf for Rs. NIL (Previous Year: 2,400,000).
- Corporate Guarantee given by the company to ICICI Bank Limited, New Delhi for Rs. 100,000,000/- for derivative limits to its subsidiary M/s Pearl Global Limited. (Previous Year: Rs. 100,000,000/-).
- Corporate guarantee given by the company to HSBC for Rs. 200,000,000/- for Import documentary credits and import deferred payment credits to its subsidiary M/s Pearl Global Limited. (Previous Year: Rs. Nil)
- Corporate Guarantee given by the company to Development Credit Bank for USD 10,000,000/- equivalent to Rs. 521,700,000 for derivatives/FX Forward Contact to its subsidiary M/s Pearl Global Limited (Previous Year: Rs. Nil).
- Corporate Guarantee given by the company to UCO Bank for Rs. 150,000,000/- for Term Loan and Working Capital Credit facilities to its Subsidiary M/s Pearl Global Limited (Previous Year : 50,000,000/-).
- Corporate Guarantee given by the company to Carat Media Services India Pvt. Ltd. for Rs. 5,000,000 for providing various services (advertising of brands) to its subsidiary Lerros Fashions India Pvt. Ltd. (Previous Year: Rs. Nil).
- Corporate Guarantee given by the company to Standard Chartered Bank for Rs. 410,000,000 for securing Fund and Non Fund Based credit facilities to its subsidiary M/s Pearl Global Ltd. (Previous Year Fund Based Rs.5.00 Cr and Non -Fund Based Rs.10.00 Cr).
- Corporate Guarantee given by the company to Standard Chartered Bank to secure derivative limits sanctioned to its subsidiary Pearl Global Ltd. the outstanding balance as on 31.03.2009 Rs.150,518,093/- (Previous year Rs. Nil)
- Corporate Guarantee given by the company to Yes Bank for Rs. 87,500,000/- for securing term loan facility to its subsidiary M/s Pearl Global Ltd. (Previous Year Rs.100,000,000).
- Export bills discounted with banks Rs. 10,301,946/- (Previous Year Nil)

2. a) Vehicle loans are secured against hypothecation of respective vehicles.
- b) Term loan from Axis bank is secured by equitable mortgage on property situated at plot no. 21/13-x, block-A, Naraina Industrial Area, Phase-II, New Delhi owned by directors of the company and personal guarantee by the directors.

3. The Company is a partner of M/s Hopp Fashion and has the following interest in the firm.

(Amount in Rs.)

Name of the partner	% of Share		Profit/(Loss) during the year		Capital	
	Current Period	Previous year	Year Ended 31.03.2009	Year Ended 31.03.2008 *	As At 31.03.2009	As At 31.03.2008
Deepak Seth & Sons (HUF)	25%	25%	609,539	(236,752)	1,432,692	823,153
House of Pearl Fashions Limited	75%	75%	1,828,618	(71,255)	53,764,901	51,936,283
Total			2,438,157	(947,007)	55,197,593	52,759,436

* (Net of transitional adjustment on account of revised AS-15 of Rs. 8,753 and Rs. 26, 259)

4. **Capital Commitments**

Estimated amount of contracts remaining to be executed on capital account (Net of advances) Rs. Nil (Previous Year Rs. 22,552,967)

5. **Details of Investments made & sold during the year are given as under :**

Name of the Company	Shares at the Beginning	Shares purchased during the year	Shares sold during the year	Shares at the Closing
Multinational Textile Group Ltd. (Equity Shares)	13,017,610	7,053,560	–	20,071,170
Lerros Fashion India Pvt. Ltd. (Equity Shares)	–	1890,000*	–	1,890,000
Lerros Fashion India Pvt. Ltd. (Preference Shares)	–	6,880,000	1,890,000*	4,990,000
Pearl Global Ltd. (Preference Shares)	1,372,000	331,000	–	1,703,000

*Represent 1,890,000 preference shares converted into equity shares on 31.03.2009.

Held to Maturity

Name of the Company	Units at the beginning	Units purchased during the year	Reinvest during the year	Units sold during the year	Units at the Closing
AIG Quarterly Interval Fund Series I Institutional Growth	–	20,000	–	20,000	–
BSL Quarterly Interval- Series 1- Dividend- Reinvestment	5,114,033	–	175,459	5,289,492	–
BSL Qtlly Interval Series-1- Div. Payout	–	4,000,000	–	4,000,000	–
Citicorp Finance (India) Ltd.	25	–	–	–	25
DSPML FMP-3M- Series 8- Inst. Div	–	5,000,000	85,949	5,085,949	–

Name of the Company	Units at the beginning	Units purchased during the year	Reinvest during the year	Units sold during the year	Units at the Closing
DSPML FMP-3M-Series 9- Inst. Growth	-	3,980,571	-	3,980,571	-
HSBC Interval Fund Plan-1 Instl Div	5,035,476	-	156,525	5,192,001	-
HDFC Qlty Interval Fund Plan C Wholesale Growth	-	2,296,064	-	2,296,064	-
HDFC FMP 90D July 2008 (VIII) (1) Wholesale Plan Growth	-	3,000,000	-	3,000,000	-
HDFC FMP 90D July 2008 (IX) (3) Wholesale Plan Growth	-	3,000,000	-	3,000,000	-
HDFC Quarterly Interval Fund- Plan C Wholesale Dividend- Option Payout	-	4,000,000	-	4,000,000	-
ICICI Pru. Interval Fund II Qlty Interval Plan C Retail Dividend -Div. Reinvest	11,604,209	-	236,638	11,840,847	-
ING Fixed Maturity Fund-41 Instl. Div.	5,000,000	-	-	5,000,000	-
IDFC Fixed Maturity Plan- Quarterly Series 38 Growth	-	2,000,000	-	2,000,000	-
ICICI Pru. Interval Fund II Qlty Interval Plan C Institutional Dividend -Div. Reinvest	-	5,000,000	-	5,000,000	-
JM Interval fund-Quarterly Plan 3 Institutional Growth Plan	-	1,912,338	-	1,912,338	-
JM Interval fund-Quarterly Plan 4 Institutional Dividend Plan	-	2,000,000	-	2,000,000	-
Kotak Qlty Interval Plan Series 4- Dividend	4,346,581	-	151,490	4,498,071	-
Mirae Asset Interval fund- Qlty Plan Series I - Institutional Growth Plan	-	2,000,000	-	2,000,000	-
Reliance Fixed Horizon Fund-VI S-2 Institutional Dividend Plan	5,000,000	-	-	5,000,000	-
Reliance Monthly Interval Fund- Series- I- Institutional Growth Plan	-	4,525,725	-	4,525,725	-
Reliance Quarterly Interval Fund- Series II - Institutional Dividend Plan	-	5,095,677	-	5,095,677	-
Reliance Fixed Horizon Fund- X- Series 14- Institutional Growth Plan	-	1,500,000	-	1,500,000	-
Sundaram BNP Paribas Interval Fund Qly- Plan- A Retail Div.	4,249,065	-	-	4,249,065	-
Sundaram BNP Paribas FTP 90 Days Series 5 Inst- Dividend	-	2,000,000	36,182	2,036,182	-
Sundaram BNP Paribas FTP 90 Days Series 7 Institutional- Dividend	-	2,000,000	42,524	2,042,524	-
SBI Debt Fund Series - 90 Days-26-Dividend	-	1,000,000	-	1,000,000	-
Templeton Fixed Horizon fund Series II - Plan A Instl.- Growth	10,000,000	-	-	10,000,000	-
Templeton Quarterly Interval Plan- Plan A Institutional - Growth	-	1,790,222	-	1,790,222	-

For Trading

Power Grid Corporation Ltd.	13,200	-	-	13,200	-
Reliance Industries Ltd.	610	-	-	610	-
Reliance Communication Ltd.	2,400	-	-	2,400	-
Yes Bank	5,200	5,000	-	10,200	-
BHEL	730	-	-	730	-
Tata Steel Limited	2,200	-	-	2,200	-
J M Contra Fund- Growth Plan	733,496.33	-	-	733,496.33	-
Reliance Equity Advantage Fund-Retail Plan- Dividend Plan	733,496.33	-	-	733,496.33	-

Available for Sale

Birla Sun Life Liquid Plus - Instl. - Daily Dividend- Reinvestment	-	4,851,069	11,608	4,862,677	-
Birla Sun Life Income Fund-Qlty Dividend - Reinvestment	4,573,939	-	-	4,573,939	-
DSPML World Gold Fund	365,257	-	-	-	365,257
DSPML Cash Plus Fund- Instl DD	39,420	-	381	39,801	-
Franklin India Income Fund	4,595,300	-	-	4,595,300	-
HDFC Cash Management Saving Plan- Daily Dividend Reinvestment	1,891,931	-	7,056	1,898,987	-
HDFC Floating Rate Income Fund-Short Term Plan- Wholesale Option- Dividend Reinvestment	-	9,919,749	146,252	10,066,001	-

Name of the Company	Units at the beginning	Units purchased during the year	Reinvest during the year	Units sold during the year	Units at the Closing
ICICI Pru. Flexible Income Plan- Growth	–	4,465,752	–	4,465,752	–
JM Money Manager Fund Super Plus Plan- Growth	4,598,631	–	–	4,598,631	–
JP Morgan Liquid Plus Fund Growth	–	4,729,921	–	4,729,921	–
Kotak Flexi Debt Scheme-Daily Div.	–	4,871,554	11,656	4,883,210	–
Kotak Bond (Regular) Qtrly Dividend	4,649,621	–	–	4,649,621	–
Reliance Liquid Plus Fund Instl Option-Daily Dividend Plan	100,185	169,807	2,001	271,993	–
Reliance Liquid Plus Fund- Instl Option- Growth Plan	–	45,370	–	45,370	–
Reliance Liquid Plus Fund-Instl Option Daily Dividend Plan	–	39,955	511	40,466	–
Reliance Liquid Fund-Cash Plan-Growth Option-Growth Plan	–	698,617	–	698,617	–
Reliance Medium Term Fund Daily Dividend Plan	–	10,909,304	32,731	9,359,188	1,582,846
SBI-SHF- Liquid Plus- Instl Plan-Growth	–	1,606,153	–	1,606,153	–
Templeton India Ultra Short Bond Fund Instl. Plan-Daily Dividend	–	4,747,373	114,354	4,861,727	–
Templeton India Ultra Short Bond Fund Super Instl. Plan- Daily Dividend Reinvest	–	7,990,731	53,098	8,043,829	–
ICICI Prudential Flexible Income Plan Premium-Daily Dividend	–	7,566,085	49,624	–	7,615,709
Principal Floating Rate Fund FMP-Instl. Option-Dividend Reinvestment Daily	–	2,496,929	31,114	–	2,528,043
HDFC Cash Management Fund-Treasury Advantage Plan- Wholesale-Daily Dividend	–	7,974,879	52,755	1,993,720	6,033,915

6. Amount due from / to Companies / Firms in which directors are interested are given as under:

(Amount in Rs.)

		31st March 2009	31st March 2008
1.	Advances includes		
(A)	Advances		
	Pearl Global Limited Maximum balance outstanding during the period Rs 55,656,226 (P.Y. Rs. 70,552,218)	45,462,437	49,164,081
	Aries Travel Pvt. Ltd. Maximum balance outstanding during the period Rs 300,000 (P.Y. Nil)	300,000	–
	Little People Education Society Maximum balance outstanding during the period Rs 15,075,196 (P.Y. Nil)	8,010,983	–
	Norp Knit Industries Ltd. Maximum balance outstanding during the period Rs. 24,910 (P.Y. Rs. 21,225)	24,910	19,950
	Nor Pearl Knitwear Ltd Maximum balance outstanding during the period Rs. 304,869 (P.Y. Rs. 244,655)	304,869	244,655
	Vau Apparels Pvt. Ltd Maximum balance outstanding during the period Rs. 24,590,990 (P.Y. Rs. 20,870,743)	–	20,870,743
	Lerros Fashions India Pvt. Ltd. Maximum balance outstanding during the period Rs. 3,601,884 (P.Y. Rs. Nil)	3,601,884	–
	Norwest Industries Maximum balance outstanding during the period Rs. 79,946 (P.Y. Rs. Nil)	79,946	–
(B)	Share Application Money Includes:		
	Lerros Fashions India Pvt. Ltd. Maximum balance outstanding during the period Rs. 71,500,000 (P.Y. Rs. 19,900,000)	71,500,000	19,900,000
	Pearl Global Ltd. Maximum balance outstanding during the period Rs. 22,500,000 (P.Y. Rs. 15,970,000)	–	22,500,000
	House of Pearl Fashions (US) Ltd. Maximum balance outstanding during the period Rs. 9,879,924 (P.Y. Rs. Nil)	9,879,924	–
	Multinational Textile Group Ltd. Maximum balance outstanding during the period Rs. 339,119,181 (P.Y. Rs. 7,361,358)	2,464,404	7,361,358
	Norp Knit Industries Ltd. Maximum balance outstanding during the period Rs. 61,589,074 (P.Y. Rs. Nil)	61,589,074	–
	Nor Pearl Knitwear Ltd. Maximum balance outstanding during the period Rs. 71,986,270 (P.Y. Rs. 71,986,270)	71,986,270	71,986,270
2.	Loan includes:		
	Little People Education Society Maximum balance outstanding during the period Rs. 175,100,000 (P.Y. Rs.80,000,000)	175,100,000	75,849,193
	Pearl Global Limited Maximum balance outstanding during the period Rs 250,900,936 (P.Y.Rs.275,000,000)	250,900,936	218,339,589
	Nor Pearl Knitwear Ltd. Maximum balance outstanding during the period Rs 149,429,999 (P.Y. Rs. Nil)	149,429,999	–
	House of Pearl Fashions (US) Ltd. Maximum balance outstanding during the period Rs 21,538,206 (P.Y. Rs. Nil)	21,538,206	–
	Multinational Textile Group Ltd. Maximum balance outstanding during the period Rs. 67,821,000 (P.Y. Rs. Nil)	67,821,000	–
3.	Debtor Includes:		
	Vau Apparels Pvt Ltd. Maximum balance outstanding during the period Rs. 35,031,662 (P.Y. Rs.31,311,414)	24,290,991	31,311,414
	M/s Lerros Modem GMBH Maximum balance outstanding during the period Rs. 4,089,431 (P.Y. Rs. 4,089,431)	–	4,089,431
	Pearl Global Limited Maximum balance outstanding during the period Rs 44,685,105 (P.Y. Rs. 71,294,983)	–	35,193,694
	House of Pearl Fashions (US) Ltd. Maximum balance outstanding during the period Rs 92,870,667 (P.Y. Rs. Nil)	25,519,630	–

7. Details of Managerial Remuneration

(Amount in Rs.)

Particulars	Current Year	Previous Year
Salary	5,000,000	-
Contribution to Provident Fund	7,800	-
Total	5,007,800	-

Note:

Provision for / contribution to employee retirement benefits are excluded above.

Above managerial remuneration is permissible as minimum remuneration in accordance with the schedule XIII of The Companies Act, 1956.

Computation of Net Profit as per section 349 and section 198 of Companies Act, 1956.

Particulars	Amount (In Rupees)
Profit before Taxes as per Profit and Loss Account	118,873,926
Add: Managerial Remuneration	5,007,800
Add: Directors sitting Fee	440,000
Net Profit	124,321,726
Maximum permissible remuneration to managing director under section 198 of Companies Act, 1956 @ 5% of profit computed above.	6,216,086

8. Payment to Auditors

(Amount in Rs.)

Particulars	Current Year	Previous Year
Statutory Audit Fee	525,000	525,000
Tax Audit Fee	75,000	75,000
Other Matters*	25,000	50,550
Service Tax	64,375	80,407
Total	689,375	730,957

*This has been included in Legal & Professional expenses.

9. Employee Benefits

The Company has adopted Accounting Standard 15 (revised 2005) 'Employee Benefits'. The Company has classified the various benefits provided to employees as under:-

(i) Defined Contribution Plan

The company makes contribution towards provident fund to a defined contribution retirement benefit plan for qualifying employees. The provident fund plan is operated by the Regional Provident fund commissioner and the company is required to contribute a specified percentage of payroll cost to the retirement benefit schemes to fund the benefits.

The company recognized Rs. 345,974 (Previous Year: Rs. 9,395) for provident fund contributions in the profit and loss account and Rs. 259,557 (Previous Year: Rs. 123,265) debited under the head "Capital work-in-progress towards the implementation cost of SAP. The contributions payable to these plans by the company are at rates specified in the rules of the schemes.

(ii) Defined Benefit Plan

The present value of obligation is determine based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligations. The obligation for leave encashment is recognized in the same manner as gratuity.

(a) Reconciliation of opening and closing balances of Defined Benefit Obligations

Amount (Rs.)

	Current Year		Previous Year	
	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Defined benefit obligations at beginning of the year	1,352,156	477,460	93,970	160,453
Interest Cost	108,172	38,197	7,518	12,836
Service Cost	388,669	141,007	313,189	171,709
Benefits Paid	-	(122,715)	-	-207,612
Gain / Loss	39417	(128,602)	937479	340,074
Defined benefit obligations at year end	18,88,414	405,347	1,352,156	477,460

(b) Reconciliation of fair value of assets and obligations

Fair Value of plan assets at 31st March 2008	-	-	-	-
Present Value of Obligation as at 31st March 2009	18,88,414	405,347	1,352,156	405,347
Net assets/(liability) recognized in balance sheet	(18,88,414)	(405,347)	(1,352,156)	(405,347)

(Amount in Rs.)

	Current Year		Previous Year	
	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Unfunded)	Earned leave (Unfunded)
(c) Expenses recognized during the year				
Current Service Cost	388,669	141007	313,189	171709
Interest Cost	108,172	38197	7,518	12836
Acturial (Gain)/Loss	39,417	(128,602)	937,479	340,074
Net Cost	536,258	50,602*	1,258,186	524619

* Rs. 14,038 debited under the head capital work in progress towards the implementation of SAP.

(d) Actuarial Assumptions

Discount Rate (per annum)	8%	8%	8%	8%
Future increase in compensation	5.50%	5.50%	5.50%	5.50%
In Service Mortality	LIC (1994-96)	LIC (1994-96)	LIC (1994-96)	LIC (1994-96)
Retirement age	58 Years	58 Years	58 Years	58 Years
Withdrawal rates	Upto 30 years 3%	Upto 30 years 3%	Upto 30 years 3%	Upto 30 years 3%
	Upto 44 years 2%	Upto 44 years 2%	Upto 44 years 2%	Upto 44 years 2%
	Above 44 years 1%	Above 44 years 1%	Above 44 years 1%	Above 44 years 1%

10. Related Party Disclosure

Related party disclosure as required under Accounting Standard - "18" issued by the Institute of Chartered Accountants of India is given below:

a) Subsidiary Companies :**Domestic**

Pearl Global Limited	India
Lerros Fashion India Pvt. Ltd.	India

Overseas

Nor Pearl Knitwear Limited	Bangladesh
Norp Knits Industries Limited	Bangladesh
Depa International Inc.	USA
House of Pearl Fashions (USA) Limited	USA
Multinational Textile Group Limited	Mauritius
Global Textiles Group Limited	Mauritius
Pacific Supply Chain Limited	UK
Zamira Fashions Europe Limited	UK
Poeticgem Limited	UK
Pacific Logistics Limited	UK
FX Import Company Limited	UK
Magic Global Fashion Ltd.	UK
Poetic Knitwear Limited	UK
Norwest Industries Limited	Hong Kong
Zamira Fashion Limited	Hong Kong
FX Imports Hongkong Ltd.	Hong Kong
Pearl GES Group Limited	Hong Kong
Pearl GES Home Group Limited	Hong Kong
Pearl Global Fareast Limited	Hong Kong
Magic Global Fashions Ltd.	Hong Kong
Simple Approach Limited	Hong Kong
Poeticgem (Canada) Limited	Canada
PT Norwest Industry	Indonesia
Pearl GES Home Group SPA	Chile

b) Associates:**Domestic**

Hopp Fashions	India
Pearl Wear	India
Vastras	India
Little People Education Society	India
Crown Computerized Embroidery	India
Pearl Retail Solutions Pvt Ltd	India
Deepak Seth & Sons (HUF)	India
Pearl Academy of Fashion India Ltd	India
Vau Apparels Pvt Ltd	India

Overseas

Pallas Holdings Limited
SACB Holdings Limited
JSM Trading (F.Z.E.)
Lerros Moden GMBH

Mauritius
Mauritius
Dubai
Germany

c) Key Management Personnel:

Mr. Deepak Seth
Mr. Pallak Seth
Mr. Pulkit Seth

Chairman
Vice Chairman
Managing Director

The Following transactions were carried out with related parties in the ordinary course of business.

i) Subsidiaries

	2008-09 (Rs.)	2007-08 (Rs.)
Purchase of goods	-	30,364,890
Sale of goods	161,420,426	115,508,417
Investment made	441,019,181	142,105,600
Loan given	243,841,198	275,000,000
Loan received back	-	75,000,000
Rent received	120,000	120,000
Expenses incurred on behalf	3,095,715	2,687,778
Expenses reimbursed	29,286,358	6,578,328
Share application money given	123,068,998	121,747,638
Sap Expenses	8,424,074	7,512,534
Advance given	370,403,935	54,100,000
Advance recovered	263,800,000	47,013,162
Dividend received	45,236,717	9,939,176
Interest Income	28,670,911	19,915,336
Commission Expenses	2,151,273	-
Closing Balance		
Loan to subsidiary	454,889,205	200,000,000
Advance to subsidiaries	33,703,118	19,424,634
Sundry Debtors	25,519,630	35,193,694
Interest Receivable	34,800,936	15,402,521

ii) Associates

Advance Rent Paid	300,000	300,000
Advance Given	31,29,776	500,000
Rent Received	2,683,500	720,000
Rent Paid	3,338,490	1,200,000
Profit/(Loss)from partnership firm	1,828,618	(710,255)
Expenses paid	100,000	795,338
Expenses Recovered	240,000	92,368
Loan Given	104,600,000	80,000,000
Loan Received Back	4,500,000	5,000,000
Purchase of Goods	-	8,648,236
Sale of Goods	-	35,339,350
Capital contribution towards partnership firm	-	250,000
Interest Income	10,298,783	1,098,000
Advance Recovered	-	500,000
Closing Balance		
Other Advances	86,870,836	57,180,780
Loan	175,100,000	75,000,000

Key Managerial Personnel

Remuneration to Managing director	5,007,800	-
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11. Leases**(a) Assets Given on Lease**

- (i) The company has given certain assets on operating lease and lease rent income amounting to Rs. 2,803,500 (Previous Year Rs. 840,000) has been credited in Profit & loss Account. The future minimum lease payments receivables and detail of assets as at 31st March, 2009 are as follows:

(Amount in Rupees)

Minimum Lease Payments Receivables	Current Year	Previous Year
Not later than 1 year	2,803,500	720,000
Later than 1 year but not later than 5 years	11,750,700	4,236,000
Later than 5 years	55,387,440	504,000

(ii)

Gross Investment on leased Assets	2,808,329	2,808,329
Accumulated Depreciation on Lease Assets as on 31st March, 2009	1,670,596	1,611,401
Depreciation Charged During the Year	59,195	59,195

(iii) General Description of Lease Terms:

Particulars	Terms of Renewal	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
PEARL GLOBAL LTD.	3 YRS.	NO	NO	NO	NO
LITTLE PEOPLE EDUCATION SOCIETY(PAF)	10 YRS.	NO	20 % AFTER EVERY 5 YRS.	NO	NO

(b) Assets taken on Lease

- (i) The company has taken certain assets on non-cancelable operating lease and lease rent amounting to Rs. 5,372,780 (Previous Year Rs. 1,975,484). Out of this, Rs. 1,334,000 has been debited to Profit & Loss account and Rs. 40,38,780 have been included under the head Capital work-in-progress. The details of future minimum lease payments is as under:

(Amount in Rupees)

Minimum Lease Payments Receivables	Current Year	Previous Year
(i) Not later than in 1 year	4,164,000	2,364,000
(ii) Later than 1 year but not later than 5 years	1,529,000	929,000
(iii) Later than 5 years	-	-
Total	5,693,000	3,293,000

(ii) General Description of Lease Term

Particulars	Terms of Renewal	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
SHALIMA MOTIYAL	NO	NO	NO	NO	NO
LITTLE PEOPLE EDUCATION SOCIETY(PSB)	2 YRS.	NO	NO	NO	NO
SHAKUNTLA YADAV	NO	NO	NO	NO	NO

12. Earning per share

The numerator and denominators used to calculate Basic and Diluted Earning Per Share

	Current Year (Rs.)	Previous Year (Rs.)
Profit/(Loss) attributable to the equity shareholders	91,665,819	106,598,646
Basic/weighted average no. of equity shares outstanding during the period	19,500,343	19,500,343
Nominal value of Equity shares	10	10
Basic Earning per share (Rs.)	4.70	5.47
Potential Equity shares	Nil	Nil
Dilutive Earning per share (Rs.)	4.70	5.47

13. Additional information pursuant to the provisions of Part II of Schedule VI to the Companies Act, 1956.**a) Capacity and Production**

Class of Goods	Unit	Licensed Capacity		Installed Capacity		Actual Production	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Readymade Garments	Nos	N.A.	N.A.	-	-	-	-

b) Breakup of Sales

(Amount in Rs.)

Class of Goods	Unit	Current Year		Previous Year	
		Qty	Amount (Rs.)	Qty	Amount (Rs.)
Readymade Garments					
- Traded	Pcs.	740,897	200,483,763	136,402	35,339,350
- Sale of Fabric	Mtrs	387,861*	27,414,104	1,667,413	115,508,417

* It Includes shortage of 392 meter against patch work.

c) Details of Traded Goods

(Amount in Rs.)

Class of Goods	Unit	Opening Stock		Purchases		Closing Stock	
		Qty	Amount (Rs.)	Qty	Amount (Rs.)	Qty	Amount (Rs.)
Readymade Garments	Pcs	-	-	740,897	182,008,166	-	-
		(-)	(-)	(136,402)	(32,465,976)	(-)	(-)
Fabric	Mtrs	2,587	161,660	385,274	22,706,017	-	-
		(-)	(-)	1,670,000	(111,310,275)	(2,587)	(161,660)
			161,660		204,714,183		
			(-)		(143,776,251)		

Amounts in bracket denotes previous year amounts

d) Value of Imports on C.I.F. basis

(Amount in Rs.)

Particulars	Current Year	Previous Year
Fabric	428,852	-
Garments	182,008,166	-
Total	182,437,018	-

e) Earnings in Foreign Exchange (on accrual basis)

Export of Goods- FOB basis	215,827,507	3,880,275
----------------------------	-------------	-----------

f) Expenses in Foreign Exchange (on accrual basis)

Foreign Travelling	4,474,073	3,963,355
Commission	2,151,273	-
Total	6,625,346	3,963,355

14. In view of Accounting Standard-"22" 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India, the company has accounted for deferred tax as follows:

(Amount in Rs.)

Particulars	Balance as at 01.04.2008	Expenses/Savings during the year	Balance as at 31.03.2009
Deferred Tax Asset			
Unabsorbed Depreciation	-	-	-
Business losses	4,784,038	(1,049,130)	3,734,908
House Property Loss	155,418	(155,418)	-
Capital losses	2,595,772	(1,334,540)	1,261,232
Others	643,565	177,568	821,133
Depreciation	1,944,877	(713,977)	1,230,900
Total	10,123,671	(3,075,498)	7,048,173

The tax impact for the above purpose have been arrived at by applying the prevailing tax rate as on Balance Sheet date under the Income Tax Act, 1961.

15. The prior period adjustment comprises of the following items:

S. No.	Nature of Expense	Current Year (Rs.)	Previous Year (Rs.)
	Expenses		
(i)	Sales Promotion	-	16,700
(ii)	Professional Charges	1,40,393	41,959
(iii)	Domestic Travelling	-	46,245
	Total	1,40,393	104,904

16. Details of Pre-operative expenses as are included in capital work-in-progress in the fixed asset schedule are as follows:

	As At 31th March, 2009 (in Rs.)	As At 31st March, 2008 (in Rs.)
Retail Business		
Preoperative Expenses - Retail	-	3,603,853
Total	-	3,603,853

17. In view of the management, the current assets, loans and advances have a value on realization in the ordinary courses of business at least equal to the amount, at which they are stated in the Balance Sheet as at 31st March, 2009.

18. The company has not dealt in any derivative financial instrument during the year.

19. There is no reportable segment of the company in view of Accounting Standard-17 'Segmental Reporting' issued by the Institute of chartered Accountants of India.

20. The House of Pearl Fashions Limited has raised Rs. 2,854,335,000 through a public issue of shares during the year, the proceeds of which are deployed as follows (on payment basis) :

S. No.	Particulars	Amount (In Rs.)
1.	Investment in subsidiary companies for increasing the Group's production capacity by :	
	a. Manufacturing Facilities at cost effective locations	22,815,793
	b. Expansion of a new bottom manufacturing facility by Pearl Global Limited at Madras Export Promotion Zone Tambaram	25,000,000
	c. Establishment of a new woven and knits manufacturing facility by PT Norwest Indonesia at Semarang , Indonesia	5,969,250
	d. Acquisition of an existing knitted garment Manufacturing facility by Pearl Global Limited in Khandsa Gurgaon Haryana, India	54,000,000
	e. New Manufacturing Facility by Norp Knit Industries Ltd./other subsidiaries or joint ventures companies at cost effective locations	8,980,200
2.	Investment in Pearl Global Ltd for design center	8,100,000
3.	Setting up an Integrated Information Technology System	116,841,337
4.	Prepayment of certain term loans availed by the company and its subsidiaries	492,374,989
5.	Investment in its subsidiary company, Multinational Textiles, for payment of purchase of SACB Holdings Limited and Pallas Holdings Limited as part of the Group restructuring.	491,729,400
6.	Setting up a domestic branded apparel retail business	140,300,000
7.	Acquisition of existing companies to set up joint ventures companies for marketing & distribution or whole sale and supply business in apparel, accessories or related segments within or outside India	311,503,000
8.	Meeting Share Issue expenses	191,950,492
9.	*Extended working capital & temporary loans to its subsidiaries as an interim use of funds.	436,975,528
10.	Balance amount lying in the mutual funds and fixed deposits & Bank Balances	547,795,011

*Payment of working capital loan of Rs. 200,000,000/- for its subsidiary Pearl Global Ltd. as an interim use of funds.

*Extended a working capital loans of Rs. 100,273,248/- on a rolling basis to its subsidiary House of Pearl Fashions (US) Ltd. as an interim use of funds.

*Extended a temporary loan of Rs. 136,702,280/- for working capital to its subsidiary Nor Pearl Knitwear Ltd. as an interim use of funds.

21. Previous year figures have been regrouped/ recasted wherever necessary.

As per our report of even date attached.

For S. R. DINODIA & CO.,
Chartered Accountants

(Sandeep Dinodia)
Partner
M. No.083689

Place : New Delhi
Date : 30.06.2009

On behalf of the Board

(Deepak Seth)
Chairman
DIN 00003021

(Rishi Vig)
Chief Finance Officer

(Dr. Ashutosh P. Bhupatkar)
Director
DIN 00479727

(Sandeep Sabharwal)
Company Secretary

BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

1. Registration Details

Registration No.				3	6	8	4	9
Balance Sheet Date	3	1	0	3	2	0	0	9

State Code

5	5
---	---

2. Capital Raised during the year (Amount in Rupees Thousands)

Public Issue					N	I	L
Bonus Issue					N	I	L

Right Issue					N	I	L
Private Placement					N	I	L

3. Position of Mobilisation and Deployment of Funds (Amount in Rupees Thousands)

Total Liabilities

3	1	7	6	4	6	5
---	---	---	---	---	---	---

Total Assets

3	1	7	6	4	6	5
---	---	---	---	---	---	---

Sources of Funds

Paid-up Capital		1	9	5	0	0	3
Secured Loans			5	7	2	9	4
Deferred Tax Liability (Net)					N	I	L

Reserves & Surplus	2	9	2	4	1	6	8
Unsecured Loans					N	I	L

Application of Funds

Net Fixed Assets *		1	5	3	3	8	6
Net Current Assets	1	3	3	1	0	1	8
Accumulated Losses					N	I	L

Investments	1	6	8	5	0	1	3
Miscellaneous Expenditure					N	I	L
Deferred Tax Asset (Net)			7	0	4	8	

* Including capital work in Progress.

4. Performance of Company (Amount in Rupees Thousands)

Turn Over (Total Income)

Income		4	3	0	8	7	2
Profit before tax		1	1	8	8	7	4

Earning per share (in Rs.)

Basic			4	.	7	0
Diluted			4	.	7	0

Total Expenditure		3	1	1	9	9	8
Profit after tax			9	1	6	6	6
Dividend Rate					N	I	L

5. Generic Names of Three Principal Products / Services of Company (as per monetary terms)

Item Code No. (ITC Code)	6	2	0	5	2	0															
Product Description	R	E	A	D	Y	M	A	D	E	G	A	R	M	E	N	T	S	-	M	E	N
Item Code No. (ITC Code)	6	2	0	6	3	0															
Product Description	R	E	A	D	Y	M	A	D	E	G	A	R	M	E	N	T	S	-			
	W	O	M	E	N																

On behalf of the Board

(Deepak Seth)
Chairman
DIN 00003021

(Dr. Ashutosh P. Bhupatkar)
Director
DIN 00479727

(Rishi Vig)
Chief Finance Officer

(Sandeep Sabharwal)
Company Secretary

Place : New Delhi
Date : 30.06.2009

Statement Regarding Subsidiary Companies Pursuant to Section 212 (3) and 212 (5) of Companies Act, 1956

Name of the Subsidiary Company	Country	Financial Year to which accounts relates	Holding Company's Interest as at close of financial year of subsidiary company		Net aggregate amount of subsidiary company's profits after deducting its losses or vice-versa, so far as it concerns members of Holding company which are not dealt within the company's account.		Net aggregate amount of subsidiary company profit after deducting its losses or vice-versa, dealt within the company's accounts	
			Share Holding	Extent of Holding	For the current financial year Profit/(Loss) Amount (Rs.)	For the previous financial year Profit/(Loss) Amount (Rs.)	For the current financial year Profit/(Loss) Amount (Rs.)	For the previous financial year Profit/(Loss) Amount (Rs.)
Domestic :								
Pearl Global Limited	India	2008-09	4,969,588 Equity Shares of Rs. 10/- each	60.49%	6,819,996	(85,504,036)	-	-
Lerros Fashions India Private Limited	India	2008-09	1,890,000 Equity & 4,990,000 Preference Shares of Rs. 10/- each, respectively	95.45% & 100% respectively	(280,000)	(12,100)	-	-
Overseas :								
Nor-Pearl Knitwear Limited	Bangladesh	2008-09	2,654,597 equity shares of Taka 100 each	99.89%	-169,280,303 @	15,419,426	-	-
Norp Knit Industries Limited	Bangladesh	2008-09	493,761 equity shares of Taka 100 each	99.99%	(28,627,128) @	43,469,546	-	-
House of Pearl Fashions (US) Ltd.	USA	2008-09	100 shares without par value	100.00%	(16,387,460) @	(7,334,150)	-	-
Multinational Textile Group Limited	Mauritius	2008-09	20,071,170 Equity Shares of USD 1 each fully paid up	100.00%	4,548,391 @	(1,937,909)	-	-
Global Textile Group Limited #	Mauritius	2008-09	5,771,556 Equity Shares of USD 1 each fully paid up	100.00%	7,337,845 @	Rs.(806,848)	-	-
Poeticgem Limited #	UK	2008-09	50,000 Equity Shares of GBP 1 each fully paid up	100.00%	59,979,669 @	137,592,784	-	-
Pacific Logistics Limited #	UK	2008-09	10,000 Equity Shares of GBP 1 each fully paid up	100.00%	(3,621,128) @	4,137,228	-	-
Depa International Inc. #	USA	2008-09	75 Common Shares without par value	75.00%	(32,663,902) @	11,300,418	-	-
Poeticgem (Canada) Limited #	Canada	2008-09	100 Common Shares without par value	100.00%	1,841,513 @	380,170	-	-
PT Norwest Industry #	Indonesia	2008-09	150,178 Equity Shares of USD 10 each fully paid up	99.99%	23,754,535 @	29,972,094	-	-
Norwest Industries Limited #	Hongkong	2008-09	1,020,000 Equity Shares of USD 1 each fully paid up	85.00%	229,385,594 @	288,523,617	-	-
FX Import Company Limited #	UK	2008-09	12,600 ordinary shares of 1 Pound each	50.00%	(47,624,786) @	(16,392,106)	-	-
Zamira Fashion Limited #	Hongkong	2008-09	167,500 shares of US\$ 1 each	67.00%	(36,798,229) @	(31,005,007)	-	-
Pacific Supply Chain Limited #	UK	2008-09	1000 shares of 1 Pound each	100.00%	(334,245) @	NIL	-	-
Simple Approach Limited #	HK	2008-09	187,500 Ordinary Shares of USD 1 each	75.00%	(25,785,933) @	389,305,321	-	-
Pearl GES Group Limited #	HK	2008-09	510,000 equity shares	51.00%	(55,480,579) @	-	-	-
Pearl GES Home Group Limited #	HK	2008-09	225,000 equity shares	90.00%	(15,191,136) @	-	-	-
Pearl GES Home Group SPA #	Chile	2008-09	1000 Shares without par value	100.00%	(15,655) @	-	-	-

Shares held through wholly owned subsidiaries.

@ Average exchange rate has been considered for conversion.

On Behalf of the Board

(Deepak Seth)
Chairman
DIN : 00003021(Dr. Ashutosh P Bhupatkar)
Director
DIN : 00479727Place : New Delhi
Date : 30.06.2009(Rishi Vig)
Chief Finance Officer(Sandeep Sabharwal)
Company Secretary

Pearl Global Limited

DIRECTORS' REPORT

To the Shareholders,

The Directors of your Company have pleasure in presenting the 29th Annual Report on the business and operations of the Company and the Audited Financial Accounts for the year ended 31st March 2009.

Financials

The performance of the Company for the financial year ended 31st March 2009 is summarized below:
(Rs. In Lacs)

PARTICULARS	2008 - 2009	2007 - 2008
Sales Turnover (including Export Incentives)	39944.81	30951.83
Other Income	507.47	721.93
Profit before Interest, Depreciation & Tax	1601.87	1263.00
Interest (Net)	978.09	838.70
Depreciation/Amortisation	473.47	471.43
Profit (Loss) before Tax	150.30	(47.14)
Provision for Taxation (including deferred Tax)	76.45	(472.37)
Provision for forward contract loss	-	(1280.27)
Tax Adjustments for earlier years	(0.14)	-
Provision for doubtful debts	5.79	-
Profit (Loss) after Tax	68.19	(855.04)

Operations

The US and Global economy has been going through its worst ever recession. Due to low customer demand garment exports have suffered, adversely.

Despite of slow down globally, your company has registered a top-line growth of 30% on year on year basis, where as the Indian Apparel industry had marginal growth. The Company has driven growth by adding new product categories like knitwear & bottom wear with its existing customers apart from developing new customer relationship.

Your company enjoys strategic relationship with some of the top retailers who have managed to weather the storm quite efficiently. They have reduced their vendor base and are currently working with only few strategic vendors, who can offer distinct benefits, accept price challenges, faster delivery and have a good financial background.

The margins remained under tremendous pressure. However, the Company managed to recover its first nine months losses to end the year with a profit of Rs.150 Lacs before tax.

The Company also leveraged its existing group's strengths in low cost countries by outsourcing low margin products from Bangladesh & Vietnam. In high cost countries like India it has focused only on value added products.

The company has focused on cost reduction since last year and managed to control its fixed overheads to the bare minimum level. This year your Company has started working on Phase II of SAP to improve the business process efficiency.

Dividend

The Directors do not recommend any dividend for the year under review, and would like to conserve cash for the future.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of your Company, Dr. A.P. Bhupatkar and Dr. A.K.G. Nair would retire by Rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Mr. Pulkit Seth, retires as director and is eligible for re-appointment. It is proposed that Mr. Pulkit Seth be re-appointed as a Director not liable to retire by rotation. Necessary resolutions for their re-appointment are included in the notice convening Annual General Meeting.

The Board of Directors in their meeting held on 31st July 2009, re-appointed Mr. Sanjay Pershad as Whole-time Director of the Company for a period of 3 years w.e.f. 1st August 2009, not liable to retire by rotation. Necessary resolution for his re-appointment is included in the notice convening Annual General Meeting.

Directors Identification Number (DIN)

The following are the Directors Identification Number (DIN) of your Directors:

Mr. Deepak Seth	-	00003021	Mr. Santosh Gadia	-	00073801
Mr. Pallak Seth	-	00003040	Mr. Anshuman Khanna	-	00075651
Mr. Pulkit Seth	-	00003044	Dr. Ashutosh Prabhudas Bhupatkar	-	00479727
Mr. Sanjay Pershad	-	00003054	Mr. Anil Nayar	-	01390190
Dr. A K G Nair	-	00011177	Mr. Shelley Cherian	-	02123028

Subsidiaries

The Company has incorporated a wholly owned subsidiary in the name of Pearl Global Fareast Ltd, Hong Kong during the financial year for sourcing/trading activities. However, there was not much of business in this subsidiary. The Company further incorporated a wholly owned subsidiary in Australia on 19.06.2009, in the name of Pearl Global (Australia) Pty Ltd for sourcing/trading activities.

Auditors

The Auditors of your Company, M/s S. R. Dinodia & Co, Chartered Accountants, New Delhi, will retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Auditors' Report

Reference to (i) (a) of Annexure to Auditors' Report, regarding maintenance of records of fixed assets, we submit that the records are updated except some old items of insignificant value which are grouped together.

Other notes to Accounts referred to in the Auditor's Report are self explanatory and therefore do not call for any further explanation.

Segment Reporting

Your Company's operations comprise of only one segment - Readymade Garments and accordingly there are no separate reportable segments as required by Accounting Standard 17.

Public Deposits

During the year under review, your Company has neither invited nor accepted any deposits from Public or Shareholders.

Corporate Governance

Report on Corporate Governance along with the certificate of the Auditors, confirming compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement, forms part of the Annual report.

Management Discussion and Analysis

A detailed review of operations, performance and future outlook of the Company is given separately under the head "Management Discussion and Analysis".

Registrar and Share Transfer Agent

Mas Services Limited is the Registrar and Share Transfer Agent (RTA) of the Company and common agency, both for physical and de-mat shares, as required under Securities Contract (Regulation) Act, 1956. The detail of RTA forms part of the Corporate Governance Report.

Listing

The shares of your Company are listed at Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). The listing fees to the Stock Exchanges for the year 2009-10 have been paid.

Delisting

Co-promoters of your Company have taken steps for delisting of equity shares from BSE and NSE and opened Bid for demat shares from 6th May, 2009 to 8th May, 2009 and from 13th May to 27th May, 2009 for physical shares. The last settlement date was 5th June, 2009. Your company has thereupon submitted applications for delisting from Bombay Stock Exchange and National Stock Exchange.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- That in the preparation of the Annual Accounts for the financial year ended 31st March 2009, the applicable accounting standards issued by the Institute of Chartered Accountants of India have been followed. There are no material departures from prescribed accounting standards in the adoption of the Accounting Standards;
- That the Directors have adopted such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- That the Directors have prepared the accounts for the financial year ended 31st March 2009 as a Going Concern and on accrual basis.

Particulars of Employees

A statement showing particulars of employees required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is annexed hereto as Annexure I and forms an integral part of the Report.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

In pursuance of the provisions of Section 217(1)(e) of the Companies Act, 1956 and read with rule 2 of the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, the particulars relating to Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo are provided in Annexure-II to this Report.

Acknowledgements

Your Directors would like to express their grateful appreciation for assistance and co-operation received from the Banks, Customers, Government Authorities, Vendors and Members during the year under review.

Your Directors also wish to place on record their deep sense of appreciation for the committed services of the executives, staff and workers of the Company.

For and on behalf of the Board
for **PEARL GLOBAL LIMITED**

Place : Gurgaon
Date : 31st July, 2009

(Anil Nayar)
Director
DIN: 01390190

(Dr. Ashutosh P Bhupatkar)
Director
DIN: 00479727

Pearl Global Limited

Annexure I to the Directors' Report

Name of the Employee	Age (Years)	Designation (Nature of Duty)	Remuneration (Rs.)	Qualification	Experience (in years)	Date of Employment	Nature of Duties	Previous Employment, Post held & Period
Pulkit Seth	29	Managing Director	6,01,560/-	Graduate in Management Studies from Leonard N. Stern School of Business, New York, University	7 Years	01.04.2005	Managing the Company	Norwest Industries Ltd., Hong Kong, as Joint Managing Director and became Managing Director in the year 2003.
Sanjay Pershad	46	Whole-time Director	27,09,360/-	Commerce Graduate from Delhi University, in the year 1985	22 Years	01.08.2006	Managing the Company	Managing Director - Pearl Styles Limited w.e.f. 01.05.2005 upto 31.07.2006.
Ashwani Palaha	41	COO Merchandising	30,18,354/-	B.Com (P)	18 Years	03.07.2006	Responsible as Profit Centre Head	Sr. President JC Textiles Pvt. Ltd. September 2005 to June 2006
Sanjay Jhangala	36	V.P. (OPR.) Production	28,78,776/-	B.Sc., M.A. (Eco)	12 Years	01.08.1997	To plan production and maintain quality	Prima Fashion, Asst. Manager, Production, May 1996 to June 1997

- Notes:** i. Employments of aforesaid officials are on contractual basis. Other terms and conditions are as per Company's Rule.
ii. Remuneration calculated under Section 198 of the Companies Act, 1956 and includes Salary, Medical Expenses, Company's contribution to Provident Fund and House Rent Allowance or any Expenditure incurred in providing Rent Free Residential Accommodation and Allowances.
iii. None of the above mentioned employee except Managing Director hold the prescribed Percentage of equity shares in the company within the meaning of 217(2A)(a)(iii) of the Companies Act, 1956.

Annexure II to the Directors' Report**A. CONSERVATION OF ENERGY :****1. Energy Conservation measures taken:**

- Installed Steam boilers in place of electrical boilers
- Replaced old office electrical items like Air Conditions, fans with energy efficient ones.
- Other measures like placing focused lighting systems and reducing lights wherever not needed.

2. Additional investment and proposals, if any, being implemented for reduction of Energy consumption:

- Proposal to install Energy Controlling Device to monitor electricity consumption, thereby having efficient control over overall consumption.

3. Impact of the measures at (1) and (2) above for reduction of energy consumption and consequent impact of production of goods:

- Despite additional electrical equipments installed for enhancing capacity, the overall energy consumption remained more or less same.

4. Total Energy consumption and energy consumption per unit of production as per Form A of the Annexure.

N.A.

B. TECHNOLOGY ABSORPTION:**Research & Development****1. Specific areas in which R & D is carried out by the Company**

Product development is the key to success in the fashion industry. The Company has invested extensively in creating design & development infrastructure across the globe. We have some of best fashion designers on the board, who are constantly keeping their fingers at the pulse of the fashion. They are adapting and evolving new trends on an ongoing fashion.

To enhance design infrastructure and improve design capabilities, Company is establishing a world class design centre at Gurgaon, Haryana. This will enable the company to respond to current consumer preferences and anticipate future fashion trends.

2. Benefit derived as a results of the above R & D

The cycle time has reduced considerably due to dynamic nature of fashion industry with an extensive design & development infrastructure. We are able to offer speed to market solutions to our valued clients.

3. Future Plan of action

The new design centre at Gurgaon, Haryana, will help buyers to view best selling designs & fashions across the globe from a central location.

4. Expenditure on R & D

	(Rs. / Lacs)	
	2008-09	2007-2008
a) Capital	NIL	NIL
b) Recurring	319	311
c) Total	319	311
d) Total R & D expenditure as a percentage of total turnover is 1% (previous year 1%).		

Technology Absorption, Adaptation and Innovation**1. Efforts in brief made towards technology absorption, adaptation and innovation**

Not Applicable

2. Benefits derived as a result of the above effort e.g. product improvement cost reduction, import substitution etc.

Not Applicable

3. In case of imported technology (Imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished.

- | | |
|---|------------------|
| a) Technology Imported | : Not Applicable |
| b) Year of Import | : |
| c) Has technology been fully absorbed ? | |
| d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action. | |

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to export; initiative taken to increase exports; development of new export markets; and export plans.

The Company is into the business of export of garments to various countries and has taken various initiatives for increasing exports like strengthening Design & development, Outsourcing garments from cost effective locations. The Company has valued buyers across the globe. Chennai unit of the Company is a class manufacturing unit, and the Company plans to cater to 'A' category of international buyers.

2. Total Foreign Exchange used and earned.

	(Rs.)	
	2008-09	2007-2008
i. Foreign Exchange Earnings		
Export of Goods - FOB basis	3,812,849,704	2,867,827,270
Export of software FOB basis	18,738,500	9,952,250
Sampling Recoveries	5,149,746	(22,334,072)
Claim Received	8,395,290	3,888,915
Commission received	14,128,678	31,836,922
Designing Charges	12,211,566	-
Total	3,871,473,484	2,891,171,285
ii. Foreign Exchange Outgo		
Interest on Loan	2,864,682	6,262,518
Foreign Traveling	7,288,561	2,032,843
Export Commission	32,561,944	11,468,709
Others	29,069,839	18,922,085
Total	71,785,026	38,686,155

Pearl Global Limited

AUDITORS' REPORT

To the members of **M/S PEARL GLOBAL LIMITED**

We have audited the attached balance sheet of **Pearl Global Limited** as at **31st March 2009**, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes (a) examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement (b) assessing the accounting principles used in the preparation of the financial statements (c) assessing significant estimates made by management in the preparation of the financial statements and (d) evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 [as amended by the Companies (Auditor's Report) (Amendment) Order 2004] issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- (c) The Company's balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
- (d) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (e) On the basis of written representations received from the directors as on 31st March 2009 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the balance sheet, of the state of affairs of the company as at 31st March 2009;
 - (ii) in the case of the profit and loss account, the profit for the year ended on that date; and
 - (iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **S. R. Dinodia & Co.**
Chartered Accountants

(**Sandeep Dinodia**)
Partner
M. No. 83689

Place: New Delhi
Date: 29.06.2009

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our audit report of even date)

RE: M/S PEARL GLOBAL LIMITED

- i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets, which still needs updation.
- b) As explained to us, physical verification of major portion of fixed assets as at 31st March 2009 was conducted by the management during the year. There is a regular programme of verification which in our opinion is reasonable having regard to the size of the company and the nature of the assets. No material discrepancies were noticed on such verification.
- c) In our opinion and according to the information and explanations given to us, no substantial part of fixed assets has been disposed off by the Company during the year.
- ii) a) On the basis of information and explanation provided by the management, the inventory has been physically verified during the year by the management except the inventories in transit and lying with the third parties. In our opinion, the frequency and the procedure of physical verification followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- c) In our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- iii) (a) The company has granted unsecured loan to one of the parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum balance involved in the transaction is Rs. 1,033,884/- (The year end balance was Rs. 1,033,884/-).
- b) The rate of interest and other terms and conditions on which has been given are not prime facie prejudicial to the interest of the company.
- c) In respect of the aforesaid loan, all the loans were repayable on demand and the provisions of clause 4(iii)(d) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- d) The company had taken unsecured loans from one of the companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum balance involved in the transaction is Rs. 216,100,000/- (The year end balance was Rs. 216,100,000/-).
- e) The rate of interest and other terms and conditions on which it has been taken are not prime facie prejudicial to the interest of the company.
- f) In respect of the aforesaid loan, the loan is repayable on demand.
- iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices, there is no continuing failure to correct the weaknesses in the aforesaid internal control systems.
- v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to explanation given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 and exceeding values of Rs.5 Lacs have been made at prices which are reasonable with regard to the prevailing market prices at the relevant times.
- vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of section 58A, 58AA and the other relevant provisions of the Companies Act, 1956 and rules framed thereunder.
- vii) In our opinion, the company has an internal audit system commensurate with the nature and size of its business.
- viii) The Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act 1956, for any of the products of the company.
- ix) a) According to the information and explanation given to us, the company is regular in depositing with appropriate authorities undisputed statutory dues including provident

Pearl Global Limited

fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.

- b) According to the records of the Company examined by us and the information and explanations given to us, no undisputed amounts payable in respect of aforesaid statutory dues were outstanding as at 31st March, 2009 for a period of more than six months from the date they became payable.
- c) On the basis of our verification of records and information & explanations provided, the details of the disputed statutory dues aggregating amounting to Rs. 2,571,661/- which have not been deposited on account of matters pending before appropriate authorities are as under :

Sr. No.	Name of the Statute	Nature of Dues	Amount	Period to which amount relate	Forum where dispute is pending
1.	Central Sales Tax Act, 1956 & Delhi Sales Tax Act, 1975	Sales Tax	2,352,380	1999-00 1991-92 1992-93	Deputy Commissioner of Sales Tax (Appeals)
2.	Employee State Insurance	E.S.I	219,281	—	E.S.I. Court

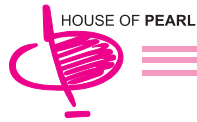
- x) The company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to banks during the year. There were no dues payable to any financial institution or debenture holders.
- xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xiii) The company is not a chit fund or a nidhi mutual benefit fund society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xiv) The company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

- xv) In our opinion and on the basis of information and explanation given to us, the company has given the guarantees as mentioned in the point no. 1(d) of Schedule 17 for loans taken by others from banks or financial institutions and the term on which guarantees were given are not prejudicial to the interest of the company.
- xvi) On the basis of information and explanation given to us, we are of opinion that the term loans were applied for the purposes for which the loans were obtained.
- xvii) According to the information and explanations given to us and on the basis of an overall examination of the balance sheet of the company, in our opinion, funds raised on short term basis have not been used for long term investments.
- xviii) During the year, the company has allotted 331,000 non-cumulative preference shares of Rs. 100/- each to House Of Pearl Fashions Limited, the holding company which is covered u/s 301 of the Companies Act, 1956.
- xix) The Company has not issued any debentures during the year. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xx) According to the information and explanation given to us, the company has not raised any money by way of public issue during the period covered under audit. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xxi) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanation given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year nor have we been informed of such case by the management.

For **S. R. Dinodia & Co.**
Chartered Accountants

(Sandeep Dinodia)
Partner
M. No. 83689

Place: New Delhi
Date: 29.06.2009



Pearl Global Limited

BALANCE SHEET AS AT 31ST MARCH, 2009

PARTICULARS	SCHEDULE	(Amount in Rs.)	
		AS AT 31 ST MARCH 2009	AS AT 31 ST MARCH 2008
SOURCES OF FUNDS			
Shareholder's Funds			
Share Capital	1	252,449,800	219,349,800
Reserves and Surplus	2	407,157,382	531,719,644
Share Application Money (Pending Allotment)			22,500,000
Loan Funds			
Secured Loans	3	916,345,832	750,511,105
Unsecured Loans		216,100,000	200,000,000
Deferred Tax Liability (Net) (Refer Note No. 19 of Sch. 17)	4	4,393,745	182,787
		<u>1,796,446,759</u>	<u>1,724,263,336</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	1,284,355,683	1,244,212,866
Less: Depreciation		289,896,817	254,670,631
Net Block		994,458,866	989,542,235
Capital Work in Progress		62,911,985	26,232,047
Investments	6	2,868,967	9,739,003
Current Assets, Loans & Advances			
Inventories	7	818,234,098	629,067,480
Sundry Debtors	8	791,140,866	407,782,500
Cash & Bank Balances	9	133,164,327	125,780,605
Loans & Advances	10	113,685,452	127,783,556
		1,856,224,743	1,290,414,141
Less : Current Liabilities & Provisions			
Current Liabilities	11	1,105,829,299	450,487,374
Provisions	12	14,188,503	141,176,716
		1,120,017,802	591,664,090
Net Current Assets		<u>736,206,941</u>	<u>698,750,051</u>
		<u>1,796,446,759</u>	<u>1,724,263,336</u>
Significant Accounting Policies	16		
Notes to Account	17		

As per our report of even date attached.

On behalf of the Board

For S. R. Dinodia & Co.,
Chartered Accountants

(Deepak Seth)
Chairman
DIN 00003021

(Dr. Ashutosh P. Bhupatkar)
Director
DIN 00479727

(Sandeep Dinodia)
Partner
M. No.083689

(Ajay Gupta)
Deputy General Manager

(Prakash Prusty)
Company Secretary

Place : New Delhi
Date : 29.06.2009

Pearl Global Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

	SCHEDULE	<u>CURRENT YEAR</u>	(Amount in Rs.) <u>PREVIOUS YEAR</u>
INCOME			
Turnover			
Sales		3,867,713,744	2,987,120,987
Export Incentives		<u>126,767,174</u>	<u>108,061,727</u>
		3,994,480,918	3,095,182,714
Job Work Receipts		666,069	-
Other Income	13	<u>50,081,007</u>	<u>72,192,623</u>
		<u>4,045,227,994</u>	<u>3,167,375,337</u>
EXPENDITURE			
Purchase of Trading Goods		1,632,484,758	882,292,777
Manufacturing & Others Expenses	14	2,252,556,108	2,158,782,807
Finance Cost	15	97,809,670	83,870,126
Depreciation/Amortisation		<u>47,346,878</u>	<u>47,143,408</u>
		<u>4,030,197,414</u>	<u>3,172,089,118</u>
PROFIT			
Profit before Taxation		15,030,580	(4,713,781)
Provision for – Forward Contract Loss		-	(128,026,792)
Provision for – Wealth Tax		(134,500)	(200,000)
Provision for – Deferred Tax		(4,210,958)	50,386,537
Provision for – Fringe Benefit Tax		(3,300,000)	(2,950,000)
Tax Adjustments for Earlier Years		13,767	-
Provision for Doubtful Debts		(578,893)	-
Profit/Loss		6,819,996	(85,504,036)
Proposed Dividend – Equity Shares		-	-
Dividend Tax		-	-
Transfer to General Reserve		-	-
Balance Brought Forward		<u>35,164,042</u>	<u>120,668,078</u>
Balance carried forward to Balance Sheet		<u>41,984,038</u>	<u>35,164,042</u>
Earning Per Share			
- Basic		0.83	(10.41)
- Dilutive		0.83	(10.41)
(Refer note 18 of schedule 17)			
Significant Accounting Policies	16		
Notes to Account	17		

As per our report of even date attached.

On behalf of the Board

For S. R. Dinodia & Co.,
Chartered Accountants(Deepak Seth)
Chairman
DIN 00003021(Dr. Ashutosh P. Bhupatkar)
Director
DIN 00479727

(Sandeep Dinodia)

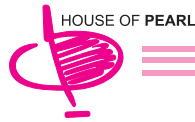
Partner

M. No.083689

Place : New Delhi

Date : 29.06.2009

(Ajay Gupta)
Deputy General Manager(Prakash Prusty)
Company Secretary



Pearl Global Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

	<u>CURRENT YEAR</u>	<u>PREVIOUS YEAR</u>
		(Amount in Rs.)
A. Net Profit Before Tax and Exceptional Items	15,030,580	(4,713,781)
Adjustments :		
Depreciation	47,346,878	47,143,408
Interest Expense	97,809,670	78,727,105
(Profit) / Loss on sale of Investments	1,473,103	(1,086,711)
(Profit)/ Loss on Reinstatement of Investments at Fair Value	1,368,148	(4,079,814)
Exchange Fluctuation	(36,888,901)	(18,250,669)
Rent Income	(7,403,100)	(3,480,000)
(Profit) / Loss on sale of Assets (Net)	365,275	1,748,312
Excess Provision written back	(1,505,297)	(2,616,149)
Interest, Dividend & Income from other Investment	(305,959)	(2,678,757)
Balance Written Off	104,098	-
Operating Profit /(loss) before working capital changes	117,394,494	90,712,944
Adjustment for :		
Trade and Other Receivables	(367,638,051)	(204,519,913)
Trade Payables	365,821,177	173,306,117
Inventories	(189,166,617)	(6,244,243)
Cash Generated from operations	(73,588,998)	53,254,905
Direct Taxes (Paid)/ refunds	(10,241,962)	(6,397,520)
Net Cash Generated / (used) in operating activities	(83,830,960)	46,857,385
B. Cash Flow from Investing Operations:		
Purchase of fixed Assets	(99,121,957)	(129,997,087)
Loan Given	(1,000,000)	26,650,000
Rent Received	7,403,100	3,480,000
Interest, Dividend & Income from other Investment	5,821,989	2,406,895
Sale of fixed Assets	9,813,233	7,873,966
Investment made during the year	-	(69,900,000)
Sale of Investment	4,028,785	71,187,724
Net Cash Generated / (used) in Investing activities	(73,054,850)	(88,298,501)
C. Cash Flow from Financing Activities		
Dividend paid	(222,052)	(16,377,013)
Corporate Dividend Tax	-	(2,792,272)
Interest paid	(64,932,044)	(77,142,560)
Loan Taken	16,100,000	162,684,611
(Decrease)/Increase in Share Application Money	(22,500,000)	(27,500,000)
Issue of Preference Shares	33,100,000	137,200,000
Loans taken - Packing Credit	200,061,596	28,247,477
Loan taken - Short Term	41,905,852	59,652,127
Loans taken - Long Term	47,220,105	-
Repayment of Term loans	(123,352,827)	(194,199,125)
Net cash Generated/(used) in financing activities	127,380,631	69,773,245
Increase in Cash/Cash equivalents(A+B+C)	(29,505,179)	28,332,128
Exchange Fluctuation	36,888,901	-
Net Increase in cash/Cash Equivalents	7,383,722	28,332,128
Cash / Cash equivalents at the beginning of the year	125,780,605	97,448,477
Cash / Cash equivalents at the close of the year	<u>133,164,327</u>	<u>125,780,605</u>
Component of cash & cash equivalents at the year end:		
Cash and cheques in hand	3,105,419	7,337,333
Balance with Scheduled Banks		
i) In Current Accounts	63,699,146	26,101,225
ii) In Fixed Deposits	60,461,036	90,467,580
iii) In Margin Money	5,898,726	1,874,467
	<u>133,164,327</u>	<u>125,780,605</u>

As per our report of even date attached.

On behalf of the Board

For S. R. Dinodia & Co.,
Chartered Accountants

(Deepak Seth)
Chairman
DIN 00003021

(Dr. Ashutosh P. Bhupatkar)
Director
DIN 00479727

(Sandeep Dinodia)
Partner
M. No.083689

(Ajay Gupta)
Deputy General Manager

(Prakash Prusty)
Company Secretary

Place : New Delhi
Date : 29.06.2009

Pearl Global Limited

SCHEDULES FORMING PART OF THE BALANCE SHEET

	AS AT 31ST MARCH 2009	(Amount in Rs.) AS AT 31ST MARCH 2008
SCHEDULE -1		
SHARE CAPITAL		
Authorised		
26,450,000 (Previous Year 26,450,000) Equity Shares of Rs. 10/- each	264,500,000	264,500,000
32,56,000 (previous year 32,56,000) 10.5% redeemable preference shares of Rs. 100/- each	325,600,000	325,600,000
	<u>590,100,000</u>	<u>590,100,000</u>
ISSUED SUBSCRIBED & PAID UP		
8,214,980 (Previous Year 8,214,980) Equity Shares of Rs.10/- each Fully Paid Up	82,149,800	82,149,800
1,703,000 (Previous Year 1,372,000) 10.5% non-cumulative redeemable preference shares of Rs.100/- each Fully Paid Up	170,300,000	137,200,000
	<u>252,449,800</u>	<u>219,349,800</u>

Notes:

- The above includes 4,800,000 Equity Shares of Rs. 10/- each allotted as fully paid Bonus Shares by capitalisation of General Reserve during the financial year 1993-94.
- Out of the above 4,969,588 Nos (Previous year 4,969,588 Nos) of Equity Shares of Rs. 10/- each are held by House of Pearl Fashions Ltd, the holding company.
- The above 1,703,000 preference shares (Previous Year 13,72,000) of Rs. 100/- each fully paid up are held by House of Pearl Fashions Ltd., the holding company to be redeemed in 2012 for the period of five years.
- 302,203 equity shares have been allotted on 24th April 2007 on account of merger of Pearl Styles Ltd and City Estates Pvt Ltd with the Company.

SCHEDULE-2**RESERVES & SURPLUS**

Capital Redemption Reserve	8,900,000	8,900,000
Amalgamation Reserve	4,504,755	4,504,755
Share Premium Account	64,918,034	64,918,034
General Reserve	398,071,794	395,396,441
Add: Addition during the year		-
Add: Transitional Provision on account of adjustment in accordance with revised Accounting Standard - 15 (Net of Deferred Tax Rs. 1,377,598)	-	2,675,353
Hedging Reserve	(150,518,094)	(19,135,836)
(Refer note 7 of schedule 17)		
Revaluation Reserve	39,296,855	39,296,855
Profit & Loss Account	41,984,038	35,164,042
	<u>407,157,382</u>	<u>531,719,644</u>

SCHEDULE-3**LOAN FUNDS****SECURED LOANS****FROM BANKS**

a) Term Loan *		
– Rupee Loan	177,645,684	177,793,799
– Foreign currency Loan	-	71,820,000
b) Packing Credit		
– Rupee Loan	469,747,032	226,116,451
– Foreign currency Loan	258,541,597	260,204,729
FROM OTHERS		
– UPSIDC - Term Loan	10,411,519	14,576,126
	<u>916,345,832</u>	<u>750,511,105</u>

UNSECURED LOANS**OTHER LOAN**

– From Holding Company	216,100,000	200,000,000
	<u>1,132,445,832</u>	<u>950,511,105</u>

(Refer note 4 of the schedule 17)

* Amount Repayable within one year Rs. 93,647,650/- (Previous Year Rs. 109,406,901/-)

SCHEDULE-4**DEFERRED TAX LIABILITY (NET)**

Opening Deferred Tax Liability	182,787	50,569,324
Add: Liability accrued for the year	4,210,958	(50,386,537)
	<u>4,393,745</u>	<u>182,787</u>

(Refer note 19 of the schedule 17)

Pearl Global Limited

SCHEDULE-5

FIXED ASSETS

(Amount in Rupees)

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTISATION			NET BLOCK AS ON		
	As on 01.04.2008	Additions	Deductions	Total 31.03.2009	As On 01.04.2008	Additions	Deductions/ Adjustments	Up To 31.03.2009	As at 31.03.2009	As at 31.03.2008
Tangible Assets										
Land Freehold	218,729,775	22,171,591	–	240,901,366	–	–	–	–	240,901,366	218,729,775
Land Leasehold	15,606,000	–	–	15,606,000	1,126,672	431,978	–	1,558,650	14,047,350	14,479,328
Building	322,057,466	16,799,067	12,885,480	325,971,053	60,795,769	10,829,286	5,434,080	66,190,975	259,780,078	261,261,697
Plant & Machinery	575,749,472	17,373,639	173,978	592,949,133	151,110,074	26,421,858	70,969	177,460,963	415,488,170	424,639,399
Vehicles	39,443,715	1,985,092	9,239,744	32,189,063	19,120,138	2,924,561	6,615,644	15,429,055	16,760,008	20,323,577
Furniture & Fittings	54,652,676	3,492,755	–	58,145,431	21,819,895	3,515,536	–	25,335,431	32,810,000	32,832,781
Intangible Assets										
Software	15,734,521	619,875	–	16,354,396	698,084	3,223,659	–	3,921,743	12,432,653	15,036,436
Assets held for Disposal										
– Land and Building	2,239,241	–	–	2,239,241	–	–	–	–	2,239,241	2,239,241
Total	1,244,212,866	62,442,018	22,299,202	1,284,355,683	254,670,632	47,346,878	12,120,693	289,896,817	994,458,866	989,542,234
Capital Work-in- progress	26,232,047	55,538,951	18,859,012	62,911,985	–	–	–	–	62,911,985	26,232,047
	1,270,444,913	117,980,969	41,158,214	1,347,267,668	254,670,632	47,346,878	12,120,693	289,896,817	1,057,370,851	1,015,774,281
Previous Year	1,160,212,133	246,435,174	136,202,394	1,270,444,913	217,669,252	47,143,408	10,142,029	254,670,631	1,015,774,282	942,542,881

Notes :

- Capital WIP includes:
 - Capital Advances Rs. 329,635.00 (Previous year Rs. 329,635)
 - Pre-operative expenses of Rs. 4,657,668 (Previous year : 4,223,304)
- The company had initiated the process of converting its leasehold land into freehold land. However, the deed is yet to be transferred in the name of the Company.
- Opening balance of land includes Rs.45,229,131.59 on account of revaluation on 31.03.2002.
- Opening balance of building includes Rs.5,932,276.71 on account of reduction in revaluation on 31.03.2002.
- The above includes the amount of land & Building of Rs. 30,508,377 situated at Narshingpur, Tehsil District Gurgaon for which the company has executed an agreement for the construction of a commercial project with DLF Retail Developers Ltd. on 30th November, 2007. However, as certified by the management, the work has not started during the financial year 2008-2009.
- Capital work in progress include Rs.7,900,890 (Previous Year: Rs.2,693,630) being borrowing cost capitalised in accordance with Accounting Standard AS-16 on "Borrowing Cost" as specified in the Companies Accounting Standard Rules, 2006

(Amount in Rs.)

**AS AT
31ST MARCH 2009**

**AS AT
31ST MARCH 2008**

SCHEDULE-6

INVESTMENTS

Long Term - At cost

Investment in Government Securities

National Saving Certificate (Pledged with Sales Tax Authorities)

4,000

4,000

Unquoted (Trade)

Investment in Subsidiaries

Pearl Global Far East Limited

10,000 Equity Shares (Previous year Nil) of USD 1/- each fully paid up

521,700

–

Vau Apparels Pvt. Ltd

10 Equity Shares (Previous year 10) of Rs.10/- each fully paid up

100

100

Current Investments

Held For Trading

Investment in Equity Share

Quoted (Trade)

GIVO Ltd

49,800 Equity Shares (Previous year 49,800) of Rs.10/- each fully paid up

153,384

382,464

Quoted (Non - trade)

Bhagheeratha Engineering Ltd

5,000 Equity Shares (Previous year 5,000) of Rs.10/- each fully paid up

60,750

60,750

PNB Gilts Ltd

18,398 Equity Shares (Previous year 18,398) of Rs.10/- each fully paid up

342,203

507,784

Punjab National Bank

3,000 Equity Shares (Previous year 3,000) of Rs.10/- each fully paid up

1,232,700

1,524,450

UCO Bank

3,900 Equity Shares (Previous year 3900) of Rs.10/- each fully paid up

93,600

144,105

Pearl Global Limited

	AS AT 31ST MARCH 2009	(Amount in Rs.) AS AT 31ST MARCH 2008
Chennai Petroleum Ltd 1,000 Equity Shares (Previous year 1,000) of Rs.10/- each fully paid up	94,450	279,650
ICICI Bank Ltd 1,000 Equity Shares (Previous year 1000) of Rs.10/- each fully paid up	332,600	770,100
Gem Spinners 10,800 Equity Shares (Previous year 10,800) of Rs.10/- each fully paid up	33,480	42,012
Unquoted (Non - trade)		
Tata Equity Management Fund Nil Units (Previous 50,000) of Rs. 10/- each	-	1,649,750
Investment in Mutual Funds		
Unquoted (Non - trade)		
SBI Mutual Fund Nil Units (Previous 1,00,000 Units l) of Rs. 10/- each	-	1,233,000
Principal Infrastructure & serv Ind Fund Nil Units (Previous 98899.756) of Rs. 10/- each	-	1,255,038
Principal Junior Cap Fund Nil Units (Previous 50,000 Units) of Rs. 10/- each	-	752,000
Principal Large Cap Fund Nil Units (Previous 55,554.957 Units) of Rs. 10/- each	-	1,001,000
Reliance Mutual Funds Nil Units (Previous 10,000 Units) of Rs. 10/- each	-	132,800
	<u>2,868,967</u>	<u>9,739,003</u>
Notes :		
i) Aggregate market value of quoted investments is Rs. 2,343,167/- (Previous year Rs. 37,113,115/-)		
ii) Aggregate of unquoted investments is Rs. 525,800/- (Previous year Rs. 6,027,688/-)		

SCHEDULE-7**INVENTORIES****(As taken, Valued and certified by the management)**

Stores and Spares	5,889,283	3,753,414
Raw Material	371,256,675	307,822,882
Finished Goods	354,845,579	282,974,298
Work in Progress	84,388,403	33,392,224
Goods in Transit (Raw Material & Accessories)	1,854,158	1,124,662
	<u>818,234,098</u>	<u>629,067,480</u>

SCHEDULE-8**SUNDRY DEBTORS****(Unsecured - Considered Good unless otherwise stated)**

Over Six Months		
- Considered Good	23,053,185	31,812,258
- Considered Doubtful	578,893	-
Others	768,087,681	375,970,242
Less: Provisions for Doubt ful Debts	(578,893)	-
	<u>791,140,866</u>	<u>407,782,500</u>

SCHEDULE-9**CASH AND BANK BALANCES**

Cash in hand	3,105,419		3,413,456
Cheques in hand		3,923,877	
Balance with Scheduled Banks			
i) In Current Accounts	63,699,146	26,101,225	
ii) In Fixed Deposits *	60,461,036	90,467,580	
iii) In Margin Account	5,898,726	1,874,467	122,367,149
	<u>133,164,327</u>	<u>1,874,467</u>	<u>125,780,605</u>

* Under lien with authorities. Rs.51,789,585 (Previous year Rs. 86,242,226)

Pearl Global Limited

	AS AT 31ST MARCH 2009	(Amount in Rs.) AS AT 31ST MARCH 2008
SCHEDULE-10		
LOANS & ADVANCES		
(Unsecured - Considered Good)		
Loan	1,000,000	-
Staff Loan	5,009,038	3,714,868
Advances Recoverable in cash or in kind or for value to be received	48,260,423	47,641,536
Export Incentive Receivables	33,421,087	47,184,656
Other Receivables	15,613,051	25,681,874
Advance Tax	10,381,853	3,560,622
(Net of Provision for tax Rs. 23,960,456/- (P.Y. Rs. 20,418,179/-)		
	113,685,452	127,783,556

SCHEDULE-11

CURRENT LIABILITIES

Sundry Creditors

- Due to Micro Small and Medium Scale Enterprises	-	-
- Due to Small Scale Enterprises (Refer note 24 of schedule 17)	-	-
- Others	639,240,013	228,967,125
Other Liabilities	465,712,936	220,421,847
Unclaimed Dividend *	876,350	1,098,402
	1,105,829,299	450,487,374

* It does not include any amount which is due to Investor Education Protection Fund

SCHEDULE-12

PROVISION

Leave Encashment	2,160,372	5,563,127
Gratuity	12,028,131	7,586,797
Provision for Forward Contract (Refer note 7 of schedule 17)	-	128,026,792
	14,188,503	141,176,716

	CURRENT YEAR	(Amount in Rs.) PREVIOUS YEAR
--	--------------	----------------------------------

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

SCHEDULE-13

OTHER INCOME

Other Operating Income	26,882,323	46,353,272
Rent - TDS Rs. 498,848/- (Previous Year Rs.804,864/-)	7,403,100	3,480,000
Interest Received		
- on Loan TDS Rs Nil (Previous year Rs. 502,277)	207,462	2,392,123
Interest on Fixed Deposit with Bank [TDS Rs. 84,443/- (Previous year 5,890/-)	8,098,407	5,157,792
Dividend		
- From Non Trade Investments	98,497	271,862
Profit on Sale of Assets	-	954,948
Sundry Balance Written back Net of Provision Rs. Nil (P.Y. Rs. 395,865)	-	2,616,149
Income from Non Trade Investments	-	1,086,711
Income from reinstatement from Investments at fair value (net) (Refer note 3 of schedule 17)	-	4,079,813
Miscellaneous Income	7,391,218	5,799,952
	50,081,007	72,192,623

Pearl Global Limited

	<u>CURRENT YEAR</u>		<u>PREVIOUS YEAR</u>	
				(Amount in Rs.)
SCHEDULE-14				
MANUFACTURING, ADMINISTRATIVE, SELLING & OTHER EXPENSES				
Raw Material Consumed				
Opening Stock	306,393,088		305,655,312	
Purchases	1,191,603,407		1,071,288,392	
Less:				
Cost of Goods Sold	134,314,814		88,101,955	
Closing Stock	369,671,824	994,009,857	306,393,088	982,448,661
(Increase) / Decrease in Stock				
Work in Progress				
Opening Stock	33,392,224		22,422,703	
Closing Stock	(84,388,403)	(50,996,179)	(33,392,224)	(10,969,521)
Finished Goods				
Opening Stock	282,974,298		289,125,494	
Closing Stock	(354,845,579)	(71,871,281)	(282,974,298)	6,151,196
Manufacturing Expenses		491,813,791		535,187,834
Stores and Spares Consumed		24,627,612		21,739,330
Power & Fuel		58,093,972		69,913,759
Salaries, Wages & Other Benefits to Staff		280,091,822		263,257,364
Contribution to Provident Fund & Other Funds		29,194,295		23,940,567
Gratuity		9,441,862		2,187,110
Staff Welfare Expenses		12,236,106		13,208,668
Legal & Professional Charges		11,635,833		9,289,390
Travelling & Conveyance		31,342,071		21,579,914
Rent		3,071,903		1,993,268
Rates & Taxes		7,187,037		6,537,072
Repair & Maintenance				
- Building	494,465		631,765	
- Plant & Machinery	883,044		1,996,785	
- Others	4,897,624	6,275,133	3,690,358	6,318,908
Printing & Stationary		10,021,078		9,758,813
Auditor's Remuneration		973,040		1,095,510
Communication Expenses		7,757,972		6,309,217
Freight Outward		18,977,145		47,671,387
Insurance		3,179,816		4,559,815
Clearing & Forwarding Charges etc.		50,305,553		56,547,865
Forward Contract Loss		225,146,222		6,700,405
Loss on sale of trade investment		2,841,251		-
Loss on Sale of Fixed Assets		365,275		2,703,259
Claim to buyers		2,657,888		8,132,555
Bank Charges		41,115,788		29,623,415
Sundry Balances Written off		104,098		
Miscellaneous Expenses		52,957,146		32,897,046
		<u>2,252,556,108</u>		<u>2,158,782,807</u>
SCHEDULE-15				
FINANCE COST				
Interest :				
- Fixed Loans		17,183,994		21,307,819
- Others		80,625,676		62,562,307
		<u>97,809,670</u>		<u>83,870,126</u>

SCHEDULE-16 SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

The financial statements have been prepared to comply with the mandatory accounting standards issued by the Institute Of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on accrual basis except for investment available for sale and held for trading which is measured at fair value and Land & Building which is measured at revalued cost. The accounting policies have been consistently applied by the company unless otherwise stated.

2. Use Of Estimates

The preparation of financial statements is in conformity with generally accepted accounting principles requires making of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets & liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between the actual results and estimates are recognized in the year in which the results are known /materialized.

3. Inventories

- Inventories of finished goods manufactured by the company are valued at lower of cost or estimated net realizable value. Cost includes material cost on weighted average basis and appropriate overheads.
- Inventories of finished goods traded are valued at lower of procurement cost (FIFO Method) or estimated net realizable value.
- Inventories of raw material, work in progress (WIP), accessories & consumables are valued at cost (Weighted average method) or at estimated net realisable value, whichever is lower. For WIP, cost includes appropriate overheads.

4. Cash Flow Statement

Cash Flow are reported using the indirect method as specified in the Accounting Standard (AS)-3, 'Cash Flow Statement'.

5. Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation and impairment losses. The cost comprises the purchase price and any attributable cost including borrowing costs of bringing the asset to its working condition for its intended use and related pre-operative expenses are capitalized over the total project at the commencement of project/on start of the commercial production.

6. Depreciation/Amortisation

- Depreciation on fixed assets is provided on Straight Line Method at the rates and in the manner as prescribed in Schedule XIV of the Companies Act. Fixed Assets Costing upto Rs. 5,000/- are depreciated fully in the year of purchase.
- Leasehold land is amortised over the period of lease.
- Software is amortised over the period of 5 years which in the opinion of the management is the estimated economic life.

7. Revenue / Expenditure Recognition

- Export sale is recognized on the basis of date of Airway Bill/Bill of Lading/Forwarder Cargo receipts.
- Sales are shown net of trade discounts and include freight & insurance recovered from buyers as per terms of sales.
- In case of High Sea Sales revenues are recognized on transfer of title of goods to the customer.
- Sale of software is recognized at the delivery of complete module & patches through transfer of code.
- Income from job work is recognized on the basis of proportionate completion method.
- Commission income is recognized when the services are rendered.
- Interest income is recognized on time proportion basis.
- Purchases are recognized upon receipt of such goods by the company. Purchases of imported goods are recognized after completion of custom clearance formalities and upon receipt of such goods by the company.

8. Foreign Currency Transactions

- Sales made in foreign currencies are translated on average monthly exchange rate. Gain/Loss arising out of fluctuation in the exchange rate on settlement of the transaction is recognized in the profit and loss account.

- Foreign Currency monetary items are reported using the closing rate. The resultant exchange gain/loss are dealt with in profit & loss account.

9. Investment

The company has classified its investments as:

Held for trading : Trading securities are those (both debt & equity) that are bought and held principally for the purpose of selling them in near term, such securities are value at fair value and gain/loss is recognized in the income statement.

Held to Maturity : Investment in debt & capital guard products are classified as held to maturity only if the company has the positive intent and ability to hold these securities to maturity, such securities are held at historical cost.

Available-for-sale financial assets : Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity & debt instruments that are designated as available for sale or are not classified in any of the other three categories, being investments at fair value through profit or loss for trading, loans and receivables and held-to-maturity investments. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, with gains or loss recognized as a separate component of equity as "Investment Revaluation Reserve" until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because, first the variability in the range of reasonable fair value estimates is significant for that investment or, secondly the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment.

Fair value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date.

10. Derivative financial instruments and hedging

The Company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as:

Fair value hedges: A hedge of the exposure to changes in the fair value of recognized asset or liability or an unrecognized firm commitment (except for foreign risk), or an identified portion of such asset, liability or firm commitment that is attributable to a particular risk and could affect profit or loss.

Cash flow hedges: A hedge of the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, and could affect profit or loss.

The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized immediately in the income statement.

11. Employee Benefits

Expenses and Liabilities in respect of employee benefits are recorded in accordance with Revised Accounting Standard 15 - Employees Benefits (Revised 2005) issued by the ICAI.

i) Post Employment Benefit Plans

Payments to Defined Contribution Retirements Benefit Schemes are charged as an expenses they fall due.

For Defined Benefit Schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the profit and loss account for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight line basis over the average period until the benefit become vested.

The retirement benefit obligation recognized in the balance sheet represents the present

Pearl Global Limited

value of the defined benefit obligation as adjusted for unrecognized past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

ii) **Short Term Employee Benefits**

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders the service.

12. **Borrowing Costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

13. **Leases**

- a) In respect of lease transactions entered into prior to April 1, 2001, lease rentals of assets acquired are charged to profit & loss account.
- b) Lease transactions entered into on or after April1, 2001:
- Assets acquired under leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalized at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.
 - Assets acquired under leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the profit & Loss Account on accrual basis.
 - Assets leased out under operating leases are capitalized. Rental income is recognized on accrual basis over the lease term.

14. **Taxes On Income**

The current tax is amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

The deferred tax is recognized on timing differences; being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

The deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized if there is a virtual certainty that there will be sufficient future taxable income available to reverse such losses.

15. **Impairment of Assets**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit & Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

16. **Provision, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

SCHEDULE -17

NOTES TO THE ACCOUNTS

1. **Contingent Liabilities :-**

- (a) Claims against the Company not acknowledged as debts and other matters Rs. 3,413,854 (Previous Year: Rs. 3,413,854).
- (b) Export Bills Discounted with banks Rs 212,561,243 (Previous Year Rs. 266,369,360).
- (c) Counter Guarantees given by the company to the Sales Tax Department for its associates company Rs. 100,000 (Previous Year: Rs. 100,000), for others Rs. 50,000 (Previous Year Rs. 50,000).
- (d) Corporate Guarantee given by the company to Axis Bank for securing credit facility & term loan to Little People Education Society for Rs. 111,254,000 (Previous Year - Nil)
- (e) Guarantee given to government authorities in respect of facilities availed by holding co. & other parties Rs. 200,000 (Previous Year 200,000)

2. **Capital Commitments**

Estimated amount of contracts remaining to be executed on capital account (net of advances); Rs. 101,836,680 (Previous year Rs. 26,034,843).

3. **Adoption of Accounting Standard - 30**

Arising from the announcement of the institute of Chartered Accountants of India on 29th March 2008, the company had chosen for early adoption of Accounting Standard 30. (Financial Instrument : Recognition and Measurement) in its entirety. The adoption of this standard had in the previous year resulted in total loss increased by Rs. 104,811,143/- due to

- (i) Increase in the value of investments by Rs. 4,079,813.
- (ii) Aggregate decrease in reserve by Rs. 19,135,836/- due to creation of hedging reserves on account of Cash Flow hedges (had AS-11 been followed this would have been charged to Profit & Loss Account)
- (iii) The Provision of market losses of Rs. 128,026,792 on outstanding derivatives at balance sheet.

4. **Secured Loans**

- (i) Rupees Term Loan and Working Capital Loan From the Hongkong & Shanghai Banking Corporation is secured by:
- First charge over stocks and receivables pari passu with consortium banks.
 - First pari passu charge over the company's movable fixed assets (present and future)
 - Exclusive first charge over the Fixed Assets of the Chennai unit at D-6/III, Phase II at MEPZ, SEZ Chennai financed from the proceeds of the term loan.
 - Pari-Passu charge with UCO by way of mortgage of the Property situated at 446, Udyog Vihar Phase-V, Gurgaon to secure term loan.
- (ii) Rupee term loan from UCO Bank is secured by
- Exclusive first charge on the movable/immovable assets purchased from proceeds of term loan (including exclusive charge on the superstructure being built on the land at D-6/III, Phase II at MEPZ, SEZ Chennai).
 - Second charge on immovable property at 446, Udyog Vihar Phase-V, Gurgaon. After liquidation of HSBC charge, UCO Bank will have 1st charge.
 - Hypothecation of goods, current assets and book debts for adhoc credit facility.
- (iii) Rupee term loan from Yes Bank Ltd. is secured by exclusive charge on movable fixed assets of the Company including plant & machinery located at Plot No. 751; sector 37 II, Pace City Gurgaon.
- (iv) Vehicle loans are secured against hypothecation of respective vehicles.
- (v) Pre- post shipment advances and working capital facilities from PNB, UCO Bank, HSBC, Chinatrust Commercial Bank and Standard Chartered bank which are secured by First pari passu charge on movable fixed assets present & future comprising vehicle, furniture and fixtures, disposable fixed assets, the stocks of raw material, stocks in process, stores & spares, bill receivable & book debts and mortgage of the properties situated at following addresses:
- Plot No.H-597-603, RICCO Industrial Area, Bhiwadi, Alwar
Plot No.H-605-606, RICCO Industrial Area, Bhiwadi, Alwar
Plot No.16-17, Phase-VI, Udyog Vihar, Gurgaon

5. The loss from trade investment is Rs. 229,080 (Previous Year 115,536). The Net Loss from the non trade investment is 2,612,171 (Previous Year Net Income 4,195,349).

6. The details of Investments made & sold during the year are given as under:

Name of the Security	Face Value	Opening Quantity	Purchase / Addition during the year	Sold during the year	Quantity at the closing
Principal Large Cap Fund	Rs.10	55,554.957	-	55,554.957	-
Tata Equity Management Fund	Rs.10	50,000	-	50,000	-
SBI Mutual Fund	Rs.10	100,000	-	100,000	-
Reliance Mutual Funds	Rs.10	10,000	-	10,000	-
JP Morgan India Liquid Plus Fund-Growth Plan	Rs.10.57	283,795.28	-	283,795.28	-
Principal Junior Cap Fund Dividend	Rs.14.51	50,000	-	50,000	-
Principal Infrastructure & services	Rs.12.69	94,313.01	-	94,313.01	-
Pearl Global Foreast Ltd.	\$ 1	-	10,000	-	10,000

Pearl Global Limited

7. Forward Currency Contracts - Cash Flow Hedges

- a) At the balance sheet date, the total notional amounts of outstanding forward foreign exchange contracts that the company has committed to are as below.

	As on 31st March 2009		As on 31st March 2008	
	USD	INR	USD	INR
Forward Foreign exchange contracts	28,150,000	1,299,878,500	42,438,600	1,699,432,640

These commitments have been entered into to hedge against future payments to suppliers and receipts from customers in the ordinary course of business that will fall due in the period ending January, 2011.

These arrangements are designed to address significant exchange exposures and are renewed on a revolving basis as required.

- b) The terms of the forward currency contracts have been negotiated to match the terms & commitments. The Cash Flow hedges of the expected future sales in April 2009 to January 2011 value assessed at a loss of Rs. 150,518,093 (Previous Year 19,135,836) as on reporting date and this has been included in the hedging reserve.

8. Currency Derivatives

The company utilises currency derivatives to hedge significant future transactions and cash flows and is a party to a variety of foreign currency contracts and options in the management of its exchange rate exposures.

As on 31st March 2009, the company has no outstanding derivatives contracts. Whereas as on 31st March 2008, company had two outstanding derivatives contracts of Knock In Knock Out structure nature. The Cash Flow hedged were assessed to be ineffective, thus the company provided for loss of Rs. 128,026,792 for the same in last year.

9. Details of Managerial Remuneration

	(Amount in Rs.)	
	Current Year	Previous Year
a) Salary to Whole Time Director & Managing Director	3,300,000	6,300,000
b) Contribution to Provident Fund	10,920	18,720
Total	3,310,920	6,318,720

Notes:

- i) Provision for / Contribution to employee retirement benefits are excluded above.
ii) The above managerial Remuneration is permissible as minimum remuneration in accordance with Schedule XIII of The Companies Act 1956.

Computation of Net Profit as per section 349 and section 198 of Companies Act, 1956.

Particulars	Amount (In Rupees)	
	Current Year	Previous Year
Profit before Taxes as per Profit and Loss Account	15,030,580	(471,378)
Add: Managerial Remuneration	3,310,920	6,318,720
Add: Loss on sale of fixed asset	365,275	2,703,253
Add: Director Sitting Fee	48,000	132,000
Net Profit	18,754,775	4,440,192
Maximum permissible remuneration to Managing Director under section 198 of Companies Act, 1956 @ 10% of profit computed above.	1,875,477	444,019

10. Auditors' Remuneration

	Current Year	Previous Year
a) Audit Fee	575,000	525,000
b) Tax Audit	125,000	150,000
c) Other matters	186,800	300,000
d) Service Tax	86,240	120,510
Total	973,040	1,095,510

11. Details of Pre-operative expenses as are included in the Capital Work-in-Progress in the fixed asset schedule are as follows:

(i) SIPCOT

Particulars of Expenses	As at 31st March, 2009	As at 31st March, 2008
	(In Rs.)	(In Rs.)
Legal Expenses	148,304	117,773
Traveling Expenses	-	16,491
Subscription	25,139	40,139
Maintenance	23,993	18,375

Particulars of Expenses

	As at 31st March, 2009	As at 31st March, 2009
	(In Rs.)	(In Rs.)
Processing Charges	725,000	725,000
Conveyance	12,375	640
Food & Welfare	-	170
Others	1,211,260	40,000
Professional Fee	10,000	10,000
Interest on loan	-	214,379
Total	2,156,071	1,182,967
(ii) TIRPUR		
Interest on Term Loan	1,188,841	1,188,841
Traveling Expenses	94,699	94,699
Electricity expenses	685,000	575,000
Property tax	42,400	28,000
Miscellaneous expenses	168,938	328,128
Business Promotion	119,159	119,159
Consultancy	-	12,000
Telephone	38,400	29,600
Maintenance	74,250	-
Total	2,411,687	2,375,427
(iii) REAL ESTATE		
Processing Fee	50,000	625,000
Professional Charges	39,910	39,910
Total	89,910	664,910
GRAND TOTAL (i) + (ii) + (iii)	4,657,668	4,223,304

12. Amount due from / to Companies / firms in which directors are interested are given as under:-

Sundry Debtors includes:

Name of the Concern	Current Year (Rs)		Previous Year (Rs.)	
	Balance as at 31.03.2009	Maximum amount during the year	Balance as at 31.03.2008	Maximum amount during the year
Poeticgem Ltd.	14,558,456	28,223,287	1,083,623	50,303,257
Simple Approach Ltd.	2,608,500	17,302,681	16,663,416	16,663,416
Nor Pearl Knitwear Ltd.	-	180,720	180,720	180,720
Norwest Industries Ltd	-	2,997,383	7,600	7,600
P.T. Norwest Industry	-	32,172	32,172	110,326
House of Pearl Fashions (U.S) Ltd.	53,698,658	78,646,409	555	3,951,747
Norwest Industries (Bangladesh)	-	114,892	22,212	22,332
Vau Apparels Pvt. Ltd.	-	1,797,577	1,797,577	31,909,201
Lerros Modem GMBH	11,481,744	12,226,405	-	9,952,250
Depa International Inc.	1,449,248	2,842,892	-	-

Loans and Advances Includes:

Hopp Fashions	1,335,383	1,812,441	959,280	1,445,021
Little People Education Society	1,681,518	1,681,518	718	1,314,876
Vau Apparels Pvt. Ltd.	2,150,000	2,150,000	2,150,000	2,150,000
Nor Pearl Knitwear Ltd.	-	-	540,440	17,746,892
Pearl Academy of Fashions India Ltd.	74,937	74,937	74,937	78,937
Vastras	59,932	59,932	-	-
Nim International	56	56	-	-
Commerce Pvt. Ltd.	-	-	-	-

Loan Includes:

Little People Education Society	1,000,000	1,000,000	-	26,650,000
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13. There is no reportable segment of the company in view of Accounting Standard-17 'Segmental Reporting' issued by the Institute of chartered Accountants of India.

Pearl Global Limited

14. **Related Party Disclosure**

Related party disclosure as required under Accounting Standard- "18" issued by the Institute of Chartered Accountants of India is given below:

a) **Holding Company****Domestic**

House of Pearl Fashions Limited India

b) **Subsidiary****Overseas**

Pearl Global Fareast Ltd. Hongkong

c) **Fellow Subsidiaries****Domestic**

Lerros Fashions India Pvt. Ltd. India

Overseas

Multinational Textiles Group Limited Mauritius

Nor Pearl Knitwear Limited Bangladesh

Norp Knit Industries Limited Bangladesh

Global Textiles Group Limited Mauritius

Depa International Inc. USA

Poeticgem (Canada) Limited Canada

P.T. Norwest Industry Indonesia

Poeticgem Limited UK

Pacific Logistics Limited UK

Norwest Industries Ltd Hongkong

House of Pearl Fashion (US) Ltd USA

Zamira Fashions Ltd Hongkong

FX Import Co Ltd UK

Pacific Supply Chain Limited UK

Zamira Fashions Europe Limited UK

Poetic Knitwear Limited UK

FX Import Hongkong Limited Hongkong

Pearl GES Group Ltd. Hongkong

Pearl GES Home Group Ltd. Hongkong

Simple Approach Ltd. Hongkong

Pearl GES Home Group SPA Chile

Magic Global Fashions Ltd. Hongkong

Magic Global Fashions Ltd. UK

d) **Associates****Domestic**

Crown Computerized Embroideries India

Vastras India

Pearl Wears India

Little People Education Society India

Pearl Academy of Fashion India Limited India

Hopp Fashions India

Pearl Retail Solution Private Limited India

Deepak Seth & Sons (HUF) India

Vau Apparels Pvt. Ltd. India

Overseas

Pallas Holdings Ltd. Mauritius

J S M Trading Mauritius

SACB Holdings Ltd. Dubai

Lerros Modem GMBH Germany

e) **Key Managerial Persons**

Mr. Deepak Seth

Mr. Pulkit Seth

Mr. Sanjay Pershad

f) **Relatives**

Mrs. Payal Seth

Mrs. Shefali Seth

Holding Company**Particulars**

Purchase of Goods(Net) 2008-09 12,070,360 2007-08 115,508,417

Advance Repaid 2008-09 257,219,735 2007-08 45,113,162

Particulars

Loan Taken 2008-09 16,100,000 2007-08 275,000,000

Loan Repaid - 75,000,000

Advance Received 348,462,418 52,200,000

Sale of Goods - 30,364,890

Interest Expenses 25,217,141 19,915,336

Rent Paid 120,000 120,000

Expenses Paid 29,283,419 5,223,918

Expenses Reimbursed 1,084,373 1,284,461

Issue of Preference Shares 33,100,000 137,200,000

Share Application Money Received - 22,500,000

Dividend Paid - 9,939,176

Purchase of Fixed Assets 865,300 -

Closing Balance

Loan(Cr.) 216,100,000 200,000,000

Interest Payable(Cr.) 34,800,936 15,402,521

Advance from Holding Co(Cr.) 45,462,437 26,664,081

Share Application Money(Cr.) - 22,500,000

Fellow Subsidiaries

Purchase of Goods 837,963,028 537,410,295

Commission Paid 26,789,360 7,929,162

Sale of Goods 214,400,559 35,177,236

Sale of Fixed Assets 1,117,125 6,325,658

Rent Received - 300,000

Expenses Recovered - 4,291,721

Expenses Reimbursed 15,417,255 1,491,919

Sampling Expenses 18,924,620 5,422,634

Sampling Recovery 34,448,913 22,334,072

Claim Paid 2,708,252 1,820,955

Advance Received 40,660,000 45,228,800

Claim Received - 31,920

Advance Recovered 4,420,000 -

Expenses Paid 8,886,643 -

Advance Given 4,400,000 -

Balance written off 7,600 -

Closing Balance

Other Liabilities (177,352,837) (98,375,946)

Associates

Purchase of Goods 24,950,505 465,774

Job Work Expenses 17,001,076 15,476,389

Loan Given 1,000,000 -

Advance Paid 400,000 2,665,253

Loan Refunded - 26,650,000

Sale of Goods 1,204,959 486,136

Rent Received 4,895,100 900,000

Expenses Reimbursed 177,881 1,502,264

Expenses Recovered 1,315,636 124,303

Interest Received - 2,216,581

Sale of Software 18,738,500 9,952,250

Advance Received 3,750,000 -

Commission Income 4,176,265 -

Interest Income 33,801 -

Sample Recovery 48,672 -

Closing Balance

Other Receivable 51,061 3,052,847

Sundry Debtors 11,481,744 -

Loan to Associates 1,033,884 -

Key Managerial Personnel / Director/Relative

Expenses Reimburse 59,058 -

Sale of Fixed Assets 8,000,000 -

Expenses Paid 190,609 -

Remuneration 3,310,920 6,318,720

Salary to relative 600,000 600,000

Pearl Global Limited

15. Assets taken on Lease

The company has taken certain assets on non-cancelable operating lease and lease rent amounting to Rs 3,071,903 (Previous Year Rs. 1,993,268) has been debited to Profit & Loss account. The future minimum lease payments is as under:

(Amount in Rupees)

Minimum Lease Payments Payables	Current Year	Previous Year
(i) not later than in 1 years	1,994,352	2,258,352
(ii) Later than 1 year but not later than 5 years	5,111,958	6,284,716
(iii) Later than 5 years	5,376,216	6,632,812

General Description of Lease Terms:

Particulars	Terms of Renewal	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
Naraina Industries Association	No	No	10% Every Year	No	No
P. Murugan	No	No	No	No	No
Ashish Dua	No	No	No	No	No
House of Pearl Fashions Ltd.	3 Yrs.	No	No	No	No

16. Assets given on lease

a) The company has also given certain assets on non-cancelable operating lease and lease rent income amounting to Rs 7,403,100 (Previous Year Rs. 3,480,000) has been credited in Profit & Loss account. The future minimum lease payments receivables

and the details of assets in respect of the assets, as at March 31, 2009 are as follows:

(Amount in Rupees)

S. No.	Minimum Lease Payments Receivables	Current Year	Previous Year
(i)	not later than in 1 years	7,631,100	2,064,000
(ii)	later than 1 year but not later than 5 years	32,903,580	270,000
(iii)	later than 5 years	90,620,784	-

b) (Amount in Rupees)

(i)	Gross Investment on Lease Assets	35,255,587	32,904,050
(ii)	Accumulated Depreciation	5,030,841	4,145,203
(iii)	Depreciation Charged during the Year	795,518	743,879

c) General Description of Lease Terms:

Particulars	Terms of Renewal	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
B-earth & Spire India P. Ltd.	4 YRS.	NO	20 % AFTER 2 YRS.	NO	NO
CROWN Computerized unit 16-17	NO	NO	NO	NO	NO
Crown Computerized unit 751	NO	NO	NO	NO	NO
Little People Education Society	10 YRS.	NO	20 % AFTER 5 YRS.	NO	NO

17. Retirement Benefits

The Company has classified the various benefits provided to employees as under:-

(i) Defined Contribution Plan

The company makes contribution towards provident fund to a defined contribution retirement benefit plan for qualifying employees. The provident fund plan is operated by the Regional Provident fund commissioner and the company is required to contribute a specified percentage of payroll cost to the retirement benefit schemes to fund the benefits.

The company recognized Rs. 19,721,380 (Previous Year: Rs. 14,993,172) for provident fund contributions in the profit and loss account. The contribution payable to these plans by the company is at rates specified in the rules of the schemes.

(ii) Defined Benefit Plan

The employee's gratuity fund scheme managed by Life Insurance Corporation of India is a defined benefit plan except in the case of Chennai unit. The present value of obligation is determine based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligations. The obligation for leave encashment is recognized in the same manner as gratuity.

(a) Reconciliation of opening and closing balances of Defined Benefit Obligations

(Amount in Rs.)

	Current Year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Defined benefit obligations at beginning of the year	11,778,866	1,478,873	5,563,127	9,968,657	795,019	3,578,903
Current Service Cost	2,565,310	1,277,932	883,355	2,565,310	1,049,345	2,249,362
Interest Cost	942,309	118,307	445,050	747,649	63,602	286,312
Actuarial (gain)/loss	5,588,746	(776,374)	(2,306,056)	(1,502,750)	(429,123)	2,708,098
Benefits paid	(9,716,518)	-	(2,425,104)	-	-	(3,259,548)
Defined Benefit Obligations at year end	11,158,713	2,098,708	2,160,372	11,778,866	1,478,843	5,563,127

(b) Reconciliation of opening and closing balances of fair value of plan assets

	Current Year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Fair value of plan assets at beginning of the year	5,670,912	-	N.A	2,606,470	-	-
Expected Return on plan assets	274,368	-	-	306,923	-	-
Contribution Actuarial (gain)/loss	5,000,528	-	-	2,757,519	-	-
Benefits paid	(9,716,518)	-	-	-	-	-
Fair value of plan assets at the year end.	1,229,290	-	N.A	5,670,912	-	-

Pearl Global Limited

(c) Reconciliation of fair value of assets and obligations

(Amount in Rs.)

	Current Year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Fair value of plan assets at 31st March 2009	1,229,290	N.A	N.A	5,670,912	-	-
Present value of obligation as at 31st March 2009	11,158,713	2,098,708	2,160,372	11,778,866	1,478,843	5,563,127
Net Assets/(Liability) recognized in balance sheet	(99,294,23)	(2,098,708)	(2,160,372)	(6,107,954)	(1,478,843)	(5,563,127)

(d) Expenses recognized during the year

	Current Year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Current Service Cost	2,565,310	1,277,932	883,355	2,565,310	1,049,345	2,249,362
Interest Cost	942,309	118,307	445,050	747,649	63,602	286,312
Expected return on plan assets	(274,368)	-	-	(306,923)	-	-
Actuarial	5,588,746	(776,374)	(2,306,056)	(1,502,750)	(429,123)	(2,708,098)
Net Cost	8,821,997	619,865	(977,651)	1,503,286	683,824	5,243,772

(e) Actuarial Assumptions

	Current Year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Discount Rate (per annum)	8.00%	8.00% p.a	8.00% p.a	8.00%	8.00% p.a	8.00% p.a
Future increase in compensation	5.00%	5.00% p.a	5.50% p.a	5.00%	5.00% p.a	5.00% p.a
Expected rate of return on plan assets	8.00%	N.A	N.A	8.00%	N.A	N.A
In Service Mortality	L.I.C 1994-96 Ultimate	L.I.C 1994-96 Duly modified	L.I.C 1994-96 Duly modified	L.I.C 1994-96 Ultimate	L.I.C 1994-96 Duly modified	L.I.C 1994-96 Duly modified
Retirement age	58 Years	58 Years	58 Years	58 Years	58 Years	58 Years

18. Earning per share

The numerator and denominators used to calculate Basic and Dilutive Earning per share:

	Current Year (Rs)	Previous Year (Rs.)
Profit /(Loss) attributable to the equity shareholders	6,819,996	(85,504,036)
No of Equity Share outstanding during the Year	8,214,980	8,214,980
Nominal value of Equity shares	10/-	10/-
Basic Earning per share(Rs)	0.83	(10.41)
Potential Equity Shares	-	-
Diluted Earning per share(Rs)	0.83	(10.41)

19. In view of Accounting Standard-22, 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India, the company has accounted for deferred tax as follows:

Particulars	Balance as at 01.04.2008	Expenses / Savings during the Year	Balance as at 31.03.2009
Deferred Tax Assets			
Capital Losses	3,060,465	546,179	3,606,644
Unabsorbed Depreciation & Business losses	24,048,191	(5,853,791)	18,194,400
Derivative Loss	39,560,279	(39,560,279)	-
Others	6,170,415	49,595,624	55,766,039
Total (A)	72,839,350	4,727,733	77,567,083
Deferred Tax Liabilities			
Depreciation	73,022,137	8,938,691	81,960,828
Total (B)	73,022,137	8,938,691	81,960,828
Net Deferred Tax Asset/(Liability) (A)-(B)	(182,787)	(4,210,958)	(4,393,745)

The tax impact for the above purpose have been arrived at by applying the prevailing tax rate as on Balance Sheet date under the Income Tax Act, 1961.

20. The prior period adjustments comprises of the following items:

S.No	Nature of Expenses	Current Year (Rs.)	Previous Year (Rs.)
	Income		
(a)	Discount	-	329,440
(b)	Electricity Expenses	-	23,681
	Total (A)	-	353,121
	Expenditures		
(c)	Embroidery on Garments	-	588,400
(d)	Factory Maintenance	86,858	24,000
(e)	Subscription	-	89,505
(f)	Accessories Purchase	-	196,306
(g)	Sales Promotion	-	38,332
(h)	Chemical Purchase	-	12,119
(i)	Service Tax	-	1,316,665
(j)	Interest on FBP	-	19,355
(k)	Purchases	-	118,706
(l)	Sale-Discount	2,432,322	-
(m)	Bank Charges	29,917	-
(n)	Duty Draw Back	509,195	-
(o)	Testing Expenses	199,999	-
	Total (B)	3,078,291	2,403,388
	Net Prior Period Income / (Expenditure) (A) - (B)	(3,078,291)	(2,050,267)

Pearl Global Limited

21. Additional information pursuant to the provisions of Part II of Schedule VI to the Companies Act, 1956.

a) Capacity and Production

Class of Goods	Unit	Licensed Capacity		Installed Capacity*		Actual Production	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Readymade Garments	No's	N.A.	N.A.	11,000,000	11,000,000	7,450,774	7,847,605

* Above installed capacity as certified by the management and does not include the capacity, which can be expanded through contract work.

b) Breakup of Sales

Class of Goods	Unit	Current Year		Previous Year	
		Qty	Amount (Rs.)	Qty	Amount (Rs.)
Readymade Garments (Manufactured)	Pcs	7,137,779	2,010,388,690	7,945,387	1,814,113,833
Readymade Garments (Traded)	Pcs	7,628,504	1,674,362,221	5,043,378	1,041,434,130
Fabric	Mtrs. Kgs.	1,466,179 17,315	119,275,461	1,039,630 63,187	71,838,704
Others			63,687,373		59,734,320
			3,867,713,745		2,987,120,987

c) Details of Finished Goods

Class of Goods	Current Year				Previous Year			
	Opening Stock		Closing Stock		Opening Stock		Closing Stock	
	Qty.	Value Rs.	Qty.	Value Rs.	Qty.	Value Rs.	Qty.	Value Rs.
Readymade Garments (Pcs)	1,179,659	282,974,298	1,492,654	354,845,579	1,277,441	289,125,494	1,179,659	282,974,298

d) Purchases/Cost of Goods Traded

Class of Goods	Unit	Current Year		Previous Year	
		Qty.	Amount (Rs.)	Qty.	Amount (Rs.)
Readymade Garments	Pcs	7,628,504	1,498,169,944	5,043,378	794,190,822
Fabric	Mtrs Kgs	1,466,179 17,315	107,347,915	1,039,630 63,187	64,654,833
Others			26,966,899		23,447,122
			1,632,484,758		882,292,777

e) Breakup of Raw Material/Stores & Spares Consumed

Class of Goods	Current Year		Previous Year	
	Amount (Rs.)	%	Amount (Rs.)	%
Raw Material Consumed				
Indigenous	683,683,883	68.78	745,193,873	75.85
Imported	310,325,974	31.22	237,254,788	24.15
	994,009,857	100.00	982,448,661	100.00
Stores and Spares Consumed				
Indigenous	24,627,612	100.00	21,739,330	100.00

f) Raw Material Consumed

Class of Goods	Current Year		Previous Year	
	Qty.	Value (Rs.)	Qty.	Value (Rs.)
Fabric-woven (Mtrs.)	9,462,626	787,980,477	9,372,977	829,183,960
(KG)	598,027		814,964	
Others		206,029,380		153,264,701
		994,009,857		982,448,661

g) Value of Imports on C.I.F. basis

	Current Year	Previous Year
Raw Material	346,743,216	347,213,279
Capital Goods	8,464,540	26,317,291
Readymade Garments	1,498,330,454	794,190,822
Total	1,853,538,210	1,167,721,392

h) Expenditure in Foreign Currency

Interest on loan	2,864,682	6,262,518
Foreign Traveling	7,288,561	2,032,843
Export Commission	32,561,944	11,468,709
Others	29,069,839	18,922,085
Total	71,785,026	38,686,155

i) Earnings in Foreign Exchange

Export of Goods- FOB basis	3,812,849,704	2,867,827,270
Export of Software FOB basis	18,738,500	9,952,250
Sampling Recoveries	5,149,746	(22,334,072)
Claim Received	8,395,290	3,888,915
Commission received	14,128,678	31,836,922
Designing Charges	12,211,566	-

22. In view of the management, the current assets, loans and advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated as on balance sheet date.

23. The company has issued preference share capital on following terms :

Type of Shares	No. of Shares	Date of Issue	Terms of Redemption
10.5% Non-Cumulative Redeemable Preference Shares	1,372,000	29-01-2008	To be redeemed in 2012.
10.5% Non-Cumulative Redeemable Preference Shares	250,000	20-06-2008	To be redeemed in 2012.
10.5% Non-Cumulative Redeemable Preference Shares	81,000	05-03-2009	To be redeemed after 5 years from the date of allotment.
Total	17,03,000		

24. Pursuant to amendments to schedule VI to Companies Act, 1956 vide notification number GSR 719 (E) dated November 16, 2007, the company has not received information from vendors regarding the Micro, Small and Medium Enterprises and Development Act, 2006. Hence, disclosure related to unpaid and outstanding at the year end together with the interest paid/payable has not been given.

25. The Company has taken steps for delisting of equity shares from Bombay Stock Exchange and National Stock Exchange. For this purpose, the promoters have given open offer to public for acquiring 2,082,345 shares. The exit price as determined through Reverse Book Building is Rs. 47.50 per share and the public will have exit option for six months following delisting of shares.

26. Previous Year's figures have been regrouped/recast wherever considered necessary.

Signature to schedule 1 to 17

As per our separate report attached

For S.R. Dinodia & Co.

Chartered Accountants

On behalf of the Board

(Sandeep Dinodia)

Partner

M. No. 083689

(Deepak Seth)

Chairman

DIN 00003021

(Dr. Ashutosh P. Bhupatkar)

Director

DIN 00479727

Place : New Delhi

Dated : 29.06.2009

(Ajay Gupta)

Deputy General Manager

(Prakash Prusty)

Company Secretary

Nor-Pearl Knitwear Limited

DIRECTORS' REPORT

The directors are pleased to present their report together with the audited financial statements of the Company and the Auditors' Report thereon for the year ended 31st March 2009.

Principal Activity

The principal activity of the Company is manufacturing of sweaters for export at its factory located at Comilla EPZ.

Results and dividend

The results for the year are disclosed in the accompanying financial statements.

The directors do not recommend payment of any dividend for the year under review.

Statement of Directors' responsibilities in respect of financial statements

The directors are responsible for the preparation of financial statements, which complies with the Companies Act 1994. In preparing those financial statements, the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- stated whether Bangladesh Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Sd/-
Pulkit Seth
Managing Director

Date: June 24, 2009

AUDITORS' REPORT TO THE SHAREHOLDERS OF NOR-PEARL KNITWEAR LTD.

We have audited the accompanying balance sheet of Nor-Pearl Knitwear Ltd. as at 31 March 2009 and the related profit and loss account, statement of changes in equity and cash flow statement for the year then ended and summary of significant accounting policies and other explanatory notes. The preparation of these financial statements is the responsibility of the company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards, give a true and fair view of the state of the state of the company's affairs as at 31 March 2009 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act 1994 and other applicable laws and regulations.

We also report that:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof,
- in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account.

Without qualifying our opinion above, we draw reader's attention to note 2.5 to the financial statements where management explains, the company will resume its operation soon and it will remain operative for the foreseeable future through increasing the number of customers and continued support from its parent company, House of Pearl Fashions Ltd.

Dhaka, 25 June 2009

BALANCE SHEET AS AT 31 MARCH 2009

	Notes	2009 Taka	2008 Taka
Non-current assets			
Property, plant and equipment:			
At cost less accumulated depreciation	4	283,237,332	291,301,939
(Figures of 2008 has been restated)			
Investment	5	400,000	400,000
		283,637,332	291,701,939
Current assets			
Inventories	6	60,868,723	107,653,524
Trade receivables	7	51,294,732	92,971,545
Loan to PAF International Ltd.	8	8,000,000	8,000,000
Advances, deposits and prepayments	9	10,821,609	47,809,512
Cash and bank balances	10	4,984,322	6,192,454
Total current assets		135,969,386	262,627,035
Current liabilities and provisions:			
Short term finance	11	209,011,275	77,503,763
Trade and other payables	12	69,633,411	90,529,406
Total current liabilities and provisions		278,644,686	168,033,169
Net current assets		(142,675,300)	94,593,866
Net assets		140,962,032	386,295,805
Financed by:			
Shareholders' equity:			
Share capital	13	265,749,700	265,749,700
Share money deposit	14	121,351,800	121,351,800
Accumulated profit/(loss)		(246,139,468)	(805,695)
(Figures of 2008 has been restated)			
		140,962,032	386,295,805

The annexed notes 1 to 22 form an integral part of these financial statements

Sd/-
Managing Director

Sd/-
Director

As per our report of same date.

Auditors
Dhaka, 25 June 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 Taka	2008 Taka
Turnover		807,061,501	652,098,444
Cost of goods sold	16	(840,240,711)	(525,748,158)
Gross profit/(loss)		(33,179,210)	126,350,286
Administrative, selling and distribution expenses	17	(201,328,319)	(93,916,005)
		(234,507,529)	32,434,281
Non-operating expenses (net)	18	(2,504,226)	(1,761,978)
Profit/(loss) before interest and tax		(237,011,755)	30,672,303
Interest:			
Expense		(8,322,018)	(6,087,442)
Income		-	-
		(8,322,018)	(6,087,442)
Profit/(loss) before tax		(245,333,773)	24,584,861
Tax expense:			
Current		-	-
Adjustment for deferred tax		-	1,114,183
		-	1,114,183
Net profit/(loss) after tax for the year		(245,333,773)	25,699,044

The annexed notes 1 to 22 form an integral part of these financial statements.

Sd/-
Managing Director

Sd/-
Director

As per our report of same date.

Auditors
Dhaka, 25 June 2009

Nor-Pearl Knitwear Limited

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2009

Particulars	Share capital Taka	Share money deposit Taka	Accumulated profit/(loss) Taka	Total Taka
Balance as at 1 April 2007	265,749,700	-	(23,675,794)	242,073,906
Net profit for the year	-	-	25,699,044	25,699,044
Share money in deposit	-	121,351,800	-	121,351,800
Balance as at 31 March 2008	265,749,700	121,351,800	2,023,250	389,124,750
Charge of Depreciation	-	-	(2,828,945)	(2,828,945)
Restated balance as at 31 March 2008	265,749,700	121,351,800	(805,695)	386,295,805
Net loss for the year	-	-	(245,333,773)	(245,333,773)
Balance as at 31 March 2009	265,749,700	121,351,800	(246,139,468)	140,962,032

CASH FLOW STATEMENT

for the year ended 31 March 2009

	2009 Taka	2008 Taka
A. Cash flow from operating activities:		
Profit/(loss) before tax	(245,333,773)	24,584,861
Adjustment of items not involving the movement of cash:		
Depreciation	28,923,512	26,905,979
Gain on sale of property, plant and equipment	-	(55,120)
	28,923,512	26,850,859
<i>Operating profit before changes in working capital</i>	(216,410,261)	51,435,720
Adjustment for changes in working capital:		
Decrease/(increase) in inventories	46,784,801	(23,326,256)
Decrease/(increase) in trade receivables	41,676,813	(8,373,765)
Decrease/(increase) in loan to PAF International Ltd.	-	1,700,000
Decrease/(increase) in Advances, deposits and prepayments	36,987,903	(29,570,765)
Increase/(decrease) in short term finance	131,507,512	54,043,763
Increase/(decrease) in trade and other payables	(20,895,995)	(12,485,839)
	236,061,034	(18,012,862)
<i>Net cash provided by operating activities</i>	19,650,773	33,422,858
B. Cash flow from investing activities:		
Purchase of property, plant and equipment	(20,858,905)	(17,700,690)
Proceeds from sale of property, plant and equipment	-	355,000
<i>Net cash used in investing activities</i>	(20,858,905)	(17,345,690)
C. Cash flow from financing activities:		
Share money deposit	-	121,351,800
Repayment of term loan	-	(126,513,568)
Decrease in loan from Norwest Industries Ltd.	-	(8,556,000)
<i>Net cash used in financing activities</i>	-	(13,717,768)
D. Net increase/(decrease) in cash and bank balances (A+B+C)	(1,208,132)	2,359,400
E. Cash and bank balances at opening	6,192,454	3,833,054
F. Cash and bank balances at closing (D+E) - Note 10	4,984,322	6,192,454

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2009

1. Reporting entity

Nor-Pearl Knitwear Ltd. ("the company") was incorporated in Bangladesh as a private limited company on 16 May 2004. The address of the registered office of the company is House No 11, Road No 6, Baridhara Diplomatic Zone, Dhaka. The shares of the company are held by House of Pearl Fashions Ltd., (previously Mina Estates Pvt. Ltd.), India (99.891%) and Pallas Holdings Ltd., Mauritius (0.109%). The factory of the company is located in Comilla Export Processing Zone (EPZ). The company started commercial operation from 21 April 2005.

The company is engaged in producing ready-made knit garments for the purpose of exporting the same.

2. Basis of preparation

2.1 Statement of compliance

This financial statements of Nor-Pearl Knitwear Ltd. have been prepared in accordance with the Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards, Companies Act 1994 and other applicable laws.

2.2 Basis of measurement

The financial statements have been prepared under historical cost convention.

2.3 Functional and presentational currency

These financial statements are prepared in Bangladesh Taka (Taka/Tk), which is the company's functional currency. All financial information presented in Taka has been rounded off to the nearest integer.

2.4 Use of estimates and judgments

The preparation of financial statements 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.

2.5 Going concern

In 2009, the company incurred a loss before tax of Tk. 245,333,773 and as at balance sheet date, its current liabilities exceed its current assets by Tk. 142,675,300. The operation of the factory has remained closed since February 2009. The management is, however, confident that the company will resume its operation soon and it will remain operative for the foreseeable future through increasing the number of customers and continued support from its parent company, House of Pearl Fashions Ltd.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Foreign currency

Foreign currencies are translated into Bangladesh Taka at the rates ruling on the transaction dates. All monetary assets and liabilities are reconverted into Taka at the rate of exchange prevailing on the balance sheet date. Exchange gains or losses arising out of translation of assets and liabilities at the closing date are charged to the profit and loss account.

3.2 Property, plant and equipment

3.2.1 Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that are directly attributable to the acquisition and installation of the property, plant and equipment.

3.2.2 Depreciation

Depreciation is recognised in profit and loss account on straight line method over the estimated useful lives of property, plant and equipment. Depreciation is charged from the month immediately following the month of acquisition/installation of the assets. No depreciation is charged for the month of disposals. The rates at which assets are depreciated per annum are given below:

Building	5.00%
Plant and machinery	10.00%
Furniture and fixtures	33.33%
Office equipment	33.33%
Factory equipment	33.33%
Vehicles	20.00%

3.3 Investments

Investments are stated at cost. Dividend is accounted for consistently as income when it is received.

Nor-Pearl Knitwear Limited

3.4 Inventories

Inventories include raw materials, work-in-progress and finished goods. These are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method and all expenses incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale.

3.5 Trade receivable

Trade receivables at the balance sheet date are stated at amounts which are considered realisable.

3.6 Trade payable and other payable

Liabilities are recognised for amounts to be paid in future for goods and services received.

3.7 Provisions

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.8 Impairment

The carrying amounts of the assets, other than inventories 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 asset is estimated. Impairment losses, if any, are recognised in profit and loss account.

3.9 Revenue recognition

Revenue from the sale of goods is recognised when:

* Significant risk and rewards of ownership is transferred to the buyer.

* The company has no managerial involvement of ownership to the goods.

* The amount of revenue and cost of the transaction can be measured reliably.

* It is probable that the economic benefits of the transaction will flow to the company.

3.10 Taxation

As the company is established in Export Processing Zone for 100% export of its manufactured products, income of the company is exempted from tax for a period of ten years from the date of commercial operation i.e. from 21 April 2005.

The provision of Section 53BB of the Income Tax Ordinance 1984 apply to industries set up in Export Processing Zone after completion of ten years. The bank, through which export proceeds of an exporter of knitwear and woven garments are received, shall deduct tax at the rate of 0.25 percent of the total export proceeds at the time of crediting the proceeds to the account of the exporter, which will be regarded as final tax.

3.11 Deferred tax

Deferred tax liability/asset is accounted for all temporary differences arising between the tax base of the assets and liabilities and their carrying value for financial reporting purposes.

In view of prevalent tax law as indicated in note 3.10, deferred tax accounting is not considered necessary as no temporary difference exists between tax base of assets and liabilities and their carrying amounts in the financial statements.

3.12 Employee benefits

The company maintains a contributory provident fund for its permanent employees which is administered by the Board of Trustees. Both the employer and employee contribute @ 8.33 % of basic salary.

3.13 Events after the balance sheet

Events after the balance sheet date that provide additional information about the company's position at the balance sheet date are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes when material.

4. Property, plant and equipment

Particulars	Cost				Accumulated Depreciation				Written down value as at 31 March 2009	Written down value as at 31 March 2008
	Balance as at 1 April 2008	Addition during the year	Disposal during the year	Balance as at 31 March 2009	Balance as at 1 April 2008 (restated)	Charged during the year	Adjustments for disposal year	Balance as at 31 March 2009		
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka		
Building	147,734,404	275,000	–	148,009,404	15,216,626	7,399,061	–	22,615,687	125,393,717	132,517,778
Plant and machinery	177,852,548	18,742,878	–	196,595,426	29,630,849	14,245,509	–	43,876,358	152,719,068	148,221,699
Furniture and fixtures	17,493,066	1,046,238	–	18,539,304	11,956,692	4,509,533	–	16,466,225	2,073,079	5,536,374
Office equipment	5,151,320	524,889	–	5,676,209	3,095,052	939,952	–	4,035,004	1,641,205	2,056,268
Factory equipment	3,627,982	269,900	–	3,897,882	2,677,258	1,115,864	–	3,793,122	104,760	950,724
Vehicles	3,567,977	–	–	3,567,977	1,548,881	713,593	–	2,262,474	1,305,503	2,019,096
Total	355,427,297	20,858,905	–	376,286,202	64,125,358	28,923,512	–	93,048,870	283,237,332	291,301,939
Total 2008 (restated)	338,754,609	17,700,690	(1,028,002)	355,427,297	37,947,501	26,905,979	(728,122.00)	64,125,358	291,301,939	

Opening balance of accumulated depreciation of building and plant and machinery have been restated by Tk 103,672 and Tk 2,932,617 respectively being non-charging of depreciation in the earlier years.

4.1 Allocation of depreciation

	2009 Taka	2008 Taka
Cost of goods sold (Note 16.2)	22,760,434	20,390,637
Administrative, selling and distribution expenses (Note 17)	6,163,078	6,515,342
	<u>28,923,512</u>	<u>26,905,979</u>

5. Investment

The amount shown under the above head represents investment in 4,000 shares of PAF International Ltd., a group company, at Tk 100 each at cost.

	2009 Taka	2008 Taka
Raw materials	15,300,743	27,529,206
Work-in-progress	6,864,741	43,995,228
Finished goods	38,703,239	36,129,090
	<u>60,868,723</u>	<u>107,653,524</u>

7. Trade receivables

	2009 Taka	2008 Taka
Primark Stores Ltd.	–	–
Al Libas Int. Fashions LLC	1,343,748	10,323,556
Orchid Trading Ltd.	–	15,598,809
AFL International Ltd.	–	12,420,000
S Oliver	–	43,470
Dolphine Through	47,265	–
Inter-company receivables	49,903,719	67,006,484
	<u>51,294,732</u>	<u>105,392,319</u>

7.1 Inter-company receivables

Pearl Global Ltd	15,893,456	
Simple Approach Ltd	9,908,851	12,420,774
Norpknit	561,640	–
Norwest Industries Ltd.	3,767,500	13,329,555
Poeticgem Ltd.	19,772,272	41,256,155
	<u>49,903,719</u>	<u>67,006,484</u>

Nor-Pearl Knitwear Limited

8. Loan to PAF International Ltd.

The amount of Tk. 8,000,000 (2007: Tk.9,700,000) represents the balance of short term non interest bearing loan given to PAF International Ltd.

9. Advances, deposits and prepayments

	2009 Taka	2008 Taka
Advances to:		
Landlord against rent	–	38,517
Suppliers	2,001,445	27,816,289
Employees	142,687	271,070
	<u>2,144,132</u>	<u>28,125,876</u>
Deposits:		
Guarantee deposit	2,578,429	2,578,429
Security deposits	4,424,468	4,369,968
	<u>7,002,897</u>	<u>6,948,397</u>
Prepayments:		
For expenses	1,536,632	179,490
For insurance	137,948	134,975
	<u>1,674,580</u>	<u>314,465</u>
	<u>10,821,609</u>	<u>35,388,738</u>

10. Cash and bank balances

	2009 Taka	2008 Taka
Cash on hand	343,005	568,649
Balances with bank:		
Current account with Janata Bank Ltd.	485,718	308,512
Current account with HSBC	1,188,414	710,305
L/C margin deposit with HSBC	2,967,185	4,604,988
	<u>4,641,317</u>	<u>5,623,805</u>
	<u>4,984,322</u>	<u>6,192,454</u>

11. Short term finance

	2009 Taka	2008 Taka
From HSBC:		
Bank overdraft	4,244,923	12,867,898
Import loan	8,562,500	64,635,865
Short Term Loan- HOPFL	196,203,852	–
	<u>209,011,275</u>	<u>77,503,763</u>

Bank overdraft and import loan facility limits are USD 200,000 and USD 1,000,000 respectively with rate of interest @ 3% p.a. on daily balances over the Singapore Inter Bank Offer Rate but subject to fluctuation at the Bank's discretion and payable quarterly in arrears to the debit of borrowers, with revision from time to time.

Securities against overdraft and import loan

- First charge after BEPZA over book debts and receivables for BDT 327,000,000 with Registrar of Joint Stock Companies (RJSC).
- First charge after BEPZA over stocks of raw materials, work-in-progress and finished goods for BDT 327,000,000 equivalent to USD 5,000,000 with RJSC.
- First charge after BEPZA over plant and machinery for BDT 327,000,000 with RJSC.
- Personal guarantee executed by the Directors of House of Pearl Fashions Ltd. for USD 4,559,000 supported by personal net worth statements for the credit facility extended to Nor-Pearl Knitwear Ltd.
- Corporate guarantee executed by House of Pearl Fashions Ltd. for USD 4,525,000.

12. Trade and other payables

	2009 Taka	2008 Taka
Trade payables:		
To suppliers of raw materials:		
Bros Holding Ltd.	–	1,057,871
Feung Ning Industries (China) Ltd.	915,685	973,172
Shepherd Industries Ltd.	662,812	7,213,379
DAF P P Industry Limited	–	845,119
Fullwise Co. Ltd.	427,714	1,584,878
Mainetti (Bangladesh) Pvt.Ltd.	–	1,506,351
Morale Trade	386,480	828,488
Ring Shine Textile Ltd.	–	4,002,359
S.B. International	–	740,540
Sheng Meei Machine Mfg. Co.	–	1,932,000
Shore to Shore Bangladesh Ltd.	30,748	733,375
Global Dyeing and Spinning Ltd.	–	514,033
YKK Bangladesh Pvt. Ltd.	–	423,773
Yusuf Hut	–	534,566
Zumana Paper Box	3,933,269	718,767
Sundry parties	13,724,269	2,706,012
Inter-company payables	35,449,797	20,041,262
	<u>55,530,774</u>	<u>46,355,945</u>
Other payables:		
Salaries	617,353	2,982,334
Wages	82,128	13,693,265
Provident fund	101,276	1,415,174
Withholding tax	388,068	442,847
Payable to BEPZA	748,177	–
Audit fee	–	200,000
Contractor for building construction	502,102	981,166
Bonus to staff	–	1,920,456
Export bills discounted	241,014	13,133,078
Bakhrabad Gas Systems Ltd.	934,126	1,112,681
JSN Trading (FZE)	–	3,657,000
SBS Shipping & Trading Agencies Pvt. Ltd.	171,285	793,312
Khandaker Logistic Ltd.	979,142	675,624
Green Delta Insurance Company Ltd.	–	603,357
DHL Bangladesh	40,851	389,933
Nepcons	110,141	335,247
Others	9,186,974	1,837,987
	<u>14,102,637</u>	<u>44,173,461</u>
	<u>69,633,411</u>	<u>90,529,406</u>

Previous year's figures have been rearranged to conform to current year's presentation.

12.1. Inter-company payables

	2009 Taka	2008 Taka
Norp Knit Industries Ltd.	12,066,934	4,467,556
House of Pearl Fashions Ltd. - current account	420,022	423,088
Pearl Global Ltd	7,500,160	1,247,118
Norwest Industries Ltd., Hong Kong	155,926	–
PAF International Ltd - current account	72,150	103,500
HOPFL (Usa)	1,534,605	–
Poeticgem Ltd.	13,700,000	13,800,000
	<u>35,449,797</u>	<u>20,041,262</u>

Nor-Pearl Knitwear Limited

	2009 Taka	2008 Taka		2009 Taka	2008 Taka
13. Share capital					
Authorised capital:			Power and fuel	8,754,370	11,049,416
3,000,000 ordinary shares of Tk 100 each	300,000,000	300,000,000	Subcontract expenses	112,968,656	38,520,770
Issued, subscribed and paid up capital:			Freight inward	913,363	896,800
2,657,497 ordinary shares of Tk 100 each	265,749,700	265,749,700	Insurance expenses	2,972,432	1,863,567
At 31 March 2008, the share capital was subscribed as under:			Drinking water	1,063,061	1,162,175
Shareholders	No. of share	No. of share	Medical and child care expenses	617,843	631,838
House of Pearl Fashions Ltd.	2,654,597	2,654,597	Depreciation (Note 4.1)	22,760,434	20,390,637
Pallas Holdings Ltd.	2,900	2,900	Others	11,874,720	2,922,245
	<u>2,657,497</u>	<u>2,657,497</u>		<u>183,713,839</u>	<u>101,866,493</u>
14. Share money deposit			Previous year's figures have been rearranged to conform to current year's presentation.		
This represents the amount received from House of Pearl Fashions Ltd. during the year against future allotment of shares.			17. Administrative, selling and distribution expenses		
15. Term loan			Salaries (Note 17.1)	46,704,945	45,796,863
Term loan obtained from The Hongkong and Shanghai Banking Corporation Limited (HSBC) in the earlier years has been repaid in full.			Office rent	1,568,650	1,438,500
16. Cost of goods sold			Guest house expenses	1,911,934	1,289,396
	2009 Taka	2008 Taka	Printing and stationary	1,270,916	1,558,032
Raw materials consumed (Note 16.1)	416,413,442	273,127,227	Communication expenses	2,547,328	2,272,416
Wages	183,609,035	162,088,144	Compliance test expenses	777,452	366,653
Wages - Termination expenses	21,948,057	-	Insurance expenses	94,556	34,785
Manufacturing overhead (Note 16.2)	183,713,839	101,866,493	Legal and professional expenses	606,066	1,030,350
	<u>805,684,373</u>	<u>537,081,864</u>	Office expenses	636,936	598,539
Add: Opening work-in-progress	43,995,228	44,009,399	Marketing expenses	32,195,230	7,693,047
	<u>849,679,601</u>	<u>581,091,263</u>	Conveyance expenses	1,093,485	867,344
Less: Closing work-in-progress	6,864,741	43,995,228	Vehicle fuel and maintenance	5,825,779	4,394,634
Cost of goods manufactured	842,814,860	537,096,035	Bank charges	9,262,694	8,673,180
Add: Opening stock of finished goods	36,129,090	24,781,213	Depreciation (Note 4.1)	6,163,078	6,515,342
Cost of goods available for sale	878,943,950	561,877,248	Audit fee	200,000	200,000
Less: Closing stock of finished goods	38,703,239	36,129,090	Entertainment	692,765	556,342
Cost of goods sold	<u>840,240,711</u>	<u>525,748,158</u>	Repairs and maintenance - office	347,589	339,235
16.1 Raw materials consumed			Forwarding - exports	3,173,933	3,754,475
Opening inventory	27,529,206	15,536,656	Freight outward	63,802,547	3,320,583
Purchase during the year	404,184,979	285,119,777	Discount to customers	20,020,045	1,609,987
Closing inventory	(15,300,743)	(27,529,206)	Other general expenses	2,432,391	1,606,302
	<u>416,413,442</u>	<u>273,127,227</u>		<u>201,328,319</u>	<u>93,916,005</u>
16.2 Manufacturing overhead			Previous year's figures have been rearranged to conform to current year's presentation.		
Rent for leased land	4,204,396	4,048,746	17.1 Salaries		
Food and transport allowance	3,611,081	3,680,112	This includes following emoluments to one of the directors of the company:		
Repairs and maintenance for factory building, machinery etc.	1,108,103	1,318,475	Remuneration	1,897,500	2,070,000
Security expenses	1,700,100	1,680,064	Housing	720,242	612,000
Cleaning expenses	1,240,717	1,730,368		<u>2,617,742</u>	<u>2,682,000</u>
Testing expenses	2,414,037	1,366,707	18. Non-operating expenses (net)		
Staff welfare	586,219	892,378	Exchange (loss)	(4,116,184)	(2,645,319)
Chemical, spare parts etc.	6,924,307	9,712,195	Sale of scrap	1,611,958	828,221
			Gain on sale of property, plant and equipment	-	55,120
				<u>(2,504,226)</u>	<u>(1,761,978)</u>

Nor-Pearl Knitwear Limited

19. Related parties

Name of the parties	Nature	Transactions	Transaction value (Taka)		Balance outstanding (Taka)	
			Year ended 31 Mar 2009	Year ended 31 Mar 2008	At 31 Mar 2009	At 31 Mar 2008
Norwest Industries Ltd.	Group company	Sales of goods	83,360,092	225,574,530	3,767,500	13,003,519
		Expenses payable	790,957	322,058	155,926	-
		Expenses recoverable	238,857	652,866	-	326,036
PAF International Ltd.	Group company	Loan disbursed	-	-	8,000,000	8,000,000
		Investment in shares	-	-	400,000	400,000
		Expenses payable	1,595,806	1,438,500	72,150	103,500
Poeticgem Ltd.	Group company	Sale of goods	123,615,064	132,796,554	10,274,999	40,369,855
		Expenses payable	6,138,461	45,847	-	-
		Expenses recoverable	1,930,897	2,686,569	9,497,272	886,300
Pearl Global Ltd.	Group Company	Advance received	-	-	13,700,000	13,800,000
		Sale of goods	344,679,811	92,650,470	15,893,456	-
		Expenses Payable	1,788,572	1,247,118	7,500,160	1,247,118
House of Pearl Fashions Ltd.	Parent Company	Expenses recoverable	2,191,756	-	-	-
		Expenses payable	-	423,088	420,022	423,088
		Short term loan	197,635,997	-	196,203,852	-
House of Pearl Fashions Ltd.- USA	Group Company	Share money deposit	-	121,351,800	121,351,800	121,351,800
		Share issued	-	-	-	-
		Expenses payable	1,594,363	-	1,534,605	-
Norp Knit Industries Ltd.	Group Company	Expenses recoverable	48,555	-	-	-
		Purchase of goods	3,526,977	10,118,402	-	320,157
		Expenses payable	1,360,678	4,774,356	12,066,934	4,147,399
Simple Approach Ltd	Group Company	Expenses recoverable	10,140,958	2,120,153	561,640	-
		Sale of goods	21,683,743	-	-	-
		Expenses payable	2,511,923	553,800	-	-
		Expenses recoverable	-	12,709,506	9,908,851	12,420,774

Outstanding balances in respect of sale of goods and expenses with these related parties are priced on an arm's length basis.

The company purchased raw materials from the group company. The purchases are on the same terms and conditions as those entered into with other suppliers and payable under normal payment terms.

In addition, the company disbursed loan, received advance against sale, received equity money to/from group companies as per normal business norm.

20. Contingent liability

Contingent liability of the company as at 31 March 2009 was Tk 6.87 million in respect of letters of credit outstanding and Tk 5.40 million in respect of bank guarantee.

21. Number of employees

The number of employees engaged during the year, who received a total remuneration of Tk 36,000 or above was 1,747 (2008: 2,082).

22. Events after the balance sheet date

No material events had occurred after the balance sheet date to the date of issue of these financial statements, which could affect the values stated in the financial statements.

Norp Knit Industries Limited

DIRECTORS' REPORT

The directors are pleased to present their report together with the audited financial statements of the Company and the Auditors' Report thereon for the year ended 31st March 2009.

Principal Activity

The principal activity of the Company is manufacture of knitted garments of its factory located at Gazipur for 100% export.

Results and dividend

The company has earned a profit before tax of Tk. 41,488,592 for the year as reflected in the audited financial statement.

The directors do not recommend the payment of any dividend for the year under review.

Statement of Directors' responsibilities in respect of financial statements

The directors are responsible for the preparation of financial statements, which complies with the Companies Act 1994. In preparing those financial statements, the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- stated whether Bangladesh Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepared the financial statements on the going concern basis.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detention of fraud and other irregularities.

By order of the Board

Sd/-
(Sanjay Sarkar)
Director

Date: June 20, 2009

Auditors' Report

Report to the Shareholders of Norp Knit Industries Ltd.

We have audited the accompanying Balance Sheet of **Norp Knit Industries Ltd.** for the Twelve Months ended on 31 March, 2009 and the related Profit and Loss Account, Statement of Changes in Equity and Cash Flow Statement for the Twelve Months ended. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards, give a true and fair view of the state of the company's affairs as of 31 March, 2009 and of the results of its operations and its cash flows for the year then ended and comply with the Companies Act, 1994 and other applicable laws and regulations.

We also report that:

- we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and made due verification thereof;
- in our opinion, proper books of account as required by law have been kept by the company so far as it appeared from our examination of those books; and
- the company's Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of account.

Sd/-
G Biswas & Co.

Date: 20th June, 2009

Chartered Accountants

BALANCE SHEET AS AT 31 MARCH 2009

	NOTE	As on 31 March 2009	Amount in Taka As on 31 March 2008
Sources of fund			
Shareholders' equity			
Share capital	4	49,378,100	49,378,100
Share Money Deposit		102,120,000	
Retained earnings		90,044,598	56,159,576
		<u>241,542,698</u>	<u>105,537,676</u>
Long Term Liabilities			
Loan from Orchid Trading Ltd.	5	96,082,110	183,420,705
		<u>337,624,808</u>	<u>288,958,381</u>

Amount in Taka

	NOTE	As on 31 March 2009	As on 31 March 2008
Application of fund			
Property, plant and equipment:			
At cost less accumulated depreciation	6	66,958,975	92,992,594
Current assets:			
Goods in Transit		-	870,242
Inventories	7	166,153,104	119,153,591
Trade receivables	8	80,777,024	84,188,289
Inter-company receivables	9	92,689,908	34,158,084
Advances, deposits and prepayments	10	28,111,971	6,870,439
Cash and bank balances	11	54,934,947	69,760,990
		<u>422,666,954</u>	<u>315,001,635</u>
Current liabilities:			
Secured loan from United Commercial Bank		-	5,441,553
Trade and other payables	12	125,264,461	84,670,051
Inter-company payables	13	26,763,946	28,951,530
		<u>152,028,407</u>	<u>119,063,134</u>
Net current assets		270,638,547	195,938,501
Deferred Tax		27,286	27,286
		<u>337,624,808</u>	<u>288,958,381</u>

The annexed notes 1 to 21 form an integral part of these financial statements.

Sd/-
Managing Director

Sd/-
Director

As per our annexed report of same date

Sd/-
G. Biswas & Co.
Chartered Accountants
Dhaka, 20 June 2009

PROFIT AND LOSS ACCOUNT

For the Twelve Months ended on March 31, 2009

	NOTE	01 April 2008 to 31 March 2009	Amount in Taka 01 April 2007 to 31 March 2008
Turnover		647,612,168	621,856,533
Cost of goods sold	14	(535,053,574)	(502,232,721)
Gross profit/(loss)		112,558,594	119,623,812
Administrative, selling and distribution expenses	15	(74,499,702)	(63,096,142)
Pre-operative expenses		-	56,527,670
		<u>38,058,892</u>	<u>15,921,575</u>
Other income	16	3,429,700	72,449,245
Net profit/(loss) before tax		41,488,592	72,449,245
Tax Expenses :			
Current Tax		-	-
Deferred Tax		-	-
		<u>-</u>	<u>-</u>
Net Profit/(Loss) for the year		41,488,592	72,449,245
Balance b/f		56,159,576	(16,289,669)
Balance Transferred to Balance Sheet		97,648,168	56,159,576

The annexed notes 1 to 21 form an integral part of these financial statements.

Sd/-
Managing Director

Sd/-
Director

As per our annexed report of same date

Sd/-
G. Biswas & Co.
Chartered Accountants
Dhaka, 20 June 2009

Norp Knit Industries Limited

CASH FLOW STATEMENT

For the Twelve Months ended on March 31, 2009

	Amount in Taka	
	Twelve Months ended 31 March 2009	Twelve Months ended 31 March 2008
Cash flow from operating activities		
Net profit for the period	41,488,592	72,449,245
Add: Adjustment of items not involving movement of cash		
Pre-operating expenses	-	-
Depreciation	24,310,277	17,042,513
Loss on Sale of Assets	-	223,723
	<u>24,310,277</u>	<u>17,266,236</u>
Operating Profit before changes in working capital	<u>65,798,868</u>	<u>89,715,480</u>
Adjustment for changes in working capital		
Decrease / (Increase) in Inventories	(46,999,513)	(3,941,546)
Decrease / (Increase) in Goods in Transit	870,242	(870,242)
Decrease / (Increase) in Trade receivables	3,411,265	(17,216,077)
Decrease / (Increase) in Inter-company receivables	(58,531,824)	7,756,278
Decrease/(Increase) in advances, deposits and prepayments	(21,241,532)	4,549,703
Increase / (Decrease) in Secured loan	(5,441,553)	(2,485,443)
Increase / (Decrease) in Creditors for goods	40,830,930	(99,981,910)
Increase/(Decrease) in accrued expenses and other payables	-	2,239,152
Increase / (Decrease) in Inter-company payables	(2,187,583)	16,098,486
Increase / (Decrease) in Withholding Tax	(236,520)	164,700
	<u>(89,526,088)</u>	<u>(93,686,899)</u>
<i>Net cash from operating activities</i>	<u>(23,727,220)</u>	<u>(3,971,419)</u>
Cash flow from investing activities:		
Purchase of fixed assets	(5,880,230)	(17,776,625)
Sale of Assets	-	855,000
<i>Net cash used in investing activities</i>	<u>(5,880,230)</u>	<u>(16,921,625)</u>
Cash flow from financing activities:		
Proceeds from issue of shares	-	-
Share Money Deposit Received	102,120,000	-
Loan from Orchid Trading Limited	(87,338,595)	13,329,879
<i>Net cash flow from financing activities</i>	<u>14,781,405</u>	<u>13,329,879</u>
Increase in cash and cash equivalents	<u>(14,826,045)</u>	<u>(7,563,165)</u>
Cash and cash equivalent at opening	<u>69,760,990</u>	<u>77,324,156</u>
Cash and cash equivalent at closing (Note 11)	<u>54,934,947</u>	<u>69,760,990</u>

STATEMENT FOR CHANGES IN EQUITY

For the Twelve months ended on March 31, 2009

Particulars	Amount in Taka			
	Share capital	Share Money Deposit	Retained earnings	Total
Balance as on March 31, 2007	49,378,100	-	(16,289,669)	33,088,431
Addition during the period	-	-	-	-
Net profit for the period	-	-	72,449,245	72,449,245
Balance as on March 31, 2008	49,378,100	-	56,159,576	105,537,676
Addition during the period	-	102,120,000	-	102,120,000
Net profit for the period	-	-	41,488,592	41,488,592
Depreciation Reserve	-	-	(7,603,570)	(7,603,570)
Balance as on March 31, 2009	49,378,100	102,120,000	90,044,598	241,542,698

NOTES TO THE ACCOUNTS FOR THE TWELVE MONTHS ENDED MARCH 31, 2009

1. LEGAL STATUS AND NATURE OF THE COMPANY:

Norp Knit Industries Limited is a Private Company Limited by Shares incorporated on 05th day of May 2004 under the Companies Act, 1994 as adopted in Bangladesh. The shares of the Company are held by House of Pearl Fashions Ltd., India (99.99%), Mr. Pallak Seth (0.002%) and Mr. Pulkit Seth (0.002%). The Company is mainly engaged in producing ready made knit garments for the purpose of exporting the same. The factory of the Company is located in Gazipur. The Company commenced commercial operation from 18th December, 2004.

2. STATEMENT OF COMPLIANCE:

2.01 Basis of Preparation:

These Financial Statements of Norp Knit Industries Limited have been prepared in accordance with the Bangladesh Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh, Companies Act, 1994 and other applicable laws.

2.02 Basis of Measurement:

The Financial Statements have been prepared on going concern basis under historical cost convention, using the accrual basis of accounting.

2.03 Functional and presentational currency:

The Financial Statements are prepared in Bangladesh Taka (taka/TK), which is the Company's functional currency. All financial information presented in taka have been rounded off to the nearest integer.

2.04 Going Concern:

The Company has adequate resources to continue its operation for the foreseeable future. For this reason the director continue to adopt going concern basis in preparing the accounts. The current resources of the company provide sufficient fund to meet the present requirements of its existing business.

3. SIGNIFICANT ACCOUNTING POLICIES:

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

3.01 Foreign currency translation

Foreign currencies are translated into Taka on a notional rate on the transaction dates. All monetary assets and liabilities are converted into taka at the exchange rate prevailing on the Balance Sheet date. Exchange gains or losses arising out of translation of assets and liabilities at the closing date are recognised in the Income Statement.

3.02 Property, Plant and Equipment:

Property, plant and equipment are stated at cost less accumulated depreciation Cost includes expenditure directly attributable to the acquisition and installation of the property, plant and equipment.

3.03 Depreciation :

Depreciation on fixed assets is charged on written down value basis using different rates varying from 10% to 20% on the written down value of the assets. Depreciation is charged from the month of acquisition/ installation of the assets.

3.04 Inventories

Inventories include raw material, work-in-progress and finished goods. These are measured at the lower of cost and net realisable value in accordance with IAS 2. Cost is determined using the first-in-first-out principles. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost necessary to make the sale.

3.05 Trade Receivable:

Trade Receivables at the Balance Sheet date are stated at amount which are considered realisable.

3.06 Trade Payable:

Liabilities are recognised for amounts to be paid in future for goods and services received.

3.07 Provisions:

Provisions are made where an obligation exists for future liability in respect of past event and where the amount of the obligation can be reliably estimated.

3.08 Impairment:

The carrying amounts of the assets, other than inventories 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 asset is estimated. Impairment losses, if any, are recognised in Profit & Loss Account.

Norp Knit Industries Limited

3.09 Revenue recognition

Revenue from the sale of goods is recognised when:

- * Significant risk and rewards of ownership is transferred to the buyer.
- * The Company has no managerial involvement of the ownership of goods.
- * The revenue and cost of the transaction can be measured reliably.
- * It is probable that the economic benefits of the transaction will flow to the Company

3.10 Events after balance sheet date

No material events have occurred between the balance sheet date to the date of issue of these financial statements, that could affect the values stated in the financial statements.

3.11 Taxation

The Company being established as a 100% export oriented unit (EOU), the income of the Company is exempted from tax for a period of five years from the date of commencement of commercial production i.e. from December 18, 2004. The provisions of Section 53BB of the Income Tax Ordinance, 1984 apply to 100% export oriented industries after completion of five years and are taxed as per provision which requires the bank through with export proceeds of an exporter of Knitwear and Woven garments is received shall deduct tax at the rate (0.25 percent) of the total export proceeds all the time of crediting the proceeds to the account of the exporter and will be regarded as final tax liability.

3.12 Deferred Tax

The Company has adopted Deferred Tax Accounting Policy as per Bangladesh Accounting Standard. Accordingly, Deferred Tax Liability / Asset is accounted for all temporary timing differences arising between the Tax base of the assets and liabilities and their carrying value for financial Reporting process. In view of prevalent tax law as indicated in Note 3.11 Deferred Tax accounting is not considered necessary in view of the fact that for assessment under the provision of Section 53BB no temporary difference will arise

between tax base of assets and liabilities and their carrying amounts in the financial statements.

3.13 Employee benefits

The Company has not yet introduced any provident fund, gratuity scheme and pension scheme for the employees.

4. Share Capital

	As on 31 March 2009	As on 31 March 2008
--	------------------------	------------------------

Authorized capital:

25,00,000 (2008: 10,00,000)		
ordinary share of Tk. 100 each	250,000,000	100,000,000

Issued, subscribed and paid up capital:

493,781 (2008: 493,781)		
ordinary shares of Tk. 100 each	49,378,100	49,378,100

The aforesaid capital was subscribed as under:

	No. of shares	No. of shares
Subscribers:		
House of Pearl Fashions Ltd.	493,761	493,761
Mr. Pallak Seth	10	10
Mr. Pulkit Seth	10	10
	493,781	493,781

5. Loan from Orchid Trading Limited

This represents the amount received from the above company from time to time towards financing of the unit at Gazipur.

6. PROPERTY, PLANT AND EQUIPMENT

Particulars	Cost			Depreciation					Total depreciation as on 31.03.2009	W. D. Value as on 31.03.2009	W.D. Value as on 31.03.2009	
	Cost as on 31.03.2008	Addition for the period	Deletion for the period	Cost as on 31.03.2009	Upto 31.03.2008 as per WDV method	Additional under SLM method upto 31.03.2008	Upto 31.03.2008 as per SLM Method	Addition for the period Apr 08 - Mar-09				Depreciation on Disposal of Assets
Building & Civil Works	15,977,786	3,160,948	-	20,138,734	5,557,660	1,230,542	6,788,202	3,543,542	-	10,331,744	9,806,990	11,420,126
Plant & Machinery	91,172,693	1,437,279	-	92,609,972	27,224,589	5,525,735	32,750,324	18,188,966	-	50,939,291	41,670,682	63,948,104
Vehicles	1,678,558	-	-	1,678,558	182,895	100,910	283,805	335,712	-	619,517	1,059,041	1,495,663
Furniture & Fixtures	9,874,098	106,110	-	9,980,206	1,661,495	157,520	1,819,015	988,509	-	2,807,524	7,172,682	8,212,601
Office Equipments & Computers	4,471,474	718,696	-	5,190,170	1,355,741	380,907	1,736,648	739,329	-	2,475,977	2,714,193	3,115,733
Telephone Installation & Connection	562,010	10,400	-	572,410	220,197	56,026	276,223	113,875	-	390,098	182,312	341,813
Air Conditioners	1,587,100	-	-	1,587,100	553,292	119,725	673,017	317,420	-	990,437	596,663	1,033,808
Fire extinguisher	410,040	5,000	-	415,040	134,930	32,205	167,135	82,925	-	250,060	164,980	275,110
Totals	126,733,757	5,438,433	-	132,172,190	38,890,799	7,603,570	44,494,369	24,310,277	-	68,804,647	63,387,543	89,842,958
Capital Work in Progress												
Building & Civil Works	-	-	-	-	-	-	-	-	-	-	-	-
Plant & Machinery	3,149,637	-	-	3,149,637	-	-	-	-	-	-	3,149,637	3,149,637
Gas Connection	-	168,041	168,041	-	-	-	-	-	-	-	-	-
Compressure	-	988,768	988,768	-	-	-	-	-	-	-	-	-
New Project	-	441,796	-	441,796	-	-	-	-	-	-	441,796	-
Total	3,149,637	1,598,605	1,596,605	3,591,433	-	-	-	-	-	-	3,591,433	3,149,637
Total Fixed Assets	129,683,394	7,037,038	1,156,809	136,763,623	38,890,799	7,603,570	44,494,369	24,310,277	-	68,804,647	66,958,975	92,802,594

6.01 Allocation of depreciation

	1-Apr-08 to 31-Mar-09 Taka	1-Apr-07 to 31-Mar-08 Taka
Cost of Goods sold (Note 14.02)	21,815,433	15,189,881
Administrative, Selling and Distribution Expenses (Note 15)	2,494,845	1,852,632
	24,310,278	17,042,513

7. Inventories

	As on 31 March 2009 Taka	As on 31 March 2008 Taka
Raw materials	64,355,196	14,608,230
Work-in-progress	37,828,974	40,988,835
Finished goods	63,968,934	63,556,526
	166,153,104	119,153,591

Norp Knit Industries Limited

	As on 31 March 2009 Taka	As on 31 March 2008 Taka		As on 31 March 2009 Taka	As on 31 March 2008 Taka
8. TRADE RECEIVABLES			Victory City Company Ltd.	5,012,217	15,916,246
ATS Apparels	174,771	9,722	Aduri Knit Composite Ltd.	12,599,422	11,902,184
Generation Next Fashions Ltd.	-	10,000	Yasin Enterprise	4,284	60,005
Al Libas International Fashions LLC	65,128,591	65,128,591	Zumana Paper Box	5,224,036	3,474,163
Anand Fashion International Dubai	13,800,000	13,800,000	Others	45,777,315	34,859,006
KDS Apparels	42,838	222,700		<u>101,647,475</u>	<u>73,561,911</u>
Celio International	1,208,704		Other payables		
Ibrahim Knit Garments Ltd	202,306		Management fee payable	1,500,000	1,500,000
International Knitwear & Apparels Ltd (Unit-2)	118,243		Withholding tax payable	91,363	327,883
Ocean Design	96,943		Export bills discounted	12,445,016	-
Pearl Prince	4,628		Others	9,580,607	9,280,257
Asian Regency Limited				<u>23,616,986</u>	<u>11,108,140</u>
Orchid Trading Limited		5,017,277		<u>125,264,461</u>	<u>84,670,051</u>
	<u>80,777,024</u>	<u>84,188,289</u>			
9. INTER-COMPANY RECEIVABLES			13. INTER-COMPANY PAYABLES		
Norwest Industries Limited		12,183,868	Norwest Industries Limited (Expenses)	633,635	974,315
Pearl Global Limited	80,622,973	17,506,660	House of Pearl Fashions Ltd.	34,500	34,500
Nor-Pearl Knitwear Limited (Expense)	12,066,935	4,125,067	Poeticgem Ltd.	14,393,299	11,906,530
Nor-Pearl Knitwear Limited (Drs)		342,489	Simple Approach Ltd.	1,099,170	
	<u>92,689,908</u>	<u>34,158,084</u>	Simple Approach Ltd.(Expenses)	346,038	
10. ADVANCES, DEPOSITS AND PREPAYMENTS			Norpearl Knitwear Ltd.	561,640	
Advance (considered good) to:			Pearl Global Limited(Creditor-Goods)	7,441,072	16,036,185
Landlord against rent	1,245,065	2,329,865	Pearl Global Limited (Creditors-Expenses)	2,254,592	-
Suppliers	21,979,359	583,093		<u>26,763,946</u>	<u>28,951,530</u>
Employees	284,304	351,581	14. COST OF GOODS SOLD		
Others	1,961,896	1,154,703	Raw material consumed (Notes 14.01)	397,411,891	435,429,062
	<u>25,470,624</u>	<u>4,419,242</u>	Wages	59,618,584	48,835,865
Deposits			Manufacturing overheads (Notes 14.02)	75,275,646	60,727,570
Margin against L/C and B/G	130,600	297,863		532,306,121	544,992,497
Security Deposits	2,405,560	1,994,310	Add: Opening work-in-progress	40,988,835	24,773,285
	<u>2,536,160</u>	<u>2,292,173</u>		573,294,956	569,765,782
Prepayments			Less: Closing work-in-progress	37,828,974	40,988,835
Prepaid insurance	105,187	159,024	Cost of goods manufactured	535,465,982	528,776,947
	<u>105,187</u>	<u>159,024</u>	Add: Opening stock of finished goods	63,556,526	37,012,300
	<u>28,111,971</u>	<u>6,870,439</u>	Cost of goods available for sale	599,022,508	565,789,247
11. CASH AND BANK BALANCES			Less: Closing stock of finished goods	63,968,934	63,556,526
Cash in hand	668,425	562,260	Cost of goods sold	<u>535,053,574</u>	<u>502,232,721</u>
Balances with bank			14.1 RAW MATERIAL CONSUMED		
Fixed deposit with United Commercial Bank	9,065,686	6,404,320	Opening inventory	14,608,230	53,426,460
Current Account with United Commercial Bank	5,974,845		Purchases during the period	447,158,857	396,610,832
Margin deposit with United Commercial Bank	39,030,515	62,547,128	Closing inventory	64,355,196	14,608,230
Exchange Retention Quota with United Commercial Bank	194,866	247,282		<u>397,411,891</u>	<u>435,429,062</u>
The Hongkong and Shanghai Banking Corporation Ltd.	610		14.2 MANUFACTURING OVERHEADS		
	<u>54,266,522</u>	69,198,730	Stores, Spares & Maintenance	3,181,128	4,701,432
	<u>54,934,947</u>	<u>69,760,990</u>	Factory cleaning & Upkeep	860,662	893,953
12. TRADE AND OTHER PAYABLES			Factory rent	5,544,960	5,521,410
Trade payables			Security services	2,155,900	2,080,306
Basic Thread Industries Ltd.	2,590,469	1,692,354	Power & Fuel	13,993,323	11,295,744
Coats Bangladesh	640,996	1,065,153	Consumables	2,875,912	2,560,633
Gupta Exim.	10,769,035		Compliance Expenses	404,974	189,513
Hotz Industries Ltd.		33,080	Sampling expenses	527,691	174,786
HTMS Packaging	884,886	814,383	Testing Charges	4,069,624	2,990,039
Ideal Builders & Engineers Ltd.		1,217,005	Machinery Higher	644,770	2,463,415
J. R. Fahion	993,493	12,560	Embroidery Charges	498,133	-
Mainetti (BD) Ltd		421,232	Clearing and forwarding inward	7,637,452	6,084,672
Nice Dyeing Factory		180,700	L/C charges for inputs	5,689,278	4,426,727
P. A. Knit Composite Ltd.		115,000	Subcontract Expenses	2,544,631	146,239
Raj Washing Plant Ltd.		141,710	Depreciation (Note 6.01)	21,815,433	15,189,881
Toddler Ltd.	2,461,065	1,657,130	Insurance	2,831,775	2,008,820
Kam Hing Piece Works Ltd	14,690,257	-		<u>75,275,646</u>	<u>60,727,570</u>

Lerros Fashions India Private Limited

DIRECTORS' REPORT

To the Shareholders,

The Directors of your Company have pleasure in presenting the 2nd Annual Report on the business and operations of the Company and the Audited Financial Accounts for the year ended 31st March 2009.

Financials

The performance of the Company for the financial year ended 31st March 2009 is summarized below:

PARTICULARS	(Rs. In Lacs)	
	2008 - 2009	2007 - 2008
Sales Turnover (including Export Incentives)	699.48	-
Other Income	2.76	-
Profit before Tax	(672.29)	(25.76)
Provision for Tax	167.29	7.84
Profit (Loss) after Tax	(505.00)	(17.92)

Business & Operations

During the year under review, your company started its retail business of garments. Your Company is a Joint Venture between the holding Company, House of Pearl Fashions Ltd. and Lerros Moden GmbH, Germany for the purpose of retail garment business of German Brand "LERROS". The Joint venture partners got FIPB approval allowing Lerros Moden GmbH to invest upto 40% its equity capital. The company has opened 8 stores and 11 shop-in-shop across India. The response of the customers has been encouraging. In the current financial year, company will open new stores and shop-in-shop.

The company has also commenced whole sale business in Mumbai and Gujrat. The Company has also own the award for the best new launch for 2008 at the Images Fashions Awards 2009, recognised by International Council of Shopping Centres (ICSC).

During the year, your company's total sales was Rs. 699.48 Lacs. The Company, being at infancy stage, suffered a loss of Rs.505 lacs.

Dividend

The Directors do not recommend any dividend for the year under review.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of your Company, Mr. Pulkit Seth would retire by Rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment. Necessary resolution for his re-appointment is included in the notice convening Annual General Meeting.

Directors Identification Number (DIN)

The following are the Directors Identification Number (DIN) of your Directors:

Mrs. Payel Seth - 00003035 Mr. Pulkit Seth - 00003044 Mr. Shelley Cherian - 02123028

Auditors

The Auditors of your Company, M/s S. R. Dinodia & Co, Chartered Accountants, New Delhi, will retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Auditors' Report

The notes to Accounts referred to in the Auditor's Report are self explanatory and therefore do not call for any further explanation.

Public Deposits

During the year under review, your Company has neither invited nor accepted any deposits from Public or Shareholders.

Notes to Accounts

The observations of the Auditors, if any, have been adequately explained in Notes to Accounts and need no further clarification.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- That in the preparation of the Annual Accounts for the financial year ended 31st March 2009, the applicable accounting standards issued by the Institute of Chartered Accountants of India have been followed. There are no material departures from prescribed accounting standards in the adoption of the Accounting Standards;
- That the Directors have adopted such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- That the Directors have prepared the accounts for the financial year ended 31st March 2009 as a Going Concern and on accrual basis.

Particulars of Employees

A statement showing particulars of employees required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is annexed hereto as Annexure I and forms an integral part of the Report.

Conservation of Energy and Technology Absorption

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 relating to 'Energy Conservation' and 'Technology Absorption' are not applicable.

Foreign Exchange Earnings and Outgo

There is no Foreign Exchange Earnings during the year.

An expenditure for Rs.2,20,259 (Previous year Rs.75,846/-) in Foreign Currency incurred towards Travel Expenses during the period ended.

Acknowledgements

Your Directors would like to express their grateful appreciation for assistance and co-operation received from the Banks, Customers, Government Authorities, Vendors and Members during the year under review.

Your Directors also wish to place on record their deep sense of appreciation for the committed services of the executives, staff and workers of the Company.

for and On Behalf of the Board
for LERROS FASHIONS INDIA PRIVATE LIMITED

(Payel Seth)
Director
DIN: 00003035

(Shelley Cherian)
Director
DIN: 02123028

Place : New Delhi
Date : 09.06.2009

Annexure I to the Directors' Report

Name of the Employee	Age (Years)	Designation (Nature of Duty)	Remuneration (Rs.)	Qualification	Experience (in years)	Date of Employment	Nature of Duties	Previous Employment, Post held & Period
Sridharan Ramprasad	33	CEO	52,03,225/-	Commerce Graduate, MBA (IIM-A)	10 Years	21.01.2008	Managing the Company including marketing, sales, planning etc.	Reebok India Ltd, Director (Sales & Retail) 2005 - Jan 2008

- Notes:**
- Employments of aforesaid officials are on contractual basis. Other terms and conditions are as per Company's Rule.
 - Remuneration calculated under Section 198 of the Companies Act, 1956 and includes Salary, Medical Expenses, Company's contribution to Provident Fund and House Rent Allowance or any Expenditure incurred in providing Rent Free Residential Accommodation and Allowances.
 - None of the above mentioned employee hold the prescribed Percentage of equity shares in the company within the meaning of 217(2A)(a)(iii) of the Companies Act, 1956.

Lerros Fashions India Private Limited

Auditors' ReportTo the members of **LERROS FASHIONS INDIA PRIVATE LIMITED**

We have audited the attached Balance sheet of **LERROS FASHIONS INDIA PRIVATE LIMITED**, as at 31st March 2009, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 [as amended by the Companies (Auditor's Report) (Amendment) Order, 2004] issued by the Central Government of India, in terms of Sub Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the said order.

Further to our comments in the annexure referred to above, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- c) The Company's Balance sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956;
- e) On the basis of written representations received from the directors as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as director in term of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009;
 - ii) in the case of the Profit & Loss Account, of the Loss for the year ended on that date; and
 - iii) in the case of the cash flow statement, of the cash flows for the year ended on that date

FOR S.R. DINODIA & CO.,
CHARTERED ACCOUNTANTS,

(SANDEEP DINODIA)
PARTNER
M. No. : 083689

PLACE: NEW DELHI
DATED: 09.06.2009

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our audit report of even date)

- i) a. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b. As explained to us, physical verification of a major portion of fixed assets as at 31st March 2009 was conducted by the management during the year. In our opinion, the frequency of physical verification is reasonable. No material discrepancies were noticed on such verification.
 - c. In our opinion and according to the information and explanation given to us, the company has not disposed off substantial part of fixed assets during the year.
- ii) a. The inventory has been physically verified during the year by the management except the inventories in transit.
 - b. In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - c. In our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on verification between physical stocks and book records were not material.
- iii) During the year company has neither granted nor taken any loans, secured or unsecured to/from the parties covered in the register maintained u/s 301 of the Companies Act 1956. Therefore, the provisions of clause 4(ii) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- iv) In our opinion and according to the information and explanations given to us, there is adequate internal control procedure commensurate with the size of the company and the nature of its business with regard to the purchase of inventory, fixed assets and for the sales of goods. Further, on the basis of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices, there is no continuing failure to correct the weaknesses in the aforesaid internal control systems.

- v) a. Based on the audit procedures applied by us and according to the information and explanations given to us, we are of opinion that the transactions that need to be entered into a register maintained under section 301 of the Companies Act, 1956 are being so entered.
 - b. In our opinion and according to explanation given to us, the transactions made in pursuance of contracts and arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 and exceeding values of Rs.5 Lacs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant times
- vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of section 58A and 58AA of the Companies Act, 1956 and rules framed there under.
- vii) Since company's share capital and reserves is not more than Rs. 50 Lakhs and has average annual turnover less than Rs. 5 Crores for a period of three consecutive financial years therefore the provisions of clause 4(vi) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- viii) The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act 1956, for any of the products of the company.
- ix) a. According to the information and explanation given to us, the company is regular in depositing with appropriate authorities undisputed applicable statutory dues including Income Tax, wealth tax and other statutory dues except Employee State Insurance as applicable to it.

Statement of arrears of outstanding Statutory Dues as at the last day of the financial year for a period of more than six months.

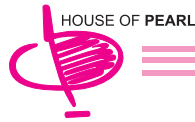
Name of the Statute	Nature of Dues	Amount in Rs.	Period to which Amount Relates	Due Date	Date of Payment
Employee State Insurance Act, 1948	ESI	17,469	2008-09	21st of corresponding month	Not Paid

- b. According to the records of the Company examined by us and on the basis of the information and explanations provided, there is no amount outstanding in respect of Income Tax, wealth tax and other statutory dues on account of any dispute as at 31st March, 2009.
- x) Since the company has been registered for less than 5 years, therefore, the provisions of clause 4(x) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- xi) Based on our audit procedure and on the basis of information and explanations given to us by the management, company has not taken any loan from the financial institutions. Therefore, the provisions of clause 4(xi) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable.
- xiii) In our opinion, the company is not a chit fund or nidhi/ mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- xiv) The Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditors Report) Order, 2003 are not applicable to the company.
- xv) In our opinion and on the basis of information and explanation provided, the company has not given any guarantees for loans taken by others from banks or financial institutions.
- xvi) On the basis of information and explanation given to us, no term loans were raised during the year by the company.
- xvii) On the basis of information and explanation given to us and overall examination of the balance sheet as at 31st March 2009, we report that no funds have been raised on short term basis which have been used for long term investments.
- xviii) During the year, the company has allotted 6,880,000, 10.5% non-cumulative preference shares of Rs. 10 each out of which 1,890,000 shares are redeemed on 31.03.09. Further, 1,890,000 equity shares of Rs. 10 each were also allotted to House of Pearl Fashions Limited, the holding company which is covered u/s 301 of the Companies Act, 1956.
- xix) During the year covered by our audit report, the company has not issued any debentures during the year. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company
- xx) According to the information and explanation given to us, the company has not raised any money by way of public issue during the year. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order 2003 are not applicable to the company.
- xxi) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, during the year we have neither come across any instance of fraud on or by the Company nor have we been informed of such case by the management.

FOR S.R. DINODIA & CO.,
CHARTERED ACCOUNTANTS,

(SANDEEP DINODIA)
PARTNER
M. No. : 083689

PLACE: NEW DELHI
DATED: 09.06. 2009



Lerros Fashions India Private Limited

BALANCE SHEET

AS AT 31ST MARCH, 2009		(Amount in Rs.)	
PARTICULARS	SCH	AS AT 31.03.2009	AS AT 31.03.2008
SOURCES OF FUNDS			
Shareholder's Funds			
Share Capital	1	69,800,000	1,000,000
Share Application			
Money-Pending allotment		71,500,000	19,900,000
Loan Funds			
Unsecured Loan	2	-	34,900
		<u>141,300,000</u>	<u>20,934,900</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	12,903,092	-
Less : Depreciation		1,184,958	-
Net Block of Fixed Assets		11,718,133	-
Capital Work In Progress		55,132	-
Deferred Tax Assets	4	17,805,437	796,001
Current Assets, Loans & Advances			
Inventories	5	25,547,071	-
Sundry Debtors	6	27,332,343	-
Cash & Bank Balances	7	4,361,822	17,404,719
Loans & Advances	8	40,843,573	1,819,771
		<u>98,084,808</u>	<u>19,224,490</u>
Current Liabilities & Provisions			
Current Liabilities	9	38,285,361	793,494
Provisions	10	370,101	84,250
		<u>38,655,462</u>	<u>877,744</u>
Net Current Assets		59,429,347	18,346,746
Profit & Loss A/c		52,291,951	1,792,153.43
		<u>141,300,000</u>	<u>20,934,900</u>
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNT			
	14		
As per our report of even date attached			
For S.R. DINODIA & CO., CHARTERED ACCOUNTANTS			
(SANDEEP DINODIA) PARTNER M. NO. 083689	(PULKIT SETH) DIRECTOR DIN: 00003044	(PAYEL SETH) DIRECTOR DIN: 00003035	
PLACE : NEW DELHI DATED: 09.06.2009			

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH, 2009		(Amount in Rs.)	
PARTICULARS	SCH	CURRENT YEAR	PREVIOUS PERIOD
INCOME			
Sales		69,947,600	-
Other Income	11	276,123	-
		<u>70,223,723</u>	<u>-</u>
EXPENDITURE			
Cost of Goods Traded	12	32,634,984	-
Administrative, Selling & Other Expenses	13	103,633,014	2,333,154
Depreciation	3	1,184,958	-
Preliminary Expenses written off		-	242,900
		<u>137,452,956</u>	<u>2,576,054</u>
PROFIT/(LOSS) BEFORE TAXATION AND ADJUSTMENTS:			
		(67,229,234)	(2,576,054)
Provision for Deferred Tax		17,009,436	796,001
Provision for Fringe Benefit Tax		(280,000)	(12,100)
Loss for the year		(50,499,798)	(1,792,153)
Loss Brought Forward		(1,792,153)	-
Balance carried to balance sheet		<u>(52,291,951)</u>	<u>(1,792,153)</u>
Earning per share (Rs.)			
Basic/Diluted		(480.14)	(17.92)
(Refer note no.7 of Schedule 14)			
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNT			
	14		
As per our report of even date attached			
For S.R. DINODIA & CO., CHARTERED ACCOUNTANTS			
(SANDEEP DINODIA) PARTNER M. NO. 083689	(PULKIT SETH) DIRECTOR DIN: 00003044	(PAYEL SETH) DIRECTOR DIN: 00003035	
PLACE : NEW DELHI DATED: 09.06.2009			

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH 2009		(Amount in Rs.)	
		CURRENT YEAR	PREVIOUS PERIOD
A. Net Profit Before Tax and Exceptional Items		(67,229,234)	(2,576,054)
Adjustments :			
Depreciation		1,184,958	-
Foreign Exchange Fluctuation		853,116	-
Operating Profit /(loss) before working capital changes		(65,191,160)	(2,576,054)
Adjustments for :			
Trade and Other Receivables		(27,332,343)	-
Loans & Advances		(39,023,802)	(1,819,771)
Inventories		(25,547,071)	-
Trade Payables		37,710,071	865,644
Cash Generated from operations		(119,384,305)	(3,530,181)
Direct Taxes (Paid)/ Refunds		(212,353)	-
Net Cash Generated /(used) in operating Activities		(119,596,658)	(3,530,181)

Lerros Fashions India Private Limited

	(Amount in Rs.)	
	CURRENT YEAR	PREVIOUS PERIOD
B. Cash Flow from Investing Operations		
Purchase of Fixed Assets	(12,958,224)	-
Cash from investing activities	(12,958,224)	-
C. Cash Flow from Financing Activities		
Net Proceeds from issue of Share Capital	68,800,000	1,000,000
Net Proceeds from issue Share Application	51,600,000	19,900,000
Loans taken-short term	(34,900)	34,900
Net cash Generated /(used) in financing activities	120,365,100	20,934,900
Foreign Exchange Fluctuation	(853,116)	-
Increase in Cash/Cash equivalents(A+B+C)	(13,042,897)	17,404,719
Cash / Cash equivalents at the beginning of the year	17,404,719	-
Cash / Cash equivalents at the close of the year	4,361,822	17,404,719
Components of Cash and Cash equivalents		
Cash and Cheques on hand	38,398	16,869
Balances with Scheduled Banks		
i) In Current Accounts	1,783,424	17,387,850
ii) In Fixed Deposits	2,540,000	-
	<u>4,361,822</u>	<u>17,404,719</u>

As per our report of even date attached

For S.R. DINODIA & CO.,
CHARTERED ACCOUNTANTS

(SANDEEP DINODIA) PARTNER M. NO. 083689	(PULKIT SETH) DIRECTOR DIN: 00003044	(PAYEL SETH) DIRECTOR DIN: 00003035
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PLACE : NEW DELHI
DATED: 09.06.2009**SCHEDULES****FORMING PART OF THE BALANCE SHEET**

	(Amount In Rs.)	
	AS AT 31.03.2009	AS AT 31.03.2008
SCHEDULE-1		
SHARE CAPITAL		
Authorised		
10,000,000 (Previous Year: 100,000)		
Equity Shares of Rs. 10/- each	100,000,000	1,000,000
10,000,000 (Previous Year: 1,900,000)		
10.50% Non- Cumulative Redeemable	100,000,000	19,000,000
Preference Shares of Rs. 10/- each		
	<u>200,000,000</u>	<u>20,000,000</u>
Issued, Subscribed and Fully Paid Up		
1,990,000 (Previous Year: 100,000)		
Equity Shares of Rs. 10/- Each*	19,900,000	1,000,000
4,990,000 (Previous Year: Nil) 10.50%		
Non- cumulative Redeemable	49,900,000	-
Preference shares of Rs. 10/- Each**		
	<u>69,800,000</u>	<u>1,000,000</u>

Notes:

* Out of the above 1,890,000 (Previous Year: Nil) shares are allotted to Holding Company M/s House of Pearl Fashions Limited

** Entire 10.5% Non- Cumulative Redeemable Preference Shares (Previous Year: Nil) are allotted to Holding Company M/s House of Pearl Fashions Limited.

SCHEDULE-2**UNSECURED LOANS**

From Directors	-	34,900
	<u>-</u>	<u>34,900</u>

SCHEDULES**FORMING PART OF BALANCE SHEET & PROFIT AND LOSS ACCOUNT****SCHEDULE -3****FIXED ASSETS**

(Amount in Rs.)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	AS ON 01-04-2008	ADDITIONS	DEDUCTIONS	AS ON 01-04-2008	ADDITIONS	DEDUCTION	UP TO 31-03-2009	AS ON 31-03-2009	AS ON 31-03-2008
TANGIBLE ASSETS									
Leasehold Improvements	-	6,355,452	-	-	523,907	-	523,907	5,831,545	-
Plant & Machinery	-	1,003,496	-	-	27,469	-	27,469	976,027	-
Computer	-	1,470,129	-	-	166,926	-	166,926	1,303,203	-
Furniture & Fittings	-	1,024,487	-	-	214,012	-	214,012	810,476	-
Office Equipments	-	218,184	-	-	16,829	-	16,829	201,355	-
INTANGIBLE ASSETS									
Software	-	2,831,344	-	-	235,816	-	235,816	2,595,528	-
TOTAL	-	12,903,092	-	-	1,184,958	-	1,184,958	11,718,133	-
Capital Work-in -Progress		55,132			-	-	-	55,132	
Grand Total	-	12,958,224	-	-	1,184,958	-	1,184,958	11,773,265	-
Previous Year	-	-	-	-	-	-	-	-	-

Note:

Capital Work-in -Progress includes Capital Advances Rs. 55,132 (Previous Year: Rs. Nil)

Lerros Fashions India Private Limited

	(Amount In Rs.)	
	AS AT 31.03.2009	AS AT 31.03.2008
SCHEDULE-4		
DEFERRED TAX ASSETS (NET)		
Opening Deferred Tax Assets	796,001	-
Add: Assets/(Liability) accrued for the year	17,009,436	796,001
(Refer Note No.10 Of Schedule 14)	<u>17,805,437</u>	<u>796,001</u>
SCHEDULE-5		
INVENTORIES		
(As taken, valued and certified by the management)		
Finished Goods	19,351,011	-
Goods in Transit	6,196,060	-
	<u>25,547,071</u>	<u>-</u>
SCHEDULE-6		
SUNDRY DEBTORS		
(Unsecured-Considered Good unless otherwise stated)		
Over Six months	-	-
Others	27,332,343	-
	<u>27,332,343</u>	<u>-</u>
SCHEDULE-7		
CASH & BANK BALANCES		
Cash in hand	38,398	16,869
Balance with scheduled Bank		
(i) In Current Account	1,783,424	17,387,850
(ii) Fixed Deposits with Axis Bank *	2,540,000	-
	<u>4,361,822</u>	<u>17,404,719</u>
* Pledge Rs.90,000 on account of Sales tax guarantee (Previous Year: Rs.Nil)		
* Rs.2,450,000 pledged for margin of LC (Previous Year: Rs.Nil)		
SCHEDULE-8		
LOANS & ADVANCES		
(Unsecured - Considered Good)		
Loans to Employees	14,585	-
Advances recoverable in cash or kind or for value to be received	354,991	8,541
Interest Accrued But Not Due	5,433	-
Security Deposit	40,468,564	1,811,230
	<u>40,843,573</u>	<u>1,819,771</u>
SCHEDULE-9		
CURRENT LIABILITIES		
Sundry Creditors - others		
- Due to Micro,small and medium scale Enterprises	-	-
- Others	29,627,724	20,803
Other Liabilities*	8,657,637	772,691
	<u>38,285,361</u>	<u>793,494</u>
*It does not include any amount due to Investor Education & Protection Fund		
SCHEDULE-10		
PROVISIONS		
Leave Encashment	143,676	32,520
Gratuity	146,678	39,630
Fringe Benefit Tax	79,747	12,100
Net of Advance Tax of Rs. 200,253 (Previous Year: Rs. Nil)	370,101	84,250

	(Amount in Rs.)	
	CURRENT YEAR	PREVIOUS PERIOD
SCHEDULE-11		
OTHER INCOME		
Sample Sale	199,662	-
Interest on Fixed Deposit	60,258	-
(TDS:Rs12,253 (Previous Year:Nil)		
Miscellaneous Income	16,203	-
	<u>276,123</u>	<u>-</u>
SCHEDULE-12		
COST OF GOODS TRADED		
Opening Stock	-	-
Add : Purchases	51,985,996	-
Less : Closing Stock	19,351,011	-
	<u>32,634,984</u>	<u>-</u>
SCHEDULE-13		
MANUFACTURING,ADMINISTRATIVE, SELLING & OTHER EXPENSES		
Rent	32,867,406	-
Salaries & Other benefits to staff	15,643,376	1,932,854
Staff Welfare Expenses	187,739	-
Repairs & Maintenance		
- Others	757,488	2,609
Insurance	30,368	-
Rates & Taxes	1,185,294	38,231
Commission & Brokerage	2,212,043	-
Electricity & Water Expenses	196,715	-
Legal & Professional Expenses	3,763,056	7,183
Communication Expenses	306,076	29,274
Printing & Stationery	125,322	5,395
Auditor's Remuneration	27,575	8,427
Travelling & Conveyance	2,323,889	307,988
Security Expenses	403,824	-
Selling & marketing Expenses	40,216,831	-
Stores Maintenance	2,170,917	-
Foreign Exchange Fluctuation	1,037,778	-
Miscellaneous Expenses	177,316	1,193
	<u>103,633,014</u>	<u>2,333,154</u>

Schedules forming part of the Balance Sheet and Profit & Loss Account**SCHEDULE - 14****SIGNIFICANT ACCOUNTING POLICIES****1. Accounting Convention**

The financial statements have been prepared to comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956 (the 'Act'). The financial statements have been prepared under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the company unless otherwise stated.

2. Use of Estimates

The preparation of financial statements is in conformity with generally accepted accounting principles which requires making of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets & liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting year. Differences between the actual results and estimates are recognized in the year in which the results are known / materialized.

3. Inventories

- Inventories of finished goods traded are valued at lower of procurement cost calculated on FIFO basis or estimated net realizable value.
- Inventories of Accessories & Consumables are valued at cost on FIFO basis or at estimated net realizable value whichever is lower.

Lerros Fashions India Private Limited

4. Cash Flow Statement

Cash flows are reported using the indirect method as specified in Accounting Standard (AS-3) 'Cash Flow Statement.

5. Depreciation

- Depreciation on fixed assets is provided on Straight Line Method at the rates and in the manner as prescribed in Schedule XIV of the Companies Act. Fixed Assets Costing upto Rs. 5,000/- are depreciated fully in the year of purchase.
- Software is amortized over the period of 5 years which in the opinion of management is the estimated economic life.
- Leasehold Improvements are amortized over the period of Lease.

6. Revenue Recognition

- Sales are accounted net of sales returns, and trade discount.
- Interest income is recognized on time proportion basis.

7. Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. Cost comprises the purchase price and any attributable cost including borrowing costs of bringing the asset to its working condition for its intended use.

8. Foreign Currency Transactions

Foreign Currency monetary items are reported using the closing rate. The resultant exchange gain/loss on settlement of transaction is recognized in profit & loss account.

9. Employee's Benefit

Expenses and Liabilities in respect of employee benefits are recorded in accordance with Revised Accounting Standard 15 – Employees Benefits (Revised 2005) issued by the ICAI.

(i) Post Employment Benefit Plans

Payments to Defined Contribution Retirements Benefit Schemes are charged as an expense as they fall due.

For Defined Benefit Schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognized in full in the profit and loss account for the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefit become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

(ii) Short Term Employee Benefits

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees is recognized during the period when the employee renders the service.

10. Leases

Lease agreements executed after April 1, 2001 for taking assets on lease are classified as either finance lease or operating lease and are accounted for in accordance with the Accounting Standard (AS-19) issued by the Institute of Chartered Accountants of India.

Lease rent paid for leased assets in respect of which agreements were entered into prior to April 1, 2001 are charged to the Profit and loss account.

11. Taxes On Income

Current tax is amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognized on timing differences being the differences between taxable incomes and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized if there is a virtual certainty that there will be sufficient future taxable income available to reverse such losses.

12. Provision, Contingent Liabilities And Contingent Assets

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

NOTES TO ACCOUNT**1. Contingent Liabilities**

Unexpired Letter of Credit Rs. 2,204,648 (Previous Year: Nil)

2. Amount due from companies/ firms in which directors are interested are given as under:

	2008-09	2007-08
(a) Advances Given	—	—
Pearl Academy of Fashions	—	—
Maximum balance outstanding during the year Rs. 60,000 (P.Y. Nil)		

3. Payment to Auditors

	Current Year	Previous Period
Statutory Audit Fee	15,000	7,500
Tax Audit Fee	10,000	—
Other Matters	—	—
Service Tax	2,575	927
Total	27,575	8,427

4. Employee Benefits

The Company has adopted Accounting Standard 15 (revised 2005) 'Employee Benefits'. The Company has classified the various benefits provided to employees as under:-

(i) Defined Contribution Plan

The company makes contribution towards provident fund to a defined contribution retirement benefit plan for qualifying employees. The provident fund plan is operated by the Regional Provident fund commissioner and the company is required to contribute a specified percentage of payroll cost to the retirement benefit schemes to fund the benefits.

(ii) Defined Benefit Plan

The present value of obligation is determine based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligations. The obligation for leave encashment is recognized in the same manner as gratuity.

(a) Reconciliation of opening and closing balances of Defined Benefit Obligations

	Gratuity (Unfunded) 2008-09	Amount (Rs.) Earned leave (Unfunded) 2008-09
Defined benefit obligations at beginning of the year	39,630	32,520
Interest Cost	3,170	2,602
Current Service Cost	137,779	134,800
Benefits paid	—	—
(Gain) / Loss	(33,901)	(26,246)
Defined benefit obligations at year end	1,46,678	1,43,676

(b) Reconciliation of fair value of assets and obligations

	Gratuity (Unfunded) 2008-09	Amount (Rs.) Earned leave (Unfunded) 2008-09
Fair Value of plan assets at 31st March 2009	—	—
Present Value of Obligation as at 31st March 2009	1,46,678	1,43,676
Net assets/(liability) recognized in balance sheet	(1,46,678)	(1,43,676)

(c) Expenses recognized during the year

	Gratuity (Unfunded) 2008-09	Amount (Rs.) Earned leave (Unfunded) 2008-09
Current Service Cost	1,37,779	1,34,800
Interest Cost	3,170	2,602
Actuarial (Gain)/Loss	(33,901)	(26,246)
Net Cost	107,048	111,156

Lerros Fashions India Private Limited

(d) Actuarial Assumptions

	Gratuity (Unfunded) 2008-09	Amount (Rs.) Earned leave (Unfunded) 2008-09
Discount Rate (per annum)	8%	8%
Future increase in compensation	5%	5%
Expected rate of return on plan assets	-	-
In Service Mortality	LIC (1994-96) duly modified	LIC (1994-96) duly modified
Retirement age	58 Years	58 Years
Withdrawal rates	Upto 30 years 3% Upto 44 years 2% Above 44 years 1%	Upto 30 years 3% Upto 44 years 2% Above 44 years 1%

Note: Since actuarial valuation was not done in the previous period, hence previous period figures are not given.

5. Related Party Disclosure

Related party disclosure as required under Accounting Standard- "18" issued by the Institute of Chartered Accountants of India is given below:

a) Holding Company:

Domestic

House of Pearl Fashions Limited India

b) Fellow Subsidiaries:

Domestic

Pearl Global Limited India

Overseas

Multinational Textiles Group Limited Mauritius
 Nor Pearl Knitwear Limited Bangladesh
 Norp Knit Industries Limited Bangladesh
 Global Textiles Group Limited Mauritius
 Depa International Inc. USA
 Poeticgem (Canada) Limited Canada
 P.T. Norwest Industry Indonesia
 Poeticgem Limited UK
 Pacific Logistics Limited UK
 Norwest Industries Ltd. Hongkong
 House of Pearl Fashion (US) Ltd. USA
 Zamira Fashions Ltd. Hongkong
 FX Import Co Ltd. UK
 Pacific Supply Chain Limited UK
 Zamira Fashions Europe Limited UK
 Poetic Knitwear Limited UK
 FX Import Hongkong Limited Hongkong
 Pearl GES Group Ltd. Hongkong
 Pearl GES Home Group Ltd. Hongkong
 Simple Approach Ltd. Hongkong
 Pearl GES Home Group SPA Chile
 Magic Global Fashions Ltd. Hongkong
 Magic Global Fashions Ltd. UK
 Pearl Global Fareast Ltd. Hongkong

c) Associates:

Domestic

Crown Computerized Embroideries India
 Vastras India
 Pearl Wear India
 Little People Education Society India
 Pearl Academy of Fashion India Limited India
 Hopp Fashions India
 Pearl Retail Solution Private Limited India
 Deepak Seth & Sons (HUF) India
 Vau Apparels Pvt. Ltd. India

Overseas

Pallas Holdings Ltd. Mauritius
 J S M Trading UAE
 SACB Holdings Ltd. Mauritius
 Lerros Modem GMBH Germany

d) Key Management Personnel:

Mr. Pulkit Seth
 Mrs. Payel Seth

The following transactions were carried out with related parties in the ordinary course of business.

i) Holding Company

Particulars	(Amount in Rs.)	
	Current Year	Previous Period
Share Application money received	141,300,000	19,900,000
Share Application money refunded	1,000,000	-
Equity Share Capital allotted	18,900,000	-
Preference Share Capital allotted	49,900,000	-
Advances given	42,970	-
Expenses reimbursed on behalf	3,644,854	-
Closing Balance as on 31st March 2009		
Share Application Received	71,500,000	19,900,000
Other Liabilities	3,601,884	-

ii) Fellow Subsidiary

Particulars	(Amount in Rs.)	
	Current Year	Previous Period
Purchases of Goods	1,269,988	-
Expenses Reimbursed on behalf	30,508	-
Gift Vouchers Given	79,250	-
Closing Balance as on 31st March 2009		
Other Liabilities	59,500	-

iii) Associates

Particulars	(Amount in Rs.)	
	Current Year	Previous Period
Purchase of Goods	9,780,163	-
Services Received	90,000	-
Closing Balance as on 31st March 2009		
Creditors	1,334,126	-

iv) Key management Personnel

Particulars	(Amount in Rs.)	
	Current Year	Previous Period
Gift Vouchers	20,000	-
Expenses Reimbursed on behalf	-	34,900

6. Leases

(a) Assets taken on Lease

The company has taken certain assets on non-cancelable operating lease and lease rent amounting to Rs. 3,28,67,406/- (Previous Year Rs. Nil) and has been debited to Profit & Loss account.

The detail of future minimum lease payments is as under:

	(Amount in Rs.)	
	Current Year	Previous Period
Minimum Lease Payments Payables		
(i) Not later than in 1 year	42,039,099	-
(ii) Later than 1 year but not later than 5 years	79,968,199	-
(iii) Later than 5 years	46,712,938	-
Total	168,720,236	-

Lerros Fashions India Private Limited

(b) General Description of Lease Agreements

Particulars	Terms of Renewal	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
DLF Promenade Mall	6 Years	No	15% after every three years	No	No
Mega Mall	66 Months	No	15% after every 33 months	No	No
Ambience Mall	6 Years	No	15% after every three years	20% of Net Sales Turnover	No
Noida Mall	2 Years	No	15% after every 29 months	No	No
Bangalore Mall	Automatically after every 3 years	No	15% after every three years	No	No
Select City walk Mall	No	No	15% after every three years	15% of Net Sales Turnover	No
Gurgaon Building	59 Months & 15 Days	No	15% after every three years	No	No
Warehouse Building	4 Years	No	12% after every two years	No	No

7. Earning per share

The numerator and denominators used to calculate Basic and Diluted Earning per Share:

	Current Year (Rs.)	Previous Period (Rs.)
Profit/(Loss) attributable to the equity shareholders	(50,499,798)	(17,92,153)
Basic/weighted average no. of equity shares outstanding during the period	105,178	1,00,000
Nominal value of Equity shares	10	10
Basic/Dilutive Earning per share (Rs.)	(480.14)	(17.92)

8.

a) Breakup of Sales

Class of Goods	Unit	Current Year		Previous Period	
		Qty	Amount (Rs.)	Qty	Amount (Rs.)
Readymade Garments					
Traded	Pcs.	49,259	68,043,839	(-)	(-)
Readymade Accessories					
Traded	Pcs.	1,352	828,232	(-)	(-)
Others					
Traded	Pcs.	26,154	1,075,529	(-)	(-)
TOTAL		76,765*	69,947,600	(-)	(-)

* Includes shortage of 120 Pieces.

b) Details of Traded Goods

Class of Goods	Unit	Opening Stock		Purchases		Closing Stock	
		Qty	Amount (Rs.)	Qty	Amount (Rs.)	Qty	Amount (Rs.)
Readymade Garments	Pcs	-	-	82,071	4,72,73,559	32,812	1,73,24,883
				(-)	(-)	(-)	(-)
Readymade Accessories	Pcs	-	-	1,734	603,691	382	125,509
				(-)	(-)	(-)	(-)
Others	Pcs	-	-	49,418	4,108,746	23,264	1,900,619
				(-)	(-)	(-)	(-)
TOTAL	Pcs	-	-	1,33,223	5,19,85,996	56,458	19,351,011
				(-)	(-)	(-)	(-)

Amounts in bracket denotes previous year figures

c) Value of Imports on C.I.F. basis

Particulars	Current Year	(Amount in Rs.) Previous Period
Readymade Garments & Others	35,307,811	-
Total	35,307,811	-

d) Expenditure in Foreign Currency

Particulars	Current Year	(Amount in Rs.) Previous Period
Foreign Travelling	2,20,259	75,843
Total	2,20,259	75,843

9. Prior Period Adjustment

Particulars	Current Year	(Amount in Rs.) Previous Period
Legal & Professional	3,603,853	-
Total	3,603,853	-

10. In view of Accounting Standard-"22" 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India, the company has accounted for deferred tax as follows:

Particulars	Balance as at 01.04.2008	Expenses/Savings during the year	Balance as at 31.03.2009
Deferred Tax Asset			
Unabsorbed Depreciation	-	753,409	753,409
Unabsorbed losses	7,13,661	16,626,634	17,340,295
Others	82,340	16,650	98,990
Total (A)	7,96,001	17,396,693	18,192,694
Deferred Tax Liabilities			
Depreciation	-	387,257	387,257
Total (B)	-	387,257	387,257
Net Deferred Tax Asset/(Liability) (A)-(B)	796,001	17,009,436	17,805,437

The tax impact for the above purpose have been arrived at by applying the prevailing tax rate as on Balance Sheet date under the Income Tax Act, 1961.

11. In view of the management, the current assets, loans and advances have a value on realization in the ordinary courses of business at least equal to the amount, at which they are stated in the Balance Sheet as at 31st March, 2009.

12. Pursuant to amendments to schedule VI to Companies Act, 1956 vide notification number GSR 719 (E) dated November 16, 2007, the company has not received information from vendors regarding the Micro, Small and Medium Enterprises and Development Act, 2006. Hence, disclosure related to unpaid and outstanding at the year end together with the interest paid/payable has not been given.

13. Type	No. of Shares	Date of Issue	Terms of Redemption
10.5% Redeemable Preference Shares	500,000	29-04-08	6 months after the date of allotment but not later than 3 years.
10.5% Redeemable Preference Shares	500,000	07-05-08	6 months after the date of allotment but not later than 3 years.
10.5% Redeemable Preference Shares	490,000	09-05-08	6 months after the date of allotment but not later than 3 years.
10.5% Redeemable Preference Shares	3,500,000	03-09-08	6 months after the date of allotment but not later than 3 years.

However, 1,890,000 Preference shares are allotted and subsequently redeemed on 31-03-2009 by allotting fully paid equity shares.

14. Current year figures are not comparable with the previous period figures since previous period figures are reported for the period 30.3.07 to 31.03.08.

15. Previous period figures have been regrouped/ recasted wherever necessary.

Signature to Schedule 1 to 14

For S. R. DINODIA & CO.
CHARTERED ACCOUNTANTS

(SANDEEP DINODIA)
PARTNER
M. No. 083689

(PULKIT SETH)
DIRECTOR
DIN: 00003044

(PAYEL SETH)
DIRECTOR
DIN: 00003035

PLACE: NEW DELHI
DATED: 09.06.2009



House of Pearl Fashions (US) Ltd.

DIRECTORS' REPORT

The directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 March 2009.

Principal activities

The principal activity of the Company is design, development, trading, sourcing and distribution of ready made garments of all kinds.

Results and dividend

The results for the year are shown in the accounts.

The directors do not recommend the payment of a dividend for the year under review (2008: NIL).

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for the preparation of financial statements. In preparing those financial statements the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgment and estimates that are reasonable and prudent;
- stated whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Sd/-

Director

Date: 28 May 2009

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholder of
House of Pearl Fashions (US) Ltd.:

We have audited the balance sheet of House of Pearl Fashions (US) Ltd. as of March 31, 2009, and the related statements of income, changes in shareholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of House of Pearl Fashions (US) Ltd. as of March 31, 2008, were audited by other auditors whose report dated May 19, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of House of Pearl Fashions (US) Ltd. as of March 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Sd/-

May 28, 2009

BALANCE SHEETS

(In U.S. Dollars)

	Notes	March 31, 2009	March 31, 2008
ASSETS			
Non-current assets			
Property, plant and equipment	4	\$ 54,234	\$ 19,366
Other non-current assets	5	43,167	19,298
Total non-current assets		97,401	38,664
Current assets			
Inventories		843,692	–
Trade and other receivables	6,16	4,078,800	298,812
Other current assets	7	63,310	21,654
Cash		585,840	99,804
Total current assets		5,571,642	420,270
Total assets		\$ 5,669,043	\$ 458,934
EQUITY			
Capital and reserves attributable to equity holder of the company			
Share capital	8	\$ 810,000	\$ 595,000
Accumulated deficit		(665,842)	(313,196)
Total equity		144,158	281,804
LIABILITIES			
Non-current liabilities			
Loans	9,16	400,000	–
Total non-current liabilities		400,000	–
Current liabilities			
Trade and other payables	10,16	5,123,633	175,060
Income tax liabilities	14	1,252	2,070
Total current liabilities		5,124,885	177,130
Total liabilities		5,524,885	177,130
Total equity and liabilities		\$ 5,669,043	\$ 458,934

STATEMENTS OF INCOME

	Notes	Year Ended March 31, 2009	Year Ended March 31, 2008
Net sales	16	\$ 15,537,994	\$ 2,150,525
Cost of sales	16	13,481,739	1,653,229
Gross profit		2,056,255	497,296
Distribution expenses	16	1,185,745	488,482
Administrative expenses	16	1,413,126	595,845
Other income	11,16	292,078	407,200
Operating loss		(250,538)	(179,831)
Finance income	12,16	499	–
Finance expenses	13,16	101,075	–
Loss before income tax		(351,114)	(179,831)
Income tax expense	14	1,532	2,203
Net loss		\$ (352,646)	\$ (182,034)

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

	Notes	Share Capital	Accumulated Deficit	Total
Balance at April 1, 2007	8	\$ 475,000	\$ (131,162)	\$ 343,838
Capital contribution		120,000	–	120,000
Net loss		–	(182,034)	(182,034)
Balance at March 31, 2008	8	\$ 595,000	\$ (313,196)	\$ 281,804
Capital contributions		215,000	–	215,000
Net loss		–	(352,646)	(352,646)
Balance at March 31, 2009	8	\$ 810,000	\$ (665,842)	\$ 144,158

House of Pearl Fashions (US) Ltd.

STATEMENTS OF CASH FLOWS

	Notes	Year Ended March 31, 2009	Year Ended March 31, 2008
Cash flows from operating activities			
Loss before income tax		\$ (351,114)	\$ (179,831)
Adjustments for non-cash items			
Depreciation	4	9,489	8,292
Add finance expenses	13, 16	101,075	-
Deduct finance income	12, 16	(499)	-
Working capital adjustments			
Change in trade and other receivables	6, 16	(3,715,647)	(5,141)
Change in inventories		(843,692)	-
Change in other current assets	7	(41,656)	(8,124)
Change in non-current assets	5	(23,869)	-
Change in trade and other payables	10, 16	4,414,445	71,336
Cash generated from operations		(451,468)	(113,468)
Finance expenses paid	13, 16	(101,075)	-
Finance income received	12, 16	499	-
Income tax paid	14	(2,350)	(2,213)
Cash flows from operating activities		(554,394)	1115,681
Cash flows from investing activities			
Acquisition of property, plant and equipment	4	(44,357)	-
Due from affiliates	6, 16	(64,341)	(43,671)
Cash flows from investing activities		(108,698)	(43,671)
Cash flows from financing activities			
Proceeds from loans	9,10,16	501,921	-
Due to affiliates	10,16	432,207	73,459
Capital contributions	8	215,000	120,000
Cash flows from financing activities		1,149,128	193,459
Change in cash		486,036	34,107
Cash at beginning of period		99,804	65,697
Cash at end of period		\$ 585,840	\$ 99,804

NOTES TO FINANCIAL STATEMENTS**1. General information**

House of Pearl Fashions (US) Ltd. (the "Company") is an importer, wholesaler, and distributor of apparel whose customers are located throughout the United States of America.

The Company was incorporated in the State of New York on August 1, 2006.

These financial statements were authorized for Issue by the board of directors on May 28, 2009.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements are presented in U.S. dollars.

The preparation of these financial statements in accordance with International Financial Reporting Standards requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those 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.

Classification of financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Property, plant and equipment

Property, plant and equipment are stated at Cost less accumulated depreciation and impairment losses. Replacements and improvements are capitalized while general repairs

and maintenance are expensed as incurred. Assets are depreciated over their expected useful lives using the straight-line method. Leasehold improvements are depreciated over the estimated useful lives of the assets using the straight-line method.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade receivables

Trade receivables are stated at their cost less any allowance for doubtful accounts and impairment losses. The allowance for doubtful accounts is based on the management's assessment of the collectability of specific customer accounts and the aging of the trade receivables.

Impairment

The management evaluates the carrying value of the Company's financial and non-financial assets for potential impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If any indication of impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the recoverable amount is less than the carrying amount of an asset. Impairment losses are recognized in the statement of income.

Borrowings

Borrowings are stated at their repayment amounts. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables

Trade and other payables are stated at their repayment amounts. Payments with repayment dates exceeding one year are discounted to their net present values.

Revenue recognition

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Leases

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease.

Finance income

Interest income is recognized in the statement of income as it occurs.

Finance expense

Borrowing costs are expensed as incurred.

Income taxes

Income tax on profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable with respect to previous years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

New authoritative accounting pronouncements

The Company does not anticipate the adoption of recently issued accounting pronouncements to have a significant impact on the Company's financial statements.

3. Financial risk management**Credit and liquidity risk**

Financial instruments that potentially subject the Company to concentrations of credit and liquidity risk consist of cash and trade receivables. The Company's cash is denominated in U.S. dollars. Cash is maintained with high-quality financial institutions. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.



House of Pearl Fashions (US) Ltd.

Market risk

Market risk is the risk that market prices, such as interest rates, will affect the Company's income. The Company is exposed to this risk.

Fair values

The carrying values of financial assets and liabilities such as cash, trade receivables and trade payables approximate their fair values due to the short-term maturities of these instruments.

4. Property, plant and equipment

Property, plant and equipment consisted of the following :

	Furniture and Fixtures	Equipment	Leasehold Improvements	Total
Cost				
April 1, 2008	\$ 12,445	\$ 16,389	\$ -	\$ 28,834
Addition during the year	6,044	11,100	27,213	44,357
March 31, 2009	\$ 18,489	\$ 27,489	\$ 27,213	\$ 73,191
Accumulated depreciation				
April 1, 2008	\$ 3,493	\$ 5,975	\$ -	\$ 9,468
Depreciation for the year	3,040	5,367	1,082	9,489
March 31, 2009	\$ 6,533	\$ 11,342	\$ 1,082	\$ 18,957
Net book value				
April 1, 2008	\$ 8,952	\$ 10,414	\$ -	\$ 19,366
March 31, 2009	\$ 11,956	\$ 16,147	\$ 26,131	\$ 54,234
Cost				
April 1, 2007	\$ 12,445	\$ 16,389	\$ -	\$ 28,834
Addition during the year	-	-	-	-
March 31, 2008	\$ 12,445	\$ 16,389	\$ -	\$ 28,834
Accumulated depreciation				
April 1, 2007	\$ 445	\$ 731	\$ -	\$ 1,176
Depreciation for the year	3,048	5,244	-	8,292
March 31, 2008	\$ 3,493	\$ 5,975	\$ -	\$ 9,468
Net book value				
March 31, 2007	\$ 12,000	\$ 15,658	\$ -	\$ 27,658
March 31, 2008	\$ 8,952	\$ 10,414	\$ -	\$ 19,366

5. Other non-current assets

Other non-current assets consisted of the following:

	March 31, 2009	March 31, 2008
Security deposits	\$ 43,167	\$ 19,298
	\$ 43,167	\$ 19,298

6. Trade and other receivables

Trade and other receivables consisted of the following:

	March 31, 2009	March 31, 2008
Due from factor	\$ 1,364,232	\$ 197,606
Trade receivables	2,546,239	57,535
Due from affiliates	108,012	43,671
Other receivables	60,317	-
	\$ 4,078,800	\$ 298,812

The Company finances its operations under a financing agreement with a factor. This agreement provides for a line of credit to be derived from the application of a formula based on eligible trade receivables, advances and reserves. This credit line may be used for advances against factored trade receivables and letters of credit. The Company has collateralized substantially all of its assets, as well as various guarantees to satisfy any claims or indebtedness to the factor that may arise under the agreement.

At March 31, 2009 and 2008, due from affiliates are due on a demand basis, bearing no interest.

7. Other current assets

Other current assets consisted of the following:

	March 31, 2009	March 31, 2008
Prepaid expenses	\$ 20,395	\$ 20,650
Advance payments to vendor	40,000	-
Other current assets	2,915	1,004
	\$ 63,310	\$ 21,654

8. Share capital

Common shares consisted of the following:

	Par Value	Shares Authorized	Shares Issued	Amount
March 31, 2009	\$ -	200	100	\$810,000
March 31, 2008	\$ -	200	100	\$595,000

9. Loans

Loans from of the following:

	March 31, 2009	March 31, 2008
Loans from shareholder	\$ 400,000	\$ -
	\$ 400,000	\$ -

At March 31, 2009, loans from shareholder are due in more than one year and bear interest at the prevailing market rate, as determined by management. For the year ended March 31, 2009, interest on these loans amounted to \$12,847. These loans have been subordinated to the factor.

10. Trade and other payables

Trade and other payables consisted of the following:

	March 31, 2009	March 31, 2008
Trade payables	\$ 4,435,193	\$ 73,180
Accrued expenses	73,363	20,931
Due to affiliates	513,156	80,949
Loans from officer	101,921	-
	\$ 5,123,633	\$ 175,060

At March 31, 2009, due to affiliates are due on a demand basis. Of the total amount due, \$237,030 bears interest at the prevailing market rate, as determined by management. For the year ended March 31, 2009, interest on these amounts amounted to \$5,836. The remaining amounts do not bear interest.

At March 31, 2008, due to affiliates are due on a demand basis, bearing no interest.

At March 31, 2009, loans from officer are due on a demand basis. These loans bear interest at the prevailing market rate, as determined by management. For the year ended March 31, 2009, interest on these loans amounted to \$1,688.

11. Other income

Other income consisted of the following:

	March 31, 2009	March 31, 2008
Commission and fee income	\$ 58,630	\$ 407,200
Sampling and designing income	139,227	-
Other income	94,221	-
	\$ 292,078	\$ 407,200

12. Finance income

Finance income consisted of the following:

	March 31, 2009	March 31, 2008
Interest income	\$ 499	\$ -
	\$ 499	\$ -

13. Finance expenses

Finance expenses consisted of the following:

	March 31, 2009	March 31, 2008
Interest expenses	\$ 23,028	\$ -
Factor's interest, commissions and charges	78,047	-
	\$ 101,075	\$ -

14. Income taxes

The major components of income tax expense are as follows:

	March 31, 2009	March 31, 2008
Current income tax expense	\$ 1,532	\$ 2,203
Deferred income tax	-	-
Income tax expense	\$ 1,532	\$ 2,203

For the year ended March 31, 2009 and 2008, the significant components of the net deferred tax assets were difference between the book and tax bases of property and equipment and net operating loss carry forward which were offset in full by a valuation allowance.

At March 31, 2009, the Company had approximately \$635,000 of net operating losses carry forwards for income tax purposes. These losses are available to offset future taxable income and expire at various date to March 31, 2029.

House of Pearl Fashions (US) Ltd.

15. Commitments and contingencies**License agreement**

Effective February 1, 2009, the Company has entered in to a license agreement with Geoffrey Beene, LLC to design, manufacture, and sell certain men's apparel. This agreement expires on December 31, 2011, with an option to renew for an additional term of three years. The agreement requires the Company to make royalty payments based on specified percentages of net sales, as defined. In addition, the Company is required to expend a specified percentage of net sales, as defined, for advertising. For the year ended March 31, 2009, the license and advertising fees amounted to \$104,938.

At March 31, 2009, the future minimum payments required under this agreement were as follows:

	March 31, 2009
No later than 1 year	\$ 465,000
Later than 1 year and no later than 5 years	1,200,000
	<u>\$ 1,665,000</u>

Operating lease commitment

The Company has entered into a long-term operating lease agreement for the rental of showroom space which expires on September 30, 2015. For the years ended March 31, 2009 and 2008, rent expense amounted to \$205,004 and \$120,284, respectively.

At March 31, 2009 and 2008, the future minimum rental payments were as follows:

	March 31, 2009	March 31, 2008
No later than 1 year	\$ 222,497	\$ 112,000
Later than 1 year and no later than 5 years	994,499	316,000
More than 5 years	388,500	-
	<u>\$ 1,605,496</u>	<u>\$ 428,000</u>

16. Related party transactions and balances

The Company had the following related party transactions and balances:

	Year ended March 31, 2009	Year ended March 31, 2008
Net sales	\$ -	\$ 225,632
Net purchases	\$ 7,883,126	\$ 1,141,879
Buying commission	\$ 107,363	\$ -
Sampling	\$ 1,395	\$ -
Salaries	\$ -	\$ 144,893
Consulting fees	\$ 330,000	\$ 75,000
Commission expense	\$ 60,752	\$ 131,024
Allocated expenses	\$ 352,545	\$ 36,000
Finance expense	\$ 20,371	\$ -
Designing income	\$ 55,745	\$ -
Allocated income	\$ 27,364	\$ -
Commission income	\$ 58,630	\$ -
Other income	\$ 94,221	\$ -
Trade payables	\$ 2,576,410	\$ -
Due from affiliates	\$ 108,012	\$ 43,671
Loans from shareholder	\$ 400,000	\$ -
Due to affiliates	\$ 513,156	\$ 80,949
Loans from officer	\$ 101,921	\$ -

Multinational Textile Group Limited

DIRECTORS' REPORT

The directors are pleased to present their report together with the audited financial statements of the Company for the year ended 31 March 2009.

Principal activity

The principal activity of the Company is the holding of investments.

Results and dividend

The results for the year are shown on page 6.

The company has paid a dividend of USD 1,020,000 during the year under review (2008: NIL).

Statement of Directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial period giving a true and fair view of the state of affairs of the Company and of the profit or loss of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

They are also responsible for the safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe that the business will not be a going concern on the year ahead.

By order of the Board

Sd/-

Director

Date: 29 June 2009

SECRETARY'S CERTIFICATE

For the year ended 31 March 2009

Secretary's certificate under Section 166 (d) of the Companies Act 2001

In accordance with section 166 (d) of the Companies Act 2001, we certify that to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, all such returns as are required of the company under the Companies Act 2001.

Sd/-

For and on behalf of **KROSS BORDER TRUST SERVICES LIMITED**

Company Secretary

Date: 29 June 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF MULTINATIONAL TEXTILE GROUP LIMITED

Report on the Financial Statements

We have audited the financial statements of Multinational Textile Group Limited (the "Company") on pages 6 to 25 which comprise the balance sheet at 31 March 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Mauritius Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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' judgement, 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 auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 audit opinion.

Opinion

In our opinion, the financial statements on pages 6 to 25 give a true and fair view of the financial position of the Company at 31 March 2009 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act.

Other matter

This report, including the opinion, has been prepared for and only for, the Company's member in accordance with Section 205 of the Mauritius Companies Act and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act

We have no relationship with or interests in the Company other than in our capacities as auditors and tax advisors.

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Sd/-

KPMG

Public Accountant

Port Louis

Date: 29 June 2009

Sd/-

J. P. Ramhotar, FCCA

Signing Partner

Multinational Textile Group Limited

INCOME STATEMENT

for the year ended 31 March 2009

	NOTE	2009 USD	2008 USD
Revenue	5	2,090,987	46
Expenses		(1,112,207)	(48,145)
Profit/(loss) before taxation		978,780	(48,099)
Taxation	6	-	-
Profit/(loss) for the year		978,780	(48,099)

BALANCE SHEET

at 31 March 2009

	NOTE	2009 USD	2008 USD
Assets			
Non-current assets			
Investments in subsidiaries	7	17,197,316	12,379,056
Receivables	8	2,750,159	781,789
Total non-current assets		19,947,475	13,160,845
Current assets			
Other receivables	9	543,200	1,650
Cash and cash equivalents		1,097,860	205
Total current assets		1,641,060	1,855
Total assets		21,588,535	13,162,700
Equity and liabilities			
Capital and reserves			
Share capital	10	20,071,170	13,017,610
Share application monies		48,100	184,500
Revenue deficit		(150,107)	(108,887)
Total capital and reserves		19,969,163	13,093,223
Non-current liabilities			
Loan from holding company	11	1,300,000	-
Current liabilities			
Other payables	12	319,372	69,477
Total current liabilities		319,372	69,477
Total liabilities		1,619,372	69,477
Total equity and liabilities		21,588,535	13,162,700

Approved by the Board on 29 June 2009

Sd/-
DirectorSd/-
Director**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 March 2009

	Share Capital USD	Share Application monies USD	Revenue deficit USD	Total USD
Balance at 01 April 2007	13,017,610	-	(60,788)	12,956,822
Loss for the year	-	-	(48,099)	(48,099)
Movement during the year	-	184,500	-	184,500
Balance at 31 March 2008	13,017,610	184,500	(108,887)	13,093,223
Issue of shares during the year	7,053,560	(184,500)	-	6,869,060
Movement during the year	-	48,100	-	48,100
Profit for the year	-	-	978,780	978,780
Dividend Paid during the year	-	-	(1,020,000)	(1,020,000)
Balance at 31 March 2009	20,071,170	48,100	(150,107)	19,969,163

CASH FLOW STATEMENT

for the year ended 31 March 2009

	2009 USD	2008 USD
Cash flows from operating activities		
Profit/(loss) for the year	978,780	(48,099)
Dividend receivable	(1,017,582)	-
Interest received	(22,635)	(46)
	(61,437)	(48,145)
Change in receivables	(1,968,370)	155,430
Change in other receivables	(518,920)	-
Change in other payables	249,895	25,080
Net cash from operating activities	(2,298,832)	132,365
Cash flows from investing activities		
Interest received	5	46
Dividend receivable	1,017,582	-
Acquisition of investments	(4,818,260)	(167,500)
Deposit on shares	-	(150,000)
Net cash used in investing activities	(3,800,673)	(317,454)
Cash flows from financing activities		
Proceeds from issue of shares	6,869,060	-
Dividend paid	(1,020,000)	-
Proceeds from share application monies	48,100	184,500
Proceeds of loan from Holding company	1,300,000	-
Net cash from financing activities	7,197,160	184,500
Net increase / (decrease) in cash and cash equivalents	1,097,655	(589)
Cash and cash equivalents at beginning of year	205	794
Cash and cash equivalents at end of year	1,097,860	205

Notes to and forming part of the financial statements

for the year ended 31 March 2009

1. General information

The Company was incorporated as a private limited company on 28 March 2006 and was granted a Category 1 Global Business Licence on 29 March 2006. The principal activity of the Company is the holding of investments.

The Company, as a holder of a Category 1 Global Business Licence under the Companies Act 2001 and the Financial Services Act 2007 is required to carry on its business in a currency other than the Mauritian rupee. Since the Company operates in an international environment and conducts most of its transactions in foreign currencies the Company has chosen to retain the United States Dollar (USD) as its reporting currency.

2. Basis of preparation

- Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").
- Basis of measurement
The financial statements have been prepared on a historical cost basis except for investments which are measured at fair value.
- Functional currency
The financial statements are presented in United States Dollar (USD) which is the Company's functional currency.
- Use of the estimates and judgement
The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from these estimates.

Multinational Textile Group Limited

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

3. Significant accounting policies

New standards, interpretations and amendments to published standards

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments except as follows:

The Company adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoptions of these revised standards and interpretations did not have any effect on the financial performance or position of the Company. They did however give rise to additional disclosures.

IFRS 7 Financial instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. As a result of the adoption of IFRS 7, the financial statements include expanded disclosure about the significance of the Company's financial instruments and the nature and extent of the risks arising from those instruments, compared with the information previously required to be disclosed by IAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 14.

IAS 1 Presentation of financial statements

The amendment to IAS 1 introduces additional disclosure requirements to provide information about the level of capital and the company's objectives, policies and processes for managing capital. These new disclosures are set out in note 15.

Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2009.

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2009 and which have not been adopted in these financial statements.

The Company is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the company's results of operations and financial position.

These statements, where applicable, will be applied in the year when they are effective.

IAS 1 Presentation of financial statements - Comprehensive revision including requiring a statement of comprehensive income (effective for annual periods beginning on or after 1 January 2009)

IAS 1 Presentation of Financial Statements - Amendments relating to disclosure of puttable instruments and obligations arising on liquidation (effective for annual periods beginning on or after 1 January 2009)

IAS 1 Presentation of Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2009)

IAS 27 Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3 (effective for annual periods beginning on or after 1 July 2009)

IAS 27 Consolidated and Separate Financial Statements - Amendment relating to cost of an investment on first-time adoption (effective for annual periods beginning on or after 1 January 2009)

IAS 27 Consolidated and Separate Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2009)

IAS 32 Financial Instruments: Presentation - Amendments related to puttable instruments and obligations arising on liquidation (effective for annual periods beginning on or after 1 January 2009)

IAS 36 Impairment of assets - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2009)

IAS 39 Financial Instruments: Recognition and Measurement - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2009)

IAS 39 Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items (effective for annual periods beginning on or after 1 July 2009)

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting year as set out in this note.

Investments

Investment in subsidiary is classified as such where the Company has an interest of more than one half of the voting rights or otherwise has power to exercise control over the entity. The investments are measured at fair value and changes therein, other than impairment and foreign exchange gains and losses are recognised directly in equity.

Revenue recognition

Revenue is recognised on the following bases:

Interest income - as it accrues using the effective interest method.

Dividend income - when the shareholder's right to receive payment is established.

Professional fees income - are accounted for as it accrues.

Taxation

Income tax on the profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously,

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be recognised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the recoverable amount of assets is below the carrying amount. In case that the carrying value of an asset exceeds its recoverable amount, the Company recognises the impairment in the statement of comprehensive income.

Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into United State dollar (USD) at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at that date of transaction. Foreign exchange differences arising on translation are recognised in the income statement.

Cash and cash equivalents

Cash comprises cash at bank and cash in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Other payables

Other payables are stated at cost.

Receivables and other receivables

Other receivables are stated at cost less impairment.

Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Financial instruments

Financial instruments carried on the balance sheet include receivables, other receivables, shareholder's loan and other payables. The particular recognition methods are disclosed in the individual policy statements associated with each item.

Disclosures about financial instrument to which the Company is a party are provided in note 14.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the net asset and settle the liability simultaneously.

Multinational Textile Group Limited

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

4. Acquisition of Subsidiary and Sub-subsidiary**Acquisition of Subsidiary, Pearl GES Group Ltd**

On 13 May 2008, the Group incorporated Pearl GES Group Ltd and acquired 51% of the equity share capital.

Acquisition of Subsidiary, Simple Approach Ltd

On 30 November 2008, the Group acquired 75% of the equity share capital of the Subsidiary Simple Approach Ltd.

Acquisition of Subsidiary, Magic Global Fashion Ltd (Hong Kong)

On 19 January 2009, the Group incorporated Magic Global Fashion Ltd (Hong Kong) and acquired 100% of the equity share capital.

Acquisition of Sub-subsidiary, Zamira Fashions Europe Ltd

On 25 March 2009, the Group incorporated and acquired 100% of the equity share capital of the Sub-subsidiary, Zamira Fashions Europe Ltd.

Acquisition of Sub-subsidiary, Magic Global Fashion Ltd (UK)

On 23 January 2009, the Group incorporated Magic Global Fashion Ltd (UK) and acquired 100% of the equity share capital.

Acquisition of Sub-subsidiary, Poetic Knitwear Ltd

On 31 March 2009, the Group incorporated and acquired 67% of the equity share capital of the Sub-subsidiary, Poetic Knitwear Ltd

Details of net assets acquired and goodwill are as follows:

	USD
Purchase consideration	250,000
Fair value of net assets acquired	2,019,803
Goodwill on acquisition	2,269,803
The assets and liabilities arising from the acquisitions are as follows:	
Property, plant and equipment	18,472
Receivables and other receivables	6,355,335
Cash and cash equivalents	310,442
Borrowings and other payables	(8,704,052)
Fair value of net assets acquired	(2,019,803)
Goodwill	2,269,803
Total purchase consideration	250,000
Cash and cash equivalents in subsidiary and sub-subsidiary acquired	(413,923)
Cash outflow on acquisition	(163,923)

5. Revenue

	2009 USD	2008 USD
Revenue represents:		
Professional fees income	1,050,770	–
Dividend Received	1,017,582	–
Interest receivable	22,635	46
	<u>2,090,987</u>	<u>46</u>

6. Taxation

The Company is subject to income tax in Mauritius at the rate of 15%. It is however, entitled to a tax credit equivalent to the higher of the foreign tax paid and 80% of the Mauritian tax on its foreign source income.

The directors have, in accordance with the Company's accounting policy, not recognised a deferred tax asset.

Recognised in income statement

	2009 USD	2008 USD
Current year income tax	–	–

A reconciliation of the actual income tax expense base on accounting profit and actual income tax expense is as follows

Reconciliation of effective taxation

	2009 USD	2008 USD
Profit /(loss) before taxation	978,780	(48,099)
Income tax at 15%	146,817	(7,215)
Exempt income	(1)	(7)
Deferred tax assets not recognized for prior years	(213)	(213)
Foreign tax credit	(146,603)	–
Non-deductible expenses	–	7,222
Deferred tax assets not recognized for the year	–	213
Income tax payable	–	–

7. Investments in subsidiaries

Investments consist of unquoted shares

	2009 USD	2008 USD
Cost		
At 01 April	12,379,056	12,211,556
Movement during the year	4,818,260	167,500
At 31 March	<u>17,197,316</u>	<u>12,379,056</u>

Name of company	Type of shares	Number of shares	2009 % held	2008 % held	Country of incorporation
Global Textiles Group Limited	Equity	5,621,556	100%	100%	Mauritius
Norwest Industries Limited	Equity	1,020,000	85%	85%	Hong Kong
Zamira Fashions Limited	Equity	167,500	67%	67%	Hong Kong
Pearl GES Group Ltd	Equity	510,000	51%	–	Hong Kong
Simple Approach Ltd	Equity	187,500	75%	–	Hong Kong
Phuong Nam Garment Joint Stock	Equity	460,460	30.5%	–	Vietnam
Magic Global Fashion LTD	Equity	2,000,000	100%	–	Hong Kong

At balance sheet date, the directors have reviewed the carrying amounts of the investments in subsidiaries and considered that no provision for impairment is required for the year under review.

8. Receivables

	2009 USD	2008 USD
Loan to subsidiaries	2,246,644	628,274
Loan to related parties	503,515	3,515
Deposit on shares with subsidiaries	–	150,000
	<u>2,750,159</u>	<u>781,789</u>

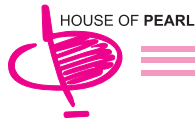
9. Other receivables

	2009 USD	2008 USD
Prepaid expenses	2,988	1,650
Interest receivable	22,630	–
Professional fees receivable	517,582	–
	<u>543,200</u>	<u>1,650</u>

10. Share capital*Stated capital*

13,017,610 ordinary shares of USD 1 each	13,017,610	13,017,610
Issue of shares during the year	7,053,560	–
	<u>20,071,170</u>	<u>13,017,610</u>

The shares issued during the year carry the same rights to the existing shares.



Multinational Textile Group Limited

11. Loan from holding company

	2009 USD	2008 USD
Unsecured, interest free loan with no fixed repayment terms	1,300,000	-

12. Other payables

Non-trade payables and accrued expenses	41,500	49,405
Interest on loan	20,072	20,072
Loan payable to subsidiary	257,800	-
	<u>319,372</u>	<u>69,477</u>

13. Related party transactions

During the year under review, the Company entered into the following related party transactions.

	Nature	2009 USD	2008 USD
<i>Transactions during the year:</i>			
Global Textiles Group Limited	Loan repaid/ Loan granted	116,630	150,000
Norwest Industries Limited	Loan granted	1,185,000	159,095
Pearl GES Group Ltd	Loan granted	400,000	-
Related party	Loan granted	500,000	3,515
Related party	Interest receivable	22,630	-
Magic Global Fashions Limited	Loan received	257,800	-
Simple Approach Limited	Loan received	6,829	-
House of Pearl Fashions Ltd	Loan payable	1,300,000	-
<i>Balances outstanding at 31 March:</i>			
Global Textiles Group Limited	Loan receivable	378,090	344,720
Norwest Industries Limited	Loan receivable	1,468,554	283,554
Related party	Loan receivable	503,515	3,515
Pearl GES Group Ltd	Loan receivable	400,000	-
Frou Holdings Ltd	Interest receivable	22,630	-
Pallas Holdings Limited	Amount payable	7,325	7,325
Pallas Holdings Limited	Interest payable	20,072	20,072
Magic Global Fashions Limited	Loan payable	257,800	-
Simple Approach Limited	Loan payable	6,829	-
House of Pearl Fashions Ltd	Loan payable	1,300,000	-
House of Pearl Fashions Ltd	Share application monies	48,100	150,000

14. Financial risk management and capital management

Fair Value

The Company's assets and liabilities include investment, receivables, other receivables, cash and cash equivalents, loan from holding company and other payables. The carrying amounts of these assets and liabilities approximate their fair values. The fair values for both financial and non financial assets and liabilities together with the carrying amounts shown in the balance sheet are as follows:

	Carrying amount 2009 USD	Fair value 2009 USD	Carrying amount 2008 USD	Fair value 2008 USD
Investment	17,197,316	17,197,316	12,379,056	12,379,056
Receivables	2,750,159	2,750,159	781,789	781,789
Other receivables	543,200	543,200	1,650	1,650
Cash and cash equivalents	1,097,860	1,097,860	205	205
Loan from holding company	(1,300,000)	(1,300,000)	-	-
Other payables	(319,372)	(319,372)	(69,477)	(69,477)

Investments are valued as described in note 3.

The Company's other assets and liabilities include trade and other receivables, cash and cash equivalents and trade and other payables, which are realised or settled within a short-term period. The carrying amounts of these assets and liabilities approximate their fair values.

Financial risk management

Overview

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

- credit risk
- liquidity risk
- market 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 these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyses 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.

Credit risk

Credit risk represents the potential loss that the Company would incur if counter parties fail to perform pursuant to the terms of their obligations to the Company. The Company limits its credit risk by carrying out transactions through companies within the group. At the balance sheet date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

	Note	2009 USD	2008 USD
Receivables	8	2,750,159	781,789
Other receivables	9	543,200	1,650
Cash and cash equivalents		1,097,860	205
		<u>4,391,219</u>	<u>783,644</u>

The ageing of trade receivables at the reporting date was:

	Gross 2009 USD	Impairment 2009 USD	Gross 2008 USD	Impairment 2008 USD
Not past due	-	-	-	-
Past due 0-30 days	-	-	-	-
Past due 31-120 days	543,200	-	1,650	-
More than one year	2,750,159	-	781,789	-
	<u>3,293,359</u>	<u>-</u>	<u>783,439</u>	<u>-</u>

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Company's reputation.

	Less than 1 Year USD	Between 1 and 5 Years USD	Total USD
<i>31 March 2009</i>			
Liabilities			
Loan from holding company	-	1,300,000	1,300,000
Other payables	319,372	-	319,372
Total Liabilities	<u>319,372</u>	<u>1,300,000</u>	<u>1,619,372</u>

Multinational Textile Group Limited

	Less than 1 Year USD	Between 1 and 5 Years USD	Total USD
<i>31 March 2008</i>			
Liabilities			
Shareholders Loans	-	-	-
Other payables	69,477	-	69,477
Total Liabilities	69,477	-	69,477

Market risk

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

Currency risk

The Company invests in stocks denominated in Hong Kong Dollar (HKD) and Vietnamese Dong (VDN). Consequently, the Company is exposed to the risk that the exchange rate of the US dollar relative to the Hong Kong Dollar and Vietnamese Dong may change in a manner, which has a material effect on the reported values of the Company's assets and liabilities, which are denominated in HKD and VDN.

Currency profile

The currency profile of the Company's financial assets and liabilities are summarised as follows:

	Financial assets 2009 USD	Financial liabilities 2009 USD	Financial assets 2008 USD	Financial liabilities 2008 USD
USD	10,768,651	1,361,572	8,714,996	69,477
HKD	10,356,436	257,800	4,446,054	-
VDN	460,460	-	-	-
	<u>21,585,547</u>	<u>1,619,372</u>	<u>13,161,050</u>	<u>69,477</u>

Sensitivity Analysis:

	2009 USD	2008 USD
Currency		
HKD	1,009,864	444,605
VDN	46,046	-
Total	<u>1,055,910</u>	<u>444,605</u>

A 10 % strengthening of USD against the following currencies at 31st March would have increased net profit before tax by USD 1,055,910 (2008: USD 444,605). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis in 2008.

Similarly a 10 percent weakening of the USD against the above currencies at 31 March will have had the exact reverse effect.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company has no significant exposure to interest rate risk other than relating to its bank balances.

Sensitivity Analysis

Variable rate of interest is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been higher/lower by 50 basis points and all other variables were held constant, the profit and net asset for the year ended 31 March 2009 would increase/decrease by USD 2,500. This is mainly attributable to the Company's exposure to interest rates on variable rate of interest.

	Interest accrued 2009 USD	Impact on profit & net assets 2009 USD	Interest accrued 2008 USD	Impact on profit & net assets 2008 USD
Currency				
USD	22,630	2,500	-	-

15. Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The Company defines "capital" as including all components of equity. Trading balances that arise as a result of trading transactions with other group Companies are not regarded by the Company as capital.

The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Company belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company or the group. The results of the directors' review of the Company's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared.

16. Consolidated financial statements

These are separate financial statements of the Company as required by International Accounting Standards (IAS) 27 and separate consolidated financial statements are prepared incorporating the assets, liabilities, income and expenses of the subsidiary companies which are available at the registered office of the Company.

17. Holding company

The Company is a wholly owned subsidiary of House of Pearl Fashions Private Ltd (previously known as Mina Estates Private Limited), a Company incorporated in India.

Norwest Industries Limited

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2009.

Principal activity

The principal activity of the Company is trading of garments. There was no significant change in the nature of the Company's principal activity during the year.

Results and dividends

The Company's profit for the year ended 31 March 2009 and its state of affairs at that date are set out in the financial statements on pages 5 to 43.

Property, plant and equipment, and investment properties

Details of movements in the property, plant and equipment, and investment properties of the Company during the year are set out in notes 10 and 11 to the financial statements, respectively.

Reserves

Details of movements in the reserves of the Company during the year are set out in the statement of changes in equity.

Directors

The directors of the Company during the year were:

Pulkit Seth

Sandeep Malhotra

Shelly Cherian (appointed on 2 November 2008)

In accordance with articles 112 and 113 of the Company's articles of association, all remaining directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' interests

At no time during the year was the Company or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company or any of its holding companies or fellow subsidiaries was a party during the year.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Sd/-
Chairman

Hong Kong
11 May 2009

INDEPENDENT AUDITORS' REPORT

To the shareholders of Norwest Industries Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Norwest Industries Limited set out on pages 5 to 43, which comprise the balance sheet as at 31 March 2009, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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' judgement, 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 auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2009 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Certified Public Accountants

Hong Kong
11 May 2009

Norwest Industries Limited

INCOME STATEMENT

Year ended 31 March 2009

	Notes	2009 HK\$	2008 HK\$		Notes	2009 HK\$	2008 HK\$
REVENUE	4	902,327,878	741,209,577	Due from fellow subsidiaries	23(b)	67,164,213	14,476,943
Cost of sales		(706,696,387)	(587,692,155)	Derivative financial instruments	19	22,867,198	2,206,159
Gross profit		195,631,491	153,517,422	Pledged time deposits	15	15,479,738	13,363,009
Other income and gains	4	32,492,464	26,265,645	Cash and bank balances	15	14,541,437	6,325,428
Selling and distribution costs		(106,068,825)	(53,728,392)	Total current assets		288,355,956	277,169,175
Administrative expenses		(76,073,933)	(46,450,142)	CURRENT LIABILITIES			
Other operating expenses		(8,201,889)	(4,669,386)	Trade and bills payables	16	74,440,657	87,297,496
Finance costs	6	(7,053,657)	(6,278,425)	Other payables and accruals		7,164,023	6,447,002
PROFIT BEFORE TAX	5	30,725,651	68,656,722	Interest-bearing bank borrowings	17	38,092,237	53,583,466
Tax	8	7,633,144	(12,849,446)	Due to fellow subsidiaries	23(b)	10,506,689	22,452,151
PROFIT FOR THE YEAR		38,358,795	55,807,276	Tax payable		1,949,819	14,735,119
DIVIDENDS - PROPOSED FINAL	9	-	9,336,000	Total current liabilities		132,153,425	184,515,234
				NET CURRENT ASSETS		156,202,531	92,653,941
				TOTAL ASSETS LESS CURRENT ASSETS		201,051,498	147,386,528

BALANCE SHEET

31 March 2009

	Notes	2009 HK\$	2008 HK\$		Notes	2009 HK\$	2008 HK\$
NON-CURRENT ASSETS				NON-CURRENT LIABILITIES			
Property, plant and equipment	10	5,125,909	4,669,079	Interest-bearing bank borrowings	17	15,416,940	17,641,980
Investment properties	11	35,164,602	35,898,073	Due to the immediate holding company	23(b)	11,425,348	2,206,048
Available-for-sale investments	12	2,418,956	14,165,435	Deferred tax liabilities	18	3,820,490	1,265,899
Other receivables		2,139,500	-	Total non-current liabilities		30,662,778	21,113,927
Total non-current assets		44,848,967	54,732,587	Net assets		170,388,720	126,272,601
CURRENT ASSETS				EQUITY			
Trade and bills receivables	13	146,328,299	210,946,378	Issued capital	20	9,336,000	9,336,000
Prepayments, deposits and other receivables	14	21,967,949	29,851,258	Reserves		161,052,720	116,936,601
Due from the ultimate holding company	23(b)	7,122	-	Total equity		170,388,720	126,272,601
						Sd/- Director	Sd/- Director

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2009

	Notes	Issued capital HK\$	Available- For-sale investment reserve HK\$	Hedging reserve HK\$	Retained profits HK\$	Proposed final Dividend HK\$	Total Equity HK\$
At 1 April 2007		9,336,000	-	(2,637,486)	59,377,581	-	66,076,095
Changes in fair value of available-for-sale investments		-	493,210	-	-	-	493,210
Net gains on cash flow hedges	19	-	-	3,896,020	-	-	3,896,020
Profit for the year		-	-	-	55,807,276	-	55,807,276
Proposed 2008 final dividend		-	-	-	(9,336,000)	9,336,000	-
At 31 March 2008 and at 1 April 2008		9,336,000	493,210	1,258,534	105,848,857	9,336,000	126,272,601
Final 2008 dividend declared		-	-	-	-	(9,336,000)	(9,336,000)
Changes in fair value of available-for-sale investments		-	(1,544,538)	-	-	-	(1,544,538)
Net gains on cash flow hedges	19	-	-	17,835,578	-	-	17,835,578
Release on disposal of available-for-sale investments		-	(1,197,716)	-	-	-	(1,197,716)
Profit for the year		-	-	-	38,358,795	-	38,358,795
At 31 March 2009		9,336,000	(2,249,044)*	19,094,112*	144,207,652*	-	170,388,720

* These reserve accounts comprise the reserves of HK\$161,052,720 (2008: HK\$116,936,601) in the balance sheet.

Norwest Industries Limited

CASH FLOW STATEMENT

Year ended 31 March 2009

	Notes	2009 HK\$	2008 HK\$		Notes	2009 HK\$	2008 HK\$
CASH FLOW FROM OPERATING ACTIVITIES				NET INCREASE IN CASH AND CASH EQUIVALENTS		11,408,867	14,041,571
Profit before tax		30,725,651	68,656,722	Cash and cash equivalents at beginning of year		17,768,085	3,726,514
Adjustments for:				CASH AND CASH EQUIVALENTS AT END OF YEAR		29,176,952	17,768,085
Finance costs	6	7,053,657	6,278,425	ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Interest income	4	(1,235,885)	(571,912)	Cash and bank balances	15	14,541,437	6,325,428
Gain on disposal of available-for-sale investments	4	(1,197,716)	(46,680)	Time deposits with original maturity of less than three months when acquired and pledged as security for bank overdraft facilities	15	15,479,738	13,363,009
Dividend income from available-for-sale investments	4	(389,000)	(175,336)	Bank overdrafts	17	(844,223)	(1,920,352)
Depreciation - property, plant and equipment	5	2,772,031	2,283,015			29,176,952	17,768,085
Depreciation - investment properties	5	733,471	558,843				
Loss on disposal of items of property, plant and equipment	5	–	4,281				
		38,462,209	76,987,358				
Decrease in an amount due from a fellow subsidiary			964,720	NOTES TO FINANCIAL STATEMENTS			
Decrease/(increase) in trade and bills receivables		64,618,079	(98,623,265)	1. CORPORATE INFORMATION			
Decrease in prepayments, deposits and other receivables		5,743,809	793,797	Norwest Industries Limited is a limited company incorporated in Hong Kong. The registered office of the Company is located at 7/F, Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.			
Increase in amounts due from fellow subsidiaries		(51,699,536)	(14,178,057)	During the year, the Company was principally involved in trading of garments.			
Increase in an amount due from the ultimate holding company		(7,122)	–	The Company is a wholly-owned subsidiary of Multinational Textile Group Limited, a company incorporated in Mauritius. In the opinion of the directors, the Company's ultimate holding company is House of Pearl Fashions Limited, a company incorporated in India whose shares are listed on The National Stock Exchange of India Limited.			
Increase/(decrease) in trade and bills payables		(12,856,839)	49,004,793	2.1 BASIS OF PREPARATION			
Increase in other payables and accruals		717,021	1,547,791	These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and presentation currency.			
Decrease in amounts due to fellow subsidiaries		(11,945,462)	(4,866,267)	2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS			
Increase in an amount due to the immediate holding company		9,219,300	–	The Company has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.			
Cash generated from operations		42,251,459	11,630,870	HKAS 39 and HKFRS 7 Amendments		Amendments to HKAS 39 Financial Instruments: <i>Recognition and Measurement</i> and HKFRS 7 Financial Instruments: <i>Disclosures - Reclassification of Financial Assets</i>	
Hong Kong profits tax paid		(5,423,026)	(4,128,918)	HK(IFRIC)-Int 11		HKFRS 2 - <i>Group and Treasury Share Transactions</i>	
Interest paid		(7,053,657)	(6,278,425)	HK(IFRIC)-Int 12		<i>Service Concession Arrangements</i>	
Net cash inflow from operating activities		29,774,776	1,223,527	HK(IFRIC)-Int 14		HKAS 19 - <i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	
CASH FLOWS FROM INVESTING ACTIVITIES				The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements.			
Purchases of items of property, plant and equipment	10	(3,228,861)	(1,750,265)	2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS			
Purchases of items of investment properties	11	–	(20,426,051)	The Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.			
Proceeds from disposal of items of property, plant and equipment		–	45,384	HKFRS 1 and HKAS 27 Amendments		Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements-Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> ¹	
Purchases of available-for-sale investments		(778,000)	(12,448,000)	HKFRS 2 Amendments		Amendments to HKFRS 2 <i>Share-based Payment - Vesting Conditions and Cancellations</i> ¹	
Proceeds from disposal of available-for-sale investments		10,979,941	824,680	HKFRS 3 (Revised)		<i>Business Combinations</i> ²	
Dividends received from available-for-sale investments		389,000	175,336	HKFRS 7 Amendments		Amendments to HKFRS 7 <i>Financial Instruments: Disclosure - Improving Disclosures about Financial Instruments</i> ¹	
Decrease in pledged time deposits		–	25,346,058	HKFRS 8		<i>Operating Segments</i> ¹	
Interest received		248,151	571,912				
Net cash inflow/(outflow) from investing activities		7,610,231	(7,660,946)				
CASH FLOW FROM FINANCING ACTIVITIES							
Repayment to the immediate holding company		–	(1,303,150)				
New interest-bearing bank loans		1,819,174	60,173,074				
Repayment of interest-bearing bank loans		(18,459,314)	(38,390,934)				
Dividends paid		(9,336,000)	–				
Net cash inflow/(outflow) from financing activities		(25,976,140)	20,478,990				

Norwest Industries Limited

HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> ¹
HKAS 23 (Revised)	<i>Borrowing Costs</i> ¹
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ²
HKAS 32 and HKAS 1 Amendments	<i>Amendments to HKAS 32 Financial Instruments: Presentation and</i> <i>HKAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation</i> ¹
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items</i> ²
HK(IFRIC)-Int 9 and HKAS 39 Amendments	<i>Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement - Embedded Derivatives</i> ⁵
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i> ³
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i> ¹
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i> ⁴
HK(IFRIC)-Int 17	<i>Distribution of Non-cash Assets to Owners</i> ²
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> ²

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

⁴ Effective for annual periods beginning on or after 1 October 2008

⁵ Effective for annual periods ending on or after 30 June 2009

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKAS 1 (Revised) may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Company's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Company if :

- (a) the party, directly or indirectly through one or more intermediaries,

- (i) controls, is controlled by, or is under common control with, the Company;
- (ii) has an interest in the Company that gives it significant influence over the Company; or
- (iii) has joint control over the Company;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Company or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Company, or of any entity that is a related party of the Company.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2%
Leasehold improvements	Over the shorter of the lease terms and 33 ¹ / ₃ %
Furniture and fixtures	25%
Office equipment	33-1/3%
Motor vehicles	33-1/3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs and any directly attributable expenditure, and subsequently at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each investment property, which is the shorter of 50 years and the terms of the lease.

Any gain or loss on disposal recognised in the income statement in the year the investment property is derecognised is the difference between the net sales proceeds and the carrying amount of the property.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Company is the lessor, assets leased by the Company under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Company is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

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Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company assesses whether a contract contains an embedded derivative when the Company first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognised in the income statement as "Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be

reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Company will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Company evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or

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(b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities at amortised cost are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Company measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Derivative financial instruments and hedging

The Company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature

of the risk being hedged and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges of the Company which meet the strict criteria for hedge accounting are accounted for as cash flow hedges. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the balance sheet, cash and bank balances comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right

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exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) handling fee income, in the period in which the services are rendered;
- (c) rental income, on a time proportion basis over the lease terms;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Retirement benefit costs

The Company operates a mandatory provident fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Company's representative office which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The representative office is required to contribute a percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currency transactions

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3. Significant Accounting Judgements and Estimates

The preparation of the Company's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are summarised as follows:

Impairment of property, plant and equipment

Items of property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

Impairment of available-for-sale financial assets

The Company classifies certain assets as available-for-sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the income statement. At 31 March 2009, no impairment losses have been recognised for available-for-sale assets (2008: Nil). The carrying amount of available-for-sale assets was HK\$2,418,956 (2008: HK\$14,165,435).

Impairment of trade receivables

The Company maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Company makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Company would be required to revise the basis of making the allowance and its future results would be affected.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Company's turnover, represents the net invoiced value of goods sold.

An analysis of revenue, other income and gains is as follows:

	2009 HK\$	2008 HK\$
Revenue - sale of goods	<u>902,327,878</u>	<u>741,209,577</u>
Other income:		
Dividend income from available-for-sale investments	389,000	175,336
Interest income	1,235,885	571,912
Handling fee income	21,308,089	20,750,132
Rental income	1,564,200	1,315,784
Sundry income	6,797,574	3,405,801
	<u>31,294,748</u>	<u>26,218,965</u>
Gain:		
Gain on disposal of available-for-sale investments	1,197,716	46,680
	<u>32,492,464</u>	<u>26,265,645</u>

5. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging/(crediting):

	Note	2009 HK\$	2008 HK\$
Auditors' remuneration		488,000	476,600
Depreciation - property, plant and equipment	10	2,772,031	2,283,015
Depreciation - investment properties	11	733,471	558,843
Employee benefits expense, excluding directors' remuneration (note 7):			
Wages and salaries		39,665,122	29,738,866
Pension scheme contributions		1,480,734	1,339,075
		<u>41,145,856</u>	<u>31,077,941</u>
Minimum lease payments under operating leases of and and building		1,998,153	1,982,823
Loss of disposal of items of property, plant and equipment		-	4,281
Foreign exchange differences, net		4,598,396	1,538,209

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6. FINANCE COSTS	2009	2008
	HK\$	HK\$
Interest on bank loans and overdrafts	<u>7,053,657</u>	<u>6,278,425</u>

7. DIRECTORS' REMUNERATION		
Directors' remuneration for the year, disclosed pursuant to section 161 of the Hong Kong Companies Ordinance, is as follows:		

	2009	2008
	HK\$	HK\$
Fees	-	-
Other emoluments:		
Salaries, allowances and benefits in kind	<u>-</u>	<u>33,619</u>
	<u>-</u>	<u>33,619</u>

8. TAX		
Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate is effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 March 2009. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Company operates, based on existing legislation, interpretations and practices in respect thereof.		

	2009	2008
	HK\$	HK\$
Current - Hong Kong		
Charge for the year	<u>3,244,422</u>	<u>12,567,925</u>
Overprovision in prior years	<u>(11,261,359)</u>	<u>-</u>
Current - elsewhere	<u>654,663</u>	<u>283,000</u>
Deferred tax (note 18)	<u>(270,870)</u>	<u>(1,479)</u>
Tax charge/(credit) for the year	<u>(7,633,144)</u>	<u>12,849,446</u>

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax credit at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate are as follows:

	2009		2008	
	HK\$	%	HK\$	%
Profit before tax	<u>30,725,651</u>		<u>45,719,407</u>	
Tax at the statutory tax rate	<u>5,069,733</u>	16.5	<u>12,014,926</u>	17.5
Adjustments in respect of current tax of previous periods	<u>(11,261,359)</u>	(36.7)	<u>-</u>	<u>-</u>
Income not subject to tax	<u>(2,332,445)</u>	(7.6)	<u>(116,302)</u>	(0.2)
Expenses not deductible for tax	<u>481,198</u>	1.6	<u>-</u>	<u>-</u>
Tax on deemed profit arising from operations other than Hong Kong	<u>654,663</u>	2.1	<u>-</u>	<u>-</u>
Temporary difference	<u>(242,208)</u>	(0.8)	<u>(259)</u>	<u>-</u>
Others	<u>(2,726)</u>	-	<u>951,081</u>	1.4
Tax charge/(credit) at the effective rate	<u>(7,633,144)</u>	(24.9)	<u>12,849,446</u>	18.7

9. DIVIDENDS		
	2009	2008
	HK\$	HK\$
Proposed final - Nil (2007: HK\$7.78) per ordinary share	<u>-</u>	<u>9,336,000</u>

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements HK\$	Furniture and fixtures HK\$	Motor vehicles HK\$	Office equipment HK\$	Total HK\$
31 March 2009					
At 31 March 2008 and at 1 April 2008:					
Cost	1,341,392	2,010,368	765,492	2,386,002	6,503,254
Accumulated depreciation	(240,655)	(399,076)	(544,317)	(650,127)	(1,834,175)
Net carrying amount	<u>1,100,737</u>	<u>1,611,292</u>	<u>221,175</u>	<u>1,735,875</u>	<u>4,669,079</u>
At 1 April 2008, net of accumulated depreciation	1,100,737	1,611,292	221,175	1,735,875	4,669,079
Additions	468,953	683,314	462,060	1,614,534	3,228,861
Depreciation provided during the year	(523,452)	(635,490)	(230,908)	(1,382,181)	(2,772,031)
At 31 March 2009, net of accumulated depreciation	<u>1,046,238</u>	<u>1,659,116</u>	<u>452,327</u>	<u>1,968,228</u>	<u>5,125,909</u>
At 31 March 2009:					
Cost	1,810,345	2,693,682	1,227,552	3,990,102	9,721,681
Accumulated depreciation	(764,107)	(1,034,566)	(775,225)	(2,021,874)	(4,595,772)
Net carrying amount	<u>1,046,238</u>	<u>1,659,116</u>	<u>452,327</u>	<u>1,968,228</u>	<u>5,125,909</u>
31 March 2008					
At 31 March 2007 and 1 April 2007:					
Cost	2,150,198	2,157,679	931,575	2,822,732	8,062,184
Accumulated depreciation	(572,183)	(609,122)	(603,301)	(1,026,084)	(2,810,690)
Net carrying amount	<u>1,578,015</u>	<u>1,548,557</u>	<u>328,274</u>	<u>1,796,648</u>	<u>5,251,494</u>
At 1 April 2007, net of accumulated depreciation	1,578,015	1,548,557	328,274	1,796,648	5,251,494
Additions	139,954	621,455	125,194	863,662	1,750,265
Disposal	-	(1,635)	(48,030)	-	(49,665)
Depreciation provided during the year	(617,232)	(557,085)	(184,263)	(924,435)	(2,283,015)
At 31 March 2008, net of accumulated depreciation	<u>1,100,737</u>	<u>1,611,292</u>	<u>221,175</u>	<u>1,735,875</u>	<u>4,669,079</u>
At 31 March 2008 and 1 April 2008:					
Cost	1,341,392	2,010,368	765,492	2,386,002	6,503,254
Accumulated depreciation	(240,655)	(399,076)	(544,317)	(650,127)	(1,834,175)
Net carrying amount	<u>1,100,737</u>	<u>1,611,292</u>	<u>221,175</u>	<u>1,735,875</u>	<u>4,669,079</u>

Norwest Industries Limited

11. INVESTMENT PROPERTIES

	2009 HK\$	2008 HK\$
At beginning of year:		
Cost	36,673,551	16,247,500
Accumulated depreciation	(775,478)	(216,635)
Net carrying amount	<u>35,898,073</u>	<u>16,030,865</u>
At beginning of year, net of accumulated depreciation	35,898,073	16,030,865
Additions	-	20,426,051
Depreciation provided during the year	(733,471)	(558,843)
At 31 March 2009, net of accumulated depreciation	<u>35,164,602</u>	<u>35,898,073</u>
At end of year:		
Cost	36,673,551	36,673,551
Accumulated depreciation	(1,508,949)	(775,478)
Net carrying amount	<u>35,164,602</u>	<u>35,898,073</u>

The Company's investment properties are situated in Hong Kong and are held under medium term leases.

As at 31 March 2009, the aggregate fair value of the Company's investment properties as estimated by the directors based on market information amounted to HK\$37,800,000 (2008: HK\$45,700,000).

At 31 March 2009, certain of the above investment properties with an estimated fair value of HK\$37,800,000 were pledged to a bank for general banking facilities, including mortgage loans, granted to the Company.

12. AVAILABLE-FOR-SALE INVESTMENTS

	2009 HK\$	2008 HK\$
Unit trusts, at fair value	<u>2,418,956</u>	<u>14,165,435</u>

During the year, the gross loss of the Company's available-for-sale investments recognised directly in equity amounted to HK\$1,544,538 (2008: gross gain of HK\$715,226) and HK\$1,197,716 (2008: HK\$222,016) was removed from equity and recognised in the income statement for the year.

The above investments consist of investments in unit trusts which have been designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The fair values of the unit trusts are based on quoted market prices.

13. TRADE AND BILLS RECEIVABLES

The Company's trading terms with its customers are mainly on credit. Trade and bills receivables are non-interest-bearing and are on terms of up to 120 days. The Company seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. There is no significant concentration of credit risk.

As at 31 March 2008 and 2007, no trade and bills receivables of the Company were impaired. The Company does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade and bills receivables at the balance sheet date, based on due date, which are not considered to be impaired is as follows:

	2009 HK\$	2008 HK\$
Neither past due nor impaired	86,129,334	96,032,166
Less than 1 month past due	39,592,422	56,494,830
1 to 3 months past due	20,606,543	58,419,382
	<u>146,328,299</u>	<u>210,946,378</u>

14. PREPAYMENTS, DEPOSITS AND OTHERS RECEIVABLE

	2009 HK\$	2008 HK\$
Prepayments	595,445	706,897
Deposits	6,675,591	410,590
Other receivables	14,696,913	28,733,771
	<u>21,967,949</u>	<u>29,851,258</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

15. CASH AND BANK BALANCES AND PLEDGED TIME DEPOSITS

		2009 HK\$	2008 HK\$
Cash and bank balances		14,541,437	6,325,428
Time deposits		15,479,738	13,363,009
		<u>30,021,175</u>	<u>19,688,437</u>
Less: Pledged time deposits:			
Pledged for long term bank loans			-
Pledged for bank overdraft facilities	17	(15,479,738)	(13,363,009)
Cash and cash equivalents		<u>14,541,437</u>	<u>6,325,428</u>

At the balance sheet date, the cash and bank balances of the Company denominated in Renminbi ("RMB") amounted to HK\$348,642 (2008: HK\$54,425). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

16. TRADE AND BILLS PAYABLES

All trade and bills payables of the Company are unsecured, interest-free and repayable within two months or on demand.

17. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	2009 HK\$	2008 HK\$
Current				
Mortgage loans (note (b))	1.5% over 1 month HIBOR	2016	1,085,040	1,085,040
Mortgage loans (note (c))	2.5% below BLR	2017	1,140,000	1,140,000
Bank overdrafts	Higher of prime +1% or cost of funding+1.5%	On demand	844,223	1,920,352
Advances from bank as consideration for the discounted or standard finance bills	Either on: LIBOR+2% rates+2.25%	2009	16,397,146	19,317,396
Trust receipt loans	Either on: LIBOR+2%, cost of funding+2.25% or higher of cost of funding or prime rate+8%	2009	18,625,828	30,120,678
			<u>38,092,237</u>	<u>53,583,466</u>
Non-current				
Mortgage loans	2.5% below BLR	2017	8,455,000	9,595,000
Mortgage loans	1.5% over 1 month HIBOR	2016	6,961,940	8,046,980
			<u>15,416,940</u>	<u>17,641,980</u>
			<u>53,509,177</u>	<u>71,225,446</u>
Analysed into:				
Bank loans and overdrafts repayable:				
Within one year or on demand			38,092,237	53,583,466
In the second year			2,225,040	2,225,040
In the third to fifth years, inclusive			4,395,120	4,395,120
Beyond five years			8,796,780	11,021,820
			<u>53,509,177</u>	<u>71,225,446</u>

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Notes:

		2009	2008
		HK\$	HK\$
(a) The Company's banking facilities are secured by way of:			
(i) the Company's pledged time deposits and marketable securities;	Within one year	2,087,986	1,785,834
(ii) bank guarantees issued by HSBC and Standard Chartered Bank for US\$1,000,000 and US\$800,000, respectively; and	In the second to fifth years, inclusive	960,131	2,456,583
(iii) guarantees from the ultimate holding company, a fellow subsidiary, directors of the Company and a related party.		3,048,117	4,242,417
(b) The mortgage loan is secured (note 11), bears interest at 1.5% over 1 month HIBOR per annum, and is repayable by 113 equal monthly installments of HK\$90,420 each plus a final repayment of HK\$90,020 which commenced on 10 August 2007.			
(c) The mortgage loan is secured (note 11), bears interest at 2.5% below HSBC's best lending rate per annum, and is repayable by 113 equal monthly installments of HK\$95,000 each which commenced on 31 August 2008.			

18. DEFERRED TAX

	Accelerated tax depreciation HK\$	Cash flow hedge HK\$	Total HK\$
At 31 March 2005 and 1 April 2005	319,752	121,198	440,950
Deferred tax credited to the income statement during the year (note 8)	(1,479)	-	(1,479)
Deferred tax debited to equity during the year	-	826,428	826,428
Gross deferred tax liabilities at 31 March 2008 and 1 April 2008	318,273	947,626	1,265,899
Deferred tax charged to the income statement during the year (note 8)	(270,870)	-	(270,870)
Deferred tax credited to equity during the year	-	2,825,461	2,825,461
Gross deferred tax liabilities at 31 March 2009	47,403	3,773,087	3,820,490

19. DERIVATIVE FINANCIAL INSTRUMENTS

	2009 HK\$	2008 HK\$
Foreign currency contracts	22,867,198	2,206,159

The carrying amounts of forward currency contracts approximate to their fair values.

Forward currency contracts - cash flow hedges

At 31 March 2009, the Company held 56 forward currency contracts (2008: 60) designated as hedges in respect of expected future sales to customers in the United Kingdom for which the Company has firm commitments.

The terms of the forward currency contracts have been negotiated to match the terms of the commitments. The cash flow hedges relating to expected future sales between April 2009 and March 2010 have been assessed to be highly effective and a net gain of HK\$17,835,578 (2008: HK\$3,896,020) (net of deferred tax - see note 18) was included in the hedging reserve for the year.

20. SHARE CAPITAL

	2009 HK\$	2008 HK\$
Authorised, issued and fully paid: 1,200,000 ordinary shares of US\$1 each - US\$1,200,000	9,336,000	9,336,000

21. CONTINGENT LIABILITIES

At the balance sheet date, the Company had contingent liabilities, not provided for in the financial statements, in respect of guarantees given to banks of HK\$34,525,000 (2008: HK\$29,079,000) which were in connection with facilities granted to a fellow subsidiary.

22. OPERATING LEASE ARRANGEMENTS

The Company leases its staff quarters under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to three years.

At 31 March 2009, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

23. RELATED PARTY TRANSACTION

In addition to the transactions detailed elsewhere in these financial statements, the Company had the following material transactions with related parties during the year:

(a) A portion of the Company's business is represented by transactions with certain group companies. The significant transactions are summarised below:

	Notes	2009 HK\$	2008 HK\$
Sales to fellow subsidiaries	(i)	15,291,927	3,505,505
Purchases from fellow subsidiaries	(ii)	31,619,102	39,904,046
Handling fee income received from fellow subsidiaries	(iii)	19,032,184	16,844,049
Marketing fee paid to fellow subsidiaries	(iv)	91,776,776	46,456,741
Rental income received from fellow subsidiaries	(v)	849,200	252,000
Interest income received from a fellow subsidiary	(vi)	987,734	93,112

Notes:

- (i) The sales to fellow subsidiaries were made according to the prices and conditions also offered to the third party major customers of the Company.
- (ii) The purchases from fellow subsidiaries were made according to the prices and conditions agreed between the Company and the respective fellow subsidiaries.
- (iii) The handling fee income arose from sales of garments to fellow subsidiaries. The Company received a commission based on 2% to 5.25% of the sales transaction value.
- (iv) The marketing fees paid to fellow subsidiaries were for marketing work carried out for sales to certain customers and were based on rates agreed between the Company and the fellow subsidiaries.
- (v) The rental income received from fellow subsidiaries was based on the office space occupied by the fellow subsidiaries.
- (vi) The interest income received from a fellow subsidiary was charged at 9% per annum on the balance with the fellow subsidiary (see note 23(b)(i)).
- (b) **Outstanding balances with related parties:**
- (i) Except for an unsecured amount due from a fellow subsidiary of HK\$11,894,125 as at 31 March 2009 which is interest-bearing at 9% per annum and has no fixed terms of repayment, all balances with fellow subsidiaries and the ultimate holding company are unsecured, interest-free, and have no fixed terms of repayment.
- (ii) The amount due to the immediate holding company, included in the non-current liabilities, is unsecured, interest-free and not repayable within one year.

24. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2009

Financial assets

	Financial assets at fair value through profit or loss -held for trading HK\$	Loans and receivables HK\$	Available- for-sale financial assets HK\$	Total HK\$
Available-for-sale investments	-	-	2,418,956	2,418,956
Trade and bills receivables	-	146,328,299	-	146,328,299
Financial assets included in prepayments, deposits and other receivables	-	21,372,504	-	21,372,504
Due from the ultimate holding company	-	7,122	-	7,122
Due from fellow subsidiaries	-	67,164,213	-	67,164,213
Derivative financial instruments	22,867,198	-	-	22,867,198
Pledged time deposits	-	15,479,738	-	15,479,738
Cash and bank balances	-	14,541,437	-	14,541,437
	22,867,198	264,893,313	2,418,956	290,179,467

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Financial Liabilities

	Financial Liabilities at amortised cost HK\$	Increase/ (decrease) in basis points	Increase/ (decrease) in profit HK\$	Increase/ (decrease) in equity HK\$
				2009
Trade and bills payables	74,440,657	50	(190,147)	(190,147)
Other payables and accruals	7,164,023	(50)	190,147	190,147
Interest-bearing bank borrowings	53,509,177			
Due to fellow subsidiaries	10,506,689	50	(289,312)	(289,312)
Due to the immediate holding company	11,425,348	(50)	289,312	289,312
	<u>157,045,894</u>			

2008

Financial assets

	Financial assets at fair value through profit or loss -held for trading HK\$	Loans and receivables HK\$	Available- for- sale financial assets HK\$	Total HK\$
Available-for-sale investments	-	-	14,165,435	14,165,435
Trade and bills receivables	-	210,946,378	-	210,946,378
Financial assets included in prepayments, deposits and other receivables	-	29,144,361	-	29,144,361
Due from fellow subsidiaries	-	14,476,943	-	14,476,943
Derivative financial instruments	2,206,159	-	-	2,206,159
Pledged time deposits	-	13,363,009	-	13,363,009
Cash and bank balances	-	6,325,428	-	6,325,428
	<u>2,206,159</u>	<u>274,256,119</u>	<u>14,165,435</u>	<u>290,627,713</u>

Financial Liabilities

	Financial Liabilities at amortised cost HK\$
Trade and bills payables	87,297,496
Other payables and accruals	6,447,002
Interest-bearing bank and other borrowings	71,225,446
Due to fellow subsidiaries	22,452,151
Due to the immediate holding company	2,206,048
	<u>189,628,143</u>

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to interest rate risk, foreign currency risk, credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below:

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's interest-bearing bank borrowings with floating interest rates.

The Company's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing borrowings. As the Company is not expected to significantly increase its level of interest-bearing borrowings, it has not used any interest rate swaps to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit or loss (through the impact on floating rate borrowings) and the Company's equity.

2009

	Within 1 year or on demand HK\$	More than 1 year but less than 2 years HK\$	More than 2 years but less than 5 years HK\$	Total HK\$
Trade and bills payables	74,440,657	-	-	74,440,657
Other payables and accruals	7,164,023	-	-	7,164,023
Interest-bearing bank borrowings	38,064,272	2,229,035	13,215,870	53,509,177
Due to fellow subsidiaries	10,506,689	-	-	10,506,689
Due to the immediate holding company	-	11,425,348	-	11,425,348
	<u>130,175,641</u>	<u>13,654,383</u>	<u>13,215,870</u>	<u>157,045,894</u>

Foreign currency risk

The Company has transactional currency exposures. Such exposures arise from sales or purchases in currencies other than the Company's functional currency. Approximately 38% (2008: 36%) of the Company's sales are denominated in currencies other than the functional currency of the Company, whilst almost all of the Company's costs are denominated in the Company's functional currency. The Company uses forward currency contracts to eliminate the foreign currency exposures on its sales transactions, for which the corresponding settlements are anticipated to take place more than one month after the Company has entered into firm commitments for the sales. The forward currency contracts must be in the same currency as the hedged items. The Company negotiates the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness. It is the Company's policy that a forward contract is not entered into until a firm commitment is in place.

At 31 March 2009, the Company had fully hedged its foreign currency sales for which firm commitments existed at the balance sheet date, thus the Company's exposure to foreign currency risk is minimal.

Credit risk

The Company trades on credit terms only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

The credit risk of the Company's other financial assets, which comprise deposits and other receivables, amounts due from group companies, bank balances and pledged time deposits, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

Since the Company trades only with recognised and creditworthy third parties, there is no requirement for collateral. As the Company's trade receivables relate to diversified debtors, there is no significant concentration of credit risk within the Company.

Further quantitative data in respect of the Company's exposure to credit risk arising from trade receivables are disclosed in note 13 to the financial statements.

Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings.

The repayment terms of the Company's balances with group companies are disclosed in note 23(b). The maturity profile of the Company's other financial liabilities as at the balance sheet date, based on the contracted undiscounted payments, was as follows:

Norwest Industries Limited

2008

	Within 1 year or on demand HK\$	More than 1 year but less than 2 years HK\$	More than 2 years but less than 5 years HK\$	Total HK\$
Trade and bills payables	87,297,496	–	–	87,297,496
Other payables and accruals	6,447,002	–	–	6,447,002
Interest-bearing bank borrowings	53,546,677	2,230,295	15,448,474	71,225,446
Due to fellow subsidiaries	22,452,151	–	–	22,452,151
Due to the immediate holding company	–	2,206,048	–	2,206,048
	<u>169,743,326</u>	<u>4,436,343</u>	<u>15,448,474</u>	<u>189,628,143</u>

Capital management

Capital is essentially managed from the perspective of the entire group of companies of which House of Pearl Fashions Limited, the Company's ultimate holding company, is the parent. The details of such capital management objectives and policies are included in the consolidated financial statements of House of Pearl Fashions Limited which are available for public use. The

Company's primary objective for its own capital management aligns with its management of liquidity risk (see above) and is to safeguard its ability to continue as a going concern. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the years ended 31 March 2009 and 2008. The capital of the Company comprises all components of shareholders' equity.

26. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of the Company's financial assets and liabilities at the balance sheet date are not materially different from their carrying amounts.

27. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation. The directors consider that such reclassifications will allow a more appropriate presentation of the Company's state of affairs and better reflect the nature of the transactions.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 May 2009.

Zamira Fashion Limited

REPORT OF DIRECTORS

The directors present their report and the audited financial statements for the year ended March 31, 2009, which were approved by them at the board meeting held on the date of this report.

Principal Activity

The principal activity of the Company is trading of garment. The principal activity of subsidiary is set out in Note (13) to the financial statements.

Financial Results

The results of the Group for the year ended March 31, 2009 and the state of affairs of the Group and the Company at that date are set out in the annexed financial statements.

Dividend

The directors do not recommend any payments of dividend for the year.

Plant and Equipment

Movements in plant and equipment are set out in Note (12) to the financial statements.

Directors

The directors of the Company who held office during the year and up to date of this report were:

Deepak Kumar SETH

Thomas MUELLER

Pallak SETH

In accordance with Article 7 of the Company's Article of Association, all the directors retire and, being eligible, offer themselves for re-election.

Director's Interest

Expect for the related party transactions as disclosed in Note (20) to the financial statements, no contracts of significance to which the Company, its subsidiary and its fellow subsidiaries were a party and in which the director had a material interest subsisted at the end of the year or at any time during the year. At no time during the year was the Company, its subsidiary and its fellow subsidiaries a party to any arrangements to enable the director of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or other body corporate.

Auditors

The Company's auditors, Messrs. Louis Lai & Luk, retire and, being eligible, offer themselves for re-appointment.

By order of the Board

Sd/-

Chairman

Hong Kong, May 13, 2009.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ZAMIRA FASHION LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the accompanying consolidated financial statements of Zamira Fashion Limited (the "Company") and its subsidiary (collectively the "Group") set out on pages 5 to 27, which comprise the consolidated balance sheet as at March 31, 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply

with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2d) to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The financial statements have been prepared on a going concern basis, the validity of which depends upon continuous financial support from the shareholders of the Group to support working capital of the Group. The financial statements do not include any adjustments that may be necessary, should the implementation of such measures become unsuccessful.

We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2009 and of the Group's loss and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Louis Lai & Luk

Certified Public Accountants

Hong Kong, May 13, 2009

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED MARCH 31, 2009

	NOTES	1/4/2008 - 31/3/2009 HK\$	20/9/2007 - 31/3/2008 HK\$
TURNOVER	(6)	58,406,752	-
PURCHASES AND RELATED COSTS		(45,495,936)	-
GROSS PROFIT		12,910,816	-
OTHER REVENUE	(6)	480,794	-
STAFF COSTS		(8,274,195)	(2,151,008)
DEPRECIATION EXPENSES		(836,995)	(387,414)
OTHER OPERATING EXPENSES		(9,400,534)	(3,347,023)
LOSS FROM OPERATION		(5,120,114)	(5,885,445)
FINANCE COSTS	(7)	(1,033,436)	(111,655)
LOSS BEFORE TAXATION	(8)	(6,153,550)	(5,997,100)
TAXATION	(10)	-	-
LOSS FOR THE YEAR/PERIOD		(6,153,550)	(5,997,100)

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2009

	NOTES	2009 HK\$	2008 HK\$
ASSETS			
Non-Current Assets			
Plant and equipment	(12)	1,387,555	2,038,222
Current Assets			
Deposits	(14)	9,150	12,560
Trade receivable		2,374,458	-
Other receivables		159,054	204,262
Bank balances		480,041	180,325
		3,022,703	397,147

Zamira Fashion Limited

- HKAS 39 (Amendment) Financial Instruments: Recognition and Measurement - Eligible Hedged Items ⁽¹⁾
- HKFRS 1 (Revised) First-time Adoption of HKFRS ⁽⁵⁾
- HKFRS 1 and HKAS27 (Amendment) Consolidated & Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity and Associates ⁽²⁾
- HKFRS 2 (Amendment) Share-based Payments - Vesting Conditions and Cancellation ⁽²⁾
- HKFRS 3 (Revised) Business Combinations ⁽⁵⁾
- HKFRS 8 Operating Segments ⁽²⁾
- HK (IFRIC) - Int.13 Customer Loyalty Programmes ⁽³⁾
- HK (IFRIC) - Int.15 Agreements for the Construction of Real Estate ⁽²⁾
- HK (IFRIC) - Int.16 Hedges of a Net Investment in a Foreign Operation ⁽⁴⁾
- HK (IFRIC) - Int.17 Distributions of Non-cash Assets to Owners ⁽⁵⁾

Notes:

- (1) Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009
- (2) Effective for annual periods beginning on or after 1 January 2009
- (3) Effective for annual periods beginning on or after 1 July 2008
- (4) Effective for annual periods beginning on or after 1 October 2008
- (5) Effective for annual periods beginning on or after 1 July 2009

The directors anticipate that all of the above new and revised standards, amendments or interpretations will be adopted in the Group's financial statements for the period commencing April 1, 2009 and that the adoption of those new and revised standards, amendments or interpretations will have no material impact on the financial statements of the Group in the period of initial application.

c. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Internal transactions are eliminated on consolidation and all figures in the consolidated financial statements relate to external transactions only.

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Interests in subsidiaries in the Company's Balance Sheet are stated at cost, being the fair value of consideration given plus related acquisition costs, less any aggregate identified impairment loss.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective dates of acquisition or up to the effective date of disposal according to proportional consolidation method.

d. Going Concern

The shareholder has confirmed its willingness to provide such financial assistance as is necessary to maintain the Group as a going concern. On the strength of this assurance, the financial statements have been prepared on a going concern basis.

e. Plant and Equipment

Plant and equipment are stated at cost less aggregate depreciation and aggregate identified impairment loss, if any.

Depreciation is provided to write off the cost less residual value of plant and equipment over its expected useful lives.

Leasehold improvement	3 years
Furniture and fixtures	3 years
Office equipment	3 years
Motor vehicle	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the Consolidated Income Statement.

When assets are sold or otherwise disposed of, their carrying amounts are written off from the financial statements and any resulting gain or loss is included in the Consolidated Income Statement.

f. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are

subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

g. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the Group's and the Company's Balance Sheet when the Group and the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

h. Financial Assets

The Group's financial assets are only classified under loans and receivables category.

i. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortized cost using effective interest method, less any identified impairment losses. An impairment loss is recognized in the Consolidated Income Statement when there is objective evidence that the asset is impaired, and it measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the assets recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

j. Financial Liabilities

The Group's financial liabilities include account and other payables which are subsequently measured at amortized cost, using the effective interest rate method.

k. Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

l. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

m. Translation of Foreign Currency

- (i) Functional and presentation currency
- Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which those entities operate ("the functional currency"). The financial statements are presented in Hong Kong Dollars ("HK\$"), which are the Group's functional and presentation currency.

- (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Income Statement.

n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Consolidated Income Statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of specific assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the Consolidated Income Statement.

o. Turnover

Turnover represents invoiced amount of sales less discounts and returns.

p. Recognition of Revenue

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the bases as follows:

- Revenue from sales of goods is recognized when the goods are delivered to buyer.
- Interest income from bank deposit is accrued on a time proportion basis on the principal outstanding and at the rate applicable.
- Other income is recognized on a receipt basis.

q. Borrowing Costs

Interest and other borrowing costs incurred in connection with the borrowing of funds are recognized as expenses in the period in which they are incurred.

r. Operating Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the Consolidated Income Statement on a straight-line basis over the term of the relevant lease.

s. Employee Benefits

Employee benefits are all forms of considerations, including wages, salaries, allowances and contribution to retirement benefit scheme payable by the Group in exchange for services rendered by its employees and directors. The employee benefits are classified as staff costs and charged to the Consolidated Income Statement.

No provision on employee entitlements to annual leave is provided in the financial statements as the directors consider that no material liability would arise as a result of such entitlement in the near future. Sick leave and maternity leave are not recognized until the time of leave.

t. Retirement Benefit Scheme

The Group participates in Mandatory Provident Fund Scheme ("MPF Scheme") for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Pursuant to the rules of the MPF Scheme, each of the employer and employees are required to make contributions to the scheme at rates specified in the rules.

The MPF Scheme is a defined contribution plan and the Group is only obliged to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit cost arising from the MPF Scheme charged to the Consolidated Income Statement represent contribution payable to the funds by the Group in accordance with the rules of the MPF Scheme.

u. Finance Leases/Hire Purchase Contracts

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset to the Group are accounted for as finance leases.

Assets held under finance leases or hire purchase contracts are recognized as assets of the Group at the lowest of their fair value or present value of the minimum lease payments at the date of acquisition. The depreciation policy for such assets is consistent with that for equivalent depreciable assets which are owned by the Group, unless there is no reasonable certainty that the Group will obtain the ownership of such assets by the end of the lease terms, in which case the assets will be fully depreciated over the shorter of the lease terms or their estimated useful life.

The corresponding liability to the lessor or hire purchase creditor is included in the Consolidated Balance Sheet as an obligation under finance lease or hire purchase contract. The finance costs, which represent the difference between the total leasing commitments and the outstanding principal amount at the date of inception of the finance lease or hire purchase contract, are charged to the Consolidated Income Statement at a constant periodic rate on the remaining balance of the obligations under finance leases or hire purchase contracts for each accounting period.

v. Related Parties

A party is considered to be related to the Group if:

- (a) the party, directly, or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the

Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

- (b) the party is an associate;
- (c) the party is a joint venture in which the Group is a venturer;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is a company that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such company resides with, directly or indirectly, any individual referred to in (d) or (e).

w. Financial Risks

The financial risks in connection with the Group's financial instruments include risks as follows.

- (i) Market risk includes three types of risk as below:
 - Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
 - Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
 - Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.
- (ii) Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss.
- (iii) Liquidity risk (also referred to as funding risk): the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.
- (iv) Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

3. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- (i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Group's stability and growth; and
- (iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

4. FINANCIAL RISK MANAGEMENT

The Group's financial risks are limited by the financial management policies and practices described below.

(a) Market risk - Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions, the Group uses forward contracts, transacted with one of fellow subsidiary and charge back to the Group for the gain/loss on foreign exchange contract. The Group is responsible for managing the net position in each foreign currency by using external forward currency contracts.

(b) Credit risk

The Group has no significant concentrations of credit risk because the creditworthiness of each of the Group's customers has been assessed before any goods are supplied to them on credit. The directors are not aware of any factor indicating that any debtors would not be capable of repaying their outstanding amounts. Accordingly, the directors are of the opinion that the Group is adequately protected from the credit risk.

(c) Liquidity risk

As the holding company and fellow subsidiaries have confirmed its willingness to

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provide continuous financial support to the Group, the management is of the opinion that the Group is adequately protected from the liquidity risk.

(d) **Cash flow and fair value interest rate risk**

The Group's fair value interest rate risk relates primarily to fixed-rate borrowings from a financial institution as disclosed in Note (16).

As the holding company and fellow subsidiaries have confirmed the willingness to provide continuous financial support, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

5. **CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimate of fair value of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair value.

6. **RECOGNITION OF REVENUE**

Revenue recognized during the year/period including revenue arising from:

Turnover:

	Group	
	1/4/2008- 31/3/2009 HK\$	20/9/2007- 31/3/2008 HK\$
Sales of goods	58,406,752	—
Other revenue:		
Bank interest income	489	—
Management income	480,000	—
Other income	305	—
	480,794	—
Total revenue recognized	58,887,546	—

7. **FINANCE COSTS**

Bank overdraft interest	6,890	1,447
Hire purchase interest	38,812	17,096
Other interest	987,734	93,112
	1,033,436	111,655

8. **LOSS BEFORE TAXATION**

Loss before taxation is stated after charging:

Auditors' remuneration	65,000	9,000
Depreciation – owned assets	594,954	266,381
– assets held under finance lease	242,041	121,033
Exchange difference	136,681	82
Rental payments under operating leases	529,200	252,000
Staff costs (including director's remuneration)		
– MPF contribution	234,706	60,182
– Salaries and allowance	8,011,255	2,090,826

9. **DIRECTOR'S REMUNERATION**

Fees	—	—
Other emoluments	1,200,000	218,500
	1,200,000	218,500

10. **TAXATION**

No provision for Hong Kong profits tax has been made in these financial statements as the Group made no estimated assessable profits for the year.

At the balance sheet date, the Company has unused tax losses of HK\$ 12,154,583 (2008: HK\$6,380,450) available for offset against future profits.

No deferred tax asset has been recognized in respect of such tax losses due to the unpredictability of future profit streams. Tax losses maybe carried forward indefinitely.

The tax charge for the year/period can be reconciled to the loss per Consolidated Income Statement as follows:

	1/4/2008 - 31/3/2009 HK\$	20/9/2007 - 31/3/2008 HK\$
Loss before taxation	(6,153,550)	(5,997,100)
Tax at the domestic income tax rate of 16.5% (2008: 17.5%)	(1,015,335)	(1,049,492)
Tax effect of income that are not taxable in determining taxable profit	(80)	—
Tax effect of expenses that are not deductible in determining taxable profit	—	2,415
Net allowance claimed	62,684	(69,502)
Tax effect of tax loss not recognized	952,731	1,116,579
Taxation expense for the year/period	—	—

11. **LOSS ATTRIBUTABLE TO SHAREHOLDERS**

Included in the loss of HK\$ 6,153,550 (2008: HK\$5,997,100) attributable to shareholders of the Group is a loss of HK\$ 6,153,550 (2008: HK\$5,997,100) which is dealt with in the Company's own accounts.

12. **PLANT AND EQUIPMENT**

	GROUP AND COMPANY				
	Leasehold Improvement HK\$	Furniture and Fixtures HK\$	Office Equipment HK\$	Motor Vehicle HK\$	Total HK\$
Cost					
Additions and at 31/3/2008	1,170,000	241,396	288,043	726,197	2,425,636
Additions	—	48,089	138,239	—	186,328
At 31/3/2009	1,170,000	289,485	426,282	726,197	2,611,964
Aggregate Depreciation					
Charge for the period and at 31/3/2008	195,000	33,388	37,993	121,033	387,414
Charge for the year	389,961	83,608	121,385	242,041	836,995
At 31/3/2009	584,961	116,996	159,378	363,074	1,224,409
Net Book Value					
At 31/3/2009	585,039	172,489	266,904	363,123	1,387,555
At 31/3/2008	975,000	208,008	250,050	605,164	2,038,222

The net book value of plant and equipment of HK\$1,387,555 (2008: HK\$2,038,222) includes an amount of HK\$363,123 (2008: HK\$605,164) in respect of assets held under purchase contracts and finance lease.

13. **INTERESTS IN SUBSIDIARIES**

	COMPANY HK\$
Unlisted shares, at cost	1,128
Less: Amount due to a subsidiary	(1,128)
	—

Details of the subsidiaries of the subsidiary are as follows:

Name of subsidiary	Place of incorporation	Percentage of Equity attributable to the Group	Principal activity
Zamira Fashions (Europe) Limited	England	100%	Dormant

The amount due to a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

14. **TRADE RECEIVABLES**

	GROUP AND COMPANY	
	2009 HK\$	2008 HK\$
Trade receivable (Note (i))	2,374,458	—
(i) Aging analysis		
Aging analysis of trade receivables is as follows:		
Neither par due nor impaired	2,089,643	—
Past due but not impaired	284,815	—
	2,374,458	—

Trade receivables are due within 90 days from date of billing.

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15. TRADE AND OTHER PAYABLES

	GROUP AND COMPANY	
	2009 HK\$	2008 HK\$
Trade payable (Note (i))	1,685,993	-
Other payables	40,886	56,640
	<u>1,726,879</u>	<u>56,640</u>
(i) Maturity of the trade payables is as follows:		
Due for payment:		
Not later than one year	<u>1,685,993</u>	<u>-</u>

16. AMOUNTS DUE TO FELLOW SUBSIDIARIES

Apart from a balance with a fellow subsidiary amounting HK\$11,894,124 (2008: HK\$5,117,873) which is interest-bearing at a rate of 9% (2008: 8%) per annum, the remaining amounts are interest-free. The amounts due are unsecured and have no fixed terms of repayment. The fellow subsidiaries had agreed not to demand repayment until the Group is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

17. OBLIGATIONS UNDER FINANCIAL LEASE

	GROUP AND COMPANY			
	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	2009	2008
Amount payable under financial lease:				
Within one year	267,492	267,492	237,562	228,680
Second to fifth years inclusive	89,164	356,656	98,723	336,285
	<u>356,656</u>	<u>624,148</u>	<u>336,285</u>	<u>564,965</u>
Future finance charges	20,371	59,183		
	<u>336,285</u>	<u>564,965</u>		
Less: Portion classified as current liabilities			237,562	228,680
Amounts due after one year included in non-current liabilities			<u>98,723</u>	<u>336,285</u>

The lease term is three years and the lease is repayable in fixed monthly installments.

No arrangement has been entered into for contingent rental payments.

18. SHARE CAPITAL

	COMPANY	
	2009 HK\$	2008 HK\$
Authorised:		
250,000 shares of US\$1 each	<u>1,945,000</u>	<u>1,945,000</u>
Issued and fully paid-up:		
250,000 shares of US\$1 each	<u>1,945,000</u>	<u>1,945,000</u>

19. OPERATING LEASE COMMITMENTS

(The Group as a lessee/sub-lessor)

At the balance sheet date, the Group had the outstanding commitments under its non-cancellable operating leases, which fall due as follows:

	2009 HK\$	2008 HK\$
Within one year	302,400	604,800
In the second to fifth years inclusive	-	302,400
	<u>302,400</u>	<u>907,200</u>

20. RELATED PARTY TRANSACTIONS

During normal course of business, the Group had the following transactions with the related parties below.

Name of Company	Relationship with the Company	Nature of transactions	1/4/2008	20/9/2007	Balance as at
			to 31/3/2009	to 31/3/2008	31/3/2009
				HK\$	HK\$
Norwest Industries Ltd.	Fellow subsidiary	- Rental paid - Interest paid	529,200 987,734	252,000 93,112	- -
		- Commission paid	79,683	-	(11,894,125)
Pearl GES Group Limited	Fellow subsidiary	-	-	-	(40,546)
Simple Approach Limited	Fellow subsidiary	- Management and service fee	13,333	-	(13,133)
FX Import UK	Fellow subsidiary	- Purchases	5,274,737	-	-
SSY Asia Limited	Related company*	- Consulting fee	600,000	-	-

* Connected with Thomas Mueller who is a controlling director and shareholder of both companies.

21. CURRENCY RISK

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from forecast transactions or recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2009				2008
	USD	CHF	EUR	GBP	USD
Trade receivable	198,488	-	70,545	7,912	-
Other receivable	-	-	-	78,250	-
Cash and cash equivalent	41,496	605	12,443	1,522	23,178
Trade payable	(203,852)	-	(9,526)	-	-
Net exposure arising from recognized assets and liabilities	<u>36,132</u>	<u>605</u>	<u>73,462</u>	<u>87,684</u>	<u>23,178</u>

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's loss before tax in response to reasonably possible changes (e.g. ±10%) in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

	2009		2008	
	Increase HK\$	Decrease HK\$	Increase HK\$	Decrease HK\$
United States Dollar (USD)				
Swiss Franc (CHF)	396	(396)	-	-
Euro (EUR)	77,135	(77,135)	-	-
British Pound (GBP)	98,908	(98,908)	-	-
	<u>176,439</u>	<u>(176,439)</u>	<u>-</u>	<u>-</u>

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for the variables.

The stated changes represent Management's assessment of reasonably possible change in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on Group's profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2008.

22. COMPARATIVE FIGURE

Certain comparative figure has been reclassified to conform with current year's presentation.

23. BANKING FACILITIES

Joint banking facilities to the total extent of HK\$300,000,000 granted by bank to the Group were secured by corporate guarantee given by ultimate holding company.

24. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Company's Board of Directors on May 13, 2009.

Simple Approach Limited

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the period ended 31 March 2009, which were approved by them at the board meeting held on the date of this report.

PRINCIPAL ACTIVITY

The principal activity of the company is garment trading.

FINANCIAL RESULTS

The results of the Company for the year ended March 31, 2009 and the state of affairs of the Company at that date are set out in the annexed financial statements.

PLANT AND EQUIPMENT

Movements in plant and equipment are set out in Note (11) to the financial statements.

DIRECTORS

The directors of the Company who held office during the year and up to date of this report were:

Sandeep Malhotra
Nankeen (Nominees) Limited

In accordance with Article 13 of the Company's Articles of Association, the directors retire and, being eligible, offer themselves for re-election.

DIRECTORS' INTEREST

Except for the related party transactions as disclosed in Note(21) to the financial statements, no contracts of significance to which the Company and its fellow subsidiaries was a party and in which a director had a material interest subsisted at the end of the year or at any time during the year. At no time during the year was the Company and its fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

AUDITORS

The Company's auditors, Messers, Louis Lai & Luk, retire and, being eligible, offer themselves for re-appointment.

By order of the Board

Sd/-
Chairman
Hong Kong
May 13, 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SIMPLE APPROACH LIMITED (incorporated in Hong Kong with limited liability)

We have audited the financial statements of Simple Approach Limited set out on pages 5 to 26, which comprise the balance sheet as at March 31, 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 audit opinion.

Fundamental Uncertainty Relating to the Going Concern Basis

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2c) to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The financial statements have been prepared on a going concern basis, the validity of which depends upon ongoing support from the Company's shareholders and the attaining of profitable and positive cash flow operations, and the Company may turn to a commercially viable concern. The financial statements do not include any adjustments that may be necessary should the implementation of such measures become unsuccessful.

We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at March 31, 2009 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Companies Ordinance.

Louis Lai & Luk
Certified Public Accountants

Hong Kong, May 13, 2009

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2009 KH \$	2008 HK \$
Turnover	(6)	126,717,271	114,684,980
Cost of Sales		(101,785,303)	(99,897,112)
Gross Profit		24,931,968	14,787,868
Other Revenue	(6)	8,274,620	680,277
Selling and Distribution Cost		(12,787,265)	(4,001,013)
Depreciation Expenses		(96,574)	(64,032)
Staff Cost		(12,685,686)	(10,655,564)
Other Operating Expenses		(9,951,232)	(9,848,455)
Loss from Operations		(2,314,169)	(9,100,919)
Finance Cost	(7)	(1,997,860)	(648,776)
Loss before taxation	(8)	(4,312,029)	(9,749,695)
Taxation	(10)	-	-
Loss for the Year		(4,312,029)	(9,749,695)

The Notes on page 9 to 26 form an integral part of these financial statements.

BALANCE SHEET AT 31 MARCH 2009

	Notes	2009 HK \$	2008 HK \$
Assets			
Non-Current Assets			
Plant and equipment	(11)	163,765	157,287
Current Assets			
Deposits		286,422	293,830
Inventories	(12)	-	220,356
Amount due from ultimate holding company	(14)	7,780	-
Amount due from intermediate holding company	(14)	53,128	-
Amount due from fellow subsidiaries	(14)	69,155	-
Amount due from affiliate companies	(14)	303,296	-
Amount due from a director	(15)	5,035,792	3,867,843
Trade and other receivables	(13)	46,021,996	38,524,775
Cash and bank balance		2,230,966	510,318
		53,808,535	43,417,122
Current Liabilities			
Amount due to fellow subsidiaries	(16)	29,122,218	-
Amount due to affiliate company	(16)	1,125,414	-
Trade and other payables	(17)	12,220,647	41,525,900
Discounted bills loan	(13)	10,915,191	22,137,187
Trust receipts loan		662,547	-

Simple Approach Limited

Notes	2009 HK \$	2008 HK \$
Bank overdraft	11,877	503,087
	<u>54,057,894</u>	<u>64,166,174</u>
Net Current Liabilities	(249,359)	(20,749,052)
NET LIABILITIES	<u>(85,594)</u>	<u>(20,591,765)</u>
Represented by:		
CAPITAL AND RESERVES		
Share Capital (18)	26,763,200	1,945,000
Accumulated losses	(26,848,794)	(22,536,765)
SHAREHOLDERS' DEFICIT	<u>(85,594)</u>	<u>(20,591,765)</u>

Approved by the Board of Directors on May 13, 2009 and Signed on Behalf of the Board by:

For and on behalf of
Nankeen (Nominees) Limited

Sd/- Sd/-
Director Director

The notes on pages 9 to 26 from an integral part of these financial statements.

Statement of Change in Equity for the Year Ended March 31, 2009

Note	Share Capital HK \$	Accumulated Losses HK \$	Total HK \$
At April 1, 2007	1,945,000	(12,787,070)	(10,842,070)
Loss for the year	—	(9,749,695)	(9,749,695)
At March 31, 2008	1,945,000	(22,536,765)	(20,591,765)
Loss for the year	—	(4,312,029)	(4,312,029)
Issuance of 9% redeemable preference shares (18)	24,818,200	—	24,818,200
At March 31, 2009	<u>26,763,200</u>	<u>(26,848,794)</u>	<u>(85,594)</u>

The Notes on Pages 9 to 26 form an integral part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2009

	2009 HK \$	2008 HK \$
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(4,312,029)	(9,749,695)
Adjustment for:		
Depreciation	96,574	64,032
Bank interest expenses	584,930	648,776
Bank interest income	(7,732)	—
Exchange difference	388,577	(1,705,921)
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	(3,249,320)	(10,742,808)
Decrease / (Increase) in inventories	220,356	1,126,777
Decrease / (Increase) in deposits	7,408	(193,750)
Increase in trade and other receivables	(7,497,221)	(328,087)
(Decrease)/Increase in discounted bills loan	(11,221,996)	11,583,261
Increase in trust receipts loan	662,547	—
Decrease in trade and other payable	29,305,253	1,321,802
Cash (used in)/generated from operations	<u>(50,383,479)</u>	<u>123,591</u>
Bank interest received	7,372	—
Interest paid	(584,930)	(648,776)
Net cash used in operating activities	<u>(50,961,037)</u>	<u>(525,185)</u>

	2009 HK \$	2008 HK \$
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(103,052)	(142,506)
Advance to intermediate holding company	(53,128)	—
Advance to ultimate holding company	(7,780)	—
Advance to a director	(1,167,949)	(1,273,726)
Repayment from affiliate companies	822,118	—
Repayment from / (to) fellow subsidiaries	29,053,063	(140,598)
Issuance of share capital	24,818,200	—
Net cash generated from/(used in) investing activities	<u>53,361,472</u>	<u>(1,556,830)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,400,435	(2,082,015)
EFFECT OF FOREIGN EXCHANGE DIFFERENCE	(388,577)	1,705,921
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,019,089	7,231
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,030,966	510,318
Bank overdrafts	(11,877)	(503,087)
	<u>2,019,089</u>	<u>7,231</u>

The Notes on Pages 9 to 26 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

1. GENERAL

Simple Approach Limited is incorporated in Hong Kong as a limited liability company. Its principal activity is garment trading. The address of its registered office is 7/F, Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong. The directors consider that the ultimate holding company is House of Pearl Fashions Limited, a company incorporated in India.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS(s)") (which also include Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)")) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinances.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note (5) to the financial statements.

In 2009, the Company adopted the new and revised HKFRSs below, which are relevant to its operations.

- HK (IFRIC) - Int. 12 Service Concession Arrangements
- HK (IFRIC) - Int. 14 HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above HKFRSs has had no material impact on the principal accounting policies of the Company and the methods of computation in the Company's financial statements. As such, no 2008 comparatives have been amended as a result from adopting the captioned HKFRSs.

b. Impact of issued but not yet effective HKFRSs

The Company has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

- HKFRS (Amendments) Improvements to HKFRSs ⁽¹⁾
- HKAS 1 (Revised) Presentation of Financial Statements ⁽²⁾
- HKAS 23 (Revised) Borrowing Costs ⁽²⁾
- HKAS 27 (Revised) Consolidated and Separate Financial Statements ⁽⁵⁾
- HKAS 32 and HKAS 1 (Amendments) Puttable Financial Instruments and Obligations Arising on Liquidation ⁽²⁾
- HKAS 39 (Amendment) Financial Instruments: Recognition and Measurement - Eligible Hedged Items ⁽⁵⁾
- HKFRS 1 (Revised) First-time Adoption of HKFRS ⁽⁵⁾

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- HKFRS 1 and HKAS27 (Amendment) Consolidated & Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity and Associates ⁽²⁾
- HKFRS 2 (Amendment) Share-based Payments - Vesting Conditions and Cancellation ⁽²⁾
- HKFRS 3 (Revised) Business Combinations ⁽⁵⁾
- HKFRS 8 Operating Segments ⁽²⁾
- HK (IFRIC) - Int.13 Customer Loyalty Programmes ⁽³⁾
- HK (IFRIC) - Int.15 Agreements for the Construction of Real Estate ⁽²⁾
- HK (IFRIC) - Int.16 Hedges of a Net Investment in a Foreign Operation ⁽⁴⁾
- HK (IFRIC) - Int.17 Distributions of Non-cash Assets to Owners ⁽⁵⁾

Notes:

- ⁽¹⁾ Effective for annual periods beginning on or after 1 January 2009, except the amendments to HKFRS 5 which are effective for annual periods beginning on or after 1 July 2009
- ⁽²⁾ Effective for annual periods beginning on or after 1 January 2009
- ⁽³⁾ Effective for annual periods beginning on or after 1 July 2008
- ⁽⁴⁾ Effective for annual periods beginning on or after 1 October 2008
- ⁽⁵⁾ Effective for annual periods beginning on or after 1 July 2009

The directors anticipate that all of the above new and revised standards, amendments or interpretations will be adopted in the Company's financial statements for the period commencing April 1, 2009 and that the adoption of those new and revised standards, amendments or interpretations will have no material impact on the financial statements of the Company in the period of initial application.

c. Going Concern

One of the fellow subsidiaries has confirmed the willingness to provide such financial assistance as is necessary to maintain the Company as a going concern. On the strength of this assurance, the financial statements have been prepared on a going concern basis.

d. Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and aggregate identified impairment loss, if any.

Depreciation is provided at rates calculated to write off their cost on a straight line basis over the period of their estimated useful lives at the rate of 33 1/3% per annum. When assets are sold or otherwise disposed of their carrying amounts are written off from the financial statements and any gain or loss on the disposal is included in the Income Statement.

The asset's residual value and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

e. Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of raw materials is arrived at by reference to the suppliers' invoiced cost and is in general assigned to individual items on the first-in, first-out basis.

Net realisable value is based on estimated selling prices less any further costs expected to be incurred. When inventories are sold, the carrying amount of those inventories is recognized as an expense in the year in which the related revenue is recognized.

f. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

g. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

h. Financial Assets

The Company's financial assets are only classified under loans and receivables category.

i. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortized cost using effective interest method, less any identified impairment losses. An impairment loss is recognized in the Income Statement when there is objective evidence that the asset is impaired, and it measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the assets recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

j. Financial Liabilities

The Company's financial liabilities include account and other payables which are subsequently measured at amortized cost, using the effective interest rate method.

k. Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

l. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

m. Translation of Foreign Currency

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Hong Kong Dollars ("HK\$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Income Statement.

n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable loss for the year. Taxable loss differs from net loss as reported in the Income Statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable loss, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable loss will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of specific assets and liabilities in a transaction that affects neither the tax loss nor the accounting loss.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the Income Statement.

o. Turnover

Turnover represents invoiced amount of sales less discounts and returns.

p. Recognition of Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for services provided in the normal course of the Company's business. It is recognized when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the bases as follows:

- Revenue from sales of goods is recognized when the goods are delivered to buyer.
- Interest income from bank deposits is accrued on a time proportion basis on the principal outstanding and at the rate applicable.

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q. Retirement Benefit Scheme

The Company participates in Mandatory Provident Fund Scheme ("MPF Scheme"). The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme is held separately from those of the Company in funds under the control of an independent trustee. Pursuant to the rules of the MPF Scheme, each of the employer and employees are required to make contributions to the scheme at rates specified in the rules.

The MPF Scheme is a defined contribution plan and the Company is only obliged to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit costs arising from the MPF Scheme charged to the Income Statement represent contribution payable to the funds by the Company in accordance with the rules of the scheme.

r. Employee Benefits

Employee benefits are all forms of considerations, including wages, salaries, allowances and contribution to retirement benefit scheme payable by the Company in exchange for services rendered by its employees and directors. The employee benefits are classified as staff costs and charged to the Income Statement.

Provision on employees' entitlements to unconsumed annual leaves as of the balance sheet date are not provided in the financial statements as such leaves are not permitted to be carried forward and utilized by the respective employees in the following year. Sick leave and maternity leave are recognized until the time of leave as directors consider that no material liability would arise as a result of such entitlements in the near future.

s. Borrowing Cost

Interest and other borrowing costs incurred in connection with the borrowing of funds are recognized as expenses in the period in which they are incurred.

t. Bank Borrowings

Interest bearing bank loans and overdrafts are initially measured as fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs, if any) and the settlement or redemption of borrowings is recognized over the terms of borrowings in accordance with the Company's policy for borrowing cost as stated in the preceding note.

u. Related Parties

A party is considered to be related to the Company if:

- the party, directly, or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Company; (ii) has an interest in the Company that gives it significant influence over the Company; or (iii) has joint control over the Company;
- the party is an associate;
- the party is a joint venture in which the Company is a venturer;
- the party is a member of the key management personnel of the Company or its parent;
- the party is a close member of the family of any individual referred to in (a) or (d);
- the party is a company that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such company resides with, directly or indirectly, any individual referred to in (d) or (e).

v. Financial Risks

The financial risks in connection with the Company's financial instruments include risks as follows.

- Market risk includes three types of risk as below:
 - Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
 - Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
 - Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.
- Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss.
- Liquidity risk (also referred to as funding risk): the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.
- Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

3. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- To support the Company's stability and growth; and
- To provide capital for the purpose of strengthening the Company's risk management capability.

The Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Company. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

4. FINANCIAL RISK MANAGEMENT

The Company's financial risks are limited by the financial management policies and practices described below.

(a) Credit risk

The Company has no significant concentrations of credit risk because the creditworthiness of each of the Company's customers has been assessed before any goods are supplied to them on credit. The directors are not aware of any factor indicating that any debtors would not be capable of repaying their outstanding amounts. Accordingly, the directors are of the opinion that the Company is adequately protected from the credit risk.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. As at the balance sheet date, the Company keeps sufficient cash equivalents. Accordingly, the liquidity risk on difficult realization of cash equivalent is immaterial.

(c) Cash flow and fair value interest rate risk

The Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimate of fair value of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair value.

6. RECOGNITION OF REVENUE

	2009 HK\$	2008 HK\$
Revenue recognized during the year are as follows:		
Turnover:		
Sale of goods	126,717,271	114,684,980
Other revenue:		
Bank interest income	7,372	-
Commission received	3,468,529	-
Claim and recovery	4,035,347	-
Handling income	213,707	-
Sundry income	549,665	680,277
	<u>8,274,620</u>	<u>680,277</u>
Total revenue recognized	<u>134,991,891</u>	<u>115,365,257</u>

7. FINANCE COST

Bank interest	584,930	648,776
LC handling charges	1,412,930	-
	<u>1,997,860</u>	<u>648,776</u>

8. LOSS BEFORE TAXATION

Loss before taxation is stated after charging and (crediting):

Auditors' remuneration	62,555	30,000
Depreciation - owned assets	96,574	64,032
Exchange difference	388,577	(1,705,921)
Rental payment under operating leases - properties	1,592,529	1,043,999
Staff costs		
- Salaries and allowance (including directors' remuneration)	11,497,172	9,644,102
- Contribution to retirement benefit scheme - MPF	251,114	209,585

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	2009 HK\$	2008 HK\$
9. DIRECTORS' REMUNERATION		
Fees	-	-
Other emoluments	2,149,080	1,918,025
	<u>2,149,080</u>	<u>1,918,025</u>

10. TAXATION

No Hong Kong profits tax has been provided in the financial statements as the Company made no estimated assessable profits for the year.

At the balance sheet date, the Company has unused tax losses of HK\$26,990,974 (2008: HK\$22,680,188) available for offset against future profits. No deferred tax asset has been recognized in respect of such tax losses due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

The tax charge for the year can be reconciled to the loss per the Income Statement as follows:

	2009 HK\$	2008 HK\$
Loss before taxation	(4,312,029)	(9,749,695)
Tax loss at the domestic income tax rate of 16.5% (2008: 17.5%)	(711,484)	(1,706,196)
Tax effect of income that are not taxable in determining taxable profits	(1,216)	-
Net tax allowance claimed	1,421	(11,368)
Tax effect of tax loss not recognized	711,279	1,717,564
Taxation expense for the year	<u>-</u>	<u>-</u>

11. PLANT AND EQUIPMENT

	Office	Furniture	Computer	Total
	Equipment and Fixtures	Fixtures	Equipment	
Cost	HK\$	HK\$	HK\$	HK\$
At 1/4/2007	-	-	121,523	121,523
Additions	18,066	24,170	100,270	142,506
At 31/3/2008	18,066	24,170	221,793	264,029
Additions	55,612	-	47,440	103,052
Written off	-	-	(11,990)	(11,990)
At 31/3/2009	<u>73,678</u>	<u>24,170</u>	<u>257,243</u>	<u>355,091</u>
Aggregate Depreciation				
At 1/4/2007	-	-	42,710	42,710
Charge for the year	2,916	3,983	57,133	64,032
At 31/3/2008	2,916	3,983	99,843	106,742
Charge for the year	15,264	8,056	73,254	96,574
Written back	-	-	(11,990)	(11,990)
At 31/3/2009	<u>18,180</u>	<u>12,039</u>	<u>161,107</u>	<u>191,326</u>
Net Book Value				
At 31/3/2009	<u>55,498</u>	<u>12,131</u>	<u>96,136</u>	<u>163,765</u>
At 31/3/2008	<u>15,150</u>	<u>20,187</u>	<u>121,950</u>	<u>157,287</u>

12. Inventories

	2009 HK\$	2008 HK\$
Raw material	-	220,356

13. Trade and other receivables

Trade receivables	39,382,526	9,611,977
Bills receivables	6,639,470	29,756,339
Less: Provision for doubtful debts	-	(4,668,000)
Total trade receivables (Note (i))	46,021,966	34,700,316
Other receivables	-	3,824,459
	<u>46,021,966</u>	<u>38,524,775</u>

(i) Aging analysis

Aging analysis of trade receivables is as follow:

Neither past due nor impaired	31,632,679	32,078,409
Past due but not impaired	14,389,317	2,621,907
	<u>46,021,966</u>	<u>34,700,316</u>

Company

Trade receivables are due within 90 days from date of billing.

At March 31, 2009, the Company had discounted bills receivable of HK\$10,915,191 (2008: HK\$22,137,187) to banks with recourse (the "Discounted Bills"). The Discounted Bills were included in the bills receivable because the recognition criteria for the financial assets were not met. Accordingly, the advances from the relevant banks received by the Company as consideration for the Discounted Bills at the balance sheet date were recognized as liabilities and are included in the Discounted bills loan.

14. AMOUNTS DUE FROM ULTIMATE HOLDING/INTERMEDIATE HOLDING/ FELLOW SUBSIDIARIES/AFFILIATE COMPANIES

The amounts due from ultimate holding/intermediate holding/fellow subsidiaries/affiliate companies are unsecured, interest-free and have no fixed terms of repayments. No provisions for bad and doubtful debts have been recognized on the amounts due from these companies. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

15. AMOUNT DUE FROM A DIRECTOR

Disclosed pursuant to Section 161B of the Companies Ordinance:

	Sandeep Malhotra HK\$
Balance at 31/3/2008	3,867,843
Balance at 31/3/2009	5,035,792
Maximum balance outstanding during the year	<u>5,035,792</u>
Terms : On demand	
Interest : Free	
Security : Nil	

The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

- No allowance for bad and doubtful debts has been recognized on the captioned amount.

16. AMOUNTS DUE FELLOW SUBSIDIARIES/AFFILIATE COMPANY

The amounts due to fellow subsidiaries/affiliate company are unsecured, interest-free and repayable on demand. The fellow subsidiaries/affiliate company agreed not to demand repayment of the amount due until the Company is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

17. TRADE AND OTHER PAYABLES

	2009 HK\$	2008 HK\$
Trade payable	11,779,736	5,633,004
Bills payable	334,332	-
Total trade and other payable	12,114,068	5,633,004
Other payables and accruals	106,579	35,892,896
	<u>12,220,647</u>	<u>41,525,900</u>
(i) Maturity of the trade payables and accruals is as follows:		
Due for payment:		
Not later than one year	12,114,068	5,633,004

18. SHARE CAPITAL

Authorised		
3,190,000 (2008:Nil) 9% redeemable reference shares of US\$ 1 each	24,818,200	-
500,000 (2008:500,000) ordinary shares of US\$ 1 each	3,890,000	3,890,000
	<u>28,708,200</u>	<u>3,890,000</u>
Issued and fully paid-up:		
3,190,000 (2008:Nil) 9% redeemable preference shares of US\$ 1 each	24,818,200	-
250,000 (2008:250,000) ordinary shares of US\$ 1 each	1,945,000	1,945,000
	<u>26,763,200</u>	<u>1,945,000</u>

By an ordinary resolution passed on November 20, 2008, the authorised share capital was increased from US\$ 500,000 to US\$ 3,690,000 by the creation of additional 3,190,000 (9%) redeemable preference shares of US\$ 1 each which were allotted on the same date at par for cash to provide working capital to the Company.

Simple Approach Limited

19. OPERATING LEASE COMMITMENTS

- (a) At the balance sheet date, the Company had outstanding commitments under its non-cancellable operating leases, which fall due as follows:

	2009 HK\$	2008 HK\$
Within one year	816,000	1,114,800
In the second to fifth years inclusive	612,000	1,428,000
	<u>1,428,000</u>	<u>2,542,800</u>

- (b) Operating lease arrangements represent rental payable by the Company for its rented premises. Leases are negotiated for an average term of two years.

20. BANKING FACILITIES

General banking facilities granted by a bank were secured by fellow subsidiaries' corporate guarantee.

21. RELATED PARTY TRANSACTIONS

During normal course of business, the Company had the following material transactions with its related companies. The significant transactions are summarised below.

Name of Company	Nature of transaction	Relationship	2009	2008	Balance as at
			HK\$	HK\$	31.3.2009 HK\$
Multinational Textiles Ltd.	-	Intermediate holding company	-	-	53,128
House of Pearl Fashions Ltd.	-	Ultimate holding company	-	-	7,780
House of Pearl Fashions US Ltd.	-	Fellow subsidiary	-	-	47,347
Norp Knit Industries Ltd.	Purchase of goods	Affiliate company	2,452,170	-	162,952
Norwest Industries Ltd.	Commission expenses	Fellow subsidiary	2,022,105	-	-
	Rent		320,000	-	(28,544,288)
Poeticgem Limited	Marketing fee paid	Fellow subsidiary	444,665	-	(577,931)
Zamira Fashion Ltd.	Management and service income	Fellow subsidiary	13,333	-	13,333
Pearl GES Group Ltd.	-	Fellow subsidiary	-	-	55,822
Pacific Logistics Ltd.	Processing charges	Fellow subsidiary	153,075	-	-
Pearl Global Ltd.	-	Fellow subsidiary	-	-	92,998
Nor Pearl Knitwear Ltd.	Claims and penalty	Fellow subsidiary	233,400	-	(1,125,414)

22. CONTINGENT LIABILITY

The Company had the following contingent liability not provided for in the financial statements at the balance sheet date:

	2009 HK\$	2008 HK\$
Irrevocable letter of credit	37,376,067	16,126,489
Shipping guarantee	222,838	9,204
	<u>37,598,905</u>	<u>16,135,693</u>

23. CURRENCY RISK

- (i) Exposure to currency risk. The following table details the Company's exposure at the balance sheet date to currency risk arising from forecast transactions or recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2009			
	USD	GBP	EURO	RMB
Trade receivables	5,283,491	271,292	350,424	-
Cash and cash equivalent	139,846	3,759	872	-
Trade payables	(1,439,781)	(7,586)	-	(43,413)
Net exposure arising from recognised assets and liabilities	<u>3,983,556</u>	<u>267,465</u>	<u>351,296</u>	<u>(43,413)</u>

	2008			
	USD	GBP	EURO	RMB
Trade receivables	4,051,264	366,550	242,079	-
Cash and cash equivalent	13,271	13,586	1,348	-
Trade payables	(6,286,696)	(181)	-	(9,056)
Net exposure arising from recognised assets and liabilities	<u>(2,222,161)</u>	<u>379,955</u>	<u>243,427</u>	<u>(9,056)</u>

- (ii) Sensitivity analysis.

The following table indicates the approximate change in the Company's profit after tax in response to reasonably possible changes (e.g. $\pm 10\%$) in the foreign exchange rates to which the Company has significant exposure at the balance sheet date.

	2009		2008	
	Increase HK\$	Decrease HK\$	Increase HK\$	Decrease HK\$
United States Dollars	-	-	-	-
British Pound	411,896	(411,896)	579,938	(579,938)
Euro Dollars	423,663	(423,663)	227,263	(227,263)
Chinese Yuan	(4,823)	4,823	(906)	906
	<u>830,736</u>	<u>(830,736)</u>	<u>806,295</u>	<u>(806,295)</u>

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Company's exposure to currency risk for the variables.

The stated changes represent Management's assessment of reasonably possible change in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in movement in value of the United States dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on Company's profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2008.

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

25. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Company's Board of Director on May 13, 2009.

Global Textiles Group Limited

DIRECTORS' REPORT

The directors are pleased to present their report together with the audited financial statements of the Company for the year ended 31 March 2009.

Principal activity

The principal activity of the Company is the holding of investments.

Results and dividend

The results for the year are shown on page 6.

The directors do not recommend the payment of a dividend for the year under review (2008: NIL).

Statement of directors' responsibilities in respect of financial statements

Company law requires the directors to prepare financial statements for each financial period giving a true and fair view of the state of affairs of the Company and of the profit or loss of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

They are also responsible for the safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe that the business will not be a going concern on the year ahead.

By order of the Board

Sd/-

Director

Date: 29th June, 2009

SECRETARY'S CERTIFICATE

For the year ended 31 March 2009

Secretary's certificate under Section 166 (d) of the Companies Act 2001

In accordance with section 166 (d) of the Companies Act 2001, we certify that to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act 2001.

Sd/-

For and on behalf of **KROSS BORDER TRUST SERVICES LIMITED**
Company Secretary

Date: 29th June, 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF GLOBAL TEXTILES GROUP LIMITED

Report on the Financial Statements

We have audited the financial statements of Global Textiles Group Limited (the "Company") on pages 6 to 24 which comprise the balance sheet at 31 March 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Mauritian Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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' judgement, 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 auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 audit opinion.

Opinion

In our opinion, the financial statements on pages 6 to 24 give a true and fair view of the financial position of the Company at 31 March 2009 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritian Companies Act.

Other matter

This report, including the opinion, has been prepared for and only for, the Company's member in accordance with Section 205 of the Mauritian Companies Act and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act

We have no relationship with or interests in the Company other than in our capacities as auditors and tax advisors.

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Sd/-

KPMG
Public Accountant

Port Louis

Date: 29 June 2009

Sd/-

J.P. Ramhotar, FCCA
Signing Partner

INCOME STATEMENT

for the year ended 31 March 2009

	NOTE	2009 USD	2008 USD
REVENUE	4	2,279,197	-
EXPENSES		(2,117,039)	(20,026)
(LOSS)/PROFIT BEFORE TAXATION		162,158	(20,026)
TAXATION	5	(4,253)	-
(LOSS)/PROFIT FOR THE YEAR		157,905	(20,026)

BALANCE SHEET AS AT 31 MARCH 2009

	Note	2009 USD	2008 USD
Assets			
Non-current assets			
Investments	6	5,006,412	5,006,412
Receivables	7	1,406,556	1,106,556
Total non-current assets		6,412,968	6,112,968
Current assets			
Other receivables	8	135,358	301,850
Cash and cash equivalents		55,595	36
Total current assets		190,953	301,886
Total assets		6,603,921	6,414,854

Global Textiles Group Limited

	Note	2009 USD	2008 USD
Equity and liabilities			
Capital and reserves			
Share capital	9	5,771,556	5,621,556
Share application monies		–	150,000
Revenue reserves		363,080	205,175
Total capital and reserves		6,134,636	5,976,731
Liabilities			
Non-current liabilities			
Loan from holding company	10	378,090	344,720
Total non-current liabilities		378,090	344,720
Current liabilities			
Other payables	11	86,942	93,403
Taxation	5	4,253	–
Total liabilities		91,195	93,403
		469,285	438,123
Total equity and liabilities		6,603,921	6,414,854

Approved by the Board on 29th June, 2009

Sd/-
Director

Sd/-
Director

The notes on pages 10 to 24 form part of these financial statements

STATEMENT OF CHANGE IN EQUITY

for the year ended 31 March 2009

	Share capital USD	Share application monies USD	Revenue reserves USD	Total USD
Balance as at 01 April 2007	5,621,556	–	225,201	5,846,757
Movement during the year	–	150,000	–	150,000
Loss for the year	–	–	(20,026)	(20,026)
Balance as at 31 March 2008	5,621,556	150,000	205,175	5,976,731
Movement during the year	150,000	(150,000)	–	–
Profit for the year	–	–	157,905	157,905
Balance as at 31 March 2009	5,771,556	–	363,080	6,134,636

CASH FLOW STATEMENT

for the year ended 31 March 2009

	2009 USD	2008 USD
Cash flows from operating activities		
Profit/(loss) for the year	162,158	(20,026)
Exchange difference	305	–
Change in receivables	(300,000)	–
Change in other receivables	166,492	(200)
Change in other payables	(6,461)	10,106
Net cash from/(used in) operating activities	22,494	(10,120)
Cash flows from investing activities		
Acquisition of investments	–	(150,000)
Net cash from/(used in) investing activities	22,494	(160,120)
Cash flows from financing activities		
Loan from holding company	33,370	8,405
Deposit on shares	–	150,000
Advance from related company	–	1,500
Net cash from financing activities	33,370	159,905
Net increase/(decrease) in cash and cash equivalents	55,864	(215)
Cash and cash equivalents at beginning of year	36	251
Effect on exchange rate fluctuations on cash held	(305)	–
Cash and cash equivalents at end of year	55,595	36

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

1. General information

The Company was incorporated as a private limited Company on 29 March 2006 and was granted a Category 1 Global Business Licence on 31 March 2006. The principal activity of the Company is the holding of investments.

The Company, as a holder of a Category 1 Global Business Licence under the Companies Act 2001 and the Financial Services Act 2007 is required to carry on its business in a currency other than the Mauritian rupee. Since the Company operates in an international environment and conducts most of its transactions in foreign currencies the Company has chosen to retain the United States Dollar (USD) as its reporting currency.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis except for investments which are measured at fair value.

(c) Functional currency

The financial statements are presented in United States Dollar (USD) which is the Company's functional currency.

(d) Use of the estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

3. Significant accounting policies

New standards, interpretations and amendments to published standards

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments except a follows:

The Company adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoptions of these revised standards and interpretations did not have any effect on the financial performance or position of the Company. They did however give rise to additional disclosures.

IFRS 7 Financial instruments: Disclosures

IAS 1 Presentation of financial statements - Amendment to add disclosures about an entity's capital

The principal effects of these changes are as follows:

IFRS 7, Financial instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. As a result of the adoption of IFRS 7, the financial statements include expanded disclosure about the significance of the Company's financial instruments and the nature and extent of the risks arising from those instruments, compared with the information previously required to be disclosed by IAS 32, Financial instruments: Disclosure and presentation. These disclosures are provided throughout these financial statements, in particular in note 13.

IAS 1 Presentation of financial statements

The amendment to IAS 1 introduces additional disclosure requirements to provide information about the level of capital and the company's objectives, policies and processes for managing capital. These new disclosures are set out in note 14.

Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2009.

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2009 and which have not been adopted in these financial statements.

The Company is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the company's results of operations and financial position.

These statements, where applicable, will be applied in the year when they are effective.

IAS 1 Presentation of financial statements - Comprehensive revision including requiring a

Global Textiles Group Limited

statement of comprehensive income (effective for annual periods beginning on or after 1 January 2009)

IAS 1 Presentation of Financial Statements - Amendments relating to disclosure of puttable instruments and obligations arising on liquidation (effective for annual periods beginning on or after 1 January 2009)

IAS 1 Presentation of Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2009)

IAS 27 Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3 (effective for annual periods beginning on or after 1 July 2009)

IAS 27 Consolidated and Separate Financial Statements - Amendment relating to cost of an investment on first-time adoption (effective for annual periods beginning on or after 1 January 2009)

IAS 27 Consolidated and Separate Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2009)

IAS 32 Financial Instruments: Presentation - Amendments related to puttable instruments and obligations arising on liquidation (effective for annual periods beginning on or after 1 January 2009)

IAS 36 Impairment of assets - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2009)

IAS 38 Intangible assets - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2009)

IAS 39 Financial Instruments: Recognition and Measurement - Amendments resulting from May 2008 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2009)

IAS 39 Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items (effective for annual periods beginning on or after 1 July 2009)

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting year as set out in this note.

Revenue recognition

Revenue is recognised on the following bases:

Marketing income - are accounted for as it accrues.

Professional fees income - are accounted for as it accrues.

Management fees income - are accounted for as it accrues.

Interest income - as it accrues using the effective interest method.

Taxation

Income tax on the profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the recoverable amount of assets is below the carrying amount. In case that the carrying value of an asset exceeds its recoverable amount, the Company recognises the impairment in the income statement.

Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated

into United State dollar (USD) at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at that date of transaction. Foreign exchange differences arising on translation are recognised in the income statement.

Cash and cash equivalents

Cash comprises cash at bank and cash in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Other payables

Other payables are stated at cost.

Receivables and other receivables

Other receivables are stated at cost less impairment.

Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Financial instruments

Financial instruments carried on the balance sheet include investments, receivables, other receivables, shareholder's loan and other payables. The particular recognition methods are disclosed in the individual policy statements associated with each item.

Disclosures about financial instrument to which the Company is a party are provided in note 13.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the net asset and settle the liability simultaneously.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

4. Revenue

Revenue represents:

	2009 USD	2008 USD
Marketing income	1,770,560	-
Professional fees	463,167	-
Management fees	45,100	-
Bank interest	370	-
	<u>2,279,197</u>	<u>-</u>

5. Taxation

The Company is subject to income tax in Mauritius at the rate of 15%. It is, however, entitled to a tax credit equivalent to the higher of the foreign tax paid and a deemed credit of 80% of the Mauritian tax on its foreign source income.

Recognised in income statement

	2009 USD	2008 USD
Total income tax expense in income statement	4,253	-
A reconciliation of the actual income tax expense base on accounting profit and actual income tax expense is as follows:		
<i>Reconciliation of effective taxation</i>		
Profit/ (loss) before taxation	162,158	(20,026)
Income tax at 15%	24,324	(3,004)
Tax exempt revenues	(56)	-
Tax credit	(19,414)	2,403
Deferred tax asset not recognised	(601)	601
Tax Payable	<u>4,253</u>	<u>-</u>

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6. Investments

Investments consist of unquoted shares

	2009 USD	2008 USD
<i>cost</i>		
At 01 April	5,006,412	4,856,412
Additions during the year	–	150,000
At 31 March	5,006,412	5,006,412

<i>Name of company</i>	<i>Type shares</i>	<i>Number of shares</i>	<i>2009 % held</i>	<i>2008 % held</i>	<i>Country of incorporation</i>
Poeticgem Limited	Equity	50,000	100	100	United Kingdom
Depa International, Inc.	Equity	75	75	75	USA
PT Norwest Industry	Equity	149,998	99.99	99.99	Indonesia

At balance sheet date, the directors have reviewed the carrying amounts of the investments in subsidiaries and considered that no provision for impairment is required for the year under review.

7. Receivables

	2009 USD	2008 USD
Unsecured interest free loan to subsidiaries with no fixed repayment terms	1,406,556	1,106,556

8. Other receivables

Prepayments	3,063	1,850
Loan from related party	132,295	300,000
	135,358	301,850

9. Share capital

Issued and fully paid		
5,621,556 ordinary shares of USD 1 each	5,621,556	5,621,556
Issue of shares during the year	150,000	–
	5,771,556	5,621,556

10. Loan from holding company

Unsecured, interest free loan with no fixed repayment terms	378,090	344,720
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11. Other payables

Non-trade payables and accrued expenses	8,970	15,431
Loan interests accrued	61,047	61,047
Advance from related company	16,925	16,925
	86,942	93,403

12. Related party transactions

During the year under review, the Company entered into the following related party transactions.

	Nature	2009 USD	2008 USD
<i>Transactions during the year/period:</i>			
Holding company	Loan payable	33,370	8,405
Related party	Loan payable	132,295	–
Related party	Loan payable	–	1,500
<i>Balances outstanding at 31 March:</i>			
Subsidiaries	Loan receivable	1,406,556	1,106,556
Holding company	Loan payable	378,090	344,720
Related party	Interest payable	61,047	61,047
Related party	Loan payable	16,925	16,925
Related party	Loan receivable	132,295	300,000

13. Financial risk management and capital management**Fair value**

The Company's assets and liabilities include investment, receivables, other receivables, cash and cash equivalents, loan from holding company and other payables. The carrying amounts of these assets and liabilities approximate their fair values. The fair values for both financial and non financial assets and liabilities together with the carrying amounts shown in the balance sheet are as follows:

	Carrying amount 2009 USD	Fair value 2009 USD	Carrying amount 2008 USD	Fair value 2008 USD
Investment	5,006,412	5,006,412	5,006,412	5,006,412
Receivables	1,406,556	1,406,556	1,106,556	1,106,556
Other receivables	135,358	135,358	301,850	301,850
Cash and cash equivalents	55,595	55,595	36	36
Loan from holding company	(378,090)	(378,090)	(344,720)	(344,720)
Other payables	(86,942)	(86,942)	(93,403)	(93,403)

Overview

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

- Credit risk
- Liquidity risk
- Market 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.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse 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.

Credit risk

Credit risk represents the potential loss that the Company would incur if counter parties fail to perform pursuant to the terms of their obligations to the Company. The Company limits its credit risk by carrying out transactions through companies within the group. At the balance sheet date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

	2009 USD	2008 USD
Receivables	1,406,556	1,106,556
Other receivables	135,358	301,850
Cash and cash equivalents	55,595	36
	1,597,509	1,408,442

The ageing of trade receivables at the reporting date was:

	Gross 2009 USD	Impairment 2009 USD	Gross 2008 USD	Impairment 2008 USD
Not past due	–	–	–	–
Past due 0-30 days	–	–	–	–
Past due 31-120 days	135,358	–	301,850	–
More than one year	1,406,556	–	1,106,556	–
	1,541,914	–	1,408,406	–

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Company's reputation.

Global Textiles Group Limited

	Less than 1 Year USD	Between 1 and 5 Year USD	Total USD
31 March 2009			
Liabilities			
Shareholders Loans	-	378,090	378,090
Other payables	86,942	-	86,942
Total Liabilities	86,942	378,090	465,032
31 March 2008			
Liabilities			
Shareholders Loans	-	344,720	344,720
Other payables	93,403	-	93,403
Total Liabilities	93,403	344,720	438,123

Market risk

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

Currency risk

The Company invests in stocks denominated in GBP, IDR and HKD. Consequently, the Company is exposed to the risk that the exchange rate of the USD relative to the GBP, IDR and HKD may change in a manner which has a material effect on the reported values of the Company's assets and liabilities which are denominated in GBP, IDR and HKD.

Currency profile

	Financial assets 2009 USD	Financial liabilities 2009 USD	Financial assets 2008 USD	Financial liabilities 2008 USD
USD	2,033,095	465,032	1,977,536	438,123
GBP	3,044,056	-	3,044,056	-
IDR	1,391,412	-	1,391,412	-
HKD	132,295	-	-	-
	6,600,858	465,032	6,413,004	438,123

Sensitivity Analysis:

Currency

	2009 USD	2008 USD
GBP	304,406	304,406
IDR	139,141	139,141
HKD	13,230	-
Total	456,777	443,547

A 10 % strengthening of USD against the above currencies at 31st March would have increased net profit before tax by USD 456,777 (2008: USD 443,547). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis in 2008.

Similarly a 10 percent weakening of the USD against the above currencies at 31 March will have had the exact reverse effect.

Interest rate risk

The Company's income and operating cash flows are substantially dependent on changes in market interest risks. Interest income and interest expenses are substantially dependent on changes in market interest risks. Interest income and interest expenses are based on the spot rate and as such they may fluctuate in amount, in particular due to changes in interest rates. At the year end the Company is not exposed to significant interest rate risk.

Sensitivity Analysis

Variable rate of interest is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been higher/lower by 50 basis points and all other variables were held constant, the profit and net asset for the year ended 31 March 2009 would increase/decrease by USD 278. This is mainly attributable to the Company's exposure to interest rates on variable rate of interest.

Currency

	Interest accrued 2009 USD	Impact on profit & net assets 2009 USD	Interest accrued 2008 USD	Impact on profit & net assets 2008 USD
USD	370	278	-	-

14. Capital management

The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The Company defines "capital" as including all components of equity. Trading balances that arise as a result of trading transactions with other group Companies are not regarded by the Company as capital.

The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Company belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company or the group. The results of the directors' review of the Company's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared

15. Exemption from preparing consolidated financial statements

The Company is a wholly owned subsidiary of Multinational Textile Group Limited and has taken advantage of paragraph 10 of International Accounting Standards (IAS 27) - 'Consolidated and Separate Financial Statements', which dispenses it from the need to present consolidated financial statements. The registered office of Multinational Textile Group Limited where the consolidated financial statements are available is St Louis Business Centre, Cnr Desroches & St Louis Streets, Port Louis, Mauritius.

16. Holding and ultimate holding company

The Company is a wholly owned subsidiary of Multinational Textile Group Limited, a Company incorporated in the Republic of Mauritius. The ultimate holding Company is House of Pearl Fashions Ltd (previously known as Mina Estates Private Limited), a Company incorporated in India.

	2009 USD	2008 USD
Revenue		
Marketing Income	1,770,560	-
Professional Fee income	463,167	-
Management Fees	45,100	-
Bank interests	370	-
	2,279,197	-
Expenses		
Consultancy Fees	2,069,041	-
Bank charges	22,285	215
Audit and accounting fees	14,500	12,400
Professional fees	4,495	1,860
Administration charges	2,200	2,100
Licence fees	1,713	1,500
Sundries	1,680	1,416
Telephone, fax and courier charges	820	535
Exchange difference	305	-
	2,117,039	20,026
Profit/(loss) before taxation	162,158	(20,026)

Pearl GES Group Limited

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the period from 13 May 2008 (date of incorporation) to 31 March 2009.

Principal activities

The principal activities of the Company are trading of garments and investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 11 to the financial statements. There was no significant change in the nature of the Group's principal activities during the period.

Results

The Group's loss for the period from 13 May 2008 (date of incorporation) to 31 March 2009 and the state of affairs of the Company and the Group at the balance sheet date are set out in the financial statements on pages 5 to 30.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Company and the Group during the period are set out in note 10 to the financial statements.

Directors

The directors of the Company during the period were:

Deepak Seth	(appointed on 14 May 2008)
Pallak Seth	(appointed on 14 May 2008)
Pulkit Seth	(appointed on 14 May 2008)
Berstein Jauregui Sebastian Felipe	(appointed on 17 December 2008)
Guiloff Titelman Yariv	(appointed on 17 December 2008)

In accordance with the Company's articles of association, all remaining directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' interests

At no time during the period was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the period.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chairman

Hong Kong
11 May 2009

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Pearl GES Group Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Pearl GES Group Limited set out on pages 5 to 30, which comprise the consolidated and company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the period from 13 May 2008 (date of incorporation) to 31 March 2009, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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' judgement, 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 auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 audit opinion.

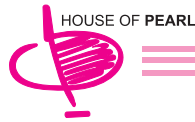
Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2009 and the Group's loss and cash flows for the period from 13 May 2008 (date of incorporation) to 31 March 2009 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Certified Public Accountants
Hong Kong
11 May 2009

CONSOLIDATED INCOME STATEMENT**(Period from 13 May 2008 (Date of incorporation) to 31 March 2009)**

	Notes	US\$
REVENUE	5	2,242,393
Cost of sales		(1,841,459)
Gross profit		400,934
Other income	5	29,737
Administrative expenses		(1,597,443)
Other operating expenses		(8,469)
LOSS BEFORE TAX	6	(1,175,241)
Tax	8	(18,661)
LOSS FOR THE PERIOD		(1,193,902)
Attributable to:		
Equity holders of the Company	9	(1,168,902)
Minority interests		(25,000)
		(1,193,902)



Pearl GES Group Limited

CONSOLIDATED BALANCE SHEET AT 31 MARCH 2009

	Notes	US\$
NON-CURRENT ASSETS		
Property, plant and equipment	10	195,030
Deposits	13	42,469
Due from a director	14	7,000
Total non-current assets		<u>244,499</u>
CURRENT ASSETS		
Trade and bills receivables	15	414,210
Prepayments, deposits and other receivables	13	35,366
Due from directors	14	228,000
Cash and bank balances		96,008
Total current assets		<u>773,584</u>
CURRENT LIABILITIES		
Trade and bills payables	15	151,344
Other payables and accruals		82,224
Due to the immediate holding company	19	400,000
Due to a fellow subsidiary	19	559,287
Total current liabilities		<u>1,192,855</u>
NET CURRENT LIABILITIES		<u>(419,271)</u>
Net liabilities		<u>(174,772)</u>
DEFICIENCY IN ASSETS		
Issued capital	16	1,000,000
Reserves		(1,174,772)
Minority interests		-
Net deficiency in assets		<u>(174,772)</u>
Sd/- Director	Sd/- Director	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Period from 13 May 2008 (Date of incorporation) to 31 March 2009)

	Issued capital	Exchange reserve	Accumulated losses	Total	Minority interests	Net deficiency in assets
	US\$	US\$	US\$	US\$	US\$	US\$
Issue of shares (note 16)	1,000,000	-	-	1,000,000	-	1,000,000
Capital contribution by a minority shareholder	-	-	-	-	25,000	25,000
Loss for the period	-	(5,870)	(1,168,902)	(1,174,772)	(25,000)	(1,199,772)
At 31 March 2009	<u>1,000,000</u>	<u>(5,870)</u>	<u>(1,168,902)</u>	<u>(174,772)</u>	<u>-</u>	<u>(174,772)</u>

CONSOLIDATED CASH FLOW STATEMENT

(Period from 13 May 2008 (Date of incorporation) to 31 March 2009)

	Notes	US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		(1,175,241)
Adjustments for:		
Interest income	5	(6)
Depreciation	6	28,990
		<u>(1,146,257)</u>
Increase in trade and bills receivables		(414,210)
Increase in prepayments, deposits and other receivables		(77,835)
Increase in amounts due from directors		(235,000)
Increase in an amount due to the immediate holding company		400,000
Increase in an amount due to a fellow subsidiary		559,287
Increase in trade and bills payables		151,344
Increase in other payables and accruals		82,224
Cash generated from/(used in) operations		<u>(680,447)</u>
Interest received		6
Overseas tax paid		(18,661)
Net cash outflow from operating activities		<u>(699,102)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital contribution by a minority shareholder		25,000
Purchases of items of property, plant and equipment	10	(226,368)
Net cash outflow from investing activities		<u>(201,368)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares		1,000,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>99,530</u>
Effect of foreign exchange rate changes, net		(3,522)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>96,008</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances		<u>96,008</u>

BALANCE SHEET AT 31 MARCH 2009

	Notes	US\$
NON-CURRENT ASSETS		
Property, plant and equipment	10	70,074
Investment in a subsidiary	11	225,000
Deposit	13	41,749
Due from a director	14	7,000
Total non-current assets		<u>343,823</u>
CURRENT ASSETS		
Trade and bills receivables	12	388,788
Prepayments and other receivables	12	30,849
Due from a subsidiary	11	203,416
Due from directors	14	228,000
Cash and bank balances		53,886
Total current assets		<u>904,939</u>
CURRENT LIABILITIES		
Trade and bills payables	15	108,204
Other payables and accruals		49,812
Due to the immediate holding company	19	400,000
Due to a fellow subsidiary	19	557,746
Total current liabilities		<u>1,115,762</u>
NET CURRENT LIABILITIES		<u>(210,823)</u>
Net assets		<u>133,000</u>
EQUITY		
Issued capital	16	1,000,000
Accumulated losses		(867,000)
Total equity		<u>133,000</u>
Sd/- Director	Sd/- Director	

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2009

1. CORPORATE INFORMATION

Pearl GES Home Group Limited is a limited company incorporated in Hong Kong. The registered office of the Company is located at 7/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.

During the period, the Group was primarily involved in the trading of home and garment products and sales marketing.

The Company is a subsidiary of Multinational Textile Group Limited, a company incorporated in Mauritius. In the opinion of the directors, the Company's ultimate holding company is House of Pearl Fashions Limited, a company incorporated in India whose shares are listed on The National Stock Exchange of India Limited.

2. FUNDAMENTAL ACCOUNTING CONCEPT

These financial statements have been prepared on the going concern basis, notwithstanding the Group and the Company had net current liabilities and/or net liabilities at the balance sheet date, as the Company's ultimate holding company has agreed to provide adequate funds for the Company to meet its liabilities as and when they fall due.

3.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention and are presented in United States dollars ("US\$"), which is the Company's functional and presentation currency.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the period from 13 May 2008 (date of incorporation) to 31 March 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

Pearl GES Group Limited

3.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current period's financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> and HKFRS 7 <i>Financial Instruments: Disclosures - Reclassification of Financial Assets</i>
HK(IFRIC)-Int 11	HKFRS 2 - <i>Group and Treasury Share Transactions</i>
HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	HKAS 19 - <i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements.

3.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> ¹
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment - Vesting Conditions and Cancellations</i> ¹
HKFRS 3 (Revised)	<i>Business Combinations</i> ²
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosure Improving Disclosures about Financial Instruments</i> ¹
HKFRS 8	<i>Operating Segments</i> ¹
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> ¹
HKAS 23 (Revised)	<i>Borrowing Costs</i> ¹
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ²
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation</i> ¹
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement - Eligible Hedged Items</i> ²
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement - Embedded Derivatives</i> ³
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i> ³
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i> ¹
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i> ⁴
HK(IFRIC)-Int 17	<i>Distribution of Non-cash Assets to Owners</i> ²
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> ²

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 July 2009

3 Effective for annual periods beginning on or after 1 July 2008

4 Effective for annual periods beginning on or after 1 October 2008

5 Effective for annual periods ending on or after 30 June 2009

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in

accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Subsidiaries**

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Group has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of a subsidiary are included in the Company's income statement to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- the party, directly, or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- the party is an associate;
- the party is a jointly-controlled entity;
- the party is a member of the key management personnel of the Group or its parent;
- the party is a close member of the family of any individual referred to in (a) or (d);
- the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Office equipment	10% - 33 $\frac{1}{3}$ %
Furniture and fixtures	10% - 33 $\frac{1}{3}$ %

Pearl GES Group Limited

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Financial assets - loans and receivables

Financial assets of the Group in the scope of HKAS 39 are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a

guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Pearl GES Group Limited

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, on the following bases:

- from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- commission income, in the period in which the sale services are rendered; and
- interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits**Retirement benefit costs**

The Company operates a mandatory provident fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Foreign currencies

These financial statements are presented in US\$, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of an overseas subsidiary of the Company is not US\$. As at the balance sheet date, the assets and liabilities of the overseas subsidiary are translated into the presentation currency of the Group at the exchange rates ruling at the balance sheet date, and its income statement is translated into US\$ at the weighted average exchange rates for the period. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of the overseas subsidiary are translated into US\$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiary which arise throughout the period are translated into US\$ at the weighted average exchange rates for the period.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of property, plant and equipment

Items of property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

Impairment of trade receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold. An analysis of other income is as follows:

	US\$
Other income:	
Interest income	6
Commission income	1,308
Foreign exchange differences, net	28,423
	<u>29,737</u>

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Note	US\$
Cost of inventories sold		1,841,459
Depreciation	10	28,990
Employee benefits expense, excluding directors' remuneration (note 7):		
Salaries		186,274
Pension scheme contributions		21,963
		<u>208,237</u>
Auditors' remuneration		<u>15,815</u>

7. DIRECTORS' REMUNERATION

Directors' remuneration for the period, disclosed pursuant to section 161 of the Hong Kong Companies Ordinance, is as follows:

	US\$
Group	
Fees	-
Other emoluments:	
Salaries, allowances and benefits in kind	62,858
	<u>62,858</u>

8. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period.

Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China in which the Company operates, based on existing legislation, interpretations and practices in respect thereof.

A reconciliation of the tax credit applicable to loss before tax using the statutory tax rate to the tax at the Group's effective tax rate is as follows:

	US\$
Loss before tax	(1,175,241)
Tax credit at the Hong Kong statutory tax rate of 16.5%	(193,915)
Income not subject to tax	(374,901)
Expenses not deductible for tax	568,816
Deemed income tax on the Company's representative office located in Mainland China	18,661
Tax charge for the period	<u>18,661</u>

There was no material unprovided deferred tax in respect of the period or as at the balance sheet date.

9. LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the period includes a loss of US\$867,000 which has been dealt with in the financial statements of the Company (note 17(b)).

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10. PROPERTY, PLANT AND EQUIPMENT 31 MARCH 2009

Group	Leasehold improvements	Furniture and fixtures	Office equipment	Total
	US\$	US\$	US\$	US\$
Additions	135,990	49,607	40,771	226,368
Depreciation provided during the period	(20,972)	(4,038)	(3,980)	(28,990)
Exchange realignment	(2,262)	(28)	(58)	(2,348)
At 31 March 2009, net of accumulated depreciation	<u>112,756</u>	<u>45,541</u>	<u>36,733</u>	<u>195,030</u>
At 31 March 2009:				
Cost	134,034	49,580	40,719	224,333
Accumulated depreciation	(21,278)	(4,039)	(3,986)	(29,303)
Net carrying amount	<u>112,756</u>	<u>45,541</u>	<u>36,733</u>	<u>195,030</u>
Company		Furniture and fixtures	Office equipment	Total
		US\$	US\$	US\$
Additions		47,584	30,015	77,599
Depreciation provided during the period		(3,965)	(3,560)	(7,525)
At 31 March 2009, net of accumulated depreciation		<u>43,619</u>	<u>26,455</u>	<u>70,074</u>
At 31 March 2009:				
Cost		47,584	30,015	77,599
Accumulated depreciation		(3,965)	(3,560)	(7,525)
Net carrying amount		<u>43,619</u>	<u>26,455</u>	<u>70,074</u>

11. INVESTMENT IN A SUBSIDIARY

Company	US\$
Unlisted shares, at cost	<u>225,000</u>

The amount due from a subsidiary is unsecured, interest-free, and has no fixed terms of repayment.

Particulars of the Company's subsidiaries is as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
			Pearl GES Home Group Limited	Hong Kong	
Pearl GES Home Group S.P.A.#	Chile	Peso 3,000,000	-	90	Sales marketing

Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

12. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit. Trade and bills receivables are non-interest-bearing and are on terms of up to 60 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. There is no significant concentration of credit risk.

As at 31 March 2009, no trade and bills receivables of the Group were impaired. The Group does not hold any collateral or other credit enhancements over these balances.

All of the Group's and the Company's trade and bills receivables as at 31 March 2009 were neither past due nor considered impaired.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group	US\$
Prepayments	20,449
Deposits and other receivables	57,386
	<u>77,835</u>
Portion classified as non-current deposits	(42,469)
	<u>35,366</u>
Company	US\$
Prepayments	20,449
Deposits and other receivables	52,149
	<u>72,598</u>
Portion classified as non-current deposits	(41,749)
	<u>30,849</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

14. DUE FROM DIRECTORS

Particulars of amounts due from directors, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Name	31 March 2009	Maximum amount outstanding during the year	On incorporation
	US\$	US\$	US\$
Mr. Sebastian Felipe Berstein Jauregui	108,000	108,000	-
Mr. Yariv Guiloff Titelman	127,000	127,000	-
	<u>235,000</u>		
Portion classified as non-current	(7,000)		
	<u>228,000</u>		

The amounts due from all directors are unsecured and interest-free and have no fixed terms of repayment.

15. TRADE AND BILLS PAYABLES

All trade and bills payables of the Group and the Company are unsecured, interest-free and repayable on demand.

16. SHARE CAPITAL

	US\$
Authorised, issued and fully paid:	
1,000,000 ordinary shares of US\$1 each - US\$1,000,000	<u>1,000,000</u>

On incorporation, the Company's authorised share capital was US\$1,000,000 divided into 1,000,000 ordinary shares of US\$1 each and one ordinary share was issued at par for cash as a subscriber's share. On 5 June 2008, further 999,999 ordinary shares were issued at par for cash to the shareholders.

17. RESERVES

(a) Group
The amounts of the Group's reserves and the movements therein for the current period are presented in the consolidated statement of changes in equity on page 7 of the financial statements.

(b) Company

	Accumulated losses
	US\$
Loss for the period	<u>867,000</u>

18. OPERATING LEASE ARRANGEMENTS

The Group leases its office premises under operating lease arrangements. Leases for these properties are negotiated for terms ranging from two to three years.

Pearl GES Group Limited

At 31 March 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<u>US\$</u>
Within one year	214,949
In the second to fifth years, inclusive	133,293
	<u>348,242</u>

19. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Company earned commission income from a subsidiary of US\$24,910 for the period, which was based on 5% of the subsidiary's cost of goods and was in relation to sourcing services provided to the subsidiary.

The balances with a fellow subsidiary and the immediate holding company are unsecured, interest-free, and have no fixed terms of repayment.

20. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Group**Financial assets - loans and receivables**

	<u>US\$</u>
Trade and bills receivables	414,210
Deposits and other receivables	57,386
Due from directors	235,000
Cash and bank balances	96,008
	<u>802,604</u>

Financial liabilities - financial liabilities at amortised cost

	<u>US\$</u>
Trade and bills payables	151,344
Other payables and accruals	82,224
Due to the immediate holding company	400,000
Due to a fellow subsidiary	559,287
	<u>1,179,272</u>

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows (continued):

Company**Financial assets - loans and receivables**

	<u>US\$</u>
Trade and bills receivables	388,788
Deposits and other receivables	52,149
Due from a subsidiary	203,416
Due from directors	235,000
Cash and bank balances	53,886
	<u>933,239</u>

Financial liabilities - financial liabilities at amortised cost

	<u>US\$</u>
Trade and bills payables	108,204
Other payables and accruals	49,812
Due to the immediate holding company	400,000
Due to a fellow subsidiary	557,746
	<u>1,115,762</u>

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's exposure to credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Group's financial management policies and practices described below:

Credit risk

The Group trades on credit terms only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise deposits, amounts due from directors and bank balances, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. As the Group's trade receivables relate to diversified debtors, there is no significant concentration of credit risk within the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 12 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and financial support from the ultimate holding company.

The Group's and the Company's financial liabilities as at the balance sheet date were due within one year or on demand. Their contracted undiscounted payments were the same as their carrying values.

Capital management

Capital is essentially managed from the perspective of the entire group of companies of which House of Pearl Fashions Limited, the Company's ultimate holding company, is the parent. The details of such capital management objectives and policies are included in the consolidated financial statements of House of Pearl Fashions Limited which are available for public use. The Company's primary objective for its own capital management aligns with its management of liquidity risk (see above) and is to safeguard its ability to continue as a going concern. To maintain or adjust the capital structure, the Company may return capital to shareholders or issue new shares. The Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the period from 13 May 2008 (date of incorporation) to 31 March 2009. The capital of the Company comprises all components of shareholders' equity.

22. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of the Company's financial assets and liabilities at the balance sheet date are not materially different from their carrying amounts.

23. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 May 2009.

PT Norwest Industry

DIRECTORS' REPORT

The directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 March 2009.

Principal activities

The principal activity of the Company is development & manufacturing of readymade garments of all kinds.

Results and dividend

The results for the year are shown in the accounts.

The directors do not recommend the payment of a dividend for the year under review (2008: NIL).

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for the preparation of financial statements. In preparing those financial statements the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgment and estimates that are reasonable and prudent;
- stated whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Director

Date: 4 May 2009

INDEPENDENT AUDITORS' REPORT

The Stockholders, Commissioner, and Directors

PT Norwest Industry

We have audited the balance sheets of PT Norwest Industry as of March 31, 2009 and 2008 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT Norwest Industry as of March 31, 2009 and 2008, and the results of its operations, changes in stockholder' equity and cash flows for the years then ended in conformity with accounting principles generally accepted in Indonesia.

Accounting principles generally accepted in Indonesia differ in certain significant respects with the International Financial Reporting Standards. Information relating to the nature and effect of such differences is presented in Notes 24, 25 and 26 to the financial statements.

Sd/-

Saptoto Agustomo

Jakarta, May 4, 2009

Public Accountant Licence No. 98.1.0202

BALANCE SHEET

As of March 31, 2009 and 2008

(In US Dollar)

	Notes	March 31, 2009 USD	March 31, 2008 USD
ASSETS			
Current Assets			
Cash on Hand and in Banks	2.d, 3	462,607	68,127
Accounts Receivable			
Third Parties	2.e, 4	2,009,252	885,079
Related Parties	2.c, 4	1,911,375	570,605
Other Receivables			
Third Parties	5	12,349	18,880
Related Parties	2.c, 5	10,451	10,841
Inventories	2.f, 6	1,101,987	978,548
Advance to Suppliers	7	301,111	129,784

	Notes	March 31, 2009 USD	March 31, 2008 USD
Prepaid Expenses	2.g, 8	70,366	73,319
Prepaid Taxes	2.k, 15.a	166,417	122,810
Other Current Assets	9	19,481	2,956
Total Current Assets		6,065,396	2,860,949
Non Current Assets			
Deferred Tax Assets	2.k, 15.d	182,666	166,004
Property and Equipment (Net of accumulated depreciation of USD 1,370,773 and USD 1,073,938 as of March 31, 2009 and 2008)	2.h, 10	1,525,145	1,136,128
Refundable Deposits	11	95,499	86,986
Total Non Current Assets		1,803,310	1,389,118
TOTAL ASSETS		7,868,706	4,250,067
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Bank Loan	12	3,475,494	627,002
Accounts Payable	13	653,119	480,012
Other Payables	14	171,615	133,558
Taxes Payable	2.k, 15.b	7,774	74,451
Accrued Expenses	16	269,848	167,485
Total Current Liabilities		4,577,850	1,482,508
Non-Current Liabilities			
Employee Benefits Obligation	2.i,17	47,954	39,797
Total Non-Current Liabilities		47,954	39,797
Total Liabilities		4,625,804	1,522,305
Stockholders' Equity			
Capital Stock - Par Value USD 10 per Share			
Authorised - 200,000 Shares, Issued and Fully Paid - 150,198 Shares as of March 31, 2009 and 150,000 Shares as of March 31, 2008, respectively	18	1,501,980	1,500,000
Additional Paid-in Capital	18	1,980	-
Retained Earnings		1,738,942	1,227,762
Total Stockholders' Equity		3,242,902	2,727,762
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		7,868,706	4,250,067

STATEMENTS OF INCOME

For the Year Ended March 31, 2009 and 2008 (In US Dollar)

	Notes	March 31, 2009 USD	March 31, 2008 USD
SALES REVENUE			
	2.j, 19	17,035,096	13,452,600
COST OF GOODS SOLD			
	2.j, 20	13,804,313	11,067,307
GROSS PROFIT		3,230,783	2,385,293
OPERATING EXPENSES			
Selling Expenses	2.j, 21	85,363	31,982
General and Administrative Expenses	2.j, 21	2,108,484	1,291,225
Total Operating Expenses		2,193,847	1,323,207
INCOME FROM OPERATION		1,036,936	1,062,086
OTHER INCOME (EXPENSE)			
Gain (Loss) on Foreign Exchange-Net		(428,247)	55,863
Bank Charges and Interest Expense		(150,994)	(96,954)
Gain on Disposal of Fixed Assets		21,226	16,327
Claim from Buyers (to Suppliers)-Net		28,544	(23,928)
Miscellaneous Income-Net	22	263,870	58,156
Total Other Income (Expense)-Net		(265,601)	9,464
INCOME BEFORE INCOME TAX		771,335	1,071,550
INCOME TAX BENEFIT (EXPENSE)			
Current Tax	2.k, 15.c	(276,817)	(347,532)
Deferred Tax	2.k, 15.d	16,662	19,891
Total Income Tax Expense		(260,155)	(327,641)
NET INCOME		511,180	743,909

PT Norwest Industry

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended March 31, 2009 and 2008
(In US Dollar)

	Notes	Capital Stock USD	Additional Paid-in Capital USD	Retained Earnings USD	Stockholders' Equity USD
Balance as of March 31, 2007		1,350,000	-	483,853	1,833,853
Paid In Capital	18	150,000	-	-	150,000
Net Income		-	-	743,909	743,909
Balance as of March 31, 2008		1,500,000	-	1,227,762	2,727,762
Additional Paid-in Capital	18	1,980	1,980	-	3,960
Net Income		-	-	511,180	511,180
Balance as of March 31, 2009		1,501,980	1,980	1,738,942	3,242,902

STATEMENTS OF CASH FLOWS

For the Years Ended March 31, 2009 and 2008
(In US Dollar)

	March 31, 2009 USD	March 31, 2008 USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Income Before Income Tax and Interest Expenses	922,329	1,168,504
Adjustments for:		
Depreciation	327,607	188,414
Proceeds from Capital Subsidy	(40,778)	-
Gain on Disposals of Property and Equipment	(21,226)	(16,327)
Employee Benefits Obligation	8,157	11,182
Operating Income Before Changes in Working Capital	1,196,089	1,351,773
Changes in Assets and Liabilities:		
Account and Other Receivables	(2,458,022)	(68,567)
Inventories	(123,439)	(417,246)
Advance to Suppliers and Prepayments	(211,981)	5,175
Other Current Assets	(16,525)	(13,572)
Account and Other Payables	211,164	153,431
Accrued Expenses	102,363	35,986
Taxes Payables Other than Corporate Income Tax	(2,009)	3,538
Cash Generated from (Disbursed for) Operations	(1,302,360)	1,050,518
Interest Paid	(150,994)	(96,954)
Income Tax Paid	(341,485)	(421,524)
Net Cash Flows Provided by (Used in) Operating Activities	(1,794,839)	532,040
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property and Equipment	(718,875)	(1,062,096)
Proceeds from Capital Subsidy	40,778	-
Proceeds from Sale of Property and Equipment	23,477	21,288
Additional Refundable Deposits	(8,513)	(59,832)
Net Cash Flows Used in Investing Activities	(663,133)	(1,100,640)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (Repayment of) Bank Loan - Net	2,848,492	404,330
Additional Paid-in Capital	3,960	150,000
Net Cash Flows Provided by Financing Activities	2,852,452	554,330
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	394,480	(14,270)
CASH AND CASH EQUIVALENTS - AT THE BEGINNING OF THE PERIOD	68,127	82,397
CASH AND CASH EQUIVALENTS - AT THE END OF THE PERIOD	462,607	68,127
Cash and Cash Equivalents consist of:		
Cash on Hand	9,030	13,443
Cash in Banks	21,612	54,684
Deposits	431,965	-
TOTAL	462,607	68,127

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended March 31, 2009 and 2008
(In US Dollar)

1. General

1.a. Background

PT Norwest Industry (the "Company") was established based on Notarial Deed No. 27 of H. Dana Sasmita, SH., Notary in Jakarta, dated April 8, 2002. The deed of establishment was approved by Ministry of Justice of Republic of Indonesia in its Decision Letter No. C-14557.HT.01.01.TH.2002 dated August 5, 2002. Based on notification of approval from the Capital Investment Coordination Board (BKPM) No. 187/II/PM/2002 dated April 4, 2002 the Company was established within the framework of the Foreign Capital Investment.

The Company's Articles of Association have been amended several times, most recently related to changes in capital structure based on Notarial Deed No. 58 of Popie Savitri Martosuhardjo, SH., Notary in Jakarta, dated April 24, 2008 and has been approved by the Ministry of Law and Legislation in its Decision Letter No. AHU-24082.AH.01.02.Tahun 2008, dated May 8, 2008.

In accordance with Article 3 of Article of Association and Notification of Approval from the Capital Investment Coordination Board (BKPM) No. 187/II/PM/2002 dated April 4, 2002 the Company is engaged in garment and textiles industry. Notification of Approval from the Capital Investment Coordination Board has been amended several times and most recently was No. 868/III/PM/2008 dated May 29, 2008.

The Company domiciled in Jakarta and its factory located in Tanjung Emas Export Processing Zone, Semarang. The Company started its commercial activities on September 2002.

As of March 31, 2009 and 2008, the Company has a total of 1,985 and 1,413 employees.

1.b. The Company's Management

The Company's management as of March 31, 2009 and 2008 consists of the following:

Commissioner	: Rajesh Vishnu Ajwani
President Director	: Pulkit Seth
Director	: Amit Kumar

2. Summary of Significant Accounting Policies

2.a. Basis of Financial Statements Preparation

The financial statements prepared in conformity with accounting principles generally accepted in Indonesia, using going concern and historical cost basis of accounting concepts. The basic have been consistently applied and will be noted otherwise.

The statement of cash flows is prepared using the indirect method, by classifying cash flows for operating, investing and financing activities.

2.b. Foreign Currency Transactions and Balances

The Company maintains its accounting records in US Dollar. Transactions in other currencies are recorded at the rate of exchange prevailing on the date of the transactions. At balance sheet date, all monetary assets and liabilities in Rupiah and other currencies are converted into US dollar at Bank Indonesia midrates. Exchange rates used on March 31, 2009 were IDR 11,575, Euro 1.324, HKD 0.129, SGD 0.658, GBP 1.431 while on March 31, 2008 were IDR 9,217, Euro 1.57, HKD 0.128, SGD 0.725, GBP 1.995. Exchange gains or losses arising from foreign currency translations are recognized in the current period's statement of income.

2.c. Transaction with Related Parties

The Company has made transaction with certain related parties, pursuant to the guidelines of the Statement of Financial Accounting Standards (PSAK) No. 7, "Related Party Disclosures". All significant transactions with related parties are disclosed in financial statements.

2.d. Cash Equivalents

Cash equivalents include cash on hand, cash in banks and time deposits with maturities not more than or equal to 3 (three) months since their placement and not pledged as collateral.

2.e. Accounts Receivable and Allowance for Doubtful Accounts

Account receivable is recorded in net realizable value. The Company determines allowance for doubtful accounts based on the review over accounts balances for each debtor at the end of the year. The write off of relevant account receivable will be done when management believes that such account receivable were to be definitely uncollectible.

2.f. Inventories

Inventories are stated at the lower of cost or net realizable value.

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2.g. Prepaid Expense

Prepaid expenses are amortized over the period benefited.

2.h. Property and Equipment

In 2007, the Board of Financial Accounting Standard issued Statement of Financial Accounting Standard (SFAS) no. 16 (Revised 2007), "Fixed Assets". This standard is effective for financial statements for period that starts on or after January 1, 2008. According to SFAS 16 (Revised 2007), the Company must choose between cost method or revaluation method as accounting policy to measure the acquisition cost.

In relation to the implementation of PSAK 16 (Revised 2007), the Company determined to continue using cost method to measure fixed asset.

Property and equipment are stated at cost less accumulated depreciation. Depreciations are calculated using straight-line method over their estimated useful life. The useful life are as follows:

	Useful lives	% per annum
Infrastructures	5	20
Machineries	5	20
Furniture and Fixtures	5	20
Vehicles	5	20
Tools and Equipment	3-5	20-33

The costs of maintenance and repair are charged to operations as incurred; expenditures in significant amounts that result in increase the quality of the assets are capitalized. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the current year statements of income.

The recoverable amount of an asset is estimated whenever events or changes in circumstances indicate that its carrying amount may not be fully recoverable. Impairment in asset value, if any, is recognized as loss in the current year's income.

2.i. Employee Benefit

The Company recognized an employee benefits obligation in accordance with Labor No. 13/2003 dated March 25, 2003 (the "Law"). The Company determined its employee benefit obligation based on actuarial valuation and has recognized the full amount of actuarial computed benefit in its financial statements.

Under the Indonesian SFAS No. 24 (Revised 2004), the cost of providing employee benefit under the law is determined using the projected unit credit actuarial valuation method. These gain or losses are recognized on a straight line basis over the expected average remaining working lives of the employees. Further, past service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan are required to be amortized over the period until the respective benefits become vested. The Company recognized employee benefit obligation in accordance with Labor Law. Estimated liabilities on employee benefit were presented in balance sheets and any change in actuarial calculation is charged or credited to current period.

2.j. Revenue and Expense Recognition

Revenue is recognized when invoices are made and delivered to customers at the time of shipment. Expense is recognized when incurred.

2.k. Income Tax

Current income tax is calculated based on the current year profit on an income tax basis (taxable income).

Deferred tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying value for financial purposes.

2.l. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2.m. Derivative Financial Instruments

The Company adopted SFAS No. 55 (revised 1999) regarding "Accounting for Derivative Instruments and Hedging Activities". Under this standard, all derivatives, whether designated in hedging relationships or not, are required to be recorded in the balance sheet at fair value as either assets or liabilities.

Changes in the fair value of derivative instruments are recognized periodically either in earnings or in a separate line in equity titled "unrealized gain (loss) on hedge transaction", depending on whether a derivative is designated and effective as part of a hedge transaction.

For derivatives designated as fair value hedges, changes in fair value of the hedge item and the derivative instrument are recognized in the current year statements of income.

For derivatives designated as cash flow hedges, fair value changes of the effective portion of the hedging instrument are recognized as "unrealized gain (loss) on cash flow hedge transaction" in equity until the hedged item is recognized in earnings. The ineffective portion of the fair value changes are recognized in statement of income immediately.

In December 2006, the Board of Financial Accounting Standard issued SFAS 55 (Revised 2006), "Financial Instrument: Recognition and Measurement". This standard supersedes the principles of financial instruments recognition and measurement prescribed in certain previously issued accounting standard. This standard should be applied prospectively for financial statements covering the periods beginning on or after January 1, 2010. Earlier application is permitted.

Currently, the Company has not implemented the respective SFAS 55 (Revised 2006).

3. Cash on Hand and in Banks	March 31, 2009 USD	March 31, 2008 USD
Cash on Hand		
Rupiah	6,651	11,775
USD	2,094	1,197
Poundsterling	210	210
HKD	18	204
Euro	32	32
SGD	25	25
	<u>9,030</u>	<u>13,443</u>
Cash in Banks		
Rupiah	11,980	24,204
USD	9,626	23,070
Euro	6	7,410
	<u>21,612</u>	<u>54,684</u>
Deposits		
Rupiah	431,965	-
	<u>431,965</u>	<u>-</u>
Total	<u>462,607</u>	<u>68,127</u>
	As of March 31, 2009, deposits in Rupiah earned interest of 6.5 -11.5% per annum.	
4. Accounts Receivable		
Third Parties		
TMS Fashion (HK) Ltd	679,613	406,728
Mast Industries Ltd.	647,050	-
S.Oliver Bernd Freier GMBH & Co.Kg	599,846	440,761
Li N Fung Trading Ltd	76,420	-
Others (below USD 5,000)	6,323	37,590
Sub total	<u>2,009,252</u>	<u>885,079</u>
Related Parties		
Pearl Global Limited	1,911,375	524,226
House of Pearl Fashions	-	46,379
Sub total	<u>1,911,375</u>	<u>570,605</u>
Total	<u>3,920,627</u>	<u>1,455,684</u>
	Management believes that all accounts receivable are collectible; accordingly the management does not provide allowance for doubtful accounts.	
5. Other Receivables	March 31, 2009 USD	March 31, 2008 USD
Third Parties		
PT Nirwana Paratrans	2,312	2,312
Others (below USD 2,000)	10,037	16,568
Sub total	<u>12,349</u>	<u>18,880</u>
Related Parties		
Employees	10,451	10,841
Sub total	<u>10,451</u>	<u>10,841</u>
Total	<u>22,800</u>	<u>29,721</u>

As of March 31, 2009 and 2008, other receivables to the third parties mainly represent claim to suppliers, Employee receivables mainly represent loan given by the Company to support the household needs and deducted from the monthly salaries.

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6. Inventories

	March 31, 2009 USD	March 31, 2008 USD
Work in Process	1,101,987	978,548

Based on a review of inventories, the Company's management believes there is no impairment on inventories. Accordingly, management does not provide allowance for inventories obsolescence accounts. Inventories are covered by insurance against losses from fire and other risks under several blanket policies amounting to USD 3,021,000 as of March 31, 2009 and 2008. Management is in opinion that sum of insured is adequate to cover possible losses from fire and other risks of related assets.

7. Advance to Suppliers

	March 31, 2009 USD	March 31, 2008 USD
GUY N CO	127,755	-
Victory City Company Ltd	115,240	-
KAM HING Piece Work	40,514	-
Paxar Far East Ltd Graphic	7,108	-
Chartkar Textile Co. Ltd	-	63,897
Jiangsu Lianfa Imp & Exp Co. Ltd	-	29,737
Rama Marsons	-	21,908
Everwin Trading Co. Hkg	-	6,116
Others (below USD 5,000)	10,494	8,126
Total	301,111	129,784

8. Prepaid Expenses

Factory Rent	53,415	43,838
Work Permit	6,500	8,600
Office Rent	5,756	11,512
Others (below USD 2,000)	4,695	9,369
Total	70,366	73,319

On May 15, 2002, the Company has taken factory premises on rent in Semarang, Central Java, from PT Lamicitra Nusantara Tbk, the third party, for 5 years of the term of rental and extended until October 15, 2013. On November 22, 2007, the Company has taken additional premises for expansion the production activities to the same lender for 5 years of the term of rental covering 8,244 m². The Company uses these factories for its production activities (see Note 10).

9. Other Current Assets

Other current assets mainly represent factory consumable goods which have not been used yet by the Company as of March 31, 2009 and 2008.

10. Property and Equipment

	2009			
	Beginning Balance USD	Additions USD	Disposals USD	Ending Balance USD
Direct Ownership				
Cost				
Land Titles	-	182,932	-	182,932
Infrastructures	172,738	98,634	-	271,372
Machineries	1,396,140	345,195	-	1,741,335
Furniture and Fixtures	107,156	39,729	-	146,885
Vehicles	253,901	92,303	33,023	313,181
Tools and Equipment	213,399	26,814	-	240,213
Capital Work in Progress	66,732	(66,732)	-	-
	<u>2,210,066</u>	<u>718,875</u>	<u>33,023</u>	<u>2,895,918</u>
Accumulated Depreciation				
Infrastructures	90,220	37,473	-	127,693
Machineries	705,660	192,617	-	898,277
Furniture and Fixtures	46,406	19,404	-	65,810
Vehicles	58,112	59,798	30,772	87,135
Tools and Equipment	173,540	18,315	-	191,855
	<u>1,073,938</u>	<u>327,607</u>	<u>30,772</u>	<u>1,370,773</u>
Total	<u>1,136,128</u>			<u>1,525,145</u>

2008

	Beginning Balance USD	Additions USD	Disposals USD	Ending Balance USD
Direct Ownership				
Cost				
Infrastructures	90,345	82,393	-	172,738
Machineries	749,396	646,744	-	1,396,140
Furniture and Fixtures	48,962	58,194	-	107,156
Vehicles	107,525	183,284	36,908	253,901
Tools and Equipment	188,650	24,749	-	213,399
Capital Work in Progress	-	66,732	-	66,732
	<u>1,184,878</u>	<u>1,062,096</u>	<u>36,908</u>	<u>2,210,066</u>
Accumulated Depreciation				
Infrastructures	78,602	11,618	-	90,220
Machineries	597,268	108,392	-	705,660
Furniture and Fixtures	37,266	9,140	-	46,406
Vehicles	63,226	26,833	31,947	58,112
Tools and Equipment	141,109	32,431	-	173,540
	<u>917,471</u>	<u>188,414</u>	<u>31,947</u>	<u>1,073,938</u>
Total	<u>267,407</u>			<u>1,136,128</u>

Based on management's review and estimates of the status of individual property and equipment at the end of the period, no impairment to write down should be applied to the amount recorded in the balance sheets as of March 31, 2009 and 2008.

Land titles represent usage rights of Taman Pasadena apartment at Jakarta ("Hak Milik atas Satuan Rumah Susun") for a maximum period of 20 years and could be extended. Property and equipment are covered by insurance against losses from fire and other risks under several blanket policies amounting to Rp 3,068,070,000 and USD 2,222,000 as of March 31, 2009 and IDR 2,524,000,000 and USD 950,000 as of March 31, 2008. Management is in opinion that sum of insured is adequate to cover possible losses from fire and other risks of related assets.

Capital work in progress represents infrastructure, machineries, furniture and fixtures, and tools and equipments which have been developed, installed, and bought to support the Company's production activities for the new factory (see Note 8). All capital work in progress have been transferred to fixed assets as in line with the operation of the factory in June and September 2008.

	March 31, 2009 USD	March 31, 2008 USD
Depreciation was charged to:		
Cost of Goods Sold (Note 20)	230,090	108,997
General and Administrative Expenses (Note 21)	97,517	79,417
Total	<u>327,607</u>	<u>188,414</u>

11. Refundable Deposits

Plant	77,205	68,692
Office	8,539	8,539
Electric	7,595	7,595
Warehouse	2,160	2,160
Total	<u>95,499</u>	<u>86,986</u>

12. Bank Loan

HSBC Bank:		
Import	1,929,269	620,106
Export	1,336,225	6,896
Packing Credit Loan	210,000	-
Total	<u>3,475,494</u>	<u>627,002</u>

Based on Loan Agreement dated August 6, 2004, the Company obtained credit facilities for import and export from HSBC with combined maximum limit amounting to USD 1,200,000 and subject to review any event. The Agreement has been amended several times and most recently by amendment No. JAK/080952/U/081202, dated March 16, 2009 with combined maximum limit amounting to USD 2,500,000. These facilities were charged interest of 3.25% and 4.5% per annum below the banks' prime lending rate for the year ended March 31, 2008 and 4.5% and 5% per annum below the banks' prime lending rate for the year ended March 31, 2009. The average interest rate for the period of March 31, 2009 and 2008 each 7.00% and 8.78% respectively. The facilities are secured by the following:

- Fiduciary transfer over Machinery and Equipment for USD 1,300,000;
- Fiduciary transfer over Stocks for USD 1,100,000;



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- Fiduciary transfer over Account Receivable for USD 1,100,000;
- Letter of Undertaking from shareholders to inject additional equity/Subordinated Loan to cover losses; and
- Corporate Guarantee from House of Pearl Fashion Ltd under Indian law for USD 2,500,000.

Under the Agreement the Company should maintain debt to equity ratio not to exceed 1.5 and minimum current ratio of 1.0. As of March 31, 2009 and 2008, the Company has fulfilled these covenants.

Packing Credit Loan represents loan against Letter of Credit (LC). As of March 31, 2009, the Company using Packing Credit Loan which is part of Export Credit Facilities amounting to USD 210,000, meanwhile as of March 31, 2008, the Company did not use these facilities.

13. Accounts Payable	March 31, 2009 USD	March 31, 2008 USD
PT SAI Apparel	50,167	13,918
CV Anugerah Cipta Kreasi	48,517	710
Matrix Indo Global	41,541	-
PT Gunze Indonesia	35,384	20,535
Citra Cemerlang Indo Garment	32,083	-
PT Birotika Semesta	25,273	23,608
PT Paxar Indonesia	23,682	1,425
PT Plasti Form Indonesia	21,267	32,934
PT Prima Universal	19,328	-
PT Halimbox Sukses Abadi	18,244	-
TNT Courier	17,790	39
CV Jati Karya Embroidery	17,123	5,416
PT Coats Rejo Indonesia	16,422	20,308
Atlantik Airsea Express	16,223	798
Wendler	15,869	10,147
Bintang Surya Sejati Sukses	14,705	3,710
Korea Vileno Co. Ltd	12,133	2,858
PT Yudhanusa Ekspresindo Caraka	12,091	16,907
PT Tokai Texprint Indonesia	11,993	49,822
Avery Dennison Packaging	11,976	3,002
BSL International Trading Pte Ltd	10,871	-
Others (each below USD 10,000)	180,437	273,875
Total	653,119	480,012

14. Other Payables	March 31, 2009 USD	March 31, 2008 USD
Brother Machinery	119,806	55,555
PT Lamicitra Nusantara Tbk	51,542	67,242
Others (below USD 1,000)	267	10,761
Total	171,615	133,558

15. Taxation	March 31, 2009 USD	March 31, 2008 USD
a. Prepaid Taxes		
Estimated Corporate Income Tax - Article 28	2,721	-
Value Added Tax	163,696	122,810
Total	166,417	122,810
b. Taxes Payable		
Income Tax Article 21	4,663	6,749
Income Tax Article 23	3,068	1,815
Income Tax Article 4 (2)	43	1,219
Income Tax Article 29	-	64,668
Total	7,774	74,451
c. Income Tax Benefit (Expense)		
Reconciliation between income before estimated income tax as shown in the statements of income and estimated taxable income of the Company is as follows:		
Income before Income Tax as per Statement of Income	771,335	1,071,550
Permanent Difference:		
Interest Income already subjected to final tax	(16,561)	(1,826)
Profit on Sales of Vehicles-Commercial	(21,226)	(16,327)
Profit on Sales of Vehicles-Fiscal	12,888	4,347

Non Deductible Expenses	March 31, 2009 USD	March 31, 2008 USD
Depreciation	16,365	7,635
Expatriate House Expense	11,170	6,307
Tax Penalty	7,095	2,248
Entertainment	4,764	3,527
Import Export	3,995	-
Motor Vehicle Maintenance	3,945	3,459
CM Subcon	3,477	-
Traveling	3,334	-
Mobile Phone	3,242	3,345
Expatriate Work Permit	3,035	2,527
Guest House	1,829	-
Office Phone and Facsimile	679	-
Legal and Professional Fee	353	-
Processing	346	-
Donation	404	1,057
Expatriate Medical	-	874
	39,134	17,173
Timing Difference:		
Depreciation	99,051	64,862
Employee Benefits	18,258	11,182
	117,309	76,044
Taxable Income	927,778	1,164,767
Income Tax Expense at Applicable Tax Rate:		
10% x (2009: USD 4,333 ; 2008: USD 5,425)	433	542
15% x (2009: USD: 4,333 ; 2008: USD: 5,425)	650	814
30% x (2009: USD 919,112; 2008: USD 1,153,918)	275,734	346,176
	276,817	347,532
Credit Tax:		
Article 25	270,819	279,033
Exit Permit Tax	4,171	-
Article 22	4,158	-
Article 23	390	3,831
Total Credit Tax	279,538	282,864
Estimated (Overpayment)/Underpayment Corporate Income Tax (Article 28)/Article 29	(2,721)	64,668

d. Deferred Tax Assets	March 31, 2007 USD	Statement of Income USD	March 31, 2008 USD	Statement of Income USD	March 31, 2009 USD
Depreciation	137,529	16,536	154,065	15,174	169,239
Provision for Employee Benefits	8,584	3,355	11,939	1,488	13,427
Total	146,113	19,891	166,004	16,662	182,666

A reconciliation between profit before income tax stated in the income statement and the estimated taxable income for the years ended March 31, 2009 and 2008 are as follows:

	March 31, 2009 %	March 31, 2009 USD	March 31, 2008 %	March 31, 2008 USD
Income before Income Tax Expenses as per Statements of Income		771,335		1,071,550
Applicable Tax Rate	29.80%	229,884	29.82%	319,566
Interest Income already subjected to final tax	-0.64%	(4,968)	-0.05%	(548)
Tax on differential Profit on Sales of asset	-0.32%	(2,501)	-0.34%	(3,594)
Tax Effect on Non-Deductible Expense	2.49%	19,210	0.87%	9,294

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	March 31, 2009		March 31, 2008	
	%	USD	%	USD
Effect on Changes of Tax Rate	1.72%	13,250	0.00%	-
Effect of Temporary Difference	0.68%	5,280	0.27%	2,922
Total Tax Expenses	33.73%	260,155	30.58%	327,641
Current Tax		(276,817)		(347,532)
Deferred Tax		(16,662)		(19,891)
Current Tax		276,817		347,532
Deferred Tax		(16,662)		(19,891)
Total Tax Expenses		260,155		327,641

16. Accrued Expenses

	March 31, 2009	March 31, 2008
	USD	USD
Salaries and Wages	169,585	103,101
Bonus	80,456	48,922
Jamsostek Payable	12,333	8,374
Legal & Professional Fees	5,851	4,775
Interest	1,623	2,313
Total	269,848	167,485

17. Employee Benefits Obligation

The Company provides benefits for its employees who achieve the retirement age at 55 based on the provisions of Labor Law No.13/2003 dated March 25, 2003. The benefits are unfunded. As of March 31, 2009 and 2008, employee benefits obligation is calculated by an independent actuary (PT Bumi Dharma Aktuaria) using the "Projected Unit Credit" method. The principal assumption used in determining employee benefits obligation as of March 31, 2009 and 2008 are as follows:

Financial Assumption:	March 31, 2009	March 31, 2008
Discount Rate	11%	11%
Future Salary Increase	10%	10%
Other assumptions:		
Mortality Rate	CSO'88	CSO'88
Disability Rate	10%	10%
Normal Retirement Age	55 Years	55 Years

Voluntary resignation is determined of 2 - 37% for employee before the age of 20-22 and will linearly decrease until 0% at the age of 54.

Past service cost –non-vested:

- Amortization method: straight line.
- Amortization periods: the average period until the benefits becomes vested.

The amount recognized in balance sheets and income statement for period of March 31, 2009 and 2008 is as follows:

	March 31, 2009	March 31, 2008
	USD	USD
Present value obligation	46,793	32,919
Unrecognized actuarial losses	1,161	6,878
Liability in balance sheets	47,954	39,797
Unrecognized service cost:		
Current service cost	15,443	9,486
Interest cost	3,315	1,930
Amortization-net	(500)	(234)
Net expenses charged in statement of income	18,258	11,182
Movements in liability recognized in balance sheets are as follows:		
Beginning of the year	39,797	28,615
Benefit payments	-	-
Charged to statement of income	18,258	11,182
Loss on foreign exchange	(10,101)	-
End of the year	47,954	39,797

18. Capital Stock and Additional Paid in Capital

The compositions of stockholders as of March 31, 2009 are as follows:

Stockholders	Shares Issued		Issued and Fully Paid Capital USD
	Number of Shares	%	
	Global Textiles Group Limited	149,998	
Mr. Pallak Seth	100	0.067	1,000
Mr. Pulkit Seth	100	0.067	1,000
Total	150,198	100.00	1,501,980

The compositions of stockholders as of March 31, 2008 are as follows:

Stockholders	Shares Issued		Issued and Fully Paid Capital USD
	Number of Shares	%	
	Global Textiles Group Limited	149,998	
Mr. Pallak Seth	1	0.001	10
Mr. Pulkit Seth	1	0.001	10
Total	150,000	100	1,500,000

Based on Circular Resolutions of the Shareholders of PT Norwest Industry as stipulated on notarial deed No. 22 of Popie Savitri Martosuhardjo Pharmanto, S.H, notary in Jakarta, dated January 30, 2008, the Company has issued 15,000 shares to Global Textiles Group Limited. The change in capital structure has been approved by the Ministry of Law and Legislation of the Republic of Indonesia through its letter No. AHU/AH.01.10-5939, dated March 12, 2008. The shares owned by Global Textiles Group Limited have been diluted, and become to represent 99.866% of the Company's ownership.

Based on Circular Resolutions of the Stockholders of PT Norwest Industry as stipulated on notarial deed No. 58 of Popie Savitri Martosuhardjo Pharmanto, S.H, notary in Jakarta, dated April 24, 2008, the Company has issued 99 shares to Mr. Pallak Seth and 99 shares to Mr. Pulkit Seth. The change in capital structure has been approved by the Ministry of Law and Legislation of the Republic of Indonesia through its letter No. AHU-24082.AH.01.02, dated May 8, 2008. The Company has issued 198 shares on premium of USD 10 per share and recorded as additional paid-in capital.

19. Sales Revenues

	March 31, 2009	March 31, 2008
	USD	USD
Export Sales - Net		
Third Parties	10,657,602	8,051,039
Related Parties	6,377,494	5,401,561
Total	17,035,096	13,452,600

This account represents export sales of 221,485 dozens amounted USD 16,122,742 and EUR 595,583 for the year ended March 31, 2009 and 186,648 dozens amounted USD 13,221,904 and EUR 159,492 for the year ended March 31, 2008.

20. Cost of Goods Sold

	March 31, 2009	March 31, 2008
	USD	USD
Material		
Third Party	9,442,279	8,653,842
Related Party	843,778	257,677
Labor	2,554,516	1,501,674
Overhead Cost		
Freight Cost	235,841	269,346
Depreciation (Note 10)	230,090	108,997
Factory Rent	185,434	75,068
Power and Fuel	172,648	97,125
Spare Parts	125,564	93,654
Maintenance	14,163	9,924
Total	13,804,313	11,067,307

The Company carries out production activity based on order received from customers. All finished goods inventory are directly delivered to customer when finished. Therefore, cost of goods sold represents cost of finished goods that already shipped to customers during the year.

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21. Operating Expenses	March 31, 2009	March 31, 2008
	USD	USD
Selling Expenses		
Entertainment	23,909	25,134
Marketing	61,454	6,848
Sub Total	85,363	31,982
General and Administrative Expenses		
Salary	726,176	493,893
Cancellation Cost	276,487	-
Import and Export	271,100	212,284
Bonus and Allowance	206,906	132,221
Telecommunication	140,747	119,334
Depreciation (Note 10)	97,517	79,417
Travelling	64,604	39,837
Transportation	56,915	37,944
Rent Office	31,082	25,007
Legal and Professional Fee	29,462	18,156
Printing and Stationary	23,058	13,978
Freight Cost	23,299	30,394
Work Permit	21,602	17,575
Office Maintenance	20,828	18,180
Employee Benefits	18,258	11,182
Tax and Duties	18,717	1,504
Insurance	16,270	9,593
Rent Machine	15,093	-
Office Consumable	12,047	9,190
Inspection Charges	10,396	-
Water	8,955	4,734
Penalty for Tax	7,095	2,248
Recruitment and Training	5,477	2,587
Others (below USD 5,000)	6,393	11,967
Sub Total	2,108,484	1,291,225
Total	2,193,847	1,323,207
22. Other Income (Expenses)		
Stock Sales and Others	104,887	8,195
Sample Sales	90,326	48,334
Subsidy From Government	40,778	-
Bank Interest	16,561	1,826
Income From Job Work	13,321	-
Others	(2,003)	(199)
Total	263,870	58,156

Based on letter of agreement between the Company and Indonesian Government No. 143/ILMTA.4/SPPB/9/2008, dated September 26, 2008 which has been amended on November 4, 2008, the Company obtained a subsidy amounted to USD 40,778 or equivalent to Rp 492,727,273, after tax. The Company has received such subsidy on November 28, 2008.

23. Commitment

The Company is exposed to price risk due to changes in the foreign currency fluctuation and future prices changes of salaries payment, factory overhead and material purchase. To cover the risk, Company has entered into foreign exchange contract with Hongkong and Shanghai Banking Corporation Limited based on the Confirmation of Structured Forward No. JAK-RD-10727(1) to (26) dated September 8, 2008 and No JAK-RD-10581 (1) to 10581 (12) dated August 13, 2008 which effective since September 19, 2008 until September 8, 2009 and since September 23, 2008 until August 18, 2009, respectively, to hedge its transaction in Rupiah against USD currencies amounted to USD 100,000 on each determination date in exchange rate of Rp 9,675 and Rp 9,650, respectively, for 1 USD.

24. Summary of Significant Differences Between the Company's Accounting Principles using the Indonesian GAAP and the International Financial Reporting Standard (IFRS)

The financial statements of the Company are prepared and presented in accordance with the Indonesian GAAP which differs in certain respects from IFRS. These differences

between the Indonesian GAAP and IFRS are described below and presented in the accompanying reconciliation of net income and certain balance sheet items.

Employee Benefits

Under Indonesian GAAP, a method of accounting for employee benefits is substantially consistent with the requirement of IFRS. However, under IFRS, the transitional liability of defined benefit plans for the first implementation of this standard should be recognized immediately in the statement of income or as an expense on a straight-line basis over up to five years if the transitional liability is more than the liability which had previously been recognized. Under Indonesian GAAP, the first implementation of this standard is treated as a change in accounting policy and should be applied retrospectively. The first implementation was conducted in 2004.

Financial Receivables and Other Receivables

Under Indonesian GAAP, receivables are stated at gross less allowance for doubtful accounts (estimated realizable value). Under IFRS, receivables should be stated at amortized cost less provision for impairment, not estimated realizable value and the provision should reflect both the likelihood of being paid and the timing of the cash flows.

Property, Plant and Equipment

Under Indonesian GAAP, subsequent maintenance expenditure is expensed as incurred. Replacements of parts that increase the value of asset in significant amount can be capitalized. Under IFRS, cost should be capitalized only if they increase the benefit that property, plant and equipment is expected to generate. All other cost are charged in operation, even if they increase the asset's value. Indonesian GAAP permits to use cost or revaluation method to measure the property, plant and equipment. Under IFRS, revaluations must be kept sufficiently up to date so that the carrying amount does not differ materially from the fair value. This requires regular revaluations of all property, plant and equipment when the revaluation policy is adopted.

25. Reconciliation of Net Income and Stockholders' Equity Determined Under the Indonesian GAAP and IFRS

The following is a summary of the significant adjustments to net income (loss) for the year ended March 31, 2009 and 2008 and to stockholders' equity as of March 31, 2009 and 2008 which would be required if IFRS had been applied instead of the Indonesian GAAP in the financial statements.

	March 31, 2009 USD	March 31, 2008 USD
Net income (loss) as reported in the statements of income	511,180	743,909
Item increasing (decreasing) reported net income (loss)		
Provision for employees benefit	-	(1,376)
Fair value gain (loss) from other financial receivables	(2,715)	(1,358)
Net increase (decrease) in reported net income (loss)	(2,715)	(2,734)
Approximate net income in accordance with IFRS	508,465	741,175
Stockholder's equity reported in the balance sheets	3,242,902	2,727,762
Accumulated increasing (decreasing) reported in stockholder's equity		
Provision for employees benefit	-	-
Fair value gain (loss) from other financial receivables	(8,695)	(5,980)
Net increase (decrease) in stockholder's equity	(8,695)	(5,980)
Approximate stockholder's equity in accordance to IFRS	3,234,207	2,721,782

As a result of the IFRS adjustment to net income and stockholders' equity, the following tables presents the approximate balance sheets figures as of March 31, 2009 and 2008 as determined under IFRS:

	March 31, 2009 USD	March 31, 2008 USD
ASSETS		
Current Assets		
Cash on Hand and in Banks	462,607	68,127
Account Receivables		
Third Parties	2,009,252	885,079
Related Parties	1,911,375	570,605

PT Norwest Industry

	March 31, 2009	March 31, 2008
	USD	USD
Other Receivables		
Third Parties	12,349	18,880
Related Parties	10,451	10,841
Inventories	1,101,987	978,548
Advance to Suppliers	301,111	129,784
Prepaid Expenses	70,366	73,319
Prepaid Taxes	166,417	122,810
Other Current Asset	19,481	2,956
Total Current Assets	<u>6,065,396</u>	<u>2,860,949</u>
Non Current Assets		
Deferred Tax Asset	182,666	166,004
Property and Equipment		
<i>(Net of accumulated depreciation of USD 1,370,773 and USD 1,073,938 as of March 31, 2009 and 2008)</i>	1,525,145	1,136,128
Refundable Deposits	86,804	81,006
Total Non Current Assets	<u>1,794,615</u>	<u>1,383,138</u>
TOTAL ASSETS	<u>7,860,011</u>	<u>4,244,087</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Bank Loan	3,475,494	627,002
Account Payables	653,119	480,012
Other Payables	171,615	133,558
Taxes Payable	7,774	74,451
Accrued Expenses	269,848	167,485
Total Current Liabilities	<u>4,577,850</u>	<u>1,482,508</u>
Non-Current Liabilities		
Employee Benefits Obligation	47,954	39,797
Total Non-Current Liabilities	<u>47,954</u>	<u>39,797</u>
Total Liabilities	<u>4,625,804</u>	<u>1,522,305</u>
Stockholders' Equity		
Capital Stock - Par Value USD 10 per Share		
Authorised - 200,000 Shares,		
Issued and Fully Paid - 150,198 Shares		
as of March 31, 2009 and 150,000 Shares		
as of March 31, 2008, respectively	1,501,980	1,500,000
Additional Paid-in Capital	1,980	-
Retained Earnings	1,730,247	1,221,782
Total Stockholders' Equity	<u>3,234,207</u>	<u>2,721,782</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>7,860,011</u>	<u>4,244,087</u>

26. Additional Disclosures Required By IFRS

a. Financial Risk Management

The Company's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

- Foreign exchange risk: the Company exposed to foreign exchange risk from various currency exposures primarily Indonesian Rupiah. The Company has not hedged its exposure to foreign currency risk in connection with the recording currency except for salaries payment, factory overhead and material purchase.
- Credit risk: the Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any customers.
- Interest rate risk: the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant interest-bearing assets.

b. Critical Accounting Estimates and Assumptions

Estimates and judgments are continually evaluated and are based on historical experience

and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- Employee benefits

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality bonds that are denominated in the currency in which the benefits will be paid (Rupiah currency), and that have maturity approximating the terms of the related post employment benefit liability.

- Income taxes

The Company is subject to income tax in Indonesian tax jurisdictions. Significant judgment is required in determining local provision for income tax, among other, non deductible expenses. The Company recognises provision for income tax based on self assessment. Where the final tax outcome as a result of tax audit is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Prepaid taxes are impaired as the carrying amounts may not be recoverable.

- Fair value estimation

The Company determines that the face values less any estimated credit adjustments for loans and receivables with a maturity of less than one year are assumed to approximate their fair values.

a. Trade and Other Receivables

The fair values of trade receivables and other receivables are as follows:

	March 31, 2009	March 31, 2008
	USD	USD
Trade receivable	3,920,627	1,455,684
Other receivable-third parties	12,349	18,880
Other receivable-related parties	10,451	10,841
Other financial receivables-refundable deposits	86,804	81,006
Total	<u>4,030,231</u>	<u>1,566,411</u>

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money or goods directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

The fair values are based on discounted cash flows using a rate based on the borrowings rate of 10%.

The nominal value less estimated credit adjustments of trade receivables are assumed to approximate their fair values.

There are no concentrations of credit risk with respect to trade receivables, as the Company has a number of customers, internationally dispersed.

b. Bank Loan

The carrying amount of short-term bank loan approximates their fair value.

c. Trade and Other Payables

The carrying amount of trade and other payables approximates their fair value which is based on an estimate of the recoverable amount. Recoverable amount is determined by calculating the present value of expected future cash outflows.

27. Reclassification

Certain account in the financial statements as of March 31, 2009 has been reclassified to confirm to the presentation of financial statement as of March 31, 2008 as follow:

	Before	After
	Reclassification	Reclassification
	USD	USD
Prepaid Factory Consumables	2,956	-
Other Current Asset	-	2,956
Total	<u>2,956</u>	<u>2,956</u>

28. Responsibility on the Financial Statements

The management of the Company is responsible for the preparation of the financial statements completed on May 4, 2009.



Depa International, Inc.

DIRECTORS' REPORT

The directors are pleased to present their report together with the audited financial statements of the Company for the year ended 31 March 2009.

Principal activities

The principal activity of the Company is design, development, trading, sourcing and distribution of ready made garments of all kinds.

Results and dividend

The results for the year are shown in the accounts.

The directors do not recommend the payment of a dividend for the year under review (2008: NIL).

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for the preparation of financial statements. In preparing those financial statements the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgment and estimates that are reasonable and prudent;
- stated whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Director

Date: 15 May 2009

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Depa International, Inc.

We have audited the balance sheet of Depa International, Inc. as of March 31, 2009, and the related statements of income, changes in shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Depa International, Inc. as of March 31, 2008, were audited by other auditors whose report dated May 12, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the 2009 financial statements referred to above present fairly, in all material respects, the financial position of Depa International, Inc. as of March 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Sd/-

May 15, 2009

BALANCE SHEET

	NOTES	March 31, 2009	March 31, 2008
ASSETS			
Non-current assets			
Property, plant and equipment	4	\$ 107,993	\$ 183,155
Other non-current assets	5	63,514	82,021
Deferred income tax assets	15	279,000	107,468
Total non-current assets		450,507	372,644
Current assets			
Inventories		430,695	642,020
Trade and other receivables	6, 17	3,451,342	5,394,852
Other current assets	7	550,276	81,637
Cash		3,974	276,937

	Notes	March 31, 2009	March 31, 2008
Total current assets		4,436,287	6,395,446
Total assets		\$ 4,886,794	\$ 6,768,090
EQUITY			
Capital and reserves attributable to equity holders of the company			
Share capital	8	\$ 250,000	\$ 250,000
Retained earnings		3,002,505	3,705,408
Total equity		3,252,505	3,955,408
LIABILITIES			
Non-current liabilities			
Loans	9, 17	750,000	750,000
Total non-current liabilities		750,000	750,000
Current liabilities			
Trade and other payables	10	884,289	2,062,682
Total current liabilities		884,289	2,062,682
Total liabilities		1,634,289	2,812,682
Total equity and liabilities		\$ 4,886,794	\$ 6,768,090

STATEMENTS OF INCOME

	Notes	Year Ended March 31, 2009	Year Ended March 31, 2008
Net sales	17	\$ 10,918,331	\$ 21,234,565
Cost of sales	17	7,790,470	14,497,408
Gross profit		3,127,861	6,737,157
Distribution expenses	17	1,454,927	2,448,289
Administrative expenses	17	3,059,656	3,857,871
Other income	11, 17	124,240	270,096
Operating profit / (loss)		(1,262,482)	701,093
Finance income	12, 17	37,445	86,149
Finance expenses	13	87,644	185,370
Profit / (loss) before income tax		(1,312,681)	601,872
Income tax expense / (benefit)	7, 15	(609,778)	321,395
Net profit / (loss)		\$ (702,903)	\$ 280,477

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Notes	Share Capital	Retained Earnings	Total
Balance at April 1, 2007	8	\$ 250,000	\$ 3,424,931	\$ 3,674,931
Net profit		-	280,477	280,477
Balance, March 31, 2008	8	\$ 250,000	\$ 3,705,408	\$ 3,955,408
Net profit		-	(702,903)	(702,903)
Balance, March 31, 2009	8	\$ 250,000	\$ 3,002,505	\$ 3,252,505

STATEMENTS OF CASH FLOWS

	Notes	Year Ended March 31, 2009	Year Ended March 31, 2008
Cash flows from operating activities			
Profit/ (loss) before income tax		\$ (1,312,681)	\$ 601,872
Adjustments for non-cash items			
Depreciation and amortization	4	76,705	83,730
Loss on abandonment of assets		-	5,777
Add finance expenses	13	87,644	185,370
Deduct finance income	12, 17	(37,445)	(86,149)
Working capital adjustments			
Change in trade and other receivables	6, 17	2,250,450	(1,827,453)
Change in inventories		211,325	(228,116)

Depa International, Inc.

	Notes	Year Ended March 31, 2009	Year Ended March 31, 2008
Change in other current assets	7	16,929	(3,285)
Change in non-current assets	5	18,507	2,987
Change in trade and other payables	10	(1,242,790)	651,604
Cash generated from operations		68,644	(613,663)
Finance expenses paid	13	(87,644)	(185,370)
Finance income received	12, 17	37,445	86,149
Income tax paid	14	(47,322)	(376,777)
Cash flows from operating activities		(28,877)	(1,089,661)
Cash flows from investing activities			
Acquisition of property, plant and equipment	4	(1,543)	-
Due from affiliates	6, 17	(306,940)	1,360,291
Cash flows from investing activities		(308,483)	1,360,291
Cash flows from financing activities			
Proceeds from bank overdraft	10	60,397	-
Proceeds from loans	10	4,000	-
Cash flows from financing activities		64,397	-
Change in cash		(272,963)	270,630
Cash at beginning of period		276,937	6,307
Cash at end of period		\$ 3,974	\$ 276,937

NOTES TO FINANCIAL STATEMENTS

1. General information

Depa International, Inc. (the "Company") is an importer, wholesaler, and distributor of apparel whose customers are located throughout the United States of America.

The Company was incorporated in the State of New York on December 5, 1990.

These financial statements were authorized for issue by the board of directors on May 15, 2009.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements are presented in U.S. dollars.

The preparation of these financial statements in accordance with International Financial Reporting Standards requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those 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.

Segment reporting

The Company's activities are organized primarily into one single business segment, being the distribution of apparel to mass merchandisers and department stores located throughout the United States of America. Geographically, all significant assets, distribution, management and administration facilities are located in the United States of America.

Classification of financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Replacements and improvements are capitalized while general repairs and maintenance are expensed as incurred. Assets are depreciated over their expected useful lives using the straight-line method. Leasehold improvements are depreciated over the estimated useful lives of the assets using the straight-line method.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade receivables

Trade receivables are stated at their cost less any allowance for doubtful accounts and impairment losses. The allowance for doubtful accounts is based on the management's assessment of the collectability of specific customer accounts and the aging of the trade receivables.

Impairment

The management evaluates the carrying value of the Company's financial and non-financial assets for potential impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If any indication of impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the recoverable amount is less than the carrying amount of an asset. Impairment losses are recognized in the statement of income.

Borrowings

Borrowings are stated at their repayment amounts. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables

Trade and other payables are stated at their repayment amounts. Payments with repayment dates exceeding one year are discounted to their net present values.

Revenue recognition

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Leases

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease.

Finance income

Interest income is recognized in the statement of income as it occurs.

Finance expense

Borrowing costs are expensed as incurred.

Income taxes

Income tax on profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable with respect to previous years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

New authoritative accounting pronouncements

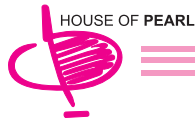
The Company does not anticipate the adoption of recently issued accounting pronouncements to have a significant impact on the Company's financial statements.

Financial risk management**Credit and liquidity risk**

Financial instruments that potentially subject the Company to concentrations of credit and liquidity risk consist of cash and trade receivables. The Company's cash is denominated in U.S. dollars. Cash is maintained with high-quality financial institutions. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

Market risk

Market risk is the risk that market prices, such as interest rates, will affect the Company's income. The Company is exposed to this risk.



Depa International, Inc.

Fair values

The carrying values of financial assets and liabilities such as cash, trade receivables and trade payables approximate their fair values due to the short-term maturities of these instruments.

4. Property, plant and equipment

Property, plant and equipment consisted of the following:

	<u>Furniture and Fixtures</u>	<u>Equipment</u>	<u>Leasehold Improvements</u>	<u>Total</u>
Cost				
April 1, 2008	\$ 112,741	\$ 159,100	\$ 458,201	\$ 730,042
Addition during the year	–	1,543	–	1,543
March 31, 2009	<u>\$ 112,741</u>	<u>\$ 160,643</u>	<u>\$ 458,201</u>	<u>\$ 731,585</u>
Accumulated depreciation				
April 1, 2008	\$ 95,451	\$ 153,131	\$ 298,305	\$ 546,887
Depreciation for the year	8,332	5,558	62,815	76,705
March 31, 2009	<u>\$ 103,783</u>	<u>\$ 158,689</u>	<u>\$ 361,120</u>	<u>\$ 623,592</u>
Net book value				
April 1, 2008	\$ 17,290	\$ 5,969	\$ 159,896	\$ 183,155
March 31, 2009	<u>\$ 8,958</u>	<u>\$ 1,954</u>	<u>\$ 97,081</u>	<u>\$ 107,993</u>
	<u>Furniture and Fixtures</u>	<u>Equipment</u>	<u>Leasehold Improvements</u>	<u>Total</u>
Cost				
April 1, 2007	\$ 112,741	\$ 171,060	\$ 458,201	\$ 742,002
Disposition for the year	–	(11,960)	–	(11,960)
March 31, 2008	<u>\$ 112,741</u>	<u>\$ 159,100</u>	<u>\$ 458,201</u>	<u>\$ 730,042</u>
Accumulated depreciation				
April 1, 2007	\$ 84,259	\$ 149,591	\$ 235,490	\$ 469,340
Disposition for the year	–	(6,183)	–	(6,183)
Depreciation for the year	11,192	9,723	62,815	83,730
March 31, 2008	<u>\$ 95,451</u>	<u>\$ 153,131</u>	<u>\$ 298,305</u>	<u>\$ 546,887</u>
Net book value				
April 1, 2007	\$ 28,482	\$ 21,469	\$ 222,711	\$ 272,662
March 31, 2008	<u>\$ 17,290</u>	<u>\$ 5,969</u>	<u>\$ 159,896</u>	<u>\$ 183,155</u>

5. Other non-current assets

Other non-current assets consisted of the following:

	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Security deposits	\$ 63,514	\$ 82,021
	<u>\$ 63,514</u>	<u>\$ 82,021</u>

6. Trade and other receivables

Trade and other receivables consisted of the following:

	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Due from factor	\$ 2,783,018	\$ 5,033,468
Due from affiliates	668,324	361,384
	<u>\$ 3,451,342</u>	<u>\$ 5,394,852</u>

The Company finances its operations under a financing agreement with a factor. This agreement provides for a line of credit to be derived from the application of a formula based on eligible trade receivables, inventories, advances and reserves. This credit line may be used for advances against factored trade receivables, inventories and letters of credit. The Company has collateralized substantially all of its assets, as well as various guarantees to satisfy any claims or indebtedness to the factor that may arise under the agreement.

At March 31, 2009, due from affiliates are due on a demand basis. Of the total amount due, \$550,766 bears interest at the prevailing market rate, as determined by management. For the year ended March 31, 2009, interest on these amounts amounted to \$13,664. The remaining amounts do not bear interest.

At March 31, 2008, due from affiliates are due on a demand basis. Of the total amount due, \$318,655 bears interest at the prevailing market rate, as determined by management. For the year ended March 31, 2008, interest on these amounts amounted to \$51,032. The remaining amounts do not bear interest.

7. Other current assets

Other current assets consisted of the following:

	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Prepaid expenses	\$ 12,151	\$ 39,330
Prepaid income taxes	–	42,307
Income tax refund receivable	527,875	–
Other current assets	10,250	–
	<u>\$ 550,276</u>	<u>\$ 81,637</u>

8. Share capital

Common shares consisted of the following:

	<u>Par Value</u>	<u>Shares Authorized</u>	<u>Shares Issued</u>	<u>Amount</u>
March 31, 2009	\$ –	200	100	\$ 250,000
March 31, 2008	\$ –	200	100	\$ 250,000

9. Loans

Loans consisted of the following:

	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Loans from shareholders	\$ 750,000	\$ 750,000
	<u>\$ 750,000</u>	<u>\$ 750,000</u>

At March 31, 2009 and 2008, loans from shareholders are due in more than one year and do not bear interest. These loans have been subordinated to the factor.

10. Trade and other payables

Trade and other payables consisted of the following:

	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Trade payables	\$ 676,680	\$ 1,860,336
Advance payment from customer	4,388	–
Accrued expenses	138,824	202,346
Loans	4,000	–
Bank overdraft	60,397	–
	<u>\$ 884,289</u>	<u>\$ 2,062,682</u>

At March 31, 2009, loans of \$4,000 are due on a demand basis and do not bear interest.

11. Other income

Other income consisted of the following:

	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Commission income	\$ 114,890	\$ 131,595
Product development income	–	123,499
Other income	9,350	15,002
	<u>\$ 124,240</u>	<u>\$ 270,096</u>

12. Finance income

Finance income consisted of the following:

	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Interest income	\$ 37,445	\$ 86,149
	<u>\$ 37,445</u>	<u>\$ 86,149</u>

13. Finance expenses

Finance expenses consisted of the following:

	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Factor's interest, commissions and charges	\$ 87,644	\$ 185,370
	<u>\$ 87,644</u>	<u>\$ 185,370</u>

14. Pension plan

The Company has established a defined contribution retirement plan, which provides for contributions to be made by the Company on behalf of each eligible employee. For the years ended March 31, 2009 and 2008, the Company's contributions to this plan amounted to \$14,273 and \$18,146, respectively.

Depa International, Inc.

15. Income taxes

The major components of income tax expense / (benefit) are as follows:

	March 31, 2009	March 31, 2008
Current income tax expense / (benefit)	\$ (20,246)	\$ 362,190
Deferred income tax	(589,532)	(40,795)
Income tax expense / (benefit)	<u>\$ (609,778)</u>	<u>\$ 321,395</u>

For the year ended March 31, 2009 and 2008, the significant components of the net deferred tax assets of approximately \$279,000 and \$107,468, respectively, were inventories capitalization, difference between the book and tax bases of property and equipment and net operating loss.

At March 31, 2009, the Company had approximately \$1,250,000 of net operating losses available for income tax purposes. The management intends to carry back these losses for federal income tax purposes and carry forward these losses for state and local income tax purposes. The net operating losses for state and local income tax purpose are available to offset future taxable income and expire on March 31, 2029.

16. Commitments and contingencies

Operating lease commitments

The Company has entered into long-term operating lease agreements for the rental of showroom and warehouse premises, which expire on October 14, 2010 and April 14, 2011 respectively. For the years ended March 31, 2009 and 2008, rent expense amounted to \$544,370 and \$641,990, respectively.

At March 31, 2009 and 2008, the future minimum rental payments were as follows:

	March 31, 2009	March 31, 2008
No later than 1 year	\$ 422,180	\$ 451,000
Later than 1 year and no later than 5 years	300,680	429,000
	<u>\$ 722,860</u>	<u>\$ 880,000</u>

Letters of credit

The Company was contingently liable for the following outstanding letters of credit:

Letters of credit	\$ 1,213,287	\$ 1,689,519
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17. Related party transactions and balances

The Company had the following related party transactions and balances:

	Year ended March 31, 2009	Year ended March 31, 2008
Net sales	\$ 41,814	\$ 9,072
Net purchases	\$ -	\$ 9,072
Salaries	\$ 507,911	\$ 617,347
Sampling and designing	\$ 55,745	\$ 225,632
Allocated expenses	\$ 675,983	\$ 535,466
Consulting fees	\$ 67,625	\$ -
Commission income	\$ 114,890	\$ 131,024
Finance income	\$ 13,664	\$ 51,032
	<u>March 31, 2009</u>	<u>March 31, 2008</u>
Due from affiliates	\$ 668,324	\$ 361,384
Loans from shareholders	\$ 750,000	\$ 750,000

Poeticgem Limited

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 March 2009.

Principal activities and financial review

The company's principal activity is the import and distribution of garments. There have been no significant changes in the principal activities of the company and its subsidiaries in the year under review. The directors are not aware of any likely major changes in the principal activities in the forthcoming year at the date of this report.

The results for the year and the financial position at the year end for the company and its subsidiaries were considered satisfactory by the directors who expect continued growth in the foreseeable future.

The company's key performance indicators are measured by reference to maintaining growth in gross profit margin. Despite the current economic market conditions, gross profit margin has increased by 26.8% to £10.62m (2008: £8.64m).

Key risks and uncertainties

The main risks of the company are summarised below:

- **Currency risk**
Purchases of the company are mainly denominated in US dollars. As a result, the company is subject to risk of foreign currency movements. It is the company's policy to monitor this risk and to take necessary steps to minimise any adverse effects. The company enters into forward foreign exchange contracts to manage its currency risks.
- **Liquidity risk**
During the year, the company continued to be funded from liquid resources retained in the UK. The directors continue to monitor the company's liquidity taking steps, wherever necessary, to ensure that financial obligations and commitments are met as and when they fall due.
- **Market risk**
Pressure on margins: As the competition amongst value retailers is on the increase, profit margins are under constant pressure. However, the company is spreading its customer base from value retailers to high margin fashion retailers to counter this.
- **Credit risk**
Credit risk arises from trade receivables where the party fails to discharge their obligation in relation to the instrument. To minimise the risk, management have appropriate credit assessment methods in place to establish credit worthiness of new customers and monitor receivables by regularly reviewing aged receivable reports. There is no concentration of credit risk because most of the receivables are factored and the company's customer base is large and unrelated.

Other business review

- **Environmental policy**
The company recognises the importance of environmental responsibilities and where practical has an environmental policy in place which includes the recycling of paper and all office materials. The directors believe the nature of its activities has a minimal effect on the environment.
- **Health and safety**
The company recognises the importance of safeguarding the health, safety and welfare of its employees and has a health and safety policy in place. Regular updates are communicated to all employees.
- **Employees**
The company aims to ensure that the employees work in a safe and healthy environment. The company encourages the workforce to be involved by providing appropriate training, learning and career development programmes. It is also making information available to employees through the medium of frequent staff meetings, together with personal appraisals and feedback sessions.

Future developments

The business environment looks challenging due to the current economic market conditions which have an impact on the UK retail industry. Poeticgem Limited will continue to follow the plans of customer diversification and optimisation of synergies between various subsidiaries of House of Pearl Fashions Limited to bring overall growth and improvement in profitability.

Policy on the payment of creditors

The company applies a policy of agreeing payment terms with each of its main suppliers and the company aims to abide by these terms, subject to satisfactory performance by suppliers.

At the year end, the company had 26 days (2008: 22 days) of purchases outstanding.

Results and dividends

The company's profit for the year after taxation was £757,989 (2007: £1,701,407).

The directors do not recommend the payment of a dividend.

Directors

The following directors have held office since 1 April 2008:

S Punjabi	(Resigned 15 May 2008)
Pallak Seth	
Pulkit Seth	(Appointed 15 April 2008)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 March 2009	1 April 2008
S Punjabi	-	-
Pallak Seth	-	-
Pulkit Seth	-	-
Charitable donations	2009	2008
	£	£
	43,453	4,606

During the year the company made the following payments:

Charitable donations

Auditors

The auditors, Auerbach Hope, are deemed to be reappointed under Section 487(2) of the Companies Act 2006

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). These financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with applicable IFRSs adopted by the EU and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. In which case there should be supporting assumptions or qualifications as necessary.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditor

- (a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board

Sd/
Pallak Seth
Director

14 May 2009

Poeticgem Limited

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF POETICGEM LIMITED FOR THE YEAR ENDED 31 MARCH 2009

We have audited the financial statements of Poeticgem Limited for the year ended 31 March 2009 which comprise the income statement, balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards of Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of our audit opinion

We conducted our audit in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2009 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Sd/

Auerbach Hope
Chartered Accountants

14 May 2009
58-60 Berners Street
London
W1T3JS

Registered Auditors

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	NOTES	2009 £	2008 £
Continuing operations			
Revenue	4	34,055,037	35,049,156
Cost of revenue		(23,430,679)	(26,410,643)
Gross profit		10,624,358	8,638,513
Other income	5	402,544	1,173,501
Distribution costs		(2,774,430)	(2,306,188)
Administrative expenses		(6,848,030)	(4,571,665)
Operating profit	6	1,404,442	2,934,161
Finance income	8	74,172	70,328
Finance costs	9	(329,993)	(509,255)
Profit for the year before taxation		1,148,621	2,495,234
Taxation	10	(390,632)	(793,827)
Profit for the financial year	24,25	757,989	1,701,407

None of the company's activities were discontinued in the year.

There is no recognised income or expense other than those passing through the income statement.

BALANCE SHEET AS AT 31 MARCH 2009

	NOTES	2009 £	2008 £
Non current assets			
Property, plant and equipment	11	4,707,130	4,559,876
Investments in subsidiaries	12	575,821	575,721
Other investments	13	172,693	
Trade and other receivables	15	310,857	251,626
		5,766,501	5,387,223
Current assets			
Inventories	14	2,410,221	2,644,157
Trade and other receivables	15	9,211,470	8,804,213
Short term investments	13	738,984	552,632
Cash and cash equivalents		280,312	1,519,751
		12,640,987	13,520,753
Total assets		18,407,488	18,907,976
Current liabilities			
Trade and other payables	16	(2,214,031)	(2,411,848)
Borrowings	17	(7,143,174)	7,863,316
Obligations under hire purchase contracts	18	(46,306)	(48,154)
Current tax liabilities		(207,802)	(405,566)
Other financial liabilities	19	(305,644)	(55,088)
		(9,916,957)	10,783,972
Net current assets		2,724,030	2,736,781
Non current liabilities			
Borrowings	17	(2,583,543)	(2,741,985)
Obligations under hire purchase contracts	18	(99,031)	(75,891)
Deferred tax liabilities	21	(1,003)	(6,607)
		(2,683,577)	2,824,483
Total liabilities		(12,600,534)	(13,608,455)
Net Assets		5,806,954	5,299,521
Shareholders' equity			
Share capital	22	50,000	50,000
Other reserves	23	(305,644)	(55,088)
Retained earnings	24	6,062,598	5,304,609
Total equity	25	5,806,954	5,299,521

The financial statements were approved by the board of directors and authorised for issue on 14 May 2009 and were signed on its behalf by:

Sd/-
P Seth
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2009

	NOTES	2009 £	2008 £
Cash flows from operating activities			
Cash generated from operations	29	1,071,944	1,544,404
Interest paid		(329,993)	(509,255)
Tax paid		(594,000)	(1,102,067)
Interest received		74,172	70,328
Net cash generated by operating activities		222,123	3,410
Cash flows from Investing activities			
Proceeds from sale of plant and equipment		11,499	-
Payments to acquire property, plant and equipment		(364,463)	(181,814)
Acquisition of subsidiary, net of cash acquired		(100)	(565,677)
Purchases of available-for-sale financial assets		(172,693)	-
Net cash used in investing activities		(525,757)	(747,491)

Poeticgem Limited

	NOTES	2008 £	2007 £
Cash flows from financing activities			
New bank loans raised		1,100,629	870,039
Repayments of borrowings		(337,332)	(231,637)
Repayment of advances from debt factoring		(113,564)	(264,787)
Capital element of hire purchase contracts repayments		(57,222)	(36,921)
Net cash generated by financing activities		592,511	336,694
Net increase in cash and cash equivalents		288,877	(407,387)
Cash and cash equivalents at the start of the year		(469,347)	(61,960)
Cash and cash equivalents at the end of the year	29	(180,470)	(469,347)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

1. General information

Poeticgem Limited is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 1. The principal activity of the company is disclosed in the directors' report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

2. Significant accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost basis and in accordance with International Financial Reporting Standards (IFRSs). The following principal accounting policies adopted in the preparation of these financial statements are set out below. The policies have been consistently applied unless otherwise stated.

2.1 Adopted IFRSs not yet applied

At the date of authorisation of these financial statements certain new standards, amendments and interpretations to existing standards have been published but are not yet effective. The company has not chosen to adopt early any of the pronouncements. The new standards and interpretations that are expected to be relevant to the company's financial statements are as follows:

- IAS1 (revised), 'Presentation of financial statements', applicable for reporting periods commencing on or after 1 January 2009.
- IAS23 (revised), 'Borrowings', applicable for reporting periods commencing on or after 1 January 2009.
- IAS27 (revised), 'Consolidated and separate financial statements', applicable for reporting periods commencing on or after 1 July 2009.
- IAS28 (amendment), 'Investments in associates', applicable for reporting periods commencing on or after 1 January 2009.
- IAS32 (amendment), 'Financial instruments: Presentation', applicable for reporting periods commencing on or after 1 January 2009.
- IAS36 (amendment), 'Impairment of assets', applicable for reporting periods commencing on or after 1 January 2009.
- IAS39 (amendment), 'Financial instruments: Recognition and measurement', applicable for reporting periods commencing on or after 1 July 2009.
- IFRS 8 'Operating segments', applicable for reporting periods commencing on or after 1 January 2009.

The company plans to adopt the above standards in the period in which they become applicable. The directors do not consider that the adoption of these standards will have a material impact on the financial statements in the period of initial application. Other new standards and interpretations have been issued but are not expected to have a material impact on the company's financial statements.

2.2 Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows :

Land and buildings freehold	1% straight line
Land and buildings leasehold	1% straight line on long lease and over lease term for short lease
Plant and machinery	33.33% reducing balance
Fixtures, fittings and equipment	25% reducing balance
Motor vehicles	25% reducing balance

Freehold land is not depreciated.

2.3 Impairment

The carrying values of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exist, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

– **Sale of goods**

Revenue represents amounts receivable from the distribution of garments net of discounts and value added tax. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

– **Rental income**

Rental income is earned at arm's length on the freehold property which is occupied by one of the subsidiaries. Rental income under operating leases is credited to the income statement on a straight line basis over the term of the lease .

– **Interest income**

Interest revenue is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable .

2.5 Leasing and hire purchase commitments

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Assets obtained under finance leases and hire purchase contracts are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.6 Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price and other costs incurred in bringing the inventories to their present location and condition. Cost is measured using the FIFO method. Net realisable value represents the estimated selling price.

2.8 Taxation

Income tax expense represents the current tax payable and deferred tax provision.

– **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the same income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

– **Deferred tax**

The company accounts for deferred tax using the liability method and as such recognises all timing differences between the company's profits chargeable to tax and its results as shown in the financial statements. These timing differences arise from the inclusion of gains and losses for tax purposes in different periods from those in which they are recognised in the financial statements. Deferred tax assets are only

Poeticgem Limited

recognised to the extent it is probable that the future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured on a non-discounted basis at rates of tax expected to apply in the periods in which the timing differences are expected to reverse.

2.9 Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the period.

In order to hedge its exposure to certain foreign exchange risks, the company enters into forward contracts and options (see note 2.11 for details of the company's accounting policies in respect of such derivative financial instruments).

2.10 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228A of the Companies Act 1985 as it is a subsidiary undertaking of Multinational Textile Group Limited, a company incorporated in Mauritius, and is included in the consolidated accounts of that company.

2.11 Financial instruments

Financial instruments are measured initially at cost, which is the fair value of whatever was paid or received to acquire or incur them. The company has the following categories of financial assets and liabilities:

– Trade and other receivables

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

– Trade and other payables

Trade and other payables are stated at their nominal value.

– Factored debts

Factored debts are shown as gross assets within trade receivables and a corresponding liability is shown in respect of proceeds received within payables. The interest and factoring charges are recognised in the income statement during the period to which they relate using the effective intent method.

– Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

– Other financial liabilities

Trade payables are recognised and carried at original invoice cost and are a short-term liability of the company.

– Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the company cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

– Interest-bearing loans and borrowings

Interest-bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs. Finance charges are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

– Derivative financial instruments and hedge accounting

The company uses derivative financial instruments such as forward currency contracts to hedge its exposure to exchange rate movements on merchandise purchases, certain other costs and sales denominated in foreign currencies.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The company applies cash flow hedge accounting whereby changes in the fair value of the hedging instrument are recognised directly in equity rather than the income statement. When the hedged item is recognised in the financial statements, the

accumulated gains and losses are removed from equity and recognised in the income statement. If the hedged item results in a non-financial asset or non-financial liability, the accumulated gains and losses are removed from equity and recognised as adjustments to their initial carrying value.

Hedge effectiveness testing is carried out retrospectively and prospectively and where ineffectiveness arises on hedged items, the changes in fair value are taken directly to the income statement for the year.

3. Significant judgements and estimates

The preparation of the company's financial statements in conforming with IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimates is contained in either the accounting policies or in the notes to the financial statements.

Certain foreign payables and foreign receivables are not retranslated at the rates prevailing on the balance sheet date, because in the directors' opinion the payables are covered by the forward exchange contracts and the receivables will be collected at the sterling amount recognised in the financial statements. Any net overstatement or net understatement of foreign exchange differences is not considered to be material.

Available-for-sale financial assets are stated in the financial statements at the same carrying value at the balance sheet date. In the directors' opinion, these financial assets have not been impaired and are correctly stated.

4. Revenue**a. Company activities**

The company's activity is in a single business segment, being the supply of ladies', men's and children's garments.

b. Revenues by geographical market and customer location

The company's operations are located primarily in UK and the business activity is reportable as follows:

Analysis of revenue by category:	2009	2008
	£	£
Sale of garments	28,073,575	32,097,766
Commission receivable	5,981,462	2,951,390
	<u>34,055,037</u>	<u>35,049,156</u>
Analysis of revenues by geographical market and customer location are as follows:		
UK	27,081,919	31,975,066
Asia	5,981,462	2,951,390
Rest of Europe	991,656	122,700
	<u>34,055,037</u>	<u>35,049,156</u>
5. Other income		
Rent receivable	230,040	230,040
Exchange gain	107,047	840,620
Other income	65,457	102,841
	<u>402,544</u>	<u>1,173,501</u>
6. Operating profit		
Operating profit has been arrived at after charging/(crediting):		
Staff costs (see note 7)	4,784,609	2,972,978
Depreciation of property, plant and equipment	283,874	250,814
Loss on disposal of property, plant and equipment	350	–
Operating lease rentals	114,895	96,336
Hire of equipment	3,180	348
Profit on foreign exchange transactions	(107,047)	(840,620)
Fees payable to auditors:		
Audit of annual financial statements	35,500	24,000
Other services - review of the interim financial statements	21,500	14,500
Other services relating to taxation	13,075	24,795
Other services	1,018	20,400
Services relating to corporate finance transactions	3,950	9,575



Poetigem Limited

7. Staff numbers and costs

	2009	2008
	£	£
The payroll costs (including directors) were as follows:		
Staff wages and salaries	3,179,484	2,510,181
Directors' remuneration	1,090,933	174,667
Social security costs	514,192	288,130
	<u>4,784,609</u>	<u>2,972,978</u>

The average number of employees (including directors) during the year was:

	2009	2008
	Number	Number
Designers	16	11
Sales	40	33
Administration	18	16
Quality control	11	7
	<u>85</u>	<u>67</u>

Directors' emoluments

	£	£
Emoluments for qualifying services	<u>1,125,600</u>	<u>202,711</u>

8. Finance income

	2009	2008
	£	£
Interest on bank deposits	6,469	70,328
Interest income on short-term investments	67,703	-
	<u>74,172</u>	<u>70,328</u>

9. Finance costs

	2009	2008
	£	£
Interest on borrowings	306,687	457,327
Interest on overdue tax	3,658	39,506
Interest on obligations under hire purchase contracts	19,648	12,422
	<u>329,993</u>	<u>509,255</u>

10. Taxation for the period

	2009	2008
	£	£
Income tax expense		
Current tax expense:		
UK corporation tax	396,236	810,566
Total current tax	<u>396,236</u>	<u>810,566</u>
Deferred tax:		
Origination and reversal of temporary difference	(5,604)	(16,739)
Total deferred tax	<u>(5,604)</u>	<u>(16,739)</u>
Income tax expenses	<u>390,632</u>	<u>793,827</u>
Reconciliation of effective rate		
Profit before taxation	1,148,621	2,495,234
National taxation charge at the UK corporation tax Rate of 28% (2008 : 30%)	321,614	748,571
Tax effects of:		
Expenses not deductible for tax purposes	49,382	35,384
Depreciation in excess of capital allowances	36,383	35,951
Other tax adjustments	(11,143)	(9,340)
Total tax in income statement	<u>396,236</u>	<u>810,566</u>

11. Property, plant and equipment

	Land and buildings freehold	Land and buildings leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 April 2008	2,468,630	1,822,549	341,643	740,008	237,151	5,609,981
Additions / transfers	(32,093)	207,124	37,318	138,114	92,514	442,977
Disposals	-	-	-	-	(29,500)	(29,500)
At 31 March 2009	<u>2,436,537</u>	<u>2,029,673</u>	<u>378,961</u>	<u>878,122</u>	<u>300,165</u>	<u>6,023,458</u>
Accumulated depreciation						
At 1 April 2008	32,201	175,052	234,336	519,779	88,737	1,050,105
On disposals	-	-	-	-	(17,651)	(17,651)
Charge for the year	24,044	82,466	42,574	82,410	52,380	283,874
At 31 March 2009	<u>56,245</u>	<u>257,518</u>	<u>276,910</u>	<u>602,189</u>	<u>123,466</u>	<u>1,316,328</u>
Carrying amount						
At 31 March 2009	<u>2,380,292</u>	<u>1,772,155</u>	<u>102,051</u>	<u>275,933</u>	<u>176,699</u>	<u>4,707,130</u>
At 31 March 2008	<u>2,436,429</u>	<u>1,647,497</u>	<u>107,307</u>	<u>220,229</u>	<u>148,414</u>	<u>4,559,876</u>

Included in the above are assets held under finance leases and hire purchase contracts as follows:

	Motor vehicles	
	2009	2008
	£	£
Cost	248,757	185,743
Aggregate depreciation	(86,595)	(56,712)
Carrying amount	<u>162,162</u>	<u>129,031</u>

Security

Properties with a carrying of £3,764,296 (2008:£3,951,518) are subject to a legal charge to secure bank loans (see note 17).

Poeticgem Limited

	Land and buildings freehold	Land and buildings leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 April 2007	2,412,157	1,771,048	318,579	700,921	80,908	5,283,613
Additions	56,473	51,501	23,064	39,087	156,243	326,368
At 31 March 2008	2,468,630	1,822,549	341,643	740,008	237,151	5,609,981
Accumulated depreciation						
At 1 April 2007	7,684	112,036	187,272	453,033	39,266	799,291
Charge for the year	24,517	63,016	47,064	66,746	49,471	250,814
At 31 March 2008	32,201	175,052	234,336	519,779	88,737	1,050,105
Carrying amount						
At 31 March 2008	2,436,429	1,647,497	107,307	220,229	148,414	4,559,876
At 31 March 2007	2,404,473	1,659,012	131,307	247,888	41,642	4,484,322

Included in the above are assets held under finance leases and hire purchase contracts as follows:

	Motor vehicles	
	2008	2007
	£	£
Cost	185,743	38,499
Aggregate depreciation	(56,712)	(18,904)
Carrying amount	129,031	19,595

12. Investments in subsidiaries

	Shares in Subsidiary Undertakings	
	2009	2008
	£	£
Cost		
At 1 April 2008	575,721	10,044
Additions during the year	100	565,677
At 31 March 2009	575,821	575,721

Investments in group undertakings are recorded at cost, which is the fair value of the consideration paid.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	%
		Class	
Subsidiary undertakings			
Pacific Logistics Limited	England and Wales	Ordinary	100
Poeticgem (Canada) Limited	Canada	Ordinary	100
Pacific Supply Chain Limited	England and Wales	Ordinary	100
Poetic Knitwear Limited*	England and Wales	Ordinary	100
FX Import Company Limited	England and Wales	Ordinary	50

The aggregate amount of capital and reserves and the results of the undertakings at 31 March 2009 were as follows:

	Capital and Reserves	Profit/(loss) for the year
	£	£
Pacific Logistics Limited	258,409	(77,924)
Poeticgem (Canada) Limited	66,411	22,037
Pacific Supply Chain Limited	(3,224)	(4,224)
Poetic Knitwear Limited*	100	-
FX Import Company Limited	(606,347)	(601,855)

* The company was dormant throughout the period.

13. Other investments and short-term investments

	2009	2008
	£	£
Other investments:		
At start of the year	-	-
Additions during the year	123,918	-
Net gain- exchange difference	48,775	-
At the end of the year	172,693	-

Other investments are available for sale financial assets consisting of ordinary shares, and therefore have no maturity date or coupon rate. In the director's opinion, the fair value of this unlisted security is the same as the carrying value at the balance sheet.

	2009	2008
	£	£
Short-term investments:		
At start of the year	552,632	-
Additions during the year	-	552,632
Net gain - exchange difference	186,352	-
At the end of the year	738,984	552,632

Short-term investments are available-for-sale financial assets consisting of a short-term interest bearing loan at an annual rate of 8%. It is recorded at cost which is the fair value of the loan advanced.

None of these financial assets are either past due or impaired. The above financial assets are denominated in US dollars.

	2009	2008
	£	£
14. Inventories		
Finished goods and goods for resale	2,410,221	2,644,157

	2009	2008
	£	£
15. Trade and other receivables		
Current assets		
Trade receivables	4,118,171	5,403,461
Other receivables	2,694,162	1,332,597
Receivables from fellow group companies	1,490,847	1,837,473
Receivables from subsidiary companies	227,053	155,742
Prepaid expenses	57,898	74,940
Receivables from related parties	623,339	-
	9,211,470	8,804,213

Non-current assets

Receivables from subsidiary company	310,857	251,626
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The average credit period given for trade receivables at the end of the year is 54 days (2008: 66 days).



Poetigern Limited

At 31 March 2009, the ageing analysis of trade receivables is as follows:

	Overdue but not impaired		
	Total £	<3 Months £	> 3 Months £
2009	4,118,171	4,095,934	22,237
2008	5,403,461	5,110,740	292,721

All amounts are due to be recovered within 12 months of the balance sheet date. The fair value of trade and other receivables are the same as the carrying value shown above.

The maximum exposure to credit risk for trade and other receivables is represented by their carrying amount. The company does not have a significant concentration of credit risk for its trade receivables because its customer base is large.

Other receivables include a bank security deposit of £443,390 (2008: £331,579) which is secured by a legal charge.

16. Trade and other payables

	2009 £	2008 £
Trade payables	1,652,659	1,566,669
Payables to fellow group companies	48,684	236,350
Payables to subsidiary companies	133,320	335,914
Payables to related parties	11,464	1,239
Social security and other taxes	323,980	230,559
Other payables	100	4,617
Accrued expenses	43,824	36,500
	<u>2,214,031</u>	<u>2,411,848</u>

Trade payables and accrued expenses mainly comprise of amounts owed for trading purchase and associated costs.

All trade and other payables are due to be paid within 12 months of the balance sheet date.

The fair value of trade and other payables are the same as the carrying value shown above.

17. Borrowings

	2009 £	2008 £
Bank overdrafts	460,781	1,989,098
Bank loans	6,160,742	5,487,446
Advances from factors	2,702,409	2,815,973
Loans from parent undertaking	312,784	312,784
	<u>9,636,716</u>	<u>10,605,301</u>

The borrowings are repayable as follows:

On demand or within one year	7,143,174	7,863,316
In the second year	285,424	170,333
In the third to fifth years inclusive	1,039,224	893,062
After five years	1,258,895	1,678,590
	<u>9,726,717</u>	<u>10,605,301</u>

Less: Amount due for settlement within 12 months (shown under current liabilities)

	<u>(7,143,174)</u>	<u>(7,863,316)</u>
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Amount due for settlement after 12 months

	<u>2,583,543</u>	<u>2,741,985</u>
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The weighted average of interest rates paid were as follows:

	2009 %	2008 %
Bank overdrafts	4.30	7.00
Bank loans	3.98	7.00

Bank loans are arranged at floating rates, thus exposing the company to cash flow interest rate risk.

The other principal features of the company's borrowings are as follows:

- Bank overdrafts are repayable on demand. The average effective interest rate on bank overdrafts approximates to 4.30 per cent per annum and is determined based on 1.75 per cent plus base rate.
- The company's bank loans are secured by a legal charge over the freehold property at Teleflex Plot, Burnleys, Kiln Farm, Milton Keynes and over the leasehold property at Flat 16, 15 Grosvenor Square, London, fixed and floating charges over the assets of the company and a cross guarantee between Poetigern Limited and its subsidiary Pacific Logistics Limited. The loans carry an average interest rate of 1.31 percent over base rate.

At 31 March 2009 the company had available £2,596,051 (2008: £3,250,450) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The company has advances from factors that are secured by a charge on the trade receivables of the company.

Other loans represent an amount of £312,784 (2008: £312,784) due to Global Textile Group Limited, the company's immediate parent company. The amount is unsecured and interest free.

The carrying value of all the company's long term borrowings approximate to their fair value as at the balance sheet date.

18. Obligations under hire purchase contracts

	2009 £	2008 £
Amounts payable under hire purchase contracts:		
Within one year	56,300	134,554
In the second to fifth years	118,575	2,792
Less: Future interest charges	<u>(29,538)</u>	<u>(13,301)</u>
Present value of hire purchase obligations	145,337	124,045
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(46,306)</u>	<u>(48,154)</u>
Amount due for settlement after 12 months	<u>99,031</u>	<u>75,891</u>

The fair value of the hire purchase contract is approximately equal to the carrying amount.

The company's obligations under hire purchase are secured by charges over the relevant assets.

19. Derivative financial instruments

	2009 £	2008 £
Forward foreign exchange contracts (fair value)	<u>305,644</u>	<u>55,088</u>

The terms of the forward foreign exchange contracts have been negotiated to match the terms of the commitments as referred to in note 20. The cash flow hedges of the expected future purchase were assessed to be highly effective and as at 31 March 2009, an unrealised loss of £305,644 (2008: £55,088) was included in the hedging reserves in respect of these contracts.

The ineffective portion recognised in the income statement that arises from cash flow hedges amounts to a gain of £151,635 (2008: £651,169)

20. Forward foreign exchange contracts

Currency derivatives

The company utilises currency derivatives to hedge significant future transactions and cash flows. The company is a party to a variety of foreign currency contracts and options in the management of its exchange rate exposures.

At the balance sheet date, the total notional amounts of outstanding forward foreign exchange contracts that the company has committed to are as below:

	2009 £	2008 £
Forward foreign exchange contracts (cash flow hedges)	<u>11,069,274</u>	<u>17,747,340</u>

These commitments have been entered into to hedge against future payments to suppliers in the ordinary course of business that will fall due in the period ending 31 March 2010.

These arrangements are designed to address significant exchange exposures and are renewed on a revolving basis as required.

21. Deferred tax

The movement for recognised deferred tax during the year was:

	2009 £	2008 £
At the start of the year	6,607	23,346
Credited to income statement during the year	<u>(5,604)</u>	<u>(16,739)</u>
At the end of the year	<u>1,003</u>	<u>6,607</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2009 £	2008 £
Excess of taxation allowances over depreciation on fixed assets	<u>1,003</u>	<u>6,607</u>

22. Share capital

Authorised

50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

Poeticgem Limited

23. Other reserves

	2009	2008
	£	£
Hedging reserve		
Cash flow hedges:		
Fair value at the start of the year	55,088	–
Increase in fair value of cash flow hedges (see note 25)	250,556	55,088
Fair value at the end of the year	<u>305,644</u>	<u>55,088</u>

24. Retained earnings

Balance at the start of the year	5,304,609	3,603,202
Net profit for the year	757,989	1,701,407
Balance at the end of the year	<u>6,062,598</u>	<u>5,304,609</u>

25. Statement of movements in equity

Profit for the financial year	757,989	1,701,407
Equity at the start of the year	5,299,521	3,653,202
Other reserves (see note 23)	(250,556)	(55,088)
Equity at the end of the year	<u>5,806,954</u>	<u>5,299,521</u>

26. Operating lease arrangements

Minimum lease payments under operating leases recognised in the income statement for the year	<u>108,950</u>	<u>94,269</u>
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At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		Other	
	2009	2008	2009	2008
	£	£	£	£
Within one year	116,232	74,232	4,410	6,490
Between two and five years	272,208	222,696	5,176	3,245
	<u>387,440</u>	<u>296,928</u>	<u>9,586</u>	<u>9,735</u>

Operating lease payments represent rentals payable by the company.

30. Related party transactions

During the year, the company entered into the following transactions with related parties:

	Sales/ FOB transfers/ Rent/commission received		Commission paid/ purchases/expenses		Amounts owed by related party		Amounts owed to related party	
	2009	2008	2009	2008	2009	2008	2009	2008
	£	£	£	£	£	£	£	£
Depa International Inc, USA	–	–	–	26,270	–	–	4,470	4,304
FX Import Company Limited UK	12,191	–	–	–	116,191*	–	–	–
Global Textile Group Limited Mauritius	–	–	–	–	–	–	312,784**	312,784
House of Pearl Fashions Limited India	–	29,311	–	–	75,517	29,311	–	–
House of Pearl Fashions Limited USA	–	–	–	–	81,146	–	–	–
Nor Pearl Knitwear Limited Bangladesh	–	–	–	1,069,080	–	–	40,087	201,493
Norp Knit Industries Limited Bangladesh	–	–	171,992	220,737	119,158	100,957	–	–
Norwest Industries Limited Hong Kong	6,789,781	3,289,884	1,128,968	1,909,666	770,456	1,321,673	–	–
PT Norwest Industries, Indonesia	–	–	–	74,817	–	1,816	–	–
Pacific Logistics Limited, UK	230,040	230,040	1,935,545	2,330,090	420,999*	251,626	–	334,914
Pacific Supply Chain Limited, UK	–	–	–	–	720	–	–	1,000
Pearl Global Limited, India	–	–	–	316,502	380,638	379,608	291	14,294
Poeticgem (Canada) Limited, Canada	–	3,773	–	–	–	155,742	133,220	–
Poetic Knitwear Limited, UK	–	–	–	–	–	–	100	–
Simple Approach Limited Hong Kong	28,866	–	–	–	57,729	–	–	–
Vastras, India	–	–	–	–	–	887	3,836	16,259
Zamira Fashions Limited, Hong Kong	–	–	–	–	6,203	3,221	–	–

The above balances are interest free and repayable on demand.

* This includes an interest free long-term loan of £104,000 and £206,856 receivable from FX Import Company Limited and Pacific Logistics Limited respectively.

** Amount payable to Global Textile Group Limited is due after more than one year.

27. Contingent liabilities

At 31 March 2009 the company had the following contingent liabilities:

The company's bankers, Royal Bank of Scotland plc have given a guarantee to H M Revenue & Customs amounting to £600,000 on behalf of the company. The maximum liability of the company to the bankers is £1,200,000.

The company's bank has issued a letter of credit for £5,715,500 (2008: £8,104,796).

The company has extended an unlimited guarantee on the banking facilities of its subsidiary company Pacific Logistics Limited. This guarantee is supported by a debenture dated 17 August 2005. The company's maximum contingent liability under the guarantee as at 31 March 2009 is £63,152. The company has given an unlimited guarantee on the banking facilities of FX Import Company Limited.

28. Capital commitments

The company had no significant capital commitments at 31 March 2009.

29. Notes to the cash flow statement

	2009	2008
	£	£
Cash flow from operating activities		
Profit from operations	1,404,442	2,934,161
Adjustments for:		
Depreciation of property, plant and equipment	283,874	250,814
Loss on disposal of property, plant and equipment	350	–
Operating cash flows before working capital	<u>1,688,666</u>	<u>3,184,975</u>
Decrease / (increase) in inventories	233,936	(108,904)
Increase in receivables	(652,840)	(2,368,682)
(Decrease)/increase in payables	(197,818)	837,015
Cash generated by operations	<u>1,071,944</u>	<u>1,544,404</u>
Cash and cash equivalents comprise:		
Cash in hand and at bank	280,312	1,519,751
Bank overdrafts	(460,782)	(1,989,098)
	<u>(180,470)</u>	<u>(469,347)</u>

Poeticgem Limited

The above companies are related as follows:

The ultimate parent company of Poeticgem Limited is House of Pearl Fashions Limited, in which P Seth is a director and shareholder.

The immediate parent company of Poeticgem Limited is Global Textile Group Limited, Mauritius.

Pacific Logistics Limited, Pacific Supply Chain Limited, Poetic Knitwear Limited and Poeticgem (Canada) Limited, are all wholly owned subsidiaries of Poeticgem Limited.

Poeticgem Limited owns 50% share in FX Import Company Limited.

PT Norwest Industries, and Depa International Inc are subsidiary of the company's immediate parent company, Global Textile Group Limited.

Pearl Global Limited, Nor-Pearl Knitwear Limited and Norp Knit Industries Limited and House of Pearl Fashions (US) Limited are subsidiaries of the company's ultimate parent company, House of Pearl Fashions Limited.

Norwest Industries Limited, Zamira Fashions Limited and Simple Approach Limited are fellow subsidiaries of Global Textile Group Limited.

Vastras is an associate of House of Pearl Fashions Limited.

31. Transactions with directors

The following transactions were carried out with related parties:

- Loans and advances to related parties:

	Transactions during the year £	Year end balance 2009 £	Year end balance 2008 £
Loan to Pallak Seth	174,786	(9,729)	(620)
Loan to related parties ¹	623,339	623,339	-
Loan to close family members ²	346,095	(1,735)	(619)

¹ This entity is controlled by Pallak Seth.

² Close family members are related to both Pallak Seth and Pulkit Seth, directors of the company.

This balances are interest free and repayable on demand.

	Salaries/ Bonus £	Benefits £	2009 £	2008 £
• Directors' emoluments				
Pallak Seth	1,090,933	34,667	1,125,600	202,711
• Other				

Mr Pallak Seth has provided a personal guarantee of £750,000 in respect of a bank loan taken by the company.

A short-term interest bearing loan at an annual rate of 8% has been advanced to a company controlled by close family members of Pallak Seth and Pulkit Seth. At the balance sheet date the investment was £738,984 (2008: £552,632)

32. Control

The immediate parent company is Global Textile Group Limited, a company registered in Mauritius, and the ultimate parent company is House of Pearl Fashions Limited, a company registered in India. House of Pearl Fashions Limited prepares group financial statements and copies can be obtained from Corporate Office: 446, Udyog Vihar, Phase-V, Gurgaon - 122016 (Haryana), India.

House of Pearl Fashions Limited is listed on the Bombay Stock Exchange and the National Stock Exchange in India.

Pearl GES Home Group Limited

REPORT OF THE DIRECTORS**FOR THE YEAR ENDED 31 MARCH 2009**

The directors present their report and the audited financial statements of the Company for the period from 13 May 2008 (date of incorporation) to 31 March 2009.

Principal activity

The principal activities of the Company are trading of home and garment products, and investing holding. Details of the principal activity of a subsidiary are set out in note 11 to the financial statements. There was no significant change in the nature of the Group's principal activities during the period.

Results

The Group's loss for the period from 13 May 2008 (date of incorporation) to 31 March 2009 and the state of affairs of the Company and the Group at the balance sheet date are set out in the financial statements on pages 5 to 29.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Company and the Group during the period are set out in note 10 to the financial statements.

Directors

The directors of the Company during the year were:

Deepak Seth	(appointed on 14 May 2008)
Pallak Seth	(appointed on 14 May 2008)
Pulkit Seth	(appointed on 14 May 2008)
Mahesh Seth	(appointed on 14 May 2008)
Berstein Jauregui Sebastian Felipe	(appointed on 17 December 2008)
Guiloff Titelman Yariv	(appointed on 17 December 2008)
Vial Cerda Vicente	(appointed on 17 December 2008)

In accordance with the Company's articles of association, all remaining directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' interests

At no time during the period was the Company, its subsidiary or any of its holding companies or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Company to which the Company, its subsidiary or any of its holding companies or fellow subsidiaries was a party during the period.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Chairman
Hong Kong
11 May 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PEARL GES HOME GROUP LIMITED

(Incorporated in Hong Kong with Limited liability)

We have audited the financial statements of Pearl GES Home Group Limited set out on pages 5 to 29, which comprise the consolidated and company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the period from 13 May 2008 (date of incorporation) to 31 March 2009, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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' judgement, 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 auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2009 and the Group's loss and cash flows for the period from 13 May 2008 (date of incorporation) to 31 March 2009 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Sd/-
Hong Kong, May 11, 2009

Certified Public Accountants

CONSOLIDATED INCOME STATEMENT

Period from 13 May 2008 (Date of incorporation to 31 March 2009)

	Notes	US \$
REVENUE	5	617,718
Cost of sales		(498,210)
Gross profit		119,508
Foreign exchange differences, net		18,176
Administrative expenses		(456,117)
Other operating expenses		(8,469)
LOSS BEFORE TAX	6	(326,902)
Tax	8	-
LOSS FOR THE PERIOD		(326,902)

CONSOLIDATED BALANCE SHEET

31 MARCH 2009	Notes	US \$
NON-CURRENT ASSETS		
Property, plant and equipment	10	124,956
Deposit		720
Total non-current assets		125,676
CURRENT ASSETS		
Trade and bills receivables	12	25,422
Deposits		4,517
Cash and bank balances		42,122
Total current assets		72,061
CURRENT LIABILITIES		
Trade and bills payables	13	43,140
Other payables and accruals		32,412
Due to the immediate holding company	17	203,416
Due to a fellow subsidiary	17	1,541
Total current liabilities		280,509
NET CURRENT LIABILITIES		(208,448)
Net liabilities		(82,772)
DEFICIENCY IN ASSETS		
Issued capital	14	250,000
Reserves		(332,772)
Net deficiency in assets		(82,772)
Director		Director

Pearl GES Home Group Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period from 13 May 2008 (date of incorporation) to 31 March 2009

	Issued capital	Exchange reserve	Accumulated losses	Net deficiency in assets
	US \$	US \$	US \$	US \$
Issue of shares (note 14)	250,000	-	-	250,000
Loss for the period	-	(5,870)	(326,902)	(332,772)
At 31 March 2009	250,000	(5,870)	(326,902)	(82,772)

CONSOLIDATED CASH FLOW STATEMENT

PERIOD FROM 13 MAY 2008 (DATE OF INCORPORATION) TO 31 MARCH 2009

	Notes	US \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		(326,902)
Adjustment for depreciation	6	21,465
		(305,437)
Increase in trade and bills receivables		(25,422)
Increase in deposits		(5,237)
Increase in an amount due to the immediate holding company		203,416
Increase in an amount due to a fellow subsidiary		1,541
Increase in trade and bills payables		43,140
Increase in other payables and accruals		32,412
Net cash outflow from operating activities		(55,587)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	10	(148,769)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares		250,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		45,644
Effect of foreign exchange rate change, net		(3,522)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		42,122
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balance		42,122

BALANCE SHEET

31 MARCH 2009

	Notes	2009 US \$
NON-CURRENT ASSETS		
Investment in a subsidiary	11	5,967
CURRENT ASSETS		
Trade and bills receivables	12	23,725
Deposits		4,517
Due from a subsidiary	11	488,685
Cash and bank balances		11,751
Total current assets		528,678
CURRENT LIABILITIES		
Trade and bills payables	13	36,222
Other payables and accruals		18,803
Due to the immediate holding company	17	203,416
Due to a fellow subsidiary	17	1,541
Total current liabilities		259,982
NET CURRENT ASSETS		268,696
Net assets		274,663
EQUITY		
Issued capital	14	250,000
Retained profits		24,663
Total equity		274,663
	Director	Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

1. CORPORATE INFORMATION

Pearl GES Home Group Limited is a limited company incorporated in Hong Kong. The registered office of the Company is located at 7/F., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.

During the period, the Group was primarily involved in the trading of home and garment products.

The Company is a subsidiary of Pearl GES Group Limited, a company incorporated in Hong Kong. In the opinion of the directors, the Company's ultimate holding company is House of Pearl Fashions Limited, a company incorporated in India whose shares are listed on The National Stock Exchange of India Limited

2. FUNDAMENTAL ACCOUNTING CONCEPT

These financial statements have been prepared on the going concern basis, notwithstanding the Group had net current liabilities and net liabilities at the balance sheet date, as the Company's ultimate holding company has agreed to provide adequate funds for the Company to meet its liabilities as and when they fall due.

3.1. Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention and are presented in United States dollars ("US\$"), which is the Company's functional and presentation currency.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary (collectively referred to as the "Group") for the period from 13 May 2008 (date of incorporation) to 31 March 2009. The results of a subsidiary are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

3.2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current period's financial statements.

- HKAS 39 and HKFRS 7 Amendments
Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments Disclosures - Reclassification of Financial Assets
- HK (IFRIC) - Int. 11
HKFRS 2 - Group and Treasury Share Transactions
- HK (IFRIC) - Int. 12
Service Concession Arrangement
- HK (IFRIC) - Int. 14
HKAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction.

The adoption of the new interpretations and amendments has had no significant financial effect on these financial statements.

3.3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

- HKFRS 1 and HKAS 27 Amendments
Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements-Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate¹
- HKFRS 2 Amendments
Amendments to HKFRS 2 Share-based Payment - Vesting Conditions and Cancellations¹
- HKFRS 3 (Revised)
Business Combinations²
- HKFRS 7 Amendments
Amendments to HKFRS 7 Financial Instruments: Disclosure- Improving Disclosures about Financial Instruments¹
- HKFRS 8
Operating Segments¹
- HKAS 1 (Revised)
Presentation of Financial Statements¹

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- HKAS 23 (Revised) *Borrowing Costs¹*
- HKAS 27 (Revised) *Consolidated and Separate Financial Statements²*
- HKAS 32 and HKAS 1 *Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation¹*
- HKAS 39 Amendment *Amendment to HKAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items²*
- HK (IFRIC)-Int 9 and HKAS 39 Amendments *Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement - Embedded Derivatives⁵*
- HK(IFRIC)-Int 13 *Customer Loyalty Programmes³*
- HK (IFRIC)-Int 15 *Agreements for the Construction of Real Estate¹*
- HK (IFRIC)-Int 16 *Hedges of a Net Investment in a Foreign Operation⁴*
- HK (IFRIC)-Int 17 *Distribution of Non-cash Assets to Owners²*
- HK (IFRIC)-Int 18 *Transfers of Assets from Customers²*

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

¹ Effective for annual periods beginning on or after 1 January 2009

¹ Effective for annual periods beginning on or after 1 July 2009

¹ Effective for annual periods beginning on or after 1 July 2008

¹ Effective for annual periods beginning on or after 1 October 2008

¹ Effective for annual periods ending on or after 30 June 2009

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity in which the Group, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Group has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of a subsidiary are included in the Company's income statement to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If

such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly, or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Office equipment	10%
Furniture and fixtures	10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Financial assets - loans and receivables

Financial assets of the Group in the scope of HKAS 39 are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when

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the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the assets have expired;
- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

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

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) commission income, in the period in which the sale services are rendered; and
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Employee benefits

Retirement benefit costs

The Company operates a mandatory provident fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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Foreign currencies

These financial statements are presented in US\$, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of an overseas subsidiary of the Company is not US\$. As at the balance sheet date, the assets and liabilities of the overseas subsidiary are translated into the presentation currency of the Group at the exchange rates ruling at the balance sheet date, and its income statement is translated into US\$ at the weighted average exchange rates for the period. The resulting exchange differences are included in a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of the overseas subsidiary are translated into US\$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiary which arise throughout the period are translated into US\$ at the weighted average exchange rates for the period.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of property, plant and equipment

Items of property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

Impairment of trade receivables

The Group maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	US \$
Cost of inventories sold		498,210
Depreciation	10	21,465
Employee benefits expense, excluding directors' remuneration (note 7):		
Salaries		47,842
Pension scheme contributions		1,488
		49,330
Auditors' remuneration		5,141

7. DIRECTORS' REMUNERATION

Directors' remuneration for the period, disclosed pursuant to section 161 of the Hong Kong Companies Ordinance, is as follows:

	US\$
Group	
Fees	-
Other emoluments:	
Salaries, allowances and benefits in kind	28,858
	28,858

8. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period.

A reconciliation of the tax credit applicable to loss before tax using the Hong Kong statutory tax rate to the tax at the Group's effective tax rate is as follows:

	US\$
Loss before tax	(326,902)
Tax credit at the Hong Kong statutory tax rate of 16.5%	(53,939)
Income not subject to tax	(104,923)
Expenses not deductible for tax	158,862
Tax charge for the period	-

There was no material unprovided deferred tax in respect of the period or as at the balance sheet date.

9. LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss attributable to equity holders of the Company for the period includes a profit of US\$24,663 which has been dealt with in the financial statements of the Company (note 15(b)).

10. PROPERTY, PLANT AND EQUIPMENT

31 March 2009 Group	Leasehold	Furniture	Office	Total
	improvements	and Fixtures	Equipment	
	US \$	US \$	US \$	US \$
Additions	135,990	2,023	10,756	148,769
Depreciation	(20,972)	(73)	(420)	(21,465)
Exchange realignment	(2,262)	(28)	(58)	(2,348)
At 31 March 2009, net of accumulated depreciation	112,756	1,922	10,278	124,956
At 31 March 2009:				
Cost	134,034	1,996	10,704	146,734
Accumulated depreciation	(21,278)	(74)	(426)	(21,778)
Net carrying amount	112,756	1,922	10,278	124,956

11. INVESTMENTS IN A SUBSIDIARY

Company	US \$
Unlisted shares, at cost	5,967

The amount due from a subsidiary is unsecured, interest-free, and has no fixed terms of repayment.

Particulars of the Company's subsidiary is as follows:

Name	Place of incorporation/ registration and operations	Nominal Value of issued ordinary/ registered share capital	Percentage of equity attributable directly to the Company	Principal activities
Pearl GES Home Group S.P.A. #	Chile	Peso 3,000,000	100	Sales Marketing
# Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.				

12. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit. Trade and bills receivables are non-interest-bearing and are on terms of up to 60 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. There is no significant concentration of credit risk.

As at 31 March 2009, no trade and bills receivables of the Group were impaired. The Group does not hold any collateral or other credit enhancements over these balances.

All of the Group's and the Company's trade and bills receivables as at 31 March 2009 were neither past due nor considered impaired.

Pearl GES Home Group Limited

13. TRADE AND BILLS PAYABLES

All trade and bills payables of the Group and the Company are unsecured, interest-free and repayable on demand.

14. SHARE CAPITAL

Authorised, issued and fully paid:	<u>US\$</u>
250,000 ordinary shares of US\$1 each - US\$250,000	<u>250,000</u>

On incorporation, the Company's authorised share capital was US\$ 250,000 divided into 250,000 ordinary share of US \$1 each and one ordinary share was issued at par for cash as a subscriber's share. On 5 June 2008, further 249,999 ordinary shares were issued at par for cash to the shareholders.

15. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current period are presented in the consolidated statement of changes in equity on page 7 of the financial statement.

(b) Company

	<u>Retained profits</u>
	<u>US\$</u>
Profit for the period	<u>24,663</u>

16. OPERATING LEASE ARRANGEMENTS

The Group leases its office premise under an operating lease arrangement. The lease for this property is negotiated for a term of two years.

At 31 March 2009, the Group had total future minimum lease payments under a non-cancellable operating lease falling due as follows:

	<u>US\$</u>
Within one year	<u>48,780</u>
In the second to fifth year, inclusive	<u>16,260</u>
	<u>65,040</u>

17. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Company paid commissions to the immediate holding company of US\$ 24,910 for the period, which were based on 5% of the Company's cost of goods sold and were in relation to the sourcing services provided by the immediate holding company.

The balances with a fellow subsidiary and the immediate holding company are unsecured, interest-free, and have no fixed terms of repayment.

18. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Group	
Financial assets-loans and receivables	
	<u>US\$</u>
Trade and bills receivables	<u>25,422</u>
Deposits	<u>5,237</u>
Cash and bank balances	<u>42,122</u>
	<u>72,781</u>
Financial liabilities-financial liabilities at amortised cost	
Trade and bills payables	<u>43,140</u>
Other payables and accruals	<u>32,412</u>
Due to the immediate holding company	<u>203,416</u>
Due to a fellow subsidiary	<u>1,541</u>
	<u>280,509</u>

Company

Financial assets - loans and receivables

	<u>US\$</u>
Trade and bills receivables	<u>23,725</u>
Deposits	<u>4,517</u>
Due from a subsidiary	<u>488,685</u>
Cash and bank balances	<u>11,751</u>
	<u>528,678</u>
Financial liabilities-financial liabilities at amortised cost	
Trade and bills payables	<u>36,222</u>
Other payables and accruals	<u>18,803</u>
Due to the immediate holding company	<u>203,416</u>
Due to a fellow subsidiary	<u>1,541</u>
	<u>259,982</u>

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's exposure to credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Group's financial management policies and practices described below:

Credit risk

The Group trades on credit terms only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise deposits and bank balances, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. As the Group's trade receivables relate to diversified debtors, there is no significant concentration of credit risk within the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 12 to the financial statements.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and financial support from the ultimate holding company.

The Group's and the Company's financial liabilities as at the balance sheet date were due within one year or on demand. Their contracted undiscounted payments were the same as their carrying values.

Capital management

Capital is essentially managed from the perspective of the entire group of companies of which House of Pearl Fashions Limited, the Company's ultimate holding company, is the parent. The details of such capital management objectives and policies are included in the consolidated financial statements of House of Pearl Fashions Limited which are available for public use. The Company's primary objective for its own capital management aligns with its management of liquidity risk (see above) and is to safeguard its ability to continue as a going concern. To maintain or adjust the capital structure, the Company may return capital to shareholders or issue new shares. The Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the period from 13 May 2008 (date of incorporation) to 31 March 2009. The capital of the Company comprises all components of shareholders' equity.

20. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of the Company's financial assets and financial liabilities at the balance sheet date are not materially different from their carrying amounts.

21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 May 2009.

Pacific Logistics Limited

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2009**

The directors present their annual report and the audited financial statements for the year ended 31 March 2009.

Principal activities

The principal activity of the company is the provision of logistics services to the clothing industry.

Results and dividends

The results for the year are set out on page 6.

Directors

The following directors have held office since 1 April 2008;

S Punjabi (Resigned 15 May 2008)

P Seth

A Banaik (Appointed 15 May 2008)

Director's interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 March 2009	1 April 2008
A Banaik	-	-
P Seth	-	-

Charitable donations

During the year the company made following payments:

	2009	2008
	£	£
Charitable donations	281	627

At the year end, the company had 47 days (2007; 3 days) of purchases outstanding.

Auditors

The auditors, Auerbach Hope, are deemed to be re-appointed under Section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). These financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with applicable IFRSs adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditor

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board

Sd/-

B Ayriiss

Secretary

14 May 2009

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
PACIFIC LOGISTICS LIMITED FOR THE YEAR ENDED 31 MARCH 2009**

We have audited the financial statements of Pacific Logistics Limited for the year ended 31 March 2009 which comprise the income statement, balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards of Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair-view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of our audit opinion

We conducted our audit in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2009 and of its loss and cash flows for the year then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the director's report is consistent with the financial statements.

Sd/-

Auerbach Hope
Chartered Accountants
Registered Auditors

14 May 2009
58-60 Berners Street
London
W1T 3JS

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

		Year ended 31 March 2009	Year ended 31 March 2008
	Notes	£	£
Continuing operation			
Revenue	4	2,808,617	2,685,365
Cost of revenue		(2,162,239)	(1,879,734)
Gross profit		646,378	805,631
Operating expenses			
Administrative expenses		(755,867)	(728,940)
Other operating income		2,583	135
Operating (loss)/profit	5	(106,906)	76,826
Finance income	7	215	1,775
Finance costs	8	(2,405)	(1,795)

Pacific Logistics Limited

		Year ended 31 March 2009	Year Ended 31 March 2008
	Notes	£	£
(Loss)/profit for the year before taxation		(109,096)	76,806
Taxation	9	<u>31,172</u>	<u>(25,647)</u>
(Loss)/profit for the financial year		<u>(77,924)</u>	<u>51,159</u>

None of the company's activities were discontinued in the year.

There is no recognised income or expense other than that passing through the income statement.

BALANCE SHEET AT 31 MARCH 2009

	Notes	2009 £	2008 £
Non Current assets			
Property, plant and equipment	10	<u>272,093</u>	<u>354,271</u>
		<u>272,093</u>	<u>354,271</u>
Current assets			
Trade and other receivables	11	<u>726,294</u>	<u>750,383</u>
Cash and cash equivalents		<u>519</u>	<u>6,720</u>
		<u>726,813</u>	<u>757,103</u>
Total assets		<u>998,906</u>	<u>1,111,374</u>
Current liabilities			
Trade and other payables	12	<u>(455,399)</u>	<u>(348,160)</u>
Bank overdrafts	13	<u>(63,152)</u>	<u>(140,252)</u>
Obligations under hire purchase contracts	14	<u>(4,750)</u>	<u>(7,621)</u>
		<u>(523,301)</u>	<u>(496,033)</u>
Net current assets		<u>203,512</u>	<u>261,070</u>
Non current liabilities			
Borrowings	15	<u>(206,856)</u>	<u>(251,626)</u>
Obligations under hire purchase contracts	14	<u>-</u>	<u>(4,750)</u>
Deferred tax liabilities	16	<u>(10,340)</u>	<u>(22,632)</u>
		<u>(217,196)</u>	<u>(297,008)</u>
Total liabilities		<u>(740,497)</u>	<u>(775,041)</u>
Net assets		<u>258,409</u>	<u>336,333</u>
Shareholder's equity			
Share capital	17	<u>10,000</u>	<u>10,000</u>
Retained earnings	18	<u>248,409</u>	<u>326,333</u>
Total equity	19	<u>258,409</u>	<u>336,333</u>

The financial statements were approved by the board of directors and authorised for issue on 14 May 2009 and were signed on its behalf by:

Sd/-

A. Banaik

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 £	2008 £
Cash flow from operation activities			
Cash generated by operations	21	<u>171,953</u>	<u>273,803</u>
Interest paid		<u>(2,405)</u>	<u>(288)</u>
Interest received		<u>215</u>	<u>1,775</u>
Income taxes paid		<u>(32,146)</u>	<u>(55,343)</u>
Net cash generated by operation activities		<u>137,617</u>	<u>219,947</u>
Cash flows from investing activities			
Payments to acquire tangible assets		<u>(14,328)</u>	<u>(59,060)</u>
Net cash used in investing activities		<u>(14,328)</u>	<u>(59,060)</u>
Cash flow from financing activities			
Payment of finance lease liabilities (Repayments)/proceeds of loans from parent undertaking		<u>(7,620)</u>	<u>(7,752)</u>
		<u>(44,770)</u>	<u>(186,669)</u>
Net cash (used in)/ generated by financing activities		<u>(52,390)</u>	<u>178,917</u>
Net increase in cash and cash equivalents		<u>70,899</u>	<u>339,804</u>

	Notes	2009 £	2008 £
Cash and cash equivalents at the start of the year		<u>(133,532)</u>	<u>(473,336)</u>
Cash and cash equivalents at the end of the year	21	<u>(62,633)</u>	<u>(133,532)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

1. General Information

Pacific Logistics Limited is a company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is given on page 1. The principal activity of the company is disclosed in the directors' report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

2. Significant accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost basis and in accordance with International Financial Reporting Standards (IFRSs). The following principal accounting policies adopted in the preparation of these financial statements are set out below. The policies have been consistently applied unless otherwise stated.

2.1 Adopted IFRSs not yet applied

At the date of authorisation of these financial statements certain new standards, amendments and interpretations to existing standards have been published but are not yet effective. The company has not chosen to adopt early any of the pronouncements. The new standards and interpretations that are expected to be relevant to the company's financial statements are as follows :

- IAS1 (revised), 'Presentation of financial statements', applicable for reporting periods commencing on or after 1 January 2009.
- IAS23 (revised), 'Borrowing costs', applicable for reporting periods commencing on or after 1 January 2009.
- IAS36 (amendment), 'Impairment of assets' applicable for reporting periods commencing on or after 1 January 2009.

The company plans to adopt the above standards in the period in which they become applicable. The directors do not consider that the adoption of their standards will have a material impact on the financial statements in the period of initial application. Other new standards and interpretations have been issued but are not expected to have a material impact on the company's financial statements.

2.2 Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows :

Land and buildings leasehold	Over the lease term
Plant and machinery	25% reducing balance
Fixtures, fittings and equipment	25% -33.33% reducing balance
Motor vehicles	25% reducing balance

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

2.3 Impairment

The carrying values of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of an asset or its cash generating unit exceed its recoverable amount. Impairment losses are recognised in the income statement.

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue represents amounts receivable from the provision of logistics services net of discounts and value added tax. Revenue is recognised when the amount of revenue can be measured reliably and the economic benefits associated with the transaction have been received by the company.

2.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreement are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Pacific Logistics Limited

2.6 Taxation

Income tax expense represents the current tax payable and deferred tax provisions.

– **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profits as reported in the same income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

– **Deferred tax**

The company accounts for deferred tax using the liability method and as such recognises all timing differences between the company's profits chargeable to tax and its results as shown in the financial statements. These timing differences arise from the inclusion of gains and losses for tax purposes in different periods from those in which they are recognised in the financial statements. Deferred tax assets are only recognised to the extent it is probable that the future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured on a non-discounted basis at rates of tax expected to apply in the periods in which the timing differences are expected to reverse.

2.7 Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Foreign exchange differences arising on translation are included in the income statement in the period in which they arise.

2.8 Financial instruments

The company does not use or trade derivative financial statements. Financial instruments that the company uses are non-derivative and are recognised initially at fair value. Subject to initial recognition non-derivative financial instruments are measured as described as follows:

• **Trade and other receivables**

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

• **Trade and other payables**

Trade and other payables are stated at their nominal value.

• **Cash and cash equivalents**

Cash for the purposes of the cash flow statement, comprises cash at bank and in hand. Cash equivalents are short term liquid investments convertible into cash and are subject to insignificant risk of changes in value. Bank overdrafts which form part of cash and cash equivalents for the purpose of the cash flow statements are shown under current liabilities.

• **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

3. Significant judgements and estimates

The preparation of the company's financial statements in conforming with IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimation is contained in either the accounting policies in the notes to the financial statements. These are listed below:

Depreciation rates are based on the estimated useful lives and the residual value of the assets involved.

4. Revenue

The total revenue of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

5. Operating (loss)/profit

	2009	2008
	£	£
Operating (loss)/profit has been arrived at after charging:		
Staff costs (see note 5 below)	737,684	644,787
Depreciations of property, plant and equipment	96,506	114,601
Fees payable to the auditors:		
Audit of the annual financial statements	15,250	10,250
Other services - review of the interim financial statements	5,450	10,500
Other services - taxation and others	2,825	1,250

	2009	2008
	£	£
6. Staff numbers and costs		
Employee costs include:		
Staff wages and salaries	637,743	502,000
Director's emoluments	18,750	75,000
Social security costs	81,191	67,787
	<u>737,684</u>	<u>644,787</u>

The average number of employees (including directors) during the year was:

	2009	2008
	Number	Number
Management and administration	18	15
Directors	2	2
Warehouse staff	11	11
	<u>31</u>	<u>28</u>
7. Finance income	2009	2008
	£	£
Interest on bank deposits	215	1,775
8. Finance costs	2009	2008
	£	£
Interest on bank overdrafts	851	288
Interest on obligations under hire purchase contracts	1,403	1,507
Other interest	151	–
	<u>2,405</u>	<u>1,795</u>
9. Taxation for the period	2009	2008
	£	£

Income tax expense

Current tax expense:

UK corporation tax	(18,880)	32,146
Total current tax	<u>(18,880)</u>	<u>32,146</u>

Deferred tax:

Origination and reversal of temporary differences	(12,292)	(6,499)
Total deferred tax	<u>(12,292)</u>	<u>(6,499)</u>

Income tax expenses

	<u>(31,172)</u>	<u>25,647</u>
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Reconciliation of effective rate

(Loss)/profit before taxation	(109,096)	76,806
National taxation charge at the UK corporation tax rate of 28% (2008: 30%)	(30,547)	23,042

Tax effects of:

Expenses not deductible for tax purposes	1,499	885
Depreciation in excess of capital allowances	11,385	8,264
Other tax adjustments	(1,217)	(45)
Total tax in income statement	<u>(18,880)</u>	<u>32,146</u>

No liability to UK corporation tax arose during the year.

10. Property, plant and equipment

	Land and buildings leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2008	29,442	448,043	110,559	49,379	637,423
Additions	–	9,420	4,908	–	14,328
At 31 March 2009	<u>29,442</u>	<u>457,463</u>	<u>115,467</u>	<u>49,379</u>	<u>651,751</u>
Accumulated depreciation					
At 1 April 2008	11,776	206,637	50,981	13,758	283,152
Charge for the year	5,888	61,881	19,832	8,905	96,506
At 31 March 2009	<u>17,664</u>	<u>268,518</u>	<u>70,813</u>	<u>22,663</u>	<u>379,658</u>
Carrying amount					
At 31 March 2009	<u>11,778</u>	<u>188,945</u>	<u>44,654</u>	<u>26,716</u>	<u>272,093</u>
At 31 March 2008	<u>17,666</u>	<u>241,406</u>	<u>59,578</u>	<u>35,621</u>	<u>354,271</u>

Pacific Logistics Limited

	Land and buildings leasehold	Plant and machinery	Fixtures, fitting & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2007	29,442	435,440	79,102	34,379	578,363
Additions	–	12,603	31,457	15,000	59,060
At 31 March 2008	29,442	448,043	110,559	49,379	637,423
Accumulated depreciation					
At 1 April 2007	5,888	128,279	28,333	6,051	168,551
Charge for the year	5,888	78,358	22,648	7,707	114,601
At 31 March 2008	11,776	206,637	50,981	13,758	283,152
Carrying Amount					
At 31 March 2008	17,666	241,406	59,578	35,621	354,271
At 31 March 2007	23,554	307,161	50,769	28,328	409,812

Assets held under hire purchase contracts have the following carrying amount:

	Motor Vehicles	
	2009	2008
	£	£
Cost	28,445	28,445
Accumulated depreciation	(14,388)	(9,703)
Carrying amount	14,057	18,742

11. Trade and other receivables

	2009	2008
	£	£
Trade receivables	81,559	75,385
Receivables from related parties (note 23)	111,830	401,676
Other receivables	509,093	239,249
Prepayments	23,812	34,073
	<u>726,294</u>	<u>750,383</u>

The average credit period given for trade receivables at the end of the year is 17 days (2008: 6 days).

At 31 March 2009, the ageing analysis of trade receivables is as follows:

	Overdue but not impaired		
	Total	< 3 Months	> 3 Months
	£	£	£
2009	81,559	47,674	33,885
2008	75,385	74,027	1,358

All amounts are due to be recovered within 12 months of the balance sheet date. The fair value of trade and other receivables are the same as the carrying value shown above.

The maximum exposure to credit risk for trade and other receivables is represented by their carrying amount. The company does not have a significant concentration of credit risk for its trade receivables because its customer base is large.

12. Trade and other payables

	2009	2008
	£	£
Trade payables	189,642	244,206
Other payables	2,830	2,830
Payables to related parties (note 23)	214,143	–
Social security and other taxes	23,284	90,124
Accrued expenses	25,500	11,000
	<u>455,399</u>	<u>348,160</u>

Trade payables, other payables and accrued expenses mainly comprise of amounts owed for trading purchases and associated costs.

All trade payables are due to be paid within 12 months of the balance sheet date. The fair value of trade and other payables are the same as the carrying value shown above.

13. Bank overdrafts and borrowings

	2009	2008
	£	£
Bank overdrafts	63,152	140,252
The borrowings are repayable as follows :		
On demand or within one year	63,152	140,252

The weighted average of interest rates paid was as follows:

	2009	2008
Bank overdraft	4%	7.200%

The other principal features of the company's borrowings are as follows:

Bank overdrafts are repayable on demand. Overdrafts of £63,152 (2008: £140,252) have been secured by fixed and floating charges over the company's assets. The weighted average of interest rates on bank overdrafts is determined based on 2% plus the average bank base rate.

14. Obligations under hire purchase contracts

	2009	2008
	£	£
Amounts payable under hire purchase contracts:		
Within one year	5,609	9,024
In the second to fifth years	–	5,609
	5,609	14,633
Less: Future finance charges	(859)	(2,262)
Present value of hire purchase obligations	4,750	12,371
Less: Amount due for settlement within 12 months (shown under current liabilities)	(4,750)	(7,621)
Amount due for settlement after 12 months	–	4,750

The fair value of the hire purchase contracts is approximately equal to the carrying amount. The company's obligations under hire purchase contracts are secured by charges over the relevant assets.

15. Borrowings

	2009	2008
	£	£
Loan from related party (note 23)	206,856	251,626

This represents an unpaid interest free loan from Poetigem Limited, the parent company.

The carrying value of all the company's long-term borrowings approximate to their fair value as at the balance sheet date.

16. Deferred tax

	2009	2008
	£	£
The movement for recognised deferred tax during the year was:		
At the start of the year	22,632	29,131
Credited to income statement during the year	(12,292)	(6,499)
At the end of the year	10,340	22,632

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2009	2008
	£	£
Excess of taxation allowances over depreciation on fixed assets	10,340	22,632

17. Share capital

	2009	2008
	£	£
Authorised		
50,000 Ordinary shares of £1 each	50,000	50,000
Issued and fully paid		
10,000 Ordinary shares of £1 each	10,000	10,000

Pacific Logistics Limited

	2009 £	2008 £
18. Retained earnings		
Balance at the start of the year	326,333	275,174
Net (loss)/profit for the year	<u>(77,924)</u>	<u>51,159</u>
Balance at the end of the year	<u>248,409</u>	<u>326,333</u>
19. Statement of movements in equity		
	2009 £	2008 £
(Loss)/profit for the financial year	<u>(77,924)</u>	<u>51,159</u>
(Reductions)/additions to equity	<u>(77,924)</u>	<u>51,159</u>
Equity at the start of the year	<u>336,333</u>	<u>285,174</u>
Equity at the end of the year	<u>258,409</u>	<u>336,333</u>
20. Operation lease arrangements		
	2009 £	2008 £
Minimum lease payments under operating leases recognised in the income statement for the year	<u>230,040</u>	<u>230,040</u>
At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:		
Within one year	230,040	230,040
In the second to fifth years inclusive	<u>690,120</u>	<u>920,160</u>
	<u>920,160</u>	<u>1,150,200</u>

Operating lease payments represent rentals payable by the company.

21. Notes to the cash flow statement

	2009 £	2008 £
Cash flows from operating activities		
(Loss)/profit from operations	(106,906)	76,826
Adjustments for:		
Depreciation of property, plant and equipment	<u>96,506</u>	<u>114,601</u>
Operating cash (outflow)/inflow before working capital	<u>(10,400)</u>	<u>191,427</u>
Decrease/(increase) in receivables	<u>42,969</u>	<u>(180,075)</u>
Increase in payables	<u>139,384</u>	<u>262,451</u>
Cash generated from operations	<u>171,953</u>	<u>273,803</u>
	2009 £	2008 £
Cash and cash equivalents comprise:		
Cash in hand and at bank	519	6,720
Bank overdrafts	<u>(63,152)</u>	<u>(140,252)</u>
	<u>(62,633)</u>	<u>(133,532)</u>

22. Contingent liabilities

The company has extended an unlimited guarantee on the banking facilities of its parent company Poeticgem Limited. This guarantee is supported by a debenture dated 17 August 2005. The company's maximum contingent liability under the guarantee as at 31 March 2009 is £ 6,621,523.

23. Related party transactions

During the year, the company entered into the following transactions with related parties:

	Revenue		Purchases/ expenses		Amounts owed by related parties		Amounts owed to related parties	
	2009 £	2008 £	2009 £	2008 £	2009 £	2008 £	2009 £	2008 £
Poeticgem Limited, UK	1,935,545	2,330,090	230,040	230,040	-	334,914	420,999 ^a	251,626 ^a
Pacific Supply Chain Limited, UK	-	-	-	-	1,455	16,400*	-	-
House of Pearl Fashions Limited, India	-	-	2,389	-	66,339	45,000	-	-
FX Import Company Limited, UK	78,369	4,563	-	-	34,229	5,362	-	-
Simple Approach Limited, Hong Kong	20,309	-	-	-	-	-	-	-
Norwest Industries Limited, Hong Kong	29,565	-	-	-	9,807	-	-	-

The immediate parent company of Pacific Logistics Limited, Pacific Supply Chain Limited and FX Import Company Limited is Poeticgem Limited, in which P Seth is a director.

The ultimate parent company of Poeticgem Limited is House of Pearl Fashions Limited, in which P Seth is a director and a shareholder. Norwest Industries Limited and Simple Approach Limited are fellow subsidiaries of Global Textile Group Limited, parent company of Poeticgem Limited.

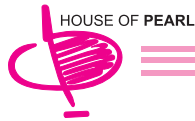
* These loans are interest free and repayable on demand.

^a This includes £ 206,856 (2008: £ 251,626) interest free loan and is repayable on demand.

24. Control

The immediate parent company is Poeticgem Limited, a company registered in England and Wales, and the ultimate parent company is House of Pearl Fashions Limited, a company registered in India. House of Pearl Fashions Limited prepares group financial statements and copies can be obtained from Corporate Office; 446, Udyog Vihar, Phase-V, Gurgaon - 122 016 (Haryana), India.

House of Pearl Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.



Poeticgem (Canada) Limited

DIRECTORS' REPORT

The directors are pleased to present their report together with the audited financial statements of the Company for the year ended 31 March 2009.

Principal activities

The principal activity of the Company is development, sourcing and distribution of readymade garments of all kinds.

Results and dividend

The results for the year are shown in the accounts.

The directors do not recommend the payment of a dividend for the year under review (2008: NIL).

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for the preparation of financial statements. In preparing those financial statements the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgment and estimates that are reasonable and prudent;
- stated whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board
Director

Date: 5 May 2009

AUDITOR'S REPORT

To the Shareholder of **POETICGEM (CANADA) LTD.**

I have audited the statement of financial position of Poeticgem (Canada) Ltd. as at March 31, 2009, and the statements of comprehensive income, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosure in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well evaluating the overall financial statement presentation.

In my opinion, these financial statements, present fairly, in all material respects, the financial position of the Company as at March 31, 2009 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Sd/-
RAMAN AYYAR
Chartered Accountant

Licensed Public Accountant
Oakville, Ontario

May 5, 2009

BALANCE SHEET AS AT MARCH 31, 2009

	2009 \$	2008 \$
ASSETS		
NON CURRENT:		
Equipment - Notes 1(c), (e) and 2	13,249	11,755
Advances receivable - Notes 1(d), (g)(i) and 3	240,089	324,739
	<u>253,338</u>	<u>336,494</u>
CURRENT		
Cash - Note 1(f)	71,959	38,565
Income taxes recoverable	-	5,742
Prepaid and employee advance - Note 4	19,138	31,686
	<u>91,097</u>	<u>75,993</u>
	<u>344,435</u>	<u>412,487</u>

	2009 \$	2008 \$
EQUITY		
Net Equity - Page 4	118,438	78,810
LIABILITIES		
NON CURRENT:		
Advance Payable - Notes 1(d), (g)(i) and 3	197,861	317,822
CURRENT : - Notes 1(e) and (f)		
Accounts payable and accrued liabilities	9,815	15,855
Income taxes payable	18,321	-
	<u>28,136</u>	<u>15,855</u>
	<u>344,435</u>	<u>412,487</u>

APPROVED ON BEHALF OF THE BOARD

Director

To be read in conjunction with the attached Notes and Auditor's Report dated May 5, 2009.

STATEMENT OF COMPREHENSIVE INCOME

For the April 1, 2008 Year Ended March 31, 2009

	2009 \$	2008 \$
REVENUE: - Notes 1(a), (b), (g), 3 and 6	667,264	379,063
SELLING, AND ADMINISTRATIVE EXPENSES:		
Wages and benefits	233,705	162,415
Chargebacks and discounts	90,580	7,025
Travel and entertainment	65,708	47,005
Rent - Note 5	37,325	38,469
Professional fees	20,100	5,800
General and office	19,306	18,538
Samples and alterations	15,289	14,300
Advertising and promotion	14,991	10,914
Telephone	8,835	7,745
Bank charges	-	60
Amortisation- Note 1(c)	3,704	3,415
	<u>509,543</u>	<u>315,686</u>
PROFIT, from operations for the year	157,721	63,377
Less: Exchange loss - Note 1(g)(i)	96,430	45,425
PROFIT, before income tax for the year	61,291	17,952
Less: Income tax expense - Note 7	21,663	8,224
PROFIT, for the year - Pages 4 and 5	39,628	9,728

To be read in conjunction with the attached Notes and Auditor's Report dated May 5, 2009.

STATEMENT OF CHANGES IN EQUITY

For the April 1, 2008 Year Ended March 31, 2009

	Issued and Paid-up shares (100 common) (Authorized - Unlimited)	Retained Earnings	Total
	\$	\$	\$
BALANCE, AS AT APRIL 1, 2007	100	68,982	69,082
TOTAL COMPREHENSIVE INCOME, for the year - Page 3	-	9,728	9,728
BALANCE, AS AT April 1, 2008	100	78,710	78,810
TOTAL COMPREHENSIVE INCOME, for the year - Page 3	-	39,628	39,628
BALANCE, AS AT MARCH 31, 2009 - Page 2	100	118,338	118,438

To be read in conjunction with the attached Notes and Auditor's Report dated May 5, 2009.

Poeticgem (Canada) Limited

STATEMENT OF CASH FLOWS

For the April 1, 2008 Year Ended March 31, 2009

	2009 \$	2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit - page 3	39,628	9,728
Cash flows provided by or used in:		
– Amortization	3,704	3,415
– income tax expense	21,663	8,224
	64,995	21,367
Change in:		
– prepaid and employee advance	12,548	(30,490)
– trade payables	(6,040)	6,841
	71,503	(2,282)
Income tax refunded (paid)	2,400	(57,466)
Net Cash from / (used in) Operating Activities	73,903	(59,748)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(5,198)	(3,963)
Net Cash used in Investing Activities	(5,198)	(3,963)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances receivable	84,650	(64,960)
Advances payable	(119,961)	133,739
Net Cash (used in)/ from Financing Activities	(35,311)	68,779
CHANGE IN CASH AND EQUIVALENTS, during the period	33,394	5,068
CASH AND EQUIVALENTS, beginning of period	38,565	33,497
CASH AND EQUIVALENTS, end of period	71,959	38,565

To be read in conjunction with the attached Notes and Auditor's Report dated May 5, 2009.

NOTES TO FINANCIAL STATEMENTS

For the April 1, 2008 Year Ended March 31, 2009

1. Accounting Policies:**(a) Operations:**

The company is a wholly owned subsidiary of Poeticgem Ltd., a company incorporated under the laws of the United Kingdom. It procures sales orders on behalf of a foreign affiliate for a commission. There has been no change in the principal activity of the company during the year.

(b) Income recognition:

Commissions income is recognized at the time the foreign affiliate invoices the customers.

(c) Equipment and amortization

Capital assets are carried at cost less accumulated amortization. Amortization is provided on the diminishing balance basis using the following annual rates:

	Rate
Furniture and fixtures	– 20%
Computers	– 30%

(d) Foreign Currency Translation:

Monetary assets in foreign currencies have been translated at exchange rates in effect at the fiscal year end. Items of revenue and expense are translated at the exchange rates on the dates the transactions took place. Exchange gains or losses from such translation practices are reflected in the income statement.

(e) Accounting Estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

(f) Fair value of Financial Instruments:

The following items of financial instruments are shown in the financial statements at their carrying amounts.

Cash and cash equivalents
Accounts payable

The carrying amounts of these financial assets and financial liabilities approximate their fair values due to the relatively short periods to maturity of these instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

(g) Key Risks and Uncertainties:**(i) Currency Risk:**

The commission income of the company is earned in US Dollars. The company also owes money to the parent company in British Pounds. As a result the company's receivable / payable from/to the related companies are subject to risk of foreign currency movements. Since the receivable/payable are to related parties the exchange risk is managed at the related company level.

(ii) Liquidity Risk:

The company's receivables and payables are from/to parent company/related company and as such all of the operations are funded by related companies. As a result the company is not subject to any liquidity risk.

(iii) Market Risk:

The company's commission income is dependant on arranging sales to one or two customers and there is constant pressure on margins to be competitive. The company is constantly trying to mitigate the risk by increasing the customer base.

(h) Currency:

All amounts stated in these financial statements are in Canadian dollars.

2. EQUIPMENT:	Furniture and Equipment \$	Computers \$	Total \$
Cost:			
At April 1, 2008	10,047	16,578	26,625
Additions	3,070	2,128	5,198
At March 31, 2009	13,117	18,706	31,823
Accumulated Amortization:			
At April 1, 2008	5,725	9,145	14,870
Additions	1,172	2,532	3,704
At March 31, 2009	6,897	11,677	18,574
Carrying Amount:			
At March 31, 2009	6,220	7,029	13,249
At March 31, 2008	4,322	7,433	11,755
Cost:			
At April 1, 2007	10,047	12,615	22,662
Additions	–	3,963	3,963
At March 31, 2008	10,047	16,578	26,625
Accumulated Amortization:			
At April 1, 2007	4,645	6,810	11,455
Additions	1,080	2,335	3,415
At March 31, 2008	5,725	9,145	14,870
Carrying Amount:			
At March 31, 2008	4,322	7,433	11,755
At March 31, 2007	4,322	5,805	11,207
3. Related Party Transactions:			
During the year the related party transactions were as follows:	Revenue Earned \$	Advances Receivable \$	Advances Payable \$
Norwest Industries Limited, Hong Kong (Related foreign corporation)	2009 2008	– 324,739	197,861 –
Poeticgem Limited, UK (Parent corporation)	2009 2008	– –	240,089 317,822
		The advances are unsecured, non-interest bearing, with no fixed terms of repayment.	
4. Prepaid and Employee Advance:			
The above includes an outstanding advance of \$13,800 made to an employee for purchase of a vehicle. The loan is unsecured, bears no interest and is repayable in monthly installments of \$700.			
5. Contingent Liabilities:			
Lease Contingency:			
The company is lessee of its premises under a contract expiring December 2009. The minimum aggregate rent payable during the remainder of the contract is \$31,572.			
6. Economic Dependence:			
All of the revenue was earned from procuring sales orders from one customers, for the foreign related corporation.			
7. Income taxes:	2009 \$	2008 \$	
Net income for the year	39,628	9,728	
Income tax expense	21,663	8,224	
Income before taxes	61,291	17,952	
Income tax using domestic tax rate	33.38%	20,459	36.22%
Non deductible meals and adjustments	2.47%	1,513	11.05%
Difference between tax and book amortization	(0.50)%	(309)	(1.45)%
Total effective tax	35.35%	21,663	45.82%
	(261.12)	8,224	

Pacific Supply Chain Limited

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2009

The directors present their report and the audited financial statements for the year ended 31 March 2009.

Principal activities and review of the business

The company has not traded but made losses during the year arising from pre-trading expenditure. The company intends to trade in the near future as a transport agency.

Results and dividends

The results for the year are set out on page 6

Directors

The following directors have held office since 1 April 2008:

S Punjabi (Resigned 15 May 2008)

P Seth

A Banaik (Appointed 15 May 2008)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 March 2009	1 April 2008
P Seth	–	–
A Banaik	–	–

Auditors

Auerbach Hope were appointed auditors to the company and in accordance with Section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). These financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with applicable IFRSs adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditor

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board

B Ayriş

Secretary

14 May 2009

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **PACIFIC SUPPLY CHAIN LIMITED** for the year Ended 31 March 2009

We have audited the financial statements of Pacific Supply Chain Limited for the year ended 31 March 2009 which comprise the income statement, balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on pages 2&3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and international Financial Reporting Standards '(IFRSs)' as adopted by the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards of Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements

In addition we report to your if, in our opinion, the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of our audit opinion

We conducted our audit in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 March 2009 and of its loss and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Auerbach Hope
Chartered Accountants
Registered Auditors

14 May 2009
58-60 Berners Street
London
W1T 3JS

Pacific Supply Chain Limited

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

		Year Ended 31 March 2009	Period Ended 31 March 2008
Notes	£	£	£
Operating expenses			
Administrative expenses		(4,586)	–
Operating Loss		(4,586)	–
Finance income	4	362	–
Loss for the year before taxation		(4,224)	–
Taxation	5	–	–
Loss for the financial year	9	(4,224)	–

None of the company's activities were discontinued in the year.

There is no recognised income or expense other than those passing through the income statement.

The notes on page 9 to 13 form part of these financial statements.

BALANCE SHEET AT 31 MARCH 2009

		2009 £	2008 £
Notes	£	£	£
Current assets			
Other receivables	6	–	1,000
Cash and cash equivalents		676	16,400
		676	17,400
Total assets		676	17,400
Current liabilities			
Other payables	7	(3,900)	(16,400)
		(3,900)	(16,400)
Net (liabilities)/assets		(3,224)	1,000
Shareholders' equity			
Share capital	8	1,000	1,000
Retained earnings	9	(4,224)	–
Total equity	10	(3,224)	1,000

The financial statements were approved by the board of directors and authorised for issue on 14 May 2009 and were signed on its behalf by:

A Banaik

The notes on page 9 to 13 form part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Year Ended 31 March 2009	Period Ended 31 March 2008
	£	£
Cash flows from operating activities		
Loss for the period	(4,224)	–
Decrease/(increase) in receivables	1,000	(1,000)
(Decrease)/increase in payables	(12,500)	16,400
Cash (used in) generated from operations	(15,724)	15,400
Interest receivable	(362)	–
Net cash (used in)/generated by operating activities	(16,086)	15,400
Cash flows from investing activities		
Proceeds from issue of ordinary shares	–	1,000
Interest received	362	–
Net cash generated by financing activities	362	1,000
Net (decrease)/increase in cash and cash equivalents	(15,724)	16,400
Cash and cash equivalents at the start of the period	16,400	–
Cash and cash equivalents at end of the period	676	16,400

The notes on page 9 to 13 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2009

1. General information

Pacific Supply Chain Limited is a company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is given on page 1.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

2. Summary of Significant accounting policies:

Basis of Preparation

The financial statements have been prepared under the historical cost convention. The following principal accounting policies adopted in the preparation of these financial statements are set out below. The policies have been consistently applied unless otherwise stated.

2.1 Going concern

The financial statements have been prepared on a going concern basis even though at the Balance Sheet date the company's current liabilities exceeded its current assets by £3,224 and it made a loss for the year of £4,224.

The Directors consider the going concern basis to be appropriate because, in their opinion, the company will continue to obtain sufficient funding from its fellow group companies to enable it to pay its debts as they fall due, and the directors believe that the company will be able to maintain positive cash flows for the foreseeable future once it starts trading. If the company were unable to obtain this funding, it would be unable to continue trading, and adjustments would have to be made to reduce the value of assets to their realisable amount and to provide for any further liabilities which might arise.

2.2 Adopted IFRSs not yet applied

At the date of authorisation of these financial statements certain new standards, amendments and interpretations to existing standards have been published but are not yet effective. The company has not chosen to adopt early any of the pronouncements. The New standards and interpretations that are expected to be relevant to the company's financial statement are as follows:

- IASI (revised), 'Presentation of financial statements, applicable for reporting periods commencing on or after 1 January 2009.

The company plans to adopt the above standards in the period in which they become applicable. The directors do not consider that the adoption of these standards will have a material impact on the financial statements in the period of initial application. Other new standards and interpretations have been issued but are not expected to have a material impact on the company's financial statements.

2.3 Trade and other receivables

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

2.4 Trade and other payables

Trade payables are stated at their nominal value.

2.5 Cash and cash equivalents

Cash, for the purpose of the cash flow statement, comprises cash at bank and in hand. Cash equivalents are short term liquid investments convertible into cash and are subject to insignificant risk of changes in value.

2.6 Current and deferred taxation

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at the reporting date together with any adjustment to tax payable in respect of prior periods.

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are only recognised to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax liabilities are not discounted.

3. Operating Loss

	2009 £	2008 £
Operating loss is stated after charging:		
Auditors' remuneration		
Fee payable to the company's auditor;		
Audit of annual financial statements	1,725	–
Other services - review of the interim financial statements	1,779	–
Other services	662	–
	4,166	–

Pacific Supply Chain Limited

4.	Finance income	2009	2008
		<u>£</u>	<u>£</u>
	Bank interest receivable	<u>362</u>	-
5.	Taxation for the period		
	Income tax expense		
	Current tax expense:		
	UK corporation tax	-	-
	Total current tax	-	-
	Total deferred tax	-	-
	Income tax expense in income statement	-	-
	Reconciliation of effective rate		
	Loss before taxation	<u>(4,224)</u>	-
	Notional taxation charge at the UK corporation tax rate of 28% (2008 - 30%)	<u>(1,183)</u>	-
	Unutilised tax losses not recognised as a deferred tax asset	<u>1,183</u>	-
	Total tax in income statement	-	-
	The company has estimated losses of £4,224 (2008 - £nil) available for carry forward against future trading profits. On the basis of these financial statements no provision has been made for corporation tax.		
6.	Trade and other receivables	2009	2008
		<u>£</u>	<u>£</u>
	Due from parent company	-	1,000
7.	Other payables		
	Other payable	1,725	-
	Due to parent company	720	-
	Due to fellow subsidiary company	1,455	16,400
		<u>3,900</u>	<u>16,400</u>
8.	Share Capital		
	Authorised		
	5,000 Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
	Issued and fully paid		
	1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
9.	Retained earnings		
	Balance at the start of the period	-	-
	Loss for the period	<u>(4,224)</u>	-
	Balance at the end of the period	<u>(4,224)</u>	-
10.	Statement of movements in equity		
	Loss for the financial period	<u>(4,224)</u>	-
	Issue of shares	-	1,000
	(Reductions)/additions to equity	<u>(4,224)</u>	1,000
	Equity at the start of the period	<u>1,000</u>	-
	Equity at the end of the period	<u>(3,224)</u>	<u>1,000</u>

7. Related party transactions

At the balance sheet date, the company owed £720 (2008 - £nil) by Poeticgem Limited, the immediate parent company. This amount is interest free and repayable on demand.

At the balance sheet date, the company owed £1,455 (2008 - £ nil) to Pacific Logistics Limited, a fellow subsidiary company. This amount is interest free and repayable on demand.

The ultimate parent company of Poeticgem Limited is House of Pearl Fashions Limited, in which P Seth is a director and a shareholder.

8. Control

The immediate parent company is Poeticgem Limited, a company registered in England and Wales, and the ultimate parent Company is House of Pearl Fashions Limited, a company registered in India. House of Pearl Fashions Limited prepares group financial statements and copies can be obtained from Corporate Office: 446, Udyog Vihar, Phase- V, Gurgaon- 122 016 (Haryana) India.

House of Pearl Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

MANAGEMENT INFORMATION FOR THE YEAR ENDED 31 MARCH 2009

Detailed Trading and Profit and Loss Account

For the Year Ended 31 March 2009

	Year Ended	Period Ended
	31 March 2009	31 March 2008
	<u>£</u>	<u>£</u>
Administrative expenses	<u>(4,586)</u>	-
Operating loss	<u>(4,586)</u>	-
Finance income		
Bank interest received	<u>362</u>	-
Loss before taxation	<u>(4,224)</u>	-

SCHEDULE OF ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED 31 MARCH 2009

	Year Ended	Period Ended
	31 March 2009	31 March 2008
	<u>£</u>	<u>£</u>
Administrative expenses		
Legal and professional fees	<u>2,801</u>	-
Audit fees	<u>1,725</u>	-
Bank charges	<u>60</u>	-
	<u>4,586</u>	-

FX Import Company Limited

DIRECTORS' REPORT**FOR THE YEAR ENDED 31 MARCH 2009**

The directors present their annual report and the audited financial statements for the year ended 31 March 2009.

Principal activities

The principal activity of the company is the importing and distribution of garments.

Results and dividends

The results for the year are set out on page 6

The directors do not recommend the payment of a dividend for the year.

Directors

The following directors have held office since 1 April 2008:

Mr. C R Severs

Mr. C Fox

Mr. D Seth

Mr. Pallak Seth

Mr. Pulkit Seth

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 March 2009	1 April 2008
Mr. C R Severs	6,300	12,600
Mr. C Fox	6,300	12,600
Mr. D Seth	–	–
Mr. Pallak Seth	–	–
Mr. Pulkit Seth	–	–
	Ordinary "B" shares of £1 each	
	31 March 2009	1 April 2008
Mr. C R Severs	–	–
Mr. C Fox	–	–
Mr. D Seth	–	–
Mr. Pallak Seth	–	–
Mr. Pulkit Seth	–	–

Auditors

Auerbach Hope were appointed auditors to the company and in accordance with Section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). These financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with applicable IFRSs adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to Auditor

- (a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

- b) they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By Order of the Board

Sd/-

Mr. C Fox
Secretary

14 May 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FX IMPORT COMPANY LIMITED

We have audited the financial statements of FX Import Company Limited for the year ended 31 March 2009 which comprise the income statement, balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards of Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within them.

Basis of audit opinion

We conducted our audit in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 March 2009 and of its loss and cash flow for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the director' report is consistent with the financial statements.

Sd/-

Auerbach Hope
Chartered Accountants
Registered Auditors
58-60 Berners Street
London, W1T 3JS

14 May 2009

FX Import Company Limited

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2009

	Notes	Year ended 31 March 2009 £	7 Month period ended 31 March 2008 £
Continuing operations			
Revenue	4	7,234,201	4,039,140
Cost of revenue		(6,457,018)	(3,587,857)
Gross profit		777,183	451,283
Operating expenses			
Administrative expenses		(1,357,193)	(653,331)
Operating loss	5	(580,010)	(202,048)
Finance costs	7	(31,345)	(25,212)
Loss for the year before taxation		(611,355)	(227,260)
Taxation	8	9,500	24,563
Loss for the financial year	17&18	(601,855)	(202,697)

None of the company's activities were discontinued in the year.

There is no recognised income or expense other than that passing through the income statement.

BALANCE SHEET AT 31 MARCH 2009

	Notes	2009 £	2008 £
Non current assets			
Intangible assets	9	1,160	1,640
Property, plant and equipment	10	64,331	41,952
		65,491	43,592
Current assets			
Inventories	11	204,051	421,783
Trade and other receivables	12	772,749	453,060
Cash and cash equivalents		48,589	9,188
		1,025,389	884,031
Total assets		1,090,880	927,623
Current liabilities			
Trade payables and other payables	13	1,469,227	(932,115)
Net current (liabilities)		(443,838)	(48,084)
Non current liabilities			
Borrowings	14	(228,000)	–
		(228,000)	–
Total liabilities		(1,697,227)	(932,115)
Net liabilities		(606,347)	(4,492)
Shareholders' equity			
Share capital	16	25,200	25,200
Retained earnings	17	(631,547)	(29,692)
Total equity	18	(606,347)	(4,492)

The financial statements were approved by the board of directors and authorised for issue on 14 May 2009 and were signed on its behalf by:

Sd/-
Mr C Fox
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 £	2008 £
Cash flow from operating activities			
Cash (used in)/generated from operation	20	(117,392)	40,349
Interest paid		(31,345)	(25,212)
Net cash (used in)/generated by operating activities		(148,737)	15,137
Cash flows from investing activities			
Payments to acquire tangible assets		(39,862)	(3,214)
Net cash used in investing activities		(39,862)	(3,214)
Cash flows from financing activities			
Proceeds of loan from parent undertaking		104,000	–
Proceeds of loans from related parties		124,000	–
Net cash generated by financing activities		228,000	–
Net increase in cash and cash equivalents		39,401	11,923
Cash and cash equivalents at the start of the period		9,188	(2,735)
Cash and cash equivalents at the end of the period	20	48,589	9,188

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

1. General information

FX Import Company Limited is a company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is given on page 1. The principal activity of the company is disclosed in the directors' report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

2. Significant accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost basis and in accordance with International Financial Reporting Standards (IFRSs). The following principal accounting policies adopted in the preparation of these financial statements are set out below. The policies have been consistently applied unless otherwise stated.

2.1 Going concern

The financial statements have been prepared on a going concern basis even though at the Balance Sheet date the company's current liabilities exceeded its current assets by £443,838 and it made a loss for the year of £601,855.

The directors consider the going concern basis to be appropriate because, in their opinion, the company's trading performance will improve in the coming year with the development of new customers despite continuing difficult market conditions. The company will also continue to obtain sufficient funding to enable it to pay its debts as they fall due. If the company were unable to obtain this funding, it would be unable to continue trading and adjustments would have to be made to reduce the value of assets to their realisable amount and to provide for any further liabilities which might arise.

2.2 Adopted IFRSs not yet applied

At the date of authorisation of these financial statements certain new standards, amendments and interpretations to existing standards have been published but are not yet effective. The company has not chosen to adopt early any of the pronouncements. The new standards and interpretations that are expected to be relevant to the company's financial statements are as follows:

- IAS 1 (revised), 'Presentation of financial statements', applicable for reporting periods commencing on or after 1 January 2009.
- IAS 19 (amendment), 'Employee benefits', applicable for reporting periods commencing on or after 1 January 2009.
- IAS36 (amendment), 'Impairment of assets', applicable for reporting periods commencing on or after 1 January 2009.
- IAS38 (amendment), 'Intangible assets', applicable for reporting periods commencing on or after 1 January 2009.
- IFRS8 Operating segments, applicable for reporting periods commencing on or after 1 January 2009.

FX Import Company Limited

The company plans to adopt the above standards in the period in which they become applicable. The directors do not consider that the adoption of these standards will have a material impact on the financial statements in the period of initial application. Other new standards and interpretations have been issued but are not expected to have a material impact on the company's financial statements.

2.3 Intangible assets

Trademarks are stated at cost less accumulated amortisation and impairment losses; and are amortised over a period of 5 years, which in the opinion of the directors is the estimated useful economic life.

2.4 Property, plant and equipment

Property plant and equipment are stated at cost net of accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings leasehold	5% straight line
Fixtures, fittings and equipment	25% reducing balance
Motor vehicles	25% reducing balance

2.5 Impairment

The carrying values of the company's assets are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying value of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

2.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the distribution of garments net of discounts and value added tax is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue from commission receivable is recognised when the economic benefits associated with the transaction will be received by the company and that the stage of completion can be measured reliably at the balance sheet date.

2.7 Leasing

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price and other costs incurred in bringing the inventories to their present location and condition. Cost is measured using the FIFO method. Net realisable value represents the estimated selling price.

2.9 Employee benefits

Obligations for contributions to the defined contribution pension scheme are charged to the income statement in the period to which they relate.

2.10 Taxation

Income tax expense represents the current tax payable and deferred tax provisions.

– Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profits as reported in the same income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

– Deferred tax

The company accounts for deferred tax using the liability method and as such recognises all timing differences between the company's profits chargeable to tax and its results as shown in the financial statements. These timing differences arise from the inclusion of gains and losses for tax purposes in different periods from those in which they are recognised in the financial statements. Deferred tax assets are only recognised to the extent it is probable that the future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured on a non-discounted basis at rates of tax expected to apply in the periods in which the timing differences are expected to reverse.

2.11 Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets

and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Foreign exchange differences arising on translation are included in the income statement in the period in which they arise.

2.12 Factored debts

Factored debts are shown as gross assets within trade receivables and a corresponding liability is shown in respect of proceeds received within payables. The interest and factoring charges are recognised in the income statement during the period to which they relate using the effective interest method.

2.13 Financial instruments

The company does not use or trade derivative financial instruments. Financial instruments that the company uses are non-derivative and are recognised initially at fair value. Subject to initial recognition non-derivative financial instruments are measured as described as follows:

- **Trade and other receivables**

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. This also includes factored debts as described in note 2.12 .

- **Trade and other payables**

Trade and other payables are stated at their nominal value.

- **Cash and cash equivalents**

Cash for the purposes of the cash flow statement, comprises cash at bank and in hand. Cash equivalents are short term liquid investments convertible into cash and are subject to insignificant risk of changes in value. Bank overdrafts which "form part of cash and cash equivalents for the purpose of the cash flow statements are shown under current liabilities.

3. Significant judgements and estimates

The preparation of the company's financial statements in conforming with IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgements and estimates is contained in either the accounting policies or in the notes to the financial statements. These are listed below:

Depreciation rates are based on the estimated useful lives and the residual value of the assets involved.

No deferred tax liability has been recognised in respect of timing differences because the company has made losses, and in the directors' opinion the company will not pay UK corporation tax in the near future.

No deferred tax asset has been recognised in respect of unutilised losses, because in the directors' opinion there is no certainty that the losses will be fully utilised in the near future.

4. Revenue

The total revenue of the company for the year has been wholly undertaken in the United Kingdom and is reportable as follows:

	2009	2008
	£	£
Analysis of revenue by category:		
Sale of garments	6,997,490	4,039,140
Commission receivable	236,711	–
	<u>7,234,201</u>	<u>4,039,140</u>

5. Operating loss

	2009	2008
	£	£
Operating loss has been arrived at after charging:		
Amortisation of intangible assets	480	280
Depreciation of property, plant and equipment	17,483	6,024
Staff costs (see note 6 below)	637,350	278,307
Directors' emoluments (excluding pension costs)	220,974	2,398
Pension costs (see-note 6 below)	2,835	2,345
Fees payable to auditors:		
Audit of annual financial statements	9,399	10,216
Other services-review of the interim financial statements	13,575	–

FX Import Company Limited

6. Staff numbers and costs

	2009 £	2008 £
Employee costs include:		
Staff wages and salaries including restructuring costs	557,491	253,045
Social security costs	79,859	25,262
Staff pension costs—defined contribution plans	1,251	700
Directors' pension costs—defined contribution plans	1,584	1,645
	<u>640,185</u>	<u>280,652</u>

The average number of employees (including directors) during the year was:

	2009 Number	2008 Number
Management and administration	15	13
Directors	5	2
	<u>20</u>	<u>15</u>

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

7. Finance costs

	2009 £	2008 £
Bank and factoring interest paid	<u>31,345</u>	<u>25,212</u>

8. Taxation for the period

	2009 £	2008 £
Income tax expense		
Current tax expense:		
UK corporation tax	(9,500)	(22,281)
Total current tax	<u>(9,500)</u>	<u>(22,281)</u>
Deferred tax:		
Origination and reversal of temporary differences	–	(2,282)
Total deferred tax	–	(2,282)
Income tax expense	<u>(9,500)</u>	<u>(24,563)</u>
Reconciliation of effective rate		
Loss before taxation	<u>(611,355)</u>	<u>(227,260)</u>
Notional taxation charge at the UK corporation tax rate of 28% (2008: 20%)	(171,179)	(45,452)
Tax effects of:		
Expenses not deductible for tax purposes	856	865
Depreciation in excess of capital allowances	1,650	107
Adjustments to previous periods	(9,500)	–
Unutilised tax losses not recognised as a deferred tax asset	154,673	21,493
Other tax adjustments	14,000	(1,576)
Total tax in income statement	<u>(9,500)</u>	<u>(24,563)</u>

No liability to UK corporation tax arose during the year.

The company had losses, as computed for taxation purposes, of £659,869 at 31 March 2009 (31 March 2008: £107,464) available to be carried forward against future profits from the same trading activity.

No deferred tax provision has been recognised during the year.

9. Intangible assets

	Trademarks	
	2008 £	2007 £
Cost		
At the start and end of the period	<u>3,300</u>	<u>3,300</u>
Amortisation		
At the start of the period	1,660	1,380
Charge for the period	480	280
At the end of the period	<u>2,140</u>	<u>1,660</u>
Net book value		
At the end of the period	<u>1,160</u>	<u>1,640</u>
At the start of the period	<u>1,640</u>	<u>1,920</u>

10. Property, plant and equipment

	Land and buildings leasehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2008	7,179	62,501	10,999	80,679
Additions	3,916	5,946	30,000	39,862
At 31 March 2009	<u>11,095</u>	<u>68,447</u>	<u>40,999</u>	<u>120,541</u>
Accumulated depreciation				
At 1 April 2008	719	34,447	3,561	38,727
Charge for the year	183	7,940	9,360	17,483
At 31 March 2009	<u>902</u>	<u>42,387</u>	<u>12,921</u>	<u>56,210</u>
Net book value				
At 31 March 2009	<u>10,193</u>	<u>26,060</u>	<u>28,078</u>	<u>64,331</u>
At 31 March 2008	<u>6,460</u>	<u>28,054</u>	<u>7,438</u>	<u>41,952</u>
Cost				
At 1 September 2007	7,179	59,287	10,999	77,465
Disposals	–	3,214	–	3,214
At 31 March 2008	<u>7,179</u>	<u>62,501</u>	<u>10,999</u>	<u>80,679</u>
Accumulated depreciation				
At 1 September 2007	509	29,903	2,291	32,703
Charge for the period	210	4,544	1,270	6,024
At 31 March 2008	<u>719</u>	<u>34,447</u>	<u>3,561</u>	<u>38,727</u>
Net book value				
At 31 March 2008	<u>6,460</u>	<u>28,054</u>	<u>7,438</u>	<u>41,952</u>
At 31 August 2007	<u>6,670</u>	<u>29,384</u>	<u>8,708</u>	<u>44,762</u>

11. Inventories

	2009 £	2008 £
Finished goods and goods for resale	<u>204,051</u>	<u>421,783</u>

12. Trade and other receivables

	2009	2008
Trade receivables	721,657	405,038
Other receivables	18,900	39,368
Prepayments	32,192	8,654
	<u>772,749</u>	<u>453,060</u>

The average credit period given for trade receivables at the end of the year is 36 days (2008:37 days).

The total charge in the year in respect of irrecoverable receivables was £18,917 (2008: £nil). All amounts are due to be recovered within 12 months of the balance sheet date. The fair value of trade and other receivables is the same as the carrying value shown above.

The maximum exposure to credit risk for trade and other receivables is represented by their carrying amount. The company does not have a significant concentration of credit risk for its trade receivables because they are all factored and its customer base is large and unrelated.

13. Trade and other payables

	2009 £	2008 £
Trade payables	1,138,800	882,497
Amount due to parent undertaking (note 22)	12,191	–
Amount due to fellow subsidiary undertakings (note 22)	76,405	18,990
Amount due to related parties (note 21)	48,697	264
Social security and other taxes	80,282	14,617
Accrued expenses	112,852	15,747
	<u>1,469,227</u>	<u>932,115</u>

Trade payables and accrued expenses mainly comprise of amounts owed for trading purchases and associated costs.

Included within trade payables are gross loans secured against trade receivable balances. These amounted to £373,514 (2008: £111,376). Included in trade payables is an amount of £377,734 (2008: £192,907) which is secured by a fixed and floating charge over the company's assets.

All trade and other payables are due to be paid within 12 months of the balance sheet date. The fair value of trade and other payables are the same as the carrying value shown above.

FX Import Company Limited

14. Borrowings	2009	2008
	£	£
Loan from parent undertaking (note 22)	104,000	-
Loans from related parties (note 21)	124,000	-
	<u>228,000</u>	<u>-</u>
The carrying value of all the company's long-term borrowings approximate to their fair value as at the balance sheet date.		
15. Deferred tax		
The movement for recognised deferred tax during the period was:		
	2009	2008
	£	£
At the start of the period	-	2,282
Credited to income statement during the period	-	(2,282)
At the end of the period	<u>-</u>	<u>-</u>
Unrecognised deferred tax assets and liabilities		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	184,763	21,493
Deferred tax liabilities have not been recognised in respect of the following items:		
Original and reversal of temporary differences	1,640	-
The net deferred tax assets have not been recognised in respect of the losses due to uncertainty of full and immediate utilisation of these losses.		
16. Share capital		
Authorised		
25,200 Ordinary shares of £1 each	25,200	25,200
24,800 Ordinary 'B' shares of £1 each	24,800	24,800
Issued and fully paid		
25,200 Ordinary shares of £1 each	25,200	25,200
17. Retained earnings		
Balance at the start of the period	(29,692)	173,005
Net loss for the period	(601,855)	(202,697)
Balance at the end of the period	<u>(631,547)</u>	<u>(29,692)</u>
18. Statement of movements in equity		
Loss for the financial period	(601,855)	(202,697)
Reductions to equity	(601,855)	(202,697)
Equity at the start of the period	(4,492)	198,205
Deficiency at the end of the period	<u>(606,347)</u>	<u>(4,492)</u>
19. Operating lease arrangements		
Minimum lease payments under operating leases recognised in income for the period		
	50,000	43,351
At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:		
Within one year	50,000	60,979
In the second to fifth years inclusive	200,000	243,916
	<u>250,000</u>	<u>304,895</u>
Operating lease payments represent rentals payable by the company.		
20. Notes to the cash flow statement		
Cash flows from operating activities		
Loss from operations	(580,010)	(202,048)
Adjustments for:		
Depreciation of property-plant and equipment	17,483	6,024
Amortisation of intangible assets	480	280
Operating cash flows before working capital	(562,047)	(195,744)
Movements in working capital:		
Decrease/(increase) in stock	217,732	(25,157)
(Increase)/decrease in receivables	(310,189)	463,122
Increase/(decrease) in payables	537,112	(201,872)

	2009	2008
	£	£
Cash (used in)/generated from operations	(117,392)	40,349

Cash and cash equivalents comprise:

Cash in hand and at bank	48,589	9,188
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21. **Transactions with directors**

During the year the following transactions were carried out with Mr C R Severs and Mr C Fox:

	2009	2008
	£	£
• Services provided to the company		
Rent of building	50,000	43,351
Design services	-	101,724
	<u>50,000</u>	<u>145,075</u>

All transactions were at arms length and on normal commercial terms.

• Year end balances arising from services provided		
Payable to Chris Design (note 13)	18,433	18,726
Chris Design is a partnership in which the above directors are partners.		

• Loans from directors	2009	2008
	£	£
Short term loan (note 13)	30,264	264
Long term loan (note 14)	124,000	-
	<u>154,264</u>	<u>264</u>

The above directors have given personal guarantees in respect of the charge described in note 13 for the maximum amount of:

	377,734	192,907
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22. **Related party transactions**

During the year, the company-entered into the following transactions with related parties:

	Sales/FOB transfers/rent/commission received		Commission paid/purchases/expenses		Amounts owed to related party	
	2009	2008	2009	2008	2009	2008
	£	£	£	£	£	£
Poeticgem Limited, UK	-	-	12,191	-	116,191*	-
Pacific Logistics Limited, UK	-	-	78,369	-	34,229	-
Norwest Industries Limited, Hong Kong	6,954	-	59,645	-	34,264	-
Zamira Fashions Limited; Hong Kong	-	-	373,363	-	7,912	-

The above companies are related as follows:

Poeticgem Limited is the parent company of FX Import Company Limited.

Pacific Logistics Limited is a fellow subsidiary company.

Norwest Industries Limited and Zamira Fashions Limited are fellow subsidiaries of Global Textile Group Limited, parent company of Poeticgem Limited.

The above balances are interest free and repayable on demand.

Poeticgem Limited has given an unlimited guarantee on certain of the banking facilities of FX Import Company Limited. At the balance sheet date, no exposure arises on this guarantee.

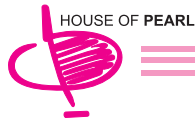
* This balance includes a long-term loan of £104,000.

23. **Control**

The controlling party of the company is Poeticgem Limited by virtue of its 50% ownership of the ordinary share capital and overall board control.

The ultimate parent company of Poeticgem Limited is House of Pearl Fashions Limited, a company registered in India. House of Pearl Fashions Limited prepares group financial statements' and copies can be obtained from Corporate Office: 446, Udyog Vihar, Phase-V, Gurgaon-122 016 (Haryana), India.

House of Pearl Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.



Pearl GES Home Group S.P.A.

DIRECTORS' REPORT

The directors are pleased to present their report together with the audited financial statements of the Company for the period 31 July 2009 (date of Incorporation) to 31st March 2009.

Principal Activity

The principal activity of the Company is design, development, trading, sourcing and distribution of Home Decor items of all kinds.

Results and dividend

The results for the year shown in the accounts.

The directors do not recommend the payment of any dividend for the year under review (2008: NIL).

Statement of Directors' responsibilities in respect of financial statements

The directors are responsible for the preparation of financial statements, in preparing those financial statements the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- stated whether international Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detention of fraud and other irregularities.

By order of the Board

Sd/-

Director

Date: 04 April 2009

INDEPENDENT AUDITORS' REPORT

To the Board of Directors

PEARL GES HOME GROUP S.P.A.

We have audited the accompanying balance sheets of PEARL GES HOME GROUP S.P.A. as of March 31st, 2009 and the related statements of income, changes in Equity and cash flow for the period between July 31st, 2008 to March 31st, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International auditing standards generally accepted. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of PEARL GES HOME S.P.A. as of March 31, 2009 and income of its operations, the changes in Equity and its cash flows for the period the period between July 31st, 2008 to March 31st, 2009 in conformity with and International Financial Reporting Standards.

LAROS Auditores Consultores Ltda.

Santiago de Chile

April 3, 2009

PEARL GES HOME GROUP S.P.A BALANCE SHEET

AS OF MARCH 31ST, 2009

	Th Ch\$
Assets	
Non current	
Fixed assets	
Premises refitting	78,021
Equipment and Computers	6,231
Office furniture	1,162
Accumulated depreciation	<u>(12,677)</u>
Total fixed assets	<u>72,737</u>
Other assets	419
Deferred taxes	34,729
Total other assets	<u>35,148</u>
Total Non-current assets	<u>107,885</u>
Current	
Cash and Banks	17,679
Sundry debtors	988
Total Current Assets	<u>18,667</u>
Total Assets	<u>126,552</u>
Liabilities and equity	
Equity	
Capital	3,000
Loss for the year	<u>(169,560)</u>
Total Equity	<u>(166,560)</u>
Current Liabilities	
Suppliers	4,027
Accounts payable to related companies	281,163
Sundry creditors	15
Withholding	3,462
Provisions	4,445
Total Current Liabilities	<u>293,112</u>
Total Liabilities and Equity	<u>126,552</u>

STATEMENT OF INCOME

FOR THE PERIOD BETWEEN JULY 31st, 2008 TO MARCH 31st, 2009

	Th Ch\$
Income	
Operational income	
Sales	-
Non operational income	
Exchange rate difference	10,735
Total income	<u>10,735</u>
Expenses	
Cost of goods sold	-
Administrative expenses	(213,371)
Other expenses	(1,653)
Total expenses	<u>(215,024)</u>
Net result before income tax	<u>(204,289)</u>
Income tax	34,729
Loss for the period	<u>(169,560)</u>
Capital	
Payment of Capital	3,000
Total Capital Paid	<u>3,000</u>
Reserves	
Loss for the period	(169,560)
Total Reserves	<u>(169,560)</u>
Total Equity	<u>(166,560)</u>

Pearl GES Home Group S.P.A.

STATEMENTS OF CASH FLOW (INDIRECT METHOD)
FOR THE PERIOD BETWEEN JULY 31st, 2008 TO MARCH 31st, 2009

	Th Ch\$
Cash flow from operating activities	
Loss for the period	(169,560)
Debits (credits) that do not represent cash flow Depreciation	12,677
Income tax	(34,729)
Exchange rate difference	(10,735)
Provisions	4,445
Assets variations (increase)-decrease	
Others	2,070
Liabilities variations (decrease)-increase	
Suppliers	(16,947)
Total operational cash flow	(212,779)
Cash flow from investing activities	
Investments in fixed assets	(85,414)
Total cash flow from investing activities	(85,414)
Flow from Financing Activities	
Loans from related parties	312,872
Payment of capital contributions	3,000
Total flow from financing activities	315,872
Net cash flow for the period	17,679
Cash flow at beginning of period	-
Cash flow at the end of period	17,679

NOTES TO FINANCIAL STATEMENTS**1. Company constitution**

PEARL GES HOME GROUP S.P.A. was constituted by public deed dated July 31st, 2008 as a commercial entity for consulting and market research. Its legal address is Avenida del Valle N° 869, N° 204 office, Huechuraba, Santiago

2. Summary of Significant Accounting Policies**a) General:**

The Financial Statements have been prepared in conformity International Financial Reporting Standards. The accounting period comprises July 31st 2008 to March 31st, 2009.

b) Cash and cash equivalent definition:

For purposes of the statement of cash flow, the Company considers all investments with a maturity of three months or less to be cash equivalents. At the closing of the financial statements, there are no items to be considered cash equivalents.

c) Bad debts:

The Company has considered not necessary to constitute allowance for bad debts.

d) Income Taxes and Deferred Taxes:

In conformity with the information revealed in the financial statements, the company does not have incomes. Accordingly, no provision or liability for local income taxes has been made. In function to the imputations contained in its countable records, the company has determined that do not exist temporary significant differences that origin deferred taxes, nevertheless it has registered an assets for tax loss of the period.

e) Fixed assets and equipment:

Equipments, furniture and fixed assets in general have been accounted at their acquisition cost. The depreciation has been calculated using the straight-line method, according to the useful lives defined in observance of instructions from the home office taking into account the residual values, equal to 10% of the initial purchase price, as applicable.

The premises refitting item comprises the costs related with the local office implementation, which is under operating lease. These costs are depreciated in accordance to the remaining lease contract periods.

f) Vacation provision and other accrued costs:

The Company has accounted a provision for the accrued cost of vacations and other employee benefits. Provisions have also been established for costs accrued at the close of the financial statements for which no invoice or supporting documentation had yet been received. These provisions are shown in the provisions item.

g) Functional Currency:

The translation of these financial statements is expressed in Chilean Pesos. This functional currency has been defined by the Company in accordance that the most significant flows and transactions in Chile are expressed in that Chilean Pesos.

h) Recognition of operating income:

The Company recognizes the operating income (services) in accordance to the completion percentage or advance. Considering its level and nature of the operations, the Company has not developed operational incomes. Notwithstanding in accordance to the management plans, in the near future the Company would be in conditions to recover de book value of the assets and investments in general.

3. Accounting Changes

There were no changes in the accounting the accounting period.

4. Income Taxes and Deferred Taxes

In the period between July 31st, 2008 and March 31st, 2009 the company determined a loss of Th Ch\$ 204,289.- for which it does not have tax payment over revenues. Nevertheless, in accordance with accounting regulation about deferred taxes, the company has generated a credit to results for an amount equivalently to the income tax rate applicable to the tax loss generated in this period

5. Intercompany balances and transactions

	Balance Th Ch\$	Transactions Th Ch\$	Concept
ACCOUNTS PAYABLE			
Pearl Ges HK	281.164	281.164	Transfer of funds
TOTAL	281.164	281.164	

6. Equity changes

The changes in the Equity occurred in the period are the following:

	Capital Th Ch\$	Profit (loss) for the period Th Ch\$	Th Ch\$
Payment of capital	3,000	-	3,000
Profit (loss) for the period	-	(169,560)	(169,560)
Balance	3,000	(169,560)	(166,560)

7. Commitments and Contingencies

There are not judgments, contingencies or commitments, which could affect the company

8. Administrative Expenses

The detail of the administrative expenses item as of March 31, 2009 is as follows:

	Th Ch\$
Advisers fees	77,285
Remunerations	45,300
Office lease	24,488
Professional advisories	21,410
Depreciation	12,677
Airfares	7,870
Vacations	4,250
Accounting fees	3,268
Legal fees	3,050
Common expenses building	2,507
Toiletries and office expenses	2,406
Gratification	1,577
Credit taxes	1,290
Rent parking	1,106
Bonus	1,000
Social laws	879
Spending samples	868
Other fees	750
Telephone/fax	545
Freights	264
Equipments repair	172
Other fees	91
Other expenses	318
Total	213,371

9. Subsequent events

No events had subsequently occurred by the date of these financial statements that might materially impact the content or presentation of the financial statements.

LERROS

GERMANY. 1979

SUMMER SWANK

With Lerros, you enjoy the best of fashion style on the hottest days!

The Cosmopolitan (and LERROS) has been the most admired brand launch of the year. The award-winning brand has been named as the best brand for the best brand!

LERROS is a German multinational fashion brand. It was founded in 1979 in Germany with a turnover of 250 million USD.

Established in 1979, LERROS is a casual wear apparel brand in Germany. LERROS is also present in Belgium, Ireland, Poland, Czech Republic, Spain, India, South Africa, and the United Kingdom.

LERROS has a wide range of products for men and women. The brand is known for its casual wear, including t-shirts, jeans, and dresses. The brand is also known for its sportswear, including jackets and sweaters.

LERROS is a family-owned business. The brand is run by the Lerros family, who have been in the fashion industry for over 30 years.

COSMOPOLITAN MAY, 2009

FEMINA APRIL 22, 2009

Spring Summer '09 Collection from Lerros

LERROS makes itself a German multinational brand. It was founded in 1979 in Germany with a turnover of 250 million USD.

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A trendy twist

Himadree

Scores of international high-street brands are coming to India. The latest on the block is Lerros, a premium German apparel brand. Their smart collection is all about mix'n'match. "From trendy shorts to dresses with flared collars, the outfits are fashionably tailored", says Deepak Seth, group chairman of House of Preeti Fashion. Sizes are available from 34.

The clothes are unmistakably knockout in flavour. The designs are sporty, modern, light and unapologetic. Highly roomier than are their comfy shorts, but be ready to pay some good moolah!

www.lerros.com

LERROS

REDEFINING CASUAL FASHION

Most admired brand launch of the year: **LERROS**

Lerros is the one stop shop for people who love to live in modern, straightforward and confident casuals. Lerros comes out with 12 collections in a year for both men and women, which means that fresh and latest fashion is added to the stores every month. Each collection stands to be uniquely different from the other and has a never-ending variety for every customer.



LERROS BAGS "MOST ADMIRABLE BRAND LAUNCH OF THE YEAR 2008 AWARD!"

Impeccable couture

It would have to look ahead to her designs in fashion shows as an iconic trend maker in the industry.

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FEMINA MAY 20, 2009

German apparel giant Lerros forayed into the Indian market recently with much fanfare. At a fashion show held at Select City Walk in Saket, ramp scorchers like Nayamika Chatturvedi, Laxmi Rana, Sonika Sahay and others wowed down the ramp. A peek.

For video, visit www.mid-day.com

German glamology

German apparel giant Lerros forayed into the Indian market recently with much fanfare. At a fashion show held at Select City Walk in Saket, ramp scorchers like Nayamika Chatturvedi, Laxmi Rana, Sonika Sahay and others wowed down the ramp. A peek.

For video, visit www.mid-day.com

FLOWERY FANTASY
Nayamika Chatturvedi

MERC MATHY BADE LAXMI RANA IN TOP
Sonika Sahay is holding her fellow model

diary

selection of chic everyday options for June

Out and about

Casualwear brand Lerros launches thousand variations of its Spring/Summer 2009 collection featuring a mix of sport, smart and elegant looks. Especially interesting for those who love the blues. A range of vibrant green and red tones to organic tones and earthy hues. A range of vibrant green and red tones to organic tones and earthy hues. A range of vibrant green and red tones to organic tones and earthy hues.

Available in select cities in New Delhi at Select City Walk, on 001-42500029. In Goa at The Greenbelts Plaza, on 001-42500029. In Gujarat at Ambrosia Mall, on 0221-4820279. In Mumbai at Mega Mall, on 322-80100665.



Registered Office

A-3, Community Centre,
Naraina Industrial Area, Phase-II,
New Delhi-110 028

Corporate Office

446, Udyog Vihar, Phase-V,
Gurgaon-122 016 (Haryana)