



HOUSE OF PEARL FASHIONS LIMITED

winning
together...



ANNUAL REPORT 2009 - 2010

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-110 001.

Bankers

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

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).

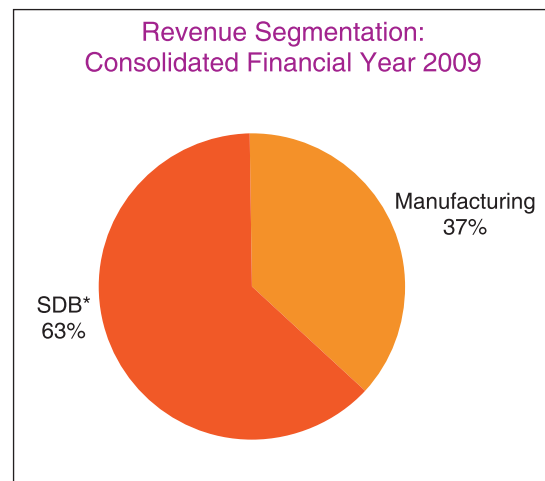
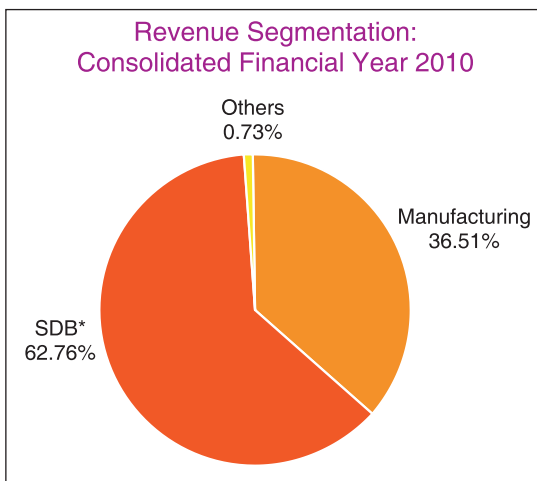


NEW INITIATIVES

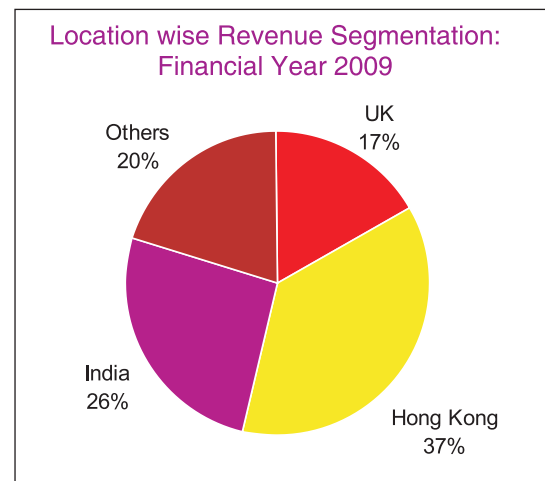
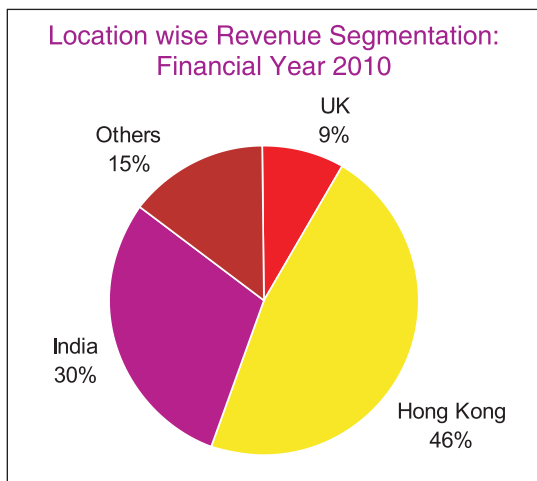
- ❖ Srilanka Operations : Norwest Industries Ltd. selected by ASDA George – UK to set up sourcing operations from Srilanka for supplying high volume baby wear, ladies and other essential garments.
- ❖ Ladies Denim business : Poeticgem has set up ladies denim division to cater to the increasing demands. Business is expected to generate out of exclusive designs and products developed by the in house team. Products would be sourced through Fareast sourcing offices.
- ❖ Direct Sourcing services : Norwest Industries Limited has identified a unique opportunity to service its customers direct from its sourcing offices in the fareast countries by setting up teams to directly interact with the customers and provide the necessary services to source the garments. Customer include ASDA George (girls), Max Group, French customers like Camaieu, Phildar & Edcon of South Africa.
- ❖ New licenses : Poeticgem Ltd. has signed agreements with following brands / licenses England Football Association, Radio Days, Rolling Stones / Guns & Roses, Fifi & Flowertots, Rody the Racing Car, to design, develop, source and sell garments under various age groups in UK.
- ❖ New Division : Set up by Norp Knit Industries Limited for expansion of wovens and bottoms.
- ❖ Lerros Fashions India Limited has granted license of LERROS marks, initially for 5 years to a third party for manufacture and procurement of merchandise and operate Lerros Boutiques.

R E V E N U E S E G M E N T A T I O N

Revenue from Business Divisions

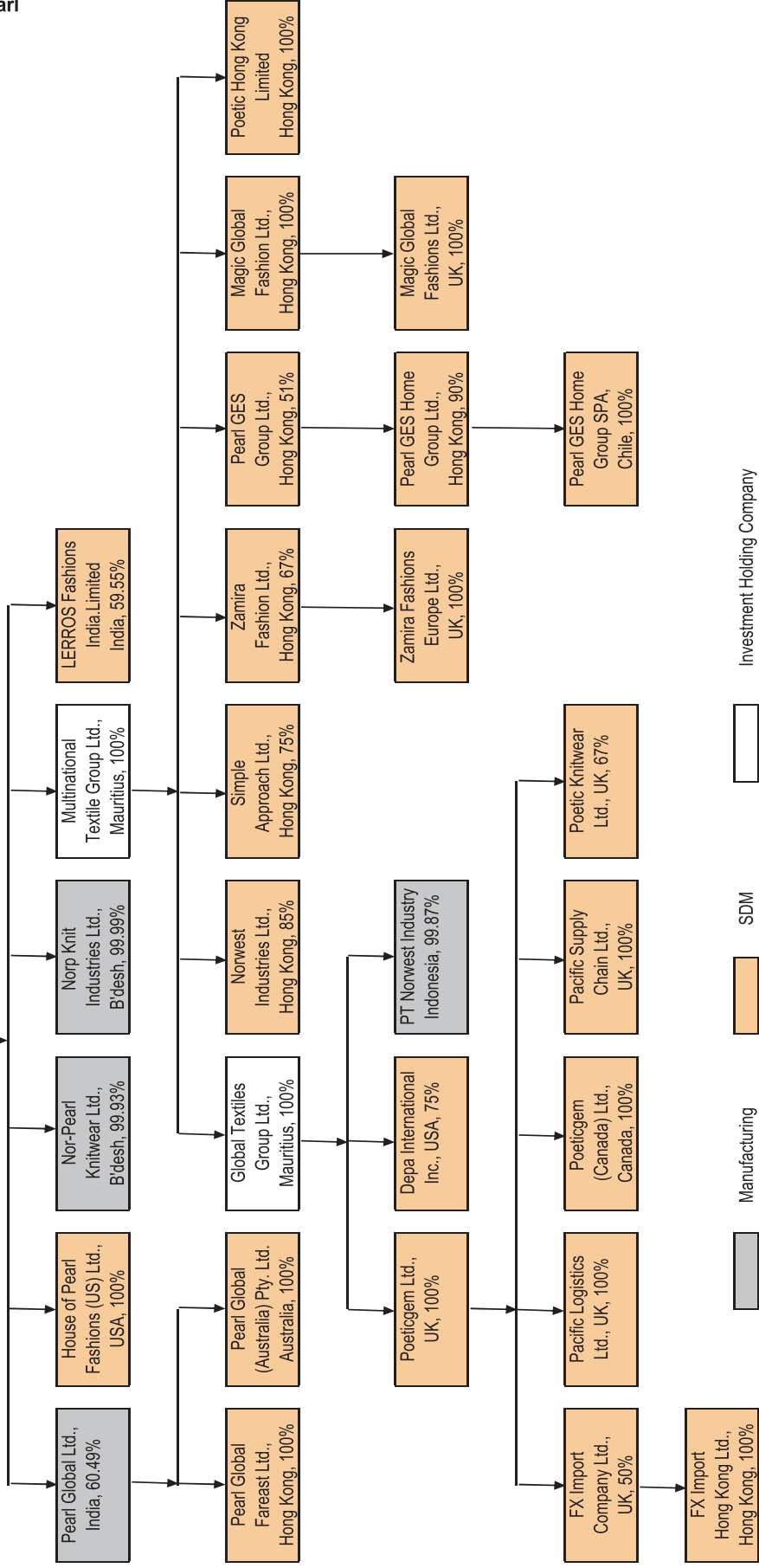


Revenue from Geographical Locations





**HOUSE OF PEARL FASHIONS LIMITED,
INDIA**



Investment Holding Company

Manufacturing

SDM



Contents

S. No.	Particulars	Page No.
1.	Director's Report	06
2.	Report on Corporate Governance	08
3.	Management Discussion and Analysis	14
4.	Auditors' Report on Consolidated Financial Statements	15
5.	Consolidated Balance Sheet	16
6.	Consolidated Profit & Loss Account	17
7.	Consolidated Cash Flow Statement	18
8.	Consolidated Schedules	19
9.	Consolidated Significant Accounting Policies	25
10.	Consolidated Notes to Accounts	27
11.	Auditors' Report	39
12.	Balance Sheet	40
13.	Profit & Loss Account	41
14.	Cash Flow Statement	42
15.	Schedule	43
16.	Significant Accounting Policies	49
17.	Notes to Accounts	50
18.	Balance Sheet Abstract	58
19.	Statement pursuant to Section 212	59
20.	Subsidiary Companies:	
	i. Pearl Global Limited - Standalone	60
	ii. Nor-Pearl Knitwear Limited	82
	iii. Norp Knit Industries Limited	88
	iv. Lerros Fashions India Limited	93
	v. House of Pearl Fashions (U.S) Limited	101
	vi. Multinational Textile Group Limited	106
	vii. Norwest Industries Limited	112
	viii. Zamira Fashions Limited	125
	ix. Simple Approach Ltd	133
	x. Global Textiles Group Limited	139
	xi. Pearl GES Group Limited	144
	xii. PT Norwest Industry	153
	xiii. Depa International Inc.	162
	xiv. Poeticgem Limited	167
	xv. Pearl GES Home Group Limited	177
	xvi. Pacific Logistics Limited	185
	xvii. Poeticgem (Canada) Limited	190
	xviii. Pacific Supply Chain Limited	193
	xix. Pearl GES Home Group SPA	196
	xx. Zamira Fashions (Europe) Ltd.	200
	xxi. FX Import Hong Kong Ltd.	204
	xxii. Poetic Knitwear Ltd.	208
	xxiii. Magic Global Fashions Ltd.UK	212
	xxiv. Pearl Global Fareast Ltd.	215
	xxv. Pearl Global (Australia) Pty. Ltd.	220
	xxvi. FX Import Company Limited	226



**DIRECTORS' REPORT****To the Shareholders,**

The Directors of your Company have pleasure in presenting the 21st Annual Report and Audited Accounts for the year ended 31st March 2010, together with the Auditors' Report thereon.

CONSOLIDATED WORKING RESULTS

During the year under review, the consolidated Income of your Company is Rs.190447.67 Lacs against previous year Rs.1,48,273.60 Lacs.

(Rs. In Lacs)

	2009-2010	2008-2009
Income	183204.86	144790.93
Other Income	4532.89	3482.68
Profit before Tax & Adjustments	1613.62	179.43
Provision for Tax	199.87	41.43
Provision for Bad debt	—	(5.79)
Profit After Tax	1413.75	132.21
EPS (in Rs.)	4.53	2.76
Transfer to General Reserves	—	—

WORKING RESULTS OF THE COMPANY (STANDALONE)

(Rs. In Lacs)

	2009-2010	2008-2009
Income	4484.25	2283.25
Other Income	1117.45	2025.46
Profit before Tax	(410.55)	1188.73
Provision for Tax	5.87	272.08
Profit After Tax	(404.68)	916.66
Transfer to General Reserves	—	—

BUSINESS AND OPERATIONS

Over the last three years, your company through its subsidiaries and joint ventures has been able to add more capacities, acquires strategic companies, set up new divisions, expand into new geographies, strengthen its design infrastructure, implement ERP and has now reached an enviable position of "One Stop Shop" destination for its customers. Today, your company through its subsidiaries and joint ventures offers almost all categories of garments, manufactured either in its own or outsourced from the most cost effective locations on either FOB or LDP terms to its customers.

In the industry scenario, where most of the top retailers of the world are consolidating their vendor base, stand alone vendors are going out of business and their share are being taken over by companies which can provide one Stop Shop Solutions. Vendors that are able to offer value addition in terms of design input, provide different sourcing options and have the operational and financial resources to meet retailers increasing requirements are being categorized as their "Preferred Vendors". This gives the vendor an edge over the competition. Due to all its investments over the last couple of years, your company through subsidiaries has already been categorized as Preferred Vendor by various big Retailers in US and Europe. This together with strategic acquisitions, helps the company to retain and grow its market share and add new customers and enter new geography.

Consolidated turnover of the company is Rs.1832.05 Crore, up by more than 26% in financial year 2009-10. The consolidated profit of the company is Rs.14.14 Crore compared to profit of Rs.1.32 Crore for last year. With no expected increase in fixed overheads, your company expects that the new business initiatives will be start yielding increase in sales and improved consolidated profit.

Considering the growing demand, the company plans to enhance manufacturing capacities at Gurgaon, Chennai and Bangladesh during the financial year 2010-11.

Company's subsidiary, House of Pearl Fashions (US) Limited has acquired license for Geoffrey Benne in US market and look to evaluate this model to see future prospects. For this we have built a strong team in New York for managing replenishment process. In our warehouse in New Jersey, we are developing ability to manage pick and pack services. The company is looking at 3-5 year strategy to form strategic alliance/JV's with mills for woven bottoms and knit fabrics and evaluating opportunities in Duty free countries such as Egypt.

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) 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. 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.

The company is formulating a formal Corporate Social Responsibilities (CSR) Policy keeping in tune with its overall business policy and goals.

AWARDS AND RECOGNITION

Pearl Global Limited, the Indian subsidiary, received "AEPIC Export Award" for the year 2006-07 and 2007-08 in the category "Highest Exports in Woven Garments" on 2nd December, 2009.

Lerros Fashions India Ltd., Indian subsidiary in retail chain, won award for best new brand launch for 2008 at the Images Fashions Awards 2009, recognized by the International Council of Shopping Centre (ICSC).

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. Pallak Seth and Mr. Sanjay Pershad, 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, (Regn. No. 001478N), New Delhi, retires 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 2010, 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 2010 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 2010-11 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.

CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009

The company is in the process of considering adoption of Corporate Governance Voluntary Guidelines, 2009 (the Guidelines) and formulating relevant policies/codes. The subject being at inception/planning level, will take its shape in due course.

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".

NOTES TO ACCOUNTS

The 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.

PARTICULARS W.R.T. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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

Information pertaining to activities relating to exports, initiative taken to increase exports, development of new export markets and exports plans is 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 and increasing manufacturing capacities. The Company and subsidiaries have explored new markets in South America, Africa and sourcing partners in Sri Lanka. 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.

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

Foreign Exchange Earnings

Particulars	2009-10	2008-09
Export of Goods- FOB basis	433,077,525	215,827,507
Interest Income	16,273,983	—
SAP/Mgmt Charges	19,874,074	—
Others	5,727,910	—
Total	474,953,492	215,827,507

Foreign Exchange Outgo

Particulars	2009-10	2008-09
Foreign Travelling	554,377	4,474,073
Advertisement Expenses	517,064	-
Commission	429,157	2,151,273
Sampling Expenses	8,803,391	-
Others	1,789,711	-
Total	12,093,700	6,625,346

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**

Deepak Seth
Chairman
(DIN - 00003021)

Place : Gurgaon
Date : 29.05.2010

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	30	Managing Director	48,09,360/-	Graduate in Management Studies from Leonard N. Stern School of Business, New York, University	9	01.04.2005	Managing the Company	Norwest Industries Ltd., Hong Kong, as Joint Managing Director and became Managing Director in the year 2003.
Atul Gupta	45	Chief Finance Officer	27,36,546/-	CA, ICWA and B.Com	21	29.06.2009	Finance and Accounts	Arcelor Mittal, Kazakhstan, GM Finance, September 2007 – June 2009
M. Srivenkatesa	39	Chief Information Officer	22,72,926/-	MA, PG Dip NIFT	12	08.05.2009	Head, IT Department	TCNS Clothing, COO, July 2007 – April 2009
Rishi Raj Vig	40	Chief Finance Officer	24,53,330/-	B.Com, ICWA, CPA (US)	20	27.02.2006, Left the Organisation on 31.10.2009	Finance & Accounts	Sr. GM (F&A) Pearl Global Limited GM Finance, Shahi Exports Private Limited March 2005 – February 2006
Col. Ramesh Wahi	60	Group Chief Information Officer (IT)	30,91,825/-	M. Tech	39	17.08.2006 Left the Organisation on 15.10.2009	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 Companies 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 2010, 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:

29th May 2009, 30th June 2009, 31st July 2009, 18th September 2009, 31st October 2009 and 30th January 2010.

Composition and Category of the Board as on 31.03.2010 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	-	-	5	Yes
2	Mr. Pallak Seth	Non Executive Vice-Chairman	1	-	-	-	Yes
3	Mr. Pulkit Seth	Managing Director	2	3	-	3	No
4	Mr. Sanjay Pershad	Non-Executive Director	1	2	-	1	No
5	Dr. Ashutosh P. Bhupatkar	Independent Director	2	3	2	6	Yes
6	Mr. Samar Ballav Mohapatra	Independent Director	5	2	2	6	Yes
7	Mr. Chittranjan Dua	Independent Director	5	-	-	4	Yes
8	Mr. Rajendra K. Aneja	Independent Director	-	1	-	-	No

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.
- ZReviewing 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	5
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, 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 6th April 2009, 30th June 2009, 31st July 2009, 30th October 2009 and 30th January 2010 during the financial year 2009-10. 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 K 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 18th September 2009 in the financial year 2009-10, attended by Mr. S.B. Mohapatra and Dr. Ashutosh P Bhupatkar.

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.

The Central Government vide its letter dated 15th March, 2010 approved the appointment of Mr. Pulkit Seth as Managing Director of the Company for a period of five years w. e. f. 1st June, 2008 at a remuneration of Rs.4,00,000/- per month as per Schedule XIII of the Companies Act, 1956. Accordingly, the Company paid Rs.48,09,360/- as salary to Managing Director. Provident Fund contribution of the Company is Rs.9,360/-.

Details of remuneration paid to all the Directors for the year 2009-10:

(Amount in Rs.)

Name of the Director(s)	Mr. Deepak Seth	Mr. Pallak Seth	Mr. Pulkit Seth	Mr. Sanjay Pershad	Mr. Chitranjan Dua	Mr. Samar Ballav Mohapatra	Mr. Rajendra K. Aneja	Dr. A. P. Bhupatkar
Designation	Chairman	Vice-Chairman	Managing Director	Director	Director	Director	Director	Director
Salary	--	--	4,00,000	--	--	--	--	--
Benefits	--	--	--	--	--	--	--	--
Bonus	--	--	--	--	--	--	--	--
Commission	--	--	--	--	--	--	--	--
Pension	--	--	--	--	--	--	--	--
Others (Provident Fund)	--	--	9,360	--	--	--	--	--
Break up of fixed components and Performance linked incentives with performance criteria	--	--	--	--	--	--	--	--
Performance Incentive	--	--	--	--	--	--	--	--
Service Contract	--	--	3 years	--	--	--	--	--
Notice Period, Severance fees	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Stock Options details (if any): Whether issued at discount. Period over which it is accrued and is exercisable	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sitting Fees	1,00,000	--	--	20,000	80,000	1,20,000	--	1,20,000
Total	1,00,000	--	48,09,360	20,000	80,000	1,20,000	--	1,20,000





The Company pays Rs.20,000/- as Sitting Fee to all the Non-Executive Directors for each Board Meeting attended. 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 6.72% 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 21st Annual General Meeting and forms part of the corporate governance report.

5. FINANCE COMMITTEE

The Finance Committee comprises of:

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

No meeting of the Finance Committee was held in the financial year 2009-10.

6. SHAREHOLDER GRIEVANCE & TRANSFER COMMITTEE

The Shareholder Grievance & Transfer Committee comprises of:

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

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

The Shareholder Grievance & Transfer Committee met on 17th April 2009, 16th May, 2009, 14th July, 2009, 31st July 2009, 16th January 2010 and 3rd February, 2010 during the year 2009-10.

Mr. Sandeep Sabharwal, Company Secretary, is the Compliance Officer of the Company.

Status of Shareholders Complaints during the year

Complaints at the beginning of the year. 1 st April 2009	Complaints received during the year. 1 st April 2009 – 31 st March 2010	Complaints settled during the year. 1 st April 2009 – 31 st March 2010	Complaints pending at the ending of the year. 31 st March 2010
NIL	3	3	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 2010.

8. GENERAL BODY MEETINGS

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

Year	AGM	Location	Date	Time
2006-07	18 th	Air Force Auditorium, Subroto Park, New Delhi-110010	27-08-2007	2.30 P.M.
2007-08	19 th	Sri Sathya Sai International Centre, Pragati Vihar (Near Pragati Vihar Hostel) Lodhi Road, New Delhi-110 003	29-08-2008	2.30 P.M.
2008-09	20 th	Sri Sathya Sai International Centre, Pragati Vihar (Near Pragati Vihar Hostel) Lodhi Road, New Delhi-110 003	18.09.2009	11.30 A.M.

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

Sl. No.	Particulars of Special Resolution	Date	Financial Year
1	NIL	18 th September 2009	2008-09
2	Re-appointment of Mr. Pulkit Seth as Managing Director for a period of five years w.e.f. 01.06.2008.	29 th August 2008	2007-08
3	Loan of Rs.27.50 Crore to Pearl Global Ltd, a subsidiary of the Company	27 th August 2007	2006-07
4	Alteration of Articles of Association of the Company	27 th August 2007	2006-07

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

During the financial year 2009-10, the Company had conducted a Postal Ballot for enhancing the aggregate limits of investments, loans and corporate guarantee to Rs.1,500 Crores, resolution under section 372A for the same was declared on 17.09.2009.

Voting Pattern:

Number of valid postal ballot forms received	: 14
Number of invalid postal ballot forms received	: 4
Invalid votes polled	: 20
Total valid votes polled	: 12,919,288
Votes in favour of the Resolution	: 12,919,288
Votes against the Resolution	: 0
Percentage of shares voted in favour to valid shares voted	: 100%

Person who conducted the postal ballot exercise:

M/s SK Associates, Company Secretaries, conducted the Postal Ballot

Whether any special resolution is proposed to be conducted through postal ballot and Procedure for postal ballot: No





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 16 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 21st Annual Report.

11. GENERAL SHAREHOLDER INFORMATION

(i) Annual General Meeting

21st Annual General Meeting is scheduled as under:-

Day	Date	Time	Venue
Saturday	25 th September 2010	4.00 P. M.	Air Force Auditorium, Subroto Park, New Delhi-110 010

(ii) Financial Calender, 2010-11

First Quarter Results : Second week of August 2010
 Second Quarter & Half Yearly Results : Second week of November 2010
 Third Quarter Results : Second week of February 2011
 Fourth Quarter & Annual Results : Last week of May 2011

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

(iv) Date of Book Closure : 18th September 2010 to 25th September 2010 (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 2010-2011 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 2009-10:

MONTH(S)	BOMBAY STOCK EXCHANGE Company Code: 532808		NATIONAL STOCK EXCHANGE Company Code: HOPFL	
	HIGH	LOW	HIGH	LOW
April 2009	69.15	45.10	74.00	44.10
May 2009	103.75	58.00	104.00	53.35
June 2009	105.00	72.25	106.00	72.10
July 2009	86.00	63.00	85.00	62.70
August 2009	114.90	76.65	115.00	75.55
September 2009	127.95	85.00	128.40	85.10
October 2009	99.50	75.20	100.90	76.75
November 2009	90.80	73.15	92.45	73.45
December 2009	89.50	78.00	89.95	77.65
January 2010	98.90	74.00	98.90	74.20
February 2010	84.50	70.90	84.00	70.10
March 2010	99.70	71.50	99.45	70.50





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

MONTH(S) (As on end of last trading day of the month)	SHARE PRICES COMPARISON			
	HOPFL	BSE (Sensex)	HOPFL	NSE (Nifty)
April 2009	57.20	11403.25	58.15	3473.95
May 2009	98.15	14625.25	98.10	4448.95
June 2009	77.30	14493.84	76.60	4390.95
July 2009	79.50	15670.31	79.75	4636.45
August 2009	97.10	15666.64	96.80	4662.10
September 2009	98.90	17126.84	99.00	5083.95
October 2009	77.85	15896.28	78.70	4711.70
November 2009	85.00	16926.22	85.55	5032.70
December 2009	86.05	17464.81	82.30	5201.05
January 2010	80.20	16357.96	80.80	4882.05
February 2010	72.90	16429.55	72.80	4922.30
March 2010	78.85	17527.77	78.80	5249.10

(viii) Registrar and Share Transfer Agent

Link Intime India Pvt. 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 2010

Number of Equity Shares * held	Shareholders		Equity shares held	
	Numbers	% to total	Numbers	% to total
Upto 2500	28449	92.740	1745885	8.953
2501 - 5000	1267	4.130	474996	2.436
5001 - 10000	560	1.826	433943	2.225
10001 - 20000	203	0.662	307034	1.575
20001 - 30000	71	0.231	177141	0.908
30001 - 40000	31	0.101	49793	0.255
40001 - 50000	15	0.049	71444	0.366
50001 - 100000	44	0.143	326950	1.677
100001 and above	36	0.118	15913152	81.604
Total	30676	100.000	19500343	100.000

(b) Categories of Shareholders as on 31st March 2010

	No. of Folio's	% to total Folios	No. of Shares held	% to total Shares
PROMOTERS				
NRI	2	0.007	25,37,590	13.01
Indian	5	0.016	1,03,77,498	53.22
TOTAL (A)	7	0.023	1,29,15,088	66.23
Institutional Investors (Mutual Funds/UTI/Banks/FI's etc.)	7	0.023	15,53,509	7.97
FII's	1	0.003	3,900	0.02
Insurance Companies	2	0.007	5,13,332	2.63
NRI's / OCB's	120	0.391	3,50,283	1.80
Other Bodies Corporate	523	1.705	7,78,978	4.00
Others (Clearing Members)	65	0.212	25,718	0.13
Others (Individual)	28,661	93.431	31,69,686	16.25
Others (HUF)	1,289	4.202	1,89,689	0.97
Others (Trusts)	1	0.003	160	0.00
TOTAL (B)	30,669	99.977	6,585,255	33.77
TOTAL { (A) + (B) } = (C)	30,676	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 2010, 1,91,74,513 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 has plants at various locations in India, Bangladesh and Indonesia, as follows:

- i) Pearl Global Ltd, 446, Udyog Vihar, Phase-V, Gurgaon - 122 016 (Haryana)
- ii) Pearl Global Ltd, 751, Pace City II, Sector 37, Khandsa, Gurgaon - 122 004 (Haryana)
- iii) Pearl Global Ltd, 16-17, Udyog Vihar, Phase VI, Khandsa, Gurgaon - 122 004 (Haryana)
- iv) Pearl Global Ltd, 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
Company Secretary
House of Pearl Fashions Limited
446, Phase V, Udyog Vihar
Gurgaon - 122 016, Haryana (India)
Tel. No. : 91 - 124 - 4217500
Fax No. : 91 - 124 - 4651749

12. In regards, shares remains unclaimed and lying in the IPO escrow A/c of the company for the financial year 2009-10, information is as follows:

- Total shares outstanding at the beginning of Financial Year are 580 & total number of shareholders is 21.
- Number of shareholders approached the company for transfer of shares: NIL
- No. of shareholders to whom shares transferred from escrow a/c: NIL
- Aggregate number of shareholders & shares at the close of the year are 21 and 580 respectively.
- Voting rights of these shares shall remain frozen till claim made against their shares.

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 AND 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 retails in the United States and Europe.

The Company operates through its subsidiaries, has an integrated business model with two distinct business streams:-

1. Manufacturing and Merchant Trade

The group has manufacturing facilities in Bangladesh, India, Vietnam and Indonesia which execute orders procured from customers. It also engages in Merchant Trade where office in India procures order from customers and outsources these orders to own/ third party factories in Bangladesh, China and Indonesia.

2. Sourcing Marketing and Distribution (SDM)

SDM business has marketing offices in Hong Kong, USA and UK which procure orders from customers and outsource these orders entirely to third party manufacturers. It also has apparel processing and distribution facilities in USA and UK.

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

Indian Textile Industry is one of the leading textile industries in the world. Though was predominantly unorganized industry even a few years back, but the scenario started changing after the economic liberalization of Indian economy in 1991. The opening up of economy gave the much-needed thrust to the Indian textile industry, which has now successfully become one of the largest in the world.

Indian textile industry largely depends upon the textile manufacturing and export. It also plays a major role in the economy of the country. India earns about 27% of its total foreign exchange through textile exports. Further, the textile industry of India also contributes nearly 14% of the total industrial production of the country. It also contributes around 3% to the GDP of the country. Indian textile industry is also the largest in the country in terms of employment generation. It not only generates jobs in its own industry, but also opens up scopes for the other ancillary sectors. Indian textile industry currently generates employment to more than 35 million people. It is also estimated that, the industry will generate 12 million new jobs by the year 2010.

According to a study conducted by the Confederation of Indian Industry (CII) and McKinsey & Company, India is expected to witness a seven-fold increase in its exports over the next decade. One of the sectors to be benefited is the apparel sector. The garment industry in India is completely self-dependent; right from manufacturing of fibre to finished garments, everything is done in the country itself.

Factors such as 'buyers are in town' and 'a heavy booking season' affect garment exporting businesses in India. Buyers in town hints at the demand of the garment segment among people and a heavy booking season implies the peak time for shopping apparels and garments. With the early signs of recovery from the recessionary pressures, international fashion chains are queuing up to India.

Indian garment manufacturers and exporters are adept at guessing 'what's in' and 'what's out', when it comes to garments. New sources of raw materials, designs and ideas go into the manufacture of readymade garments that help in increasing sales and maintaining a sense of uniqueness.

Today, around 45% of the total textile exports in India account for ready-made garments. There are various international brands which source readymade garments from the Indian markets.

COMPANY PERFORMANCE AND FUTURE OUTLOOK

The future of the garment industry in India does not look bleak; on the contrary it is quite promising. The Indian garment industry alone provides employment to thousands of people, a high percentage among who are young women. Therefore, the significance of the Indian garment industry cannot be ruled out when it comes to employment generation and foreign exchange generation. The growth in the garment industry will boost the growth of Indian economy.

Despite global recession, the company has achieved a gross income of Rs.1904.48 Crore compared to Rs.1482.73 crore in last financial year on consolidated basis, a growth of 28%. However, due to pressure on margins by buyers and new projects at initial operational stage, the bottom-line has not grown proportionately.

OPPORTUNITIES & THREATS

At present, India is being considered as the next pioneer country in the readymade garment export business. It is noticed that foreign buyers are keen on dealing with Indian garment exporters. In the face of such demand, Indian garment manufacturers and exporters constantly have to maintain high quality in finished products and continuously provide variations in style and design to attract the attention of prospective buyers.

In today's market scenario, where most of the top retailers of the world are consolidating their vendor bases, stand alone vendors are going out of business and their share is being taken over by companies like HOPFL.. Vendors that are able to offer value addition in terms of design input, provide different sourcing options and have the operational and financial resources to meet retailers increasing requirements are being categorized as their "Preferred Vendors". This gives the vendor an edge over the competition. Due to all its investments over the last couple of years, your company through its subsidiaries has already been categorized as Preferred Vendor by various big Retailers in US and Europe.

The garment industry in India faces stiff competition from countries such as Bangladesh, China and Vietnam. There is a pressure on the Indian garment industries to produce finished garments at lower costs to survive the cut-throat competition.

RISKS & CONCERNS

The group does not take any risk on account of stock. All inventory / purchases are backed by confirmed customer orders. The group works only with customers who have sound financial credibility. All orders are either backed by bank consigned L/c or insured with Banks / Euler Hermes. Rupee appreciation is always a major concern to our type of industry. This year too appreciation in rupee has badly affected the profitability of the company.

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 ex 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.

INTERNAL CONTROL SYSTEM

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

- Accurate recording of transactions with internal checks and prompt reporting
- Adhere to applicable Accounting standards and policies.
- Review of capital investments and long term business plans.
- Periodic review meetings to manage effectively implementation of system.
- Compliance with applicable statutes, policies, listing requirements and operating guidelines of the Company.
- Effective use of resources and safeguarding of assets.
- 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 has successfully implemented 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.

The Company has around 135 employees.

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 2010 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 the 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 : 17.05.2010

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

We, Pulkit Seth, Managing Director and Atul Gupta, Chief Finance Officer (Manufacturing) of House of Pearl Fashions Ltd., to the best of our knowledge and belief certify that:

- We have reviewed the financial statements and Cash Flow Statement for the year ended 31st March, 2010 and to the best of our knowledge and belief:
 - these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
 - 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.
- 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.
- 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.
- We have indicated to the Auditors and the Audit Committee:
 - Significant Changes, if any, in Internal controls during the year.
 - 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
 - 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.
- 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)
- 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 : 28.05.2010

(**Pulkit Seth**)
Managing Director

(**Atul Gupta**)
Chief Finance Officer (Manufacturing)

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 and its subsidiaries, as at March 31st 2010, 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 management of House of Pearl Fashions Limited. 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. 1,460,216,369.00 as at March 31st 2010 and total revenues of Rs. 12,831,313,638.00 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 report that the consolidated financial statements have been prepared by the Company 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 of House of Pearl Fashions Limited and its subsidiaries, 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:

- In case of the Consolidated Balance Sheet, of the consolidated state of affairs of House of Pearl Fashions Limited and its subsidiary as at March 31st 2010;
- In case of the Consolidated Profit and Loss Account, of the consolidated results of operations of House of Pearl Fashions Limited and its subsidiary for the year ended on that date; and
- In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of House of Pearl Fashions Limited and its subsidiary for the year ended on that date.

For **S.R. Dinodia & Co.**,
Chartered Accountants
Regn. No. 001478N

(**Sandeep Dinodia**)
Partner
M. No : 083689

Place : New Delhi
Dated : 29.05.2010



CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

(Amount in Rupees)

PARTICULARS	SCHEDULE	AS AT	
		31 ST MARCH 2010	31 ST MARCH 2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	195,003,430	195,003,430
Reserves & Surplus	2	<u>4,348,574,728</u>	<u>4,502,504,754</u>
Minority Interest		478,702,218	316,873,094
Loan Funds			
Secured Loans	3	2,468,631,149	1,914,338,991
Unsecured Loans	4	<u>52,027,102</u>	<u>99,840,238</u>
		<u>7,542,938,627</u>	<u>7,028,560,507</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	3,201,712,014	3,227,199,728
Less: Depreciation/Amortisation		<u>836,337,808</u>	<u>716,904,877</u>
Net Block		2,365,374,206	2,510,294,851
Capital Work in Progress		<u>258,697,617</u>	<u>197,283,255</u>
Investments	6	49,149,028	278,671,905
Deferred Tax Asset (Net)		21,641,254	44,560,804
Current Assets, Loans & Advances			
Inventories	7	1,680,021,008	1,368,693,739
Sundry Debtors	8	3,280,937,088	3,032,670,707
Cash & Bank Balances	9	1,320,535,610	901,989,796
Loans & Advances	10	<u>1,241,471,540</u>	<u>1,077,304,993</u>
		<u>7,522,965,245</u>	<u>6,380,659,235</u>
Less :Current Liabilities & Provisions			
Current Liabilities	11	2,669,278,461	2,359,369,923
Provisions	12	<u>5,610,261</u>	<u>23,539,620</u>
		<u>2,674,888,722</u>	<u>2,382,909,543</u>
Net Current Assets		4,848,076,523	3,997,749,692
		<u>7,542,938,627</u>	<u>7,028,560,507</u>
Significant Accounting Policies	16		
Notes to Account	17		

As per our report of even date attached

For S.R. Dinodia & Co.,
Chartered Accountants
Firm No. 001478N

(Sandeep Dinodia)
Partner
M.No. 083689

Place : New Delhi
Dated : 29.05.2010

(Deepak Seth)
Chairman
DIN 00003021

(Atul Gupta)
Chief Finance Officer

On behalf of the Board of Directors

(Dr. Ashutosh P. Bhupatkar)
Director
DIN 00479727

(Sandeep Sabharwal)
Company Secretary

(Pulkit Seth)
Managing Director
DIN 00003044





CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

(Amount in Rupees)

PARTICULARS	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
INCOME			
Turnover			
Sales		18,134,055,033	14,351,898,188
Export Incentives		186,430,539	127,194,793
		<u>18,320,485,571</u>	<u>14,479,092,981</u>
Other Income	13	453,289,154	348,267,746
		<u>18,773,774,725</u>	<u>14,827,360,727</u>
EXPENDITURE			
Purchase of Trading Goods		10,771,195,111	8,225,328,098
Manufacturing, Administrative, Selling & Other Expenses	14	7,437,606,056	6,275,581,378
Finance Cost	15	188,968,501	135,449,494
Depreciation/Amortisation		213,580,313	166,050,127
		<u>18,611,349,981</u>	<u>14,802,409,097</u>
PROFIT			
Profit before Taxation and Adjustments		162,424,744	24,951,630
Provision for-Current Tax		8,344,139	(21,040,352)
Provision for -Wealth Tax		(189,519)	(165,863)
Provision for-Deferred Tax		(9,990,550)	22,700,853
Mat Credit Adjustment		(18,150,889)	-
Provision for-Fringe Benefit Tax		-	(5,651,246)
Tax Adjustments for Earlier Years		-	13,767
Provision For Doubtful Debts		-	(578,893)
Prior Period Expenses		(1,062,473)	(7,008,583)
Profit Before Minorities Interest		141,375,452	13,221,313
Minorities Share in (Profits)/Loss		(53,048,287)	40,556,191
Profit Brought Forward		1,042,646,976	990,084,653
Amount Available For Appropriation		<u>1,130,974,141</u>	<u>1,043,862,157</u>
Appropriations:			
Adjustment for earlier years		-	1,215,181
Balance carried to Balance Sheet		1,130,974,141	1,042,646,976
		<u>1,130,974,141</u>	<u>1,043,862,157</u>
Paid up Equity Share Capital(Nos.of shares)		19,500,343	19,500,343
(Equity Shares of Rs. 10/- each)			
Numerator(Rs.)		88,327,165	53,777,504
Earning per share (Rs.)			
Basic Earning Per Share		4.53	2.76
Diluted Earning Per Share		4.53	2.76
(Refer note 11 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
Firm No. 001478N

(Sandeep Dinodia)
Partner
M.No. 083689

Place : New Delhi
Dated : 29.05.2010

(Deepak Seth)
Chairman
DIN 00003021

(Atul Gupta)
Chief Finance Officer

On behalf of the Board of Directors

(Dr. Ashutosh P. Bhupatkar)
Director
DIN 00479727

(Sandeep Sabharwal)
Company Secretary

(Pulkit Seth)
Managing Director
DIN 00003044



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

	(Amount in Rupees)	
	Year Ended 31.03.2010	Year Ended 31.03.2009
A. Net Profit Before Tax and Extraordinary Items	162,424,744	24,951,630
Adjustments :		
Depreciation	213,580,313	166,050,127
Bad Debts Written Off	—	(578,893)
Loss/ (Profit) on sale of Investment	12,437,778	(16,210,939)
Loss/ (Profit) on sale of Assets	(129,106,560)	(529,491)
Foreign Currency Translation Reserve	(156,638,723)	168,064,959
Foreign Exchange Fluctuation	—	(49,456,569)
Finance Cost	188,968,501	135,449,494
Non operating Incomes	(66,177,603)	(100,404,154)
Operating Profit /(loss) before working capital changes	225,488,449	327,336,164
Adjustment for :		
Trade and Other Receivables	(379,939,730)	(635,387,917)
Inventories	(309,513,415)	(238,361,129)
Trade Payables	367,886,873	402,703,076
Cash Generated from operations	(96,077,823)	(143,709,806)
Direct Taxes (Paid)/ Refunds	(5,380,013)	(107,715,154)
Add/(Less):-Prior Period Adjustments	(1,062,473)	(7,008,583)
Net Cash Generated / (used) in operating Activities	(102,520,309)	(258,433,543)
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(380,236,375)	(249,759,224)
Sale of Fixed Assets	286,026,288	12,301,840
Investment made during the year	7,413,310	(18,470,118)
Investment made In Subsidiaries	(106,715,712)	(116,163,034)
Sale Of Investment	221,975,826	759,345,832
Interest Income	49,528,307	62,643,308
Dividend Received	1,089,643	23,401,709
Rent Received	15,559,654	14,359,137
Cash from investing activities	94,640,939	487,659,450
C. Cash Flow from Financing Activities		
Interest Expense	(188,968,501)	(135,449,494)
Repayment (to)/ from Minority interest	108,918,147	(21,881,284)
Dividend Tax Paid	—	(4,971,125)
Dividend Paid	(3,485.00)	(29,446,830)
Loan Taken/(Repayment) Net	506,479,023	(56,549,548)
Net cash used in financing activities	426,425,184	(248,298,281)
Net Increase/(Decrease) in Cash/Cash equivalents (A+B+C)	418,545,813	(19,072,374)
Foreign Exchange Fluctuation	—	49,456,569
Cash / Cash equivalents at the beginning of the year	901,989,796	871,605,601
Cash / Cash equivalents at the close of the year	1,320,535,610	901,989,796
Components of Cash and Cash equivalents		
Cash in hand	24,723,159	34,774,622
Cheques/Demand Drafts in hand	6,799,082	14,638,575
Balance with Banks		
i) In Current Accounts	877,671,831	313,691,312
ii) In Fixed Deposits	379,860,142	177,131,647
iii) In Margin Account	31,005,617	38,337,517
iv) Exchange retention Quota with United Comm Bank	475,779	150,047
v) Fixed Deposit (Unutilised money of IPO Proceeds)	—	323,266,076
Cash / Cash equivalents at the close of the year	1,320,535,610	901,989,796

As per our report of even date attached

For S.R. Dinodia & Co.,
Chartered Accountants
Firm No. 001478N

(Sandeep Dinodia)
Partner
M.No. 083689

Place : New Delhi
Dated : 29.05.2010

On behalf of the Board of Directors

(Deepak Seth)
Chairman
DIN 00003021

(Dr. Ashutosh P. Bhupatkar)
Director
DIN 00479727

(Pulkit Seth)
Managing Director
DIN 00003044

(Atul Gupta)
Chief Finance Officer

(Sandeep Sabharwal)
Company Secretary



**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	(Amount in Rupees)	
	AS AT 31 ST MARCH 2010	AS AT 31 ST MARCH 2009
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 10000 4% Non Cumulative Redeemable Preference share of Rs. 10 each	<u>100,000</u>	<u>100,000</u>
	<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 *	<u>195,003,430</u>	<u>195,003,430</u>
	<u>195,003,430</u>	<u>195,003,430</u>
Notes:		
* Out of Which Nil (Previous Year 9,329,338) equity shares were allotted 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	(1,088,311)	(13,392,347)
Amalgamation Reserve	3,715,105	3,715,105
Share Premium	2,714,855,707	2,714,855,707
General Reserve:		
Opening Balance	33,222,959	33,222,959
Transfer from profit & Loss A/c	—	—
Transitional Provision on account of adjustment in accordance with revised Accounting Standard -15 of Indian Subsidiary	—	—
Revaluation Reserve	<u>23,772,230</u>	<u>23,772,230</u>
Capital Reserve on Consolidation	445,020,870	466,655,910
Hedging Reserve	66,651,508	(13,480,811)
Transfer from minority to group on change in shareholding	(865,972)	(1,003,281)
Foreign Exchange Translation Reserve	(69,916,847)	243,278,969
Profit & Loss Account	<u>1,130,974,141</u>	<u>1,042,646,976</u>
	<u>4,348,574,728</u>	<u>4,502,504,754</u>
SCHEDULE - 3		
SECURED LOANS		
FROM BANKS		
a) Term Loan		
- Loan in functional Currency	467,827,425	231,838,809
b) Working Capital Loan		
- Loan in functional Currency	1,222,022,662	1,344,483,567
- Foreign currency Loan	203,450,004	258,541,596
c) Bank Over draft	556,937,740	45,977,405
FROM OTHERS		
-Term Loan	18,393,317	33,497,614
	<u>2,468,631,149</u>	<u>1,914,338,991</u>
(Refer note 3 of the schedule 17)		
SCHEDULE - 4		
UNSECURED LOANS		
Loan from Directors	24,878,397	25,857,011
Loan from others	<u>27,148,705</u>	<u>73,983,226</u>
	<u>52,027,102</u>	<u>99,840,238</u>





SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE -5
FIXED ASSETS

PARTICULARS	GROSS BLOCK						DEPRECIATION					NET BLOCK AS ON	
	As on 01.04.2009	Additions	Deductions	Diff. In Foreign Exchange	Total 31.03.2010	As on 01.04.2009	Additions	Deductions/ Adjustments	Diff. in Foreign Exchange	Upto 31.03.2010	31.03.2010	31.03.2009	
Intangible Assets													
- Goodwill	442,184,848	62,628,467	-	(44,648,319)	460,164,996	-	-	-	-	-	460,164,996	442,184,848	
-Software	19,285,740	116,879,241	-	-	136,164,982	4,172,024	21,391,145	-	(21)	25,563,148	110,601,833	15,113,716	
-Trade Mark	343,540	5,581,153	-	(47,017)	5,877,677	257,511	2,091,210	-	(237,954)	2,110,768	3,766,909	86,029	
Tangible Assets													
Land Freehold	240,901,366	834,637	33,137,953	-	208,598,050	-	-	-	-	-	208,598,050	240,901,366	
Land Leasehold	16,642,027	-	-	-	16,642,027	1,558,650	431,978	-	-	1,990,628	14,651,399	15,083,377	
Building	873,827,370	34,927,911	108,566,776	(50,974,601)	749,211,904	154,129,827	53,285,968	7,289,264	(12,510,274)	187,616,256	561,595,648	719,697,543	
Investment Property	248,810,427	-	-	(34,108,819)	212,701,608	10,155,099	4,516,001	-	(1,665,369)	13,005,731	199,695,877	236,655,328	
Plant & Machinery	998,046,104	78,225,750	5,217,571	(52,061,104)	1,018,993,179	356,674,560	79,977,705	2,336,761	(24,653,413)	409,662,091	609,331,088	641,371,544	
Vehicles	113,954,768	42,335,991	28,355,137	(6,883,283)	121,052,338	41,716,091	16,192,253	13,893,650	(2,590,573)	41,424,120	79,628,218	72,238,677	
Furniture & Fixtures	272,964,298	40,328,282	18,811,002	(22,176,324)	272,505,254	148,241,115	35,694,053	15,890,291	(13,079,810)	154,965,066	117,340,188	124,723,183	
Assets held for Disposal													
- Land and Building	2,239,240	-	2,239,240	-	-	-	-	-	-	-	-	2,239,240	
Total	3,227,199,728	381,741,433	196,329,679	(210,899,468)	3,201,712,014	716,904,877	213,580,313	39,409,967	(54,737,415)	836,337,808	2,365,374,206	2,510,294,851	
Capital Work-in- progress	197,283,255	228,210,508	166,401,088	(395,058)	258,697,617	-	-	-	-	-	258,697,617	197,283,255	
Grand Total	3,424,482,983	609,951,940	362,730,766	(211,294,526)	3,460,409,631	716,904,877	213,580,313	39,409,967	(54,737,415)	836,337,808	2,624,071,824	2,707,578,106	
Previous Year	2,865,512,000	461,238,972	57,334,637	155,066,648	3,424,482,983	517,894,548	166,289,886	14,899,327	45,667,798	716,904,877	2,707,578,106	2,347,617,452	

1. Capital WIP includes Capital Advance Rs. 5,172,314 (Previous year Rs. 656,218) out of which Rs. 326,583 paid to DDA for converting its leasehold land into freehold land.

2. CWIP includes pre-operative expenses of Rs. 3,708,353 (Previous year - 4,657,688)

3. 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.

4. Opening balance of land includes Rs.45,229,131 on account of revaluation on 31.03.2002 .

5. Opening balance of building includes Rs.5,932,276 on account of reduction in revaluation on 31.03.2002 .

6. The above includes the amount of Land of Rs. 15,954,319 & Building of Rs. 14,890,483 situated at Narshingpur, Tehsil 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 2009-2010.

7. Depreciation charged during the year includes Rs. NIL (P. Y. Rs. 2,191,731) on account of depreciation related to acquisition of subsidiaries during the year.



**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	AS AT 31 ST MARCH 2010	(Amount in Rupees) AS AT 31 ST MARCH 2009
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	264,000	308,000
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	229,080	153,384
Quoted (Non - trade)		
Investment in Equity Shares		
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	440,632	342,203
Punjab National Bank 3,000 Equity Shares (Previous year 3,000) of Rs.10/- each fully paid up	3,040,350	1,232,700
UCO Bank 3,900 Equity Shares (Previous year 3900) of Rs.10/- each fully paid up	220,350	93,600
Chennai Petroleum Ltd 1,000 Equity Shares (Previous year 1,000) of Rs.10/- each fully paid up	295,400	94,450
ICICI Bank Ltd 1,000 Equity Shares (Previous year 1000) of Rs.10/- each fully paid up	952,700	332,600
Gem Spinners 10,800 Equity Shares (Previous year 10,800) of Rs.10/- each fully paid up	36,720	33,480
Unquoted (Trade)		
Vau Apparels Pvt. Ltd NIL (Previous year 10) of Rs.10/- each fully paid up	—	100
Investment in Mutual Funds		
Unquoted (Non - trade)		
Reliance Regular Savings Fund-Debt Plan-Growth Option 79,216.71 (Previous Year NIL) unit of Rs. 12.64 each	1,001,600	—
Principal Emerging Blue Chip Fund-Regular Growth Plan 17,295.05 (Previous Year NIL) units of Rs. 29.45 each	509,339	—
Principal Monthly Income Plan-Dividend Payout Monthly 45325.16 (Previous NIL I) of Rs. 10.83/- each	490,971	—
Citicorp Finance (India) Ltd. NIL (Previous year 25) units of Rs. 1,000,000.00 each	—	25,000,000
Capital Protected Debt Structure Product-AAACE Scheme		
Available for Sale Securities		
Investment in Mutual Funds Unquoted- Non Trade		
DSPML World Gold Fund NIL (Previous year 365,256.78) units of Rs. 12.276 each	—	4,484,111
Reliance Medium Term Fund Daily Div. Plan NIL (Previous Year 1,582,846.165) unit of Rs. 17.0955 each	—	27,059,547
ICICI Prudential Flexible Income Plan Premium-Daily Dividend NIL (Previous Year 7,615,708.603) unit of Rs. 10.5735 each	—	80,524,695
Principal Floating Rate Fund FMP-Instl Option-Dividend Reinvest NIL (Previous Year 2,528,042.81) unit of Rs. 10.0123 each	—	25,311,523
HDFC Cash Management Fund- Treasury Advantage Plan Wholesale NIL (Previous Year 6,033,914.626) unit of Rs. 10.0315 each	—	60,529,215
Investments in Unit Trusts	<u>41,603,135</u>	<u>53,107,547</u>
	<u>49,149,028</u>	<u>278,671,905</u>

Note No. 1:

Aggregate book value of quoted investment is Rs. 5,275,982 (Previous Year Rs. 2,343,167)
Aggregate market value of quoted investment is Rs. 5,275,982 (Previous Year Rs. 2,343,167)

Note No. 2:

Aggregate amount of Unquoted investment is Rs. 43,873,046 (Previous Year Rs. 276,850,438)



**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	AS AT 31 ST MARCH 2010	AS AT 31 ST MARCH 2009
(Amount in Rupees)		
SCHEDULE - 7		
INVENTORIES		
(As taken, Valued and certified by the management)		
Stores and Spares	6,459,530	5,889,283
Finished Goods		
- Manufacturing	636,445,600	433,903,152
- Traded	333,834,613	311,966,113
Work in Progress	178,559,671	176,293,225
Raw Material	518,548,364	432,591,748
Goods in Transit (Raw Material)	3,228,009	1,854,158
Goods in Transit (Finished Goods)	2,945,220	6,196,060
	<u>1,680,021,008</u>	<u>1,368,693,739</u>
SCHEDULE - 8		
SUNDRY DEBTORS		
(Unsecured - Considered Good)		
Over Six Months	75,309,196	47,681,949
Others	3,205,627,893	2,984,988,758
	<u>3,280,937,088</u>	<u>3,032,670,707</u>
SCHEDULE - 9		
CASH AND BANK BALANCES		
Cash in hand	24,723,159	34,774,622
Cheques/Demand Drafts in hand	6,799,082	14,638,575
Balance with Banks		
i) In Current Accounts	877,671,831	313,691,312
ii) In Fixed Deposits *	379,860,142	177,131,647
iii) In Margin Account	31,005,617	38,337,517
iv) Exchange retention Quota with United Comm Bank	475,779	150,047
v) Fixed Deposit (Unutilised money of IPO Proceeds)	—	323,266,076
	<u>1,289,013,369</u>	<u>852,576,599</u>
	<u>1,320,535,610</u>	<u>901,989,796</u>
*Pledged Rs. 364,225,957 (Previous Year 15,807,138)		
SCHEDULE - 10		
LOANS & ADVANCES		
(Unsecured - Considered Good)		
Loans	14,583,213	95,094,924
Advances Recoverable in cash or in kind or for value to be received	979,693,481	887,248,953
Security Deposit	166,068,074	61,540,028
Export Incentive Receivables	62,975,882	33,421,087
MAT Credit Entitlement	18,150,889	—
	<u>1,241,471,540</u>	<u>1,077,304,993</u>



**SCHEDULES FORMING PART OF THE BALANCE SHEET****(Amount in Rupees)**

	AS AT 31ST MARCH 2010	AS AT 31ST MARCH 2009
SCHEDULE - 11		
CURRENT LIABILITIES		
Sundry Creditors		
- Due to Others	2,007,331,885	1,565,102,238
Other Liabilities	661,047,975	793,365,598
Unpaid Dividend *	898,602	902,087
	<u>2,669,278,461</u>	<u>2,359,369,923</u>

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

SCHEDULE - 12**PROVISION**

Leave Encashment	10,360,260	2,709,395
Gratuity	202,426	14,063,223
Employee Benefit	3,688,137	2,501,760
Provision for Taxation (Net of Advance tax)	(8,640,562)	4,265,242
	<u>5,610,261</u>	<u>23,539,620</u>

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT**SCHEDULE - 13****OTHER INCOME**

	CURRENT YEAR	PREVIOUS YEAR
Rent	15,559,654	14,359,137
Interest on Loans & others	30,308,344	11,000,888
Interest on Fixed Deposit with Bank	19,219,962	51,642,420
Other Operating Income	95,340,185	159,206,825
Dividend From Non Trade Investments	1,089,643	23,401,709
Profit from Investments in Partnership Firms	68,153	(0)
Profit on sale of Non-Trade/Current/Short Term Investments	3,289,865	19,178,356
Profit on sale of assets	129,106,560	529,491
Miscellaneous Income	159,306,787	68,948,920
	<u>453,289,154</u>	<u>348,267,746</u>





SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

			(Amount in Rupees)	
		CURRENT PERIOD		PREVIOUS YEAR
SCHEDULE - 14				
MANUFACTURING, ADMINISTRATIVE, SELLING & OTHER EXPENSES				
Raw Material Consumed				
Opening Stock	424,634,422		331,675,549	
Effect of Exchange Difference on Reinstatement of Opening Stock	796,559		3,792,369	
Purchases	2,487,183,903		2,038,580,017	
Less:				
Cost of Goods Sold	65,266,941		134,314,814	
Closing Stock	519,989,369	2,327,358,575	424,634,422	1,815,098,700
(Increase) / Decrease in Stock				
Work in Progress				
Opening Stock	115,227,066		84,382,662	
Effect of Exchange Difference on Reinstatement of Opening Stock	446,938		7,648,565	
Closing Stock	(156,384,447)	(40,710,443)	(115,227,066)	(23,195,839)
Finished Goods				
Opening Stock	687,130,465		615,029,902	
Purchase	—		—	
Effect of Exchange Difference on Reinstatement of Opening Stock	(8,350,766)		44,357,876	
Closing Stock	(792,130,257)	(113,350,557)	(687,130,465)	(27,742,687)
Manufacturing Expenses		1,009,303,268		851,187,783
Stores and Spares Consumed		65,894,844		41,622,571
Power & Fuel		89,093,571		83,029,184
Rent		171,159,594		91,644,784
Rates & Taxes		41,118,295		31,569,294
Salaries & Allowances		2,005,954,725		1,759,504,943
Contribution to Provident Fund & Other Funds		68,136,508		96,603,203
Staff Welfare Expenses		33,425,189		33,730,931
Repairs				
- Building	482,221		1,498,892	
- Plant & Machinery	957,384		883,044	
- Others	57,811,519	59,251,123	42,122,275	44,504,211
Legal & Professional Charges		331,936,419		194,156,076
Travelling & Conveyance		216,141,933		182,132,480
Printing & Stationary		63,079,857		76,224,119
Auditor's Remuneration		15,347,960		12,560,096
Communication Expenses		73,937,234		50,089,615
Freight Outward		124,084,605		116,124,049
Licence Fees		32,317,588		—
Insurance		30,362,625		29,725,614
Packing, Clearing & Forwarding Charges etc.		132,207,165		77,199,512
Commission Expenses		171,226,188		30,536,370
Loss on sale of Trade Investment		15,727,643		2,841,251
Sundry Balances written off (Net)		9,415,656		—
Return, Rework & Claims		38,928,442		34,905,097
Bank Charges		126,554,986		129,349,437
Foreign Exchange Fluctuation		(270,992,219)		194,416,777
Factoring Charges		8,844,238		24,314,244
Selling & Marketing Exp.		354,199,604		191,731,614
Loss From Partnership Firm		68,153		—
Miscellaneous Expenses		247,583,284		129,974,220
		<u>7,437,606,056</u>		<u>6,275,581,378</u>
SCHEDULE - 15				
FINANCE COST				
Interest :				
- Fixed Loans		119,755,168		64,506,933
- Leasing Charges		1,384,782		1,916,117
- Others (Net)		67,828,550		69,026,444
		<u>188,968,501</u>		<u>135,449,494</u>





SCHEDULE FORMING PART OF CONSOLIDATED BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE -16 SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

The consolidated financial statements relate to House Of Pearls Fashions Limited (the Company) & its subsidiary companies. The Company and its subsidiaries constitute the Group.

a) Basis of Accounting

- i) The financial statements of the Group have been prepared under the historical cost convention on an accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP), Accounting Standards notified in Section 211 (3C) and the relevant provisions thereof except investment available for sale and held for trading which is measured at fair value and in case of one Indian subsidiary Pearl Global Limited; where land & building are measured at revalued cost. However the accounts of foreign subsidiaries have been prepared in compliance with the local laws and applicable accounting standards. Necessary adjustments for material variances in the accounting policies, wherever applicable have been made in the consolidated financial statements.
- ii) 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, 2010.

b) Principles of Consolidation

The consolidated financial statements have been prepared on the following basis.

- i) 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.
- ii) 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.
- iii) 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.
- iv) 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.
- v) The CFS are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statement.

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. 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 Companies (Accounting Standards) Rules,2006, 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 is dealt with in profit & loss account.
- Premium or discount on forward contracts is 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 period.

4. 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.

5. 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 Companies (Accounting Standards) Rules, 2006.

6. Revenue Recognition

- a) Revenue is recognized when significant risk and rewards of ownership transferred to the buyer.
- b) Export Sales is recognized on the basis of date of Airway Bill/Bill of Lading/Forwarder Cargo receipt.
- 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 receive 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.

7. Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation except in case of Pearl Global Limited; where land and building are measured at revalued cost. The cost comprises the purchase price/ Construction cost and any attributable cost including borrowing cost of bringing the asset to its working condition for its intended use. In the case of Multinational Textile Group Limited and its subsidiaries cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of fixed assets.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of an asset have different useful lives, they are accounted for as separate items (major components) of fixed assets.





8. 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.

9. Investments

Except Nor Pearl Knitwear Limited (a foreign subsidiary) where investments are stated at cost, the investments are classified 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.

10. 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 cost 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 profit & Loss Account.

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 identified portion of such asset, liability or 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 the equity, while the ineffective portion is recognized in the profit & loss account.

11. Employee Benefits

Except in case of Norp Knit Industries limited (one of the foreign subsidiary) where the retirement benefits plan has not been introduced, the following policy is applicable.

a) Post Employment Benefit Plans

- i) **Defined Contribution Plan:** The company's /state governed provident fund scheme, insurance scheme and employee pension scheme are defined contribution plans. Payments to Defined Contribution Retirements Benefit Schemes are charged as expenses when they fall due.

- ii) **Defined Benefit Schemes:** The employee gratuity fund scheme, long-term compensated absences and provident fund scheme managed by trust are the Company's defined benefit plans. 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.

b) 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 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.

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 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.

14. Taxes On Income

a) Indian Companies

- i) 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.
- ii) 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.
- iii) 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.

b) Foreign Companies

Foreign companies recognize tax liabilities and assets in accordance with applicable local laws.

15. 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.

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 ACCOUNT

1. Contingent Liabilities

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

- Corporate Guarantee given by the company to UCO Bank, Hongkong for securing trade finance limits to its step down subsidiary Norwest Industries Ltd, Hong Kong for HKD 200 million equivalent to Rs. 1,160,000,000 & GBP 19 Million equivalent to Rs. 1,289,530,000 (Previous Year: HK\$ 150 million equivalent to Rs. 1,009,500,000 & GBP 14 Million equivalent to Rs. 1,038,240,000).
- Corporate Guarantee given by the company to HSBC Limited, Indonesia for securing credit facilities to its step down subsidiary PT Norwest Industry, Indonesia for USD 2,500,000 equivalent to Rs.112,575,000 (Previous Year: USD 2,500,000/- equivalent to Rs. 130,425,000).
- Corporate Guarantee given by the company to HSBC Limited, Bangladesh for securing working capital facility to its subsidiary Nor Pearl Knitwear Limited, Bangladesh for USD 4,525,000 equivalent to Rs. 203,760,750 (Previous Year: USD 4,525,000/- equivalent to Rs. 236,069,250).
- 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.18,012,000 (Previous Year: USD 400,000 equivalent to Rs. 20,868,000).
- Corporate Guarantee given by the company to HSBC for HKD 300 Million, equivalent to Rs. 1,740,000,000 for securing credit facilities to its step down subsidiaries Norwest Industries Ltd., Simple Approach Ltd. and Zamira Fashion Ltd (Previous Year: Rs. 2,019,000,000).
- Corporate Guarantee given by the company to Standard Chartered Bank, Hongkong for USD 16,928,000 equivalent to Rs. 762,267,840 for securing credit facilities to its step down subsidiary Norwest Industries Ltd (Previous Year :USD 16,928,000 equivalent to Rs. 883,133,760).
- Corporate guarantee given by the company to HSBC, Bangladesh for BDT 293,700,000 equivalent to Rs.193,842,000 for securing various credit facilities to its subsidiary Norp Knit Industries Ltd (Previous Year: BDT 150,685,000 equivalent to Rs. 116,027,450).
- Corporate Guarantee given by the company to THE CIT GROUP / COMMERCIAL SERVICES INC, New York for credit facilities to its subsidiary Depa International Inc. for USD 6,000,000 equivalent to Rs. 270,180,000 (Previous Year: NIL).
- Corporate Guarantee given by the company to BNP Paribas, for letter of credit facility to its subsidiary Norwest Industries Ltd. for USD 4,750,000 equivalent to Rs.213,892,500 (Previous Year: NIL).
- Corporate Guarantee given by the company to Canara Bank, HK Branch, for securing various credit facilities to its subsidiary Norwest Industries Ltd. for USD 3,000,000 equivalent to Rs.135,090,000 (Previous Year: NIL).
- Corporate Guarantee given by the company to ICICI Bank Limited, New Delhi for Rs.100,000,000 for derivative limits to its subsidiary 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 Pearl Global Limited. (Previous Year: Rs.200,000,000).
- Corporate Guarantee given by the company to Development Credit Bank for USD 10,000,000/- equivalent to Rs.450,300,000 for derivatives/FX Forward Contract to its subsidiary Pearl Global Limited (Previous Year: USD 10,000,000/- equivalent to Rs. 521,700,000) .
- Corporate Guarantee given by the company to UCO Bank for Rs.50,000,000 for Term Loan facilities to its Subsidiary Pearl Global Limited (Previous Year: Rs. 150,000,000 both for Term loan and working capital facilities).
- Corporate Guarantee given by the company to UCO Bank for Rs.415,000,000 for Working Capital Credit facilities to its Subsidiary M/s Pearl Global Limited. (Previous Year: Rs. 150,000,000 both for Term loan and working capital facilities).
- Corporate Guarantee given by the company to Standard Chartered Bank for Rs.556,750,000/- for securing Fund and Non Fund Based credit facilities to its subsidiary Pearl Global Ltd (Previous Year: Rs. 410,000,000).
- Corporate Guarantee given by the company to Standard Chartered Bank to secure derivative limits sanctioned to its subsidiary Pearl Global Ltd. for Rs.300,000,000 (Previous Year: Rs.150,518,093).
- Corporate Guarantee given by the company to Yes Bank for Rs.100,000,000 for securing term loan facility to its subsidiary Pearl Global Ltd (Previous Year: Rs. 100,000,000).
- Corporate Guarantee given by the company to Yes Bank for Rs.130,000,000/- for

working capital facility to its subsidiary Pearl Global Ltd (Previous Year: NIL).

- Corporate Guarantee given by the company to Yes Bank for Rs.132,500,000/- for Term Loan to its subsidiary Pearl Global Ltd. (Previous Year: NIL).
- Corporate Guarantee given by the Company to Carat Media Services India Pvt. Ltd NIL in the current year (Previous Year Rs. 50,00,000)
- Counter Guarantee given by the company to Standard Chartered Bank, New Delhi for stand by Letter of Credit (SBLC) in favour of Geoffrey Beene, USA on behalf of wholly owned subsidiary House of Pearl Fashions (US) Ltd is NIL in the current year (Previous Year: USD 285,000 equivalent to Rs. 14,868,450).
- Export bills discounted with banks Rs. NIL (Previous Year: Rs. 10,301,946)

In case of Pearl Global Limited (Indian Subsidiary)

- (a) Claims against the Company not acknowledged as debts and other matters Rs. 19,44,752 (Previous Year: Rs.3,413,854).
- (b) Export Bills Discounted with banks Rs.377,250,832 (Previous Year Rs. 212,561,243).
- (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) Guarantee given to government authorities in respect of facilities availed by holding co. & other parties Rs.200,000 (Previous Year Rs.200,000).
- (e) 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 111,254,000).

In case of Lerros Fashions India Limited (Indian Subsidiary)

Unexpired Letter of Credit Rs. 427,894 (Previous Year: 2,204,648)

In case of Norp Knit Industries Limited (Foreign Subsidiary)

The contingent liability of Norp Knit Industries Limited is Rs. 100,584,000 (Previous year Rs. 88,642,400) in respect of letters of credit outstanding and Rs.1,244,100 (Previous Year: NIL) in respect of bank guarantee.

In case of Nor Pearl Knitwear Limited (Foreign Subsidiary)

The contingent liability of Nor Pearl Knitwear Limited is Rs. (Previous year Rs. 5,289,900) in respect of letters of credit outstanding and Rs 3,564,000 (Previous year 4,158,000) in respect of bank guarantee.

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

At 31 March 2010, the sub-subsidiaries have the following Contingent Liabilities:

Poeticgem Limited

- (a) The Sub-Subsidiary's banker, Royal Bank of Scotland plc have given a guarantee to H M Revenue & Customs amounting to Rs. 40,721,530 (Previous Year 31,302,000) on behalf of the Sub-subsidiary. The maximum liability of Poeticgem Limited to the bankers is 81,443,059 (Previous Year: 62,604,000).
- (b) The Sub Subsidiary's bank has issued a letter of credit for Rs. 541,903,313 (Previous Year Rs. 423,829,706).
- (c) 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 2010 is Rs. 3,933,686 (Previous Year Rs. 4,682,988)

Norwest Industries Limited

Guarantee given to banks in connection with facilities granted to third parties Rs.68,119,403 (Previous Year Rs. 232,350,833).

FX Import Company Limited

Royal Bank of Scotland plc, has provided a guarantee on behalf of company to H M Revenue and Customs amounting to Rs.10,180,382 (Previous Year: NIL). Under this guarantee the maximum liability as at 31st March 2010 is Rs.10,180,382 (Previous Year: NIL).

Pacific Logistics Limited

Royal Bank of Scotland plc, has provided a guarantee on behalf of company to H M Revenue and Customs amounting to Rs.5,090,191 (Previous Year: NIL). Under this guarantee the maximum liability as at 31st March 2010 is Rs. 5,090,191 (Previous Year: NIL).

Company has also 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 Sub-subsidiary's maximum contingent liability under the guarantee as





at 31 March 2010 is Rs.285,599,443 (Previous Year: NIL).

Depa International Inc.

At 31 March 2010, Depa International Inc. had outstanding letters of credit amounting to a total of Rs. 47,716,175 (Previous Year 63,297,183).

Simple Approach Limited

Contingent Liabilities related to Irrevocable letters of credit is Rs.246,451,442(Previous Year:Rs.251,538,333) and shipping guarantee is Rs.NIL (Previous Year Rs. 1,499,679).

Zamira Fashion Limited

Contingent Liabilities related to Irrevocable letters of credit is Rs.57,656,457 (Previous Year:Rs.NIL).

2. Capital Commitments

In case of Indian companies

Estimated amount of contracts remaining to be executed on capital account (Net of advances) Rs. 23,096,437 (Previous Year: Rs. 101,836.680)

In case of Foreign companies

License Agreement (HOPFL US Limited)

Effective February 1,2009, the company has entered into 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 years ended March 31,2010 and 2009, the license and advertising fees amounted to approximately Rs.32,081,280 and Rs.4,879,350 respectively.

At March 31,2010 and 2009, the future minimum payments required under this agreement were as follows:

	March 31 2010	March 31 2009
No later than 1 year	28,706,625	24,259,050
Later than 1 year and no later than 5 years	25,329,375	62,604,000
	54,036,000	86,863,050

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 promoter directors of the company and personal guarantee by the promoter directors.

In case of Pearl Global Limited (Indian Subsidiary)

- 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/II, 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.
- 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.
- 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.
- Rupee term loan & corporate loan from Yes Bank are secured by first charge on moveable fixed assets of the Company and exclusive charge on immovable property located at Plot No.10, Sector-5, Growth Centre, Bawal (Documentation in progress).
- Rupee term loan from Punjab National Bank is secured by exclusive charge on the movable/immovable assets purchased from proceeds of term loan

(including exclusive charge on the land & building located at Plot No.51, Sector-32,Gurgaon).

- Rupee short term loan from Punjab National Bank is secured by sub-servient charge on current assets of the Company.
- Vehicle loans are secured against hypothecation of respective vehicles.
- Pre- post shipment advances and working capital facilities from PNB, UCO Bank, HSBC, Chinatrust Commercial Bank, Standard Chartered Bank and Yes Bank which are secured by First pari passu charge on movable fixed assets present & future comprising vehicle, furniture and fixtures, disposable fixed assts, 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.16-17, Phase-VI, Udyog Vihar, Gurgaon

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 sub-subsidiary and a cross guarantee between Poeticgem Limited and its subsidiary Pacific Logistics Limited. The Loans carry an average interest rate of 2.31% over the base rate and is determined based on 1.9% plus base rate.
At 31st March 2010, Poeticgem Limited had available Rs.344,761,886 (Previous Year:Rs.192,523,142) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.
- 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.

- Norwest Industries Limited has banking the facilities is secured by way of:
 - The Company's Pledge time deposit and marketable securities.
 - Bank Guarantees issued by HSBC Bank and Standard Chartered Bank for Rs. 45,030,000 & Rs.36,024,000 respectively (Previous Year : Rs.52,170,000 and 41,736,000 respectively).
 - Guarantee from the ultimate holding company, a fellow subsidiary.
 - Guarantee from the director of the Company and a related party.
- Mortgage loan of subsidiary Norwest Industries Limited which is secured, bears interest at 2.25% over 1 month HIBOR and is repayable by 119 monthly equal instalments of Rs.524,436 plus a final repayment of Rs.522,116 commencing on 10th September 2006.
- The subsidiary, Norwest Industries limited has also mortgage loan which is secured, bears interest at 2% below the Hongkong and Shanghai Banking Corporation limited best lending rate and is repayable by 120 equal instalments of Rs. 551,000 commencing on 30th September 2007.

In case of Nor Pearl Knitwear Limited (Foreign subsidiary)

- First Charge after BEPZA over book debts and receivables for Rs. 215,820,000 (Previous Year 251,790,000) with Registrar of Joint Stock Companies (RJSC).
- First Charge after BEPZA over stock of raw materials,work in progress and finished goods for Rs. 215,820,000 (Previous Year 251,790,000) with RJSC.
- First Charge after BEPZA over Plant & Machinery for Rs. 215,820,000 (Previous Year 251,790,000) with RJSC.
- Personal guarantee executed by the directors of House of Pearl Fashion Ltd. for Rs. 205,291,770 (Previous Year Rs. 237,843,030) supported by personal net worth statements for the credit facility.
- Corporate guarantee executed by House of Pearl Fashions Ltd. for Rs. 203,760,750 (Previous Year Rs. 236,069,250).





4 The Subsidiaries considered in the consolidated financial statements are:

Name of the Enterprises	Country of Incorporation	% of voting power held as at 31.03.2010	% of voting power held as at 31.03.2009
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	99.93%	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 Ltd.	India	59.55%	94.97%

Multinational Textiles Group Limited holds the following subsidiaries:

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.10	% of voting power held as at 31.03.09
Global Textiles Group Ltd.	31.03.2006	Mauritius	100%	100%
Norwest Industries Limited	31.05.2006	Hong Kong	85%	85%
Zamira Fashions Limited	20.09.2007	Hong Kong	67%	67%
Pearl GES Group Limited	13.05.2008	Hong Kong	51%	51%
Simple Approach Limited	30.11.2008	Hong Kong	75%	75%
Magic Global Fashions Ltd.	19.01.2009	Hong Kong	100%	100%
Poetic Hong Kong Ltd.		Hong Kong	100%	-

Global Textiles Group Limited holds the following subsidiaries:

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.10	% of voting power held as at 31.03.09
Poeticgem Limited	30.03.2006	UK	100%	100%
Depa International Inc.	30.03.2006	USA	75%	75%
	15.01.2010	USA	25%	--
PT Norwest Industry	30.03.2006	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	Country of Incorporation	% of voting power held as at 31.03.10	% of voting power held as at 31.03.09
Pacific Logistics Limited	27.10.2003	UK	100%	100%
Poeticgem (Canada) Limited	31.08.2006	Canada	100%	100%
Pacific Supply Chain Limited	16.04.2007	UK	100%	100%
FX Imports Company Limited	26.03.2008	UK	50%	50%
Poetic Knitwear Limited	31.03.2009	UK	67%	67%

Zamira Fashions Limited holds the following subsidiary:

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.10	% of voting power held as at 31.03.09
Zamira Fashions Europe Ltd.	25.03.2009	UK	100%	100%

Pearl GES Group Limited holds the following subsidiary:

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.10	% of voting power held as at 31.03.09
Pearl GES Home Group Ltd.	13.05.2008	Hong Kong	90%	90%

Pearl GES Home Group Limited holds the following subsidiary:

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.10	% of voting power held as at 31.03.09
Pearl GES Home Group SPA	31.07.2008	Chile	100%	100%

Magic Global Fashions Limited holds the following subsidiary:

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.10	% of voting power held as at 31.03.09
Magic Global Fashion Ltd.	23.01.2009	UK	100%	100%

FX Imports Company Limited holds the following subsidiary:

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.10	% of voting power held as at 31.03.09
FX Import Hong Kong Limited	16.03.2009	Hong Kong	100%	--

Pearl Global Limited holds the following subsidiary:

Name of the Company	Date of Acquisition	Country of Incorporation	% of voting power held as at 31.03.10	% of voting power held as at 31.03.09
Pearl Global Fareast Limited	16.03.2009	Hong Kong	100%	100%
Pearl Global (Australia) Pty. Ltd.	19.06.2009	Australia	100%	--



**5. Alignment of Accounting Policy for consolidation.**

- a. In case of Multinational Textile Group Limited and its subsidiaries (hereinafter referred as foreign 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. This is inconsistent with the policy of parent company and its Indian subsidiaries, where interest is recognized on time proportion basis. The interest income from foreign subsidiaries represents 32.48 % of total interest income (Previous Year: 11.58%) i.e. Rs. 49,528,306.50 (Previous Year: Rs.51,642,420).
- b. In case of Nor Pearl Knitwear Limited (foreign subsidiary) dividend is accounted for when it is received. This is inconsistent with the policy of parent company and its Indian subsidiaries, where dividend Income is recognized when the right to receive is established. However, no dividend income during the year is received by the foreign subsidiary.
- c. In the case of Multinational Textile Group Limited and its subsidiaries (hereinafter referred as foreign subsidiaries), cost of fixed assets also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of fixed assets. This is inconsistent with the policy of parent company and its Indian subsidiaries, where no such treatment is prescribed under the Indian GAAP. However, during the year, no fixed assets have been purchased by the foreign subsidiaries in foreign currency.
- d. In the case of Nor Pearl Knitwear Limited (a foreign subsidiary), investments are stated at cost. This is inconsistent with the policy of parent company and its Indian subsidiaries where investments are classified as held for trading, held to maturity and available for sale on the basis of AS-30. The valuation of investments as per AS-30 is given in Point 9 of significant accounting policies above. The investment of foreign subsidiaries represents 0.54 % of total investments (Previous Year: 0.11 %) i.e. Rs. 49,149,028 (Previous Year: Rs. 278,671,905).
- e. 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	31.3.2010	31.3.2009
1.	Net Block	1,488,965	2,005,458
2.	Depreciation on the basis of WDV debited to P&L A/c	216,955	303,843

- f. 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 69.99% (Previous Year : 73.63%) i.e. Rs 12,822,969,505 (Previous Year : Rs. 10,660,505,823) of total sales of Rs.18,320,485,571 (Previous Year : Rs. 14,479,092,981)
- g. 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	636,445,600 (433,903,152)	37,068,318 (79,057,573)	5.82 (18.22)
WIP	178,559,671 (176,293,225)	54,845,575 (91,904,822)	30.72 (52.13)
Raw Material	518,548,364 (432,591,748)	39,538,668 (61,335,073)	7.62 (14.18)

Note: Figures in brackets denotes previous year figure

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

(Amount in Rupees)

Company	31.3.2010	31.3.2009
Pearl Global Limited	(308,575,005)	(308,575,005)
Nor Pearl Knitwear Limited	32,731,909	32,731,909
Norp Knit Industries Limited	33,555,837	33,555,837
M/s House of Pearl Fashions (US) Limited	-	-
M/s Multinational Textile Limited*	-	-
M/s Lerros Fashions India Ltd.	49,664,215	49,664,215

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

(Amount Rupees)

Company	31.3.2010	31.3.2009
Global Textiles Group Ltd.	117,054,108	135,614,320
Norwest Industries Ltd	(5,394,191)	(6,249,499)
Poeticgem Ltd.	(50,017,059)	(57,947,812)
Depa International Inc.	(8,961,724)	(82,941,627)
PT Norwest Industries Ltd.	10,703,991	12,401,226
Pacific Logistic Ltd.	(9,444,395)	(10,941,907)
Poeticgem (Canada) Ltd.	1,161,544	1,345,719
FX Imports UK	50,428,781	58,424,817
Pacific Supply Chain Ltd.	26,928	31,198
Simple Approach Ltd.	102,209,229	118,415,622

7. Payments to Auditors

(Amount in Rupees)

Particulars	Current Year	Previous Year
Audit Fee	17,891,032	12,260,256
Other Matters *	451,494	250,000
Service Tax	207,700	163,255

* Included in professional charges and out of pocket expenses.

8. Managerial Remuneration

(Amount in Rupees)

Particulars	Current Year	Previous Year
Salary	102,230,595	123,886,347
Contribution to PF	18,720	18,720
Perquisites	—	496,967
Total	102,249,315	124,402,034

Notes:

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

9. Segment Reporting

For the year ended March 31, 2010, 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 Kingdom, Hong Kong, India and Others.

The business segments considered by the Company are:

- Manufacturing
- Marketing, Distribution, Sourcing and Trading.
- Branding & Retailing





10. Related Party Disclosure

Related party disclosure as required under Accounting Standard- "18" is given below :

Nature of Relationship	Concerns	Country of Incorporation
Associates	Pearl Academy of Fashion India Limited	India
	Pearl Retail Solutions Pvt. Ltd.	India
	Nim International Commerce Pvt. Ltd.	India
	Vau Apparels Pvt. Limited	India
	Crown Computerised Embroideries	India
	Little People Education Society	India
	Deepak Seth & Sons (HUF)	India
	HOPP Fashions	India
	Pearl Wears	India
	Vastras	India
	Pallas Holdings Limited	Mauritius
	SACB Holdings Ltd.	Mauritius
	Transnational Textile Group Ltd.	Mauritius
	PAF International Limited	Bangladesh
	JSM Trading (F.Z.E.)	Dubai
Lerros Modem, GMBH	Germany	
Premier Pearl Garment Joint Stock Co. Ltd.	Vietnam	
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. S.M.Vij	
	Mrs. Shefali Seth	
	Mrs. Payel Seth	

(Amount in Rupees)

Nature of Transaction	Relationship	Current Year	Previous Year
Advance Given	Associates	65,075,305	30,200,859
Advance Recovered	Associates	31,564,644	3,750,000
Sale of Goods	Associates	—	1,204,959
	KMP	132,253	4,160
Sale of Fixed Assets	KMP	—	8,000,000
Sale of Software	Associates	10,081,500	18,738,500
Job Work	Associates	19,986,915	17,001,076
Expenses Reimbursed	KMP	1,680,905	197,420
	Associates	4,895	59,058
Expenses Paid	KMP	424,175	100,000
	Associates	—	190,609
Expenses Paid by us on their behalf	KMP	1,603,709	1,555,636
	Associates	—	—
Interest Paid	Associates	677,721	—
Interest received	Associates	18,975,002	10,332,584
	KMP	—	—
Sample Recovery	Associates	—	48,672
Sampling Expenses	Associates	13,720	—
Rent Paid	Associates	9,360,000	3,338,490
Rent Received	Associates	7,567,200	7,578,600

Nature of Transaction	Relationship	Current Year	Previous Year
Commission Income	Associates	—	4,176,265
Remuneration paid	KMP/WTD/ Relative	102,249,315	8,918,720
Share Application Money returned back	Associates	2,150,000	—
Loan Given	Associates	37,400,000	105,600,000
Loan Refund	Associates	45,752,241	4,500,000
Loan taken from directors	KMP	30,000,000	—
Loan Repaid	KMP	15,675,572	—
Purchase of Goods	Associates	5,219,717	9,780,163
			24,950,505
Other Transactions	Associates	—	139,368
Gift Voucher	KMP	—	20,000
Closing Balance			
- Other Receivable	Associates	119,180,890	143,900,583
- Other Payable	Associates	20,557,051	5,784,070
- Loan	Associates	180,845,285	176,133,884
- Sundry Debtors	Associates	9,269,343	11,481,744

Disclosure of related parties having more than 10% interest in each transaction in the ordinary course of business:-

(Amount in Rupees)

Nature of Transaction	Relationship	Current Year	Previous Year
Advance Given			
JSM Trading Company	Associates	61,087,473	-
Vastras		1,410,000	-
Pallas Holding Ltd.		-	25,671,083
Little People Education Society		-	3,129,776
Advance Recovered			
Pallas Holding Ltd.	Associates	16,738,642	-
Vau Apparels Pvt. Limited		3,300,000	3,750,000
Little People Education Society		4,500,000	-
Vastras		1,506,002	-
Advance Returned			
Little People Education Society	Associates	5,000,000	-
Sale of Goods			
Lerros	Associates	-	1,204,959
Mrs.Faiza Seth	KMP	132,253	4,160
Sale of Fixed Asset			
Mr.Deepak Seth	KMP	-	4,000,000
Mrs.Payal Seth		-	4,000,000
Sale of Software			
Lerros Modem GMBH	Associates	10,081,500	18,738,500
Job Work			
Crown Computerized Embroideries	Associates	19,986,915	17,001,076
Gift Voucher			
Mr.Pulkit Seth	KMP	-	20,000
Expenses Reimbursed			
Pearl School of Business	Associates	977,151	-
Pearl Academy of Fashion		703,754	-
Lerros		-	177,881
Mr. Pulkit Seth	KMP	4,895	-
Mr. Deepak Seth		-	59,058





Nature of Transaction	Relationship	Current Year	Previous Year
Expenses Paid			
Pearl Academy of Fashion	Associates	424,175	90,000
Mr.Deepak Seth	KMP	-	190,609
Interest Paid			
Mr.Deepak Seth	KMP	230,137	
Mr.Pulkit Seth		447,584	
Interest received			
Little People Education Society	Associates	18,975,002	10,298,783
	KMP		
Sample Recovery	Associates	-	48,672
Sampling Expenses			
Crown Computerized Embroideries	Associates	13,720	-
Rent Paid			
Pearl School of Business	Associates	3,060,000	-
Little People Education Society		6,300,000	3,338,490
Rent Received			
Pearl Academy of Fashion	Associates	6,978,600	6978,600
Share Application Money returned back			
Vau Apparels Pvt.Limited	Associates	2,150,000	-
Loan Given			
Little People Education Society	Associates	37,400,000	1,046,00,000
Loan Refund			
Little People Education Society	Associates	37,390,116	4,500,000
Pearl Academy of Fashion		8,362,125	-
Purchase of Goods			
Lerros Modem GMBH	Associates	5,219,717	9,780,163
Pearl Academy of Fashion		-	-
-Vau Apparels Pvt. Limited		-	24,750,743
Closing Balance			
JSM Trading Limited	Associates	74,596,473	-
Little People Education Society		199,939,427	183,265,079
HOPP Fashions		53,833,055	53,768,862

11. Earning Per Share

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

(Amount in Rupees)

Particulars	Current Year	Previous Year
Profit/(Loss) attributable to the equity shareholders	88,327,165	53,777,504
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	4.53	2.76
Potential Equity Shares	Nil	Nil
Diluted Earning per share	4.53	2.76

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

(Amount in Rupees)

Particulars	Current Year	Previous Year
Deferred Tax Assets		
Unabsorbed Depreciation & Business Losses	73,657,472	44,671,500
Capital Losses	8,576,342	4,867,876
Others	50,580,022	67,309,414
Total (A)	132,813,836	116,848,790
Deferred Tax Liabilities		
Depreciation	111,172,581	72,287,986
Total (B)	111,172,581	72,287,986
Net Deferred Tax Assets/(Liabilities)	21,641,255	44,560,804

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.

13. The House of Pearl Fashions Limited has raised Rs. 2,854,335,000 lacs through a public issue of shares during the year 2006-07, the proceeds of which are deployed as follows:

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	46,555,793
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	15,058,950
2.	Investment in Pearl Global Ltd for design center	38,000,000
3.	Setting up an Integrated Information Technology System	174,321,447
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	204,645,540
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	490,555,682
8.	Meeting Share Issue expenses	191,950,492
9.	*Extended working capital & temporary loans to its subsidiaries as an interim use of funds.	584,366,733
10.	Balance amount lying in the mutual funds and fixed deposits & Bank Balances	39,806,724

*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. 91,796,194/- 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.

*Extended a temporary loan of Rs. 75,638,605/- for working capital to its subsidiary Pearl Global Limited as an interim use of funds.

*Extended a temporary loan of Rs. 80,229,654/- for working capital to other subsidiaries as an interim use of fund

14. 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:

Particulars	31.03.2010 USD	31.03.2009 USD
Foreign Exchange Contract	34,968,142 (Equivalent to Rs 1,641,416,393)	43,883,866 (Equivalent to Rs.2,289,421,289)

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 2011.





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

15. 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, 2010 and 2009, rent expenses amounted to Rs. 12,985,280 and Rs. 9,526,539, respectively.

	Current Year	Previous Year
Not later than 1 year	10,582,050	11,607,668
Later than 1 year and not later than 5 years	45,840,540	51,883,013
More Than 5 years	5,853,900	20,268,045
Total	62,276,490	83,758,726

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.)

Particulars	Current Year	Previous Year
Not Later than 1 year	16,931,280	22,025,131
Later than 1 year and not later than 5 years	270,180	15,686,476
Total	17,201,460	37,711,607

Rent expenses for the showrooms and warehouse for the year ended 31 March 2010 and 2009 was Rs. 24,263,330 and Rs. 25,296,874 respectively.

One of the subsidiaries Simple Approach Limited had outstanding commitment under its non-cancelable operating leases representing rental payable for its rented premises. Leases are negotiated for an average of two years

(Amount in Rs.)

Particulars	Current Year	Previous Year
Not Later than 1 year	3,549,490	5,491,623
Later than 1 year and not later than 5 years	-	4,118,717
Total	3,549,490	9,610,340

Operating Lease Arrangements

The Sub subsidiaries Poeticgem 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 five" years.

Poeticgem Limited, Pacific Logistics Limited, Norwest Industries Limited and FX Imports Company Limited

(Amount in Rs.)

Particulars	Current Year	Previous Year
Minimum lease payments operating lease recognized in the income statement for the year	34,031,889	25,693,728

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

Particulars	Land & Buildings		Others	
	Current Year	Previous Year	Current Year	Previous Year
Within one year	13,229,904	8,619,110	44,235,446	48,394,248
In the second to fifth years	16,785,338	20,185,460	73,047,981	79,805,701
Total	30,015,242	28,804,570	117,283,427	128,199,950

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:	Current Year	Previous Year
Within one year	873,762	1,800,230
In the second to fifth Year	2,111,547	600,059
	2,985,309	2,400,289
Less: Finance Charges	(444,131)	(137,101)
	2,541,178	2,263,187
Less than one year	653,971	664,385
More than year	1,887,162	1,598,802
Total	2,541,133	2,263,187

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 8,599,744/-(Previous Year Rs. 3,071,903) has been debited to Profit & Loss account. The future minimum lease payments is as under:

(In Rupees)

S.No.	Minimum Lease Payments Payables	Current Year	Previous Year
(i)	not later than in 1 years	10,121,218	1,994,352
(ii)	Later than 1 year but not later than 5 years	15,750,651	5,111,958
(iii)	Later than 5 years	7,048,932	5,376,216

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	Yes	No	No	No	No
House of Pearl Fashions Ltd	Yes	No	No	No	No
Pearl School of Business	Yes	No	No	No	No

Assets given on lease

a) The company has given certain assets on non-cancelable operating lease and lease rent income amounting to Rs 7,631,100 (Previous Year Rs. 7,403,100) has been credited in Profit & Loss account. The future minimum lease payments receivables and details of assets, as at March 31, 2010 are as follows:

(In Rupees)

S.No.	Minimum Lease Payments Receivables	Current Year	Previous Year
(i)	not later than in 1 years	7,868,700	7,631,100
(ii)	later than 1 year but not later than 5 years	32,158,920	32,903,580
(iii)	later than 5 years	15,462,360	90,620,784

b) (In Rupees)

(i)	Gross Investment on Lease Assets	35,255,587	35,255,587
(ii)	Accumulated Depreciation	5,931,810	5,030,841
(iii)	Depreciation Charged during the Year	798,089	795,518



**c) General Description of Lease Terms:**

Particulars	Terms of Renewal	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
B-earth & Spire India P. Ltd.	Yes 2terms Of 2years	No	20% After 2 Years	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	Yes	No	20% After Every 5 Years	No	No

In case of Lerros Fashions India Ltd.**(a) Assets taken on Lease**

The company has taken certain assets on non-cancelable operating lease and lease rent amounting to Rs. 52,561,504 (Previous Year Rs. 32,867,406) and has been debited to Profit & Loss account.

The detail of future minimum lease payments is as under:

(Amount in Rs.)

S.No.	Minimum Lease Payments Payables	Current Year	Previous Year
(i)	Not later than in 1 year	58,684,427	42,039,099
(ii)	Later than 1 year but not later than 5 years	226,320,734	79,968,199
(iii)	Later than 5 years	66,383,644	46,712,938
	Total	351,388,805	168,720,236

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
GVK Mall, Hyderabad	6 Years	No	15% after every three years	No	No
South Extn Part-1, New Delhi	6 Years	No	20% after every three years	No	Yes

(b) Assets given on Lease

The company has given certain assets on non-cancellable operating lease and lease rent amounting to Rs. 3,500,000 (Previous Year Nil) and has been credited to Profit & Loss account.

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. 2,803,500) has been credited in Profit & loss Account. The future minimum lease payments receivables and detail of assets as at 31st March, 2010 are as follows:

Minimum Lease Payments Receivables**(Amount in Rupees)**

Particulars	Current Year	Previous Year
Not later than 1 year	2,803,500	2,803,500
Later than 1 year but not later than 5 years	11,807,400	11,750,700
Later than 5 years	9,660,600	55,387,440
(ii)		
Gross Investment on leased Assets	2,808,329	2,808,329
Accumulated Depreciation on Lease Assets as on 31 st March, 2010	1,729,791	1,670,596
Depreciation Charged During the Year	59,195	59,195

(iii) General Description on 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 debited to Profit & Loss account amounting to Rs 13,81,100*. (Previous Year Rs. 5,372,780). The details of future minimum lease payments is as under:

(Amount in Rupees)

S.No.	Minimum Lease Payments Payables	Current Year	Previous Year
(i)	Not later than in 1 year	1,320,000	4,164,000
(ii)	Later than 1 year but not later than 5 years	6,157,800	1,529,000
(iii)	Later than 5 years	4,073,300	-
	Total	11,551,100	5,693,000

(ii) General Description of Lease Terms

Particulars	Terms of Renewal	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
Shalima Motiyal	No	No	No	No	No
Little People Education Society (PSB)	Yes	No	No	No	No
Shakuntla Yadav	Atleast Two Terms Of Three Year Each	No	Yes (@ 15% P.A.)	No	No

* In the above, the amount of Rs. 4,320,000/- paid as Rent for Plot No. 46, sector 32 for SAP division have not been considered. The same amount has been transferred to CWIP and not debited to Profit and loss account during the year.

16. Financial Instruments

In case of House of Pearl (US) limited, Balance sheet amounts for financial instruments by category are as follows:-

(Amount in Rupees)

Particulars	March 31, 2010		Breakdown by Category	
	Carrying Value	Fair Value	Loans and receivables	Financial liabilities at amortized cost
Assets				
Cash	19,205,430	19,205,430	19,205,430	-
Trade and other receivables, net	38,023,512	38,023,512	38,023,512	-
Total	57,228,942	57,228,942	57,228,942	-
Liabilities				
Trade and other payables	218,468,629	218,468,629	-	218,468,629
Loans from shareholder	18,012,000	18,012,000	-	18,012,000
Total	236,480,629	236,480,629	-	236,480,629

Particulars	March 31, 2009		Breakdown by Category	
	Carrying Value	Fair Value	Loans and receivables	Financial liabilities at amortized cost
Assets				
Cash	30,563,273	30,563,273	30,563,273	-
Trade and other receivables, net	212,790,996	212,790,996	212,790,996	-
Total	243,354,269	243,354,269	243,354,269	-
Liabilities				
Trade and other payables	267,299,934	267,299,934	-	267,299,934
Income tax liabilities	65,317	65,317	-	65,317
Loans from shareholder	20,868,000	20,868,000	-	20,868,000
Total	288,233,251	288,233,251	-	288,233,251

17. Credit Risk Exposure and Concentration

In case of House of Pearl (US) limited, table below shows the maximum exposure to credit risk of the company per counterparty as of:-

Particulars	March 31, 2010			Total
	Banks and Financial Institutions	Accredited customers	Related Parties	
Cash	19,205,430	-	-	19,205,430
Due from Factor	22,499,960	-	-	22,499,960
Trade and other receivables	-	11,005,062	-	11,005,062
Due from affiliates	-	-	4,518,490	4,518,490
	41,705,390	11,005,062	4,518,490	57,228,942





Particulars	March 31, 2009			
	Banks and Financial Institutions	Accredited customers	Related Parties	Total
Cash	30,563,273	-	-	30,563,273
Due from Factor	71,171,983	-	-	71,171,983
Trade and other receivables	-	135,984,027	-	135,984,027
Due from affiliates	-	-	5,634,987	5,634,987
	101,735,256	135,984,027	5,634,987	243,354,270

Based on the above table, as of March 31, 2010, 73% and 27% of the Company's total financial assets are from banks and other financial institutions, and accredited customers and related parties, respectively, which management considers having high quality credit ratings. As of March 31, 2009, 42% and 58% of the Company's total financial assets are from banks and other financial institutions, and accredited customers and related parties, respectively which management considers having high quality credit ratings.

For the year March 31, 2010, sales to two customers accounted for 47% of gross sales. For the year ended March 31, 2009, sales to one customer accounted for 40% of gross sales.

18. 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. 21,440,939 (Previous Year: Rs. 20,067,354) 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

(Amount in Rupees)

Particulars	Current Year			Previous Year		
	Gratuity	Gratuity	Earned leave	Gratuity	Gratuity	Earned leave
	(Funded)	(Unfunded)	(Unfunded)	(Funded)	(Unfunded)	(Unfunded)
Defined benefit obligations at beginning of the year	13,047,127	2,245,386	2,709,395	11,778,866	2,870,629	6,073,107
Current Service Cost	2,715,200	1,963,280	4,178,703	2,565,310	1,804,380	1,159,162
Interest Cost	1,043,770	179,631	216,752	942,309	229,649	485,849
Actuarial (gain)/loss	(11,114,297)	(329,436)	5,758,540	5,588,746	(770,858)	(2,455,017)
Benefits paid	-	-	(2,503,130)	(9,716,518)	-	(2,553,706)
Defined Benefit Obligations at year end	5,691,800	4,058,861	10,360,260	11,158,713	4,133,800	2,709,395

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

(Amount in Rupees)

Particulars	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	2,626,430	-	-	5,670,912	-	-
Expected Return on plan assets	478,979	-	-	274,368	-	-
Contribution	6,890,523	-	-	5,000,528	-	-
Actuarial (gain)/loss	7,823	-	-	-	-	-
Benefits paid	-	-	-	(9,716,518)	-	-
Fair value of plan assets at the year end.	1,003,755	-	-	1,229,290	-	-

(c) Reconciliation of fair value of assets and obligations

(Amount in Rupees)

Particulars	Current Year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Fair value of plan assets at 31 st March 2010	1,003,755	-	-	1,229,290	-	-
Present value of obligation as at 31 st March 2010	5,691,800	4,058,861	10,360,260	11,158,713	4,133,800	2,709,395
Net Assets/(Liability) recognized in balance sheet	4,311,955	(4,058,861)	(10,360,260)	(9,929,423)	(4,133,800)	(2,709,395)



**(d) Expenses recognized during the year****(Amount in Rupees)**

Particulars	Current Year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Current Service Cost	2,715,200	1,963,280	4,178,703	2,565,310	1,804,380	1,159,162
Interest Cost	1,043,770	179,631	216,752	942,309	226,649	485,849
Expected return on plan assets	(478,979)	-	-	(274,368)	-	-
Actuarial (gain)/loss	48,064	(329,436)	5,758,540	5,588,746	(770,858)	(2,460,904)
Net Cost	2,705,282	1,813,475	10,153,995	8,821,997	1,263,171	(815,893)

(e) Actuarial Assumptions:

Particulars	Current Year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Discount Rate (per annum) Future increase in compensation	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
House of Pearl Fashions Limited (Holding Company)	5.50%	-	5.50%	-	5.50%	5.50%
Pearl Global Limited (Subsidiary)	6.00%	5.50%	5.50%	5.00%	5.00%	5.00%
Lerros Fashions India Ltd. (Subsidiary)	-	5.00%	5.00%	-	-	-
Hopp Fashion (Associates)	-	5.50%	5.50%	-	5.50%	5.50%
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 2010 and 2009, employee benefits obligation is calculated by an independent actuary (PT. Bumi Dharma Aktuaria) using the projected unit credit method. The principal assumptions used in determining employee benefits obligation as of 31 March 2010 and 2009 are as follows:

Financial Assumptions	2009-10	2008-09
Discount Rate	11%	11%
Future Salary Increase	8%	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:

- Amortization method: straight line.

- Amortization 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 in Rs.)

Amount Recognized in Balance Sheet	2009-10	2008-09
Present value of obligation	3,554,758	2,441,191
Unrecognized Actuarial Losses	133,379	60,569
Net Liability in Balance Sheet	3,688,137	2,501,760





Amount Recognized in Income Statement	Current Year	Previous Year
Current Service Cost	1,433,966	717,636
Interest Cost	186,807	154,048
Net Amortization for the year	-	(23,235)
Expenses recognized in the Income Statement	1,620,773	848,449
Movement in the liability recognized in Balance sheet	2009-10	2008-09
At beginning of the year	2,159,369	1,587,900
Charge to Income statement	1,528,769	848,449
Foreign Currency Translation Reserve	-	65,411
At the end of the year	3,688,137	2,501,760

19. In case of Pearl Global Limited, The Company has initiated for delisting of shares during the previous year ending 31st March 2009 and the equity shares of the Company were delisted from Bombay Stock Exchange and National Stock Exchange w.e.f. August 21, 2009. The Final Exit Option for six months following delisting of shares for public shareholding expired on February 20, 2010 and out of total public holding of 2,082,345 shares as on 31st March 2009, shareholders holding 1,101,696 shares have availed the option at the exit price of Rs.47.50 per share.
20. Lerros Fashions India Private Limited (subsidiary of House of Pearl Fashions Ltd.) was originally incorporated as a Private Limited company on 30.03.2007 under the Companies Act, 1956 (No. 1 of 1956) as Wear International Retail Private Limited and became a subsidiary of Public company namely House of Pearl Fashions Limited with effect from 31st March, 2009. However, during the current year, the company has changed its status from private limited company to public limited company w.e.f. 02nd December 2009.
21. During the year ended 31.03.2010, Nor Pearl Knitwear Ltd incurred a loss before tax of Rs.61,152,571 and as at 31st March 2010, its current liabilities exceeds its current assets by 132,620,168. 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 continued support from its parent company, House of Pearl Fashions Ltd.
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. Previous Year's figures have been regrouped/ recast wherever considered necessary.

Signature to consolidated schedule 1 to 17

Place : New Delhi
Dated : 29.05.2010

On behalf of the Board of Directors

(Deepak Seth) Chairman DIN 00003021	(Dr. Ashutosh P. Bhupatkar) Director DIN 00479727	(Pulkit Seth) Managing Director DIN 00003044
(Atul Gupta) Chief Finance Officer	(Sandeep Sabharwal) Company Secretary	





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 2010, 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 2010 and taken on record by the Board of Directors. We report that none of the directors are disqualified as on 31st March 2010 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 2010;
 - (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
Regn. No. 01478N

(SANDEEP DINODIA)
Partner
M.NO. 083689

Place : New Delhi
Date : 29.05.2010

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 2010 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 immaterial.
- iii) a) The company has granted unsecured loans during the year to six parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum balance involved in the transaction is Rs. 911,402,512. (The year end balance was Rs. 790,809,954).
- b) The rate of interest and other terms and conditions on which loan 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 generally 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 as applicable to it.
- 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, 2010.
- x) The Company does not have any accumulated losses at the end of the financial year. The Company has incurred cash losses during the financial year covered by our audit but not in 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 16 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.18 of Schedule 16 – 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
Regn. No. 01478N

(SANDEEP DINODIA)
Partner
M.NO. 083689

Place : New Delhi
Date : 29.05.2010



**BALANCE SHEET AS AT 31ST MARCH, 2010****(Amount in Rupees)**

PARTICULARS	SCHEDULE	AS AT	
		31 ST MARCH 2010	AS AT 31 ST MARCH 2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	195,003,430	195,003,430
Reserves & Surplus	2	2,884,216,756	2,924,168,291
Loan Funds			
Secured Loan	3	49,750,672	57,293,326
		<u>3,128,970,858</u>	<u>3,176,465,047</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	4	155,841,443	25,806,719
Less: Accumulated Depreciation		25,077,458	3,971,291
Net Block		130,763,985	21,835,428
Capital Work in Progress		44,566,568	131,550,733
Investments	5	1,691,144,059	153,386,161
(Refer Note No. 5 of Schedule 16)			1,685,013,186
Deferred Tax Asset	6	7,683,032	7,048,173
(Refer Note No. 14 of Schedule 16)			
Current Assets, Loans and Advances			
Sundry Debtors	7	104,907,310	57,719,582
Cash & Bank Balances	8	46,133,561	350,979,800
Loans & Advances	9	1,180,410,963	966,813,638
		1,331,451,834	1,375,513,020
Less: Current Liabilities & Provision			
Current Liabilities	10	74,761,500	44,090,146
Provisions	11	1,877,119	405,347
		76,638,619	44,495,493
Net Current Assets		1,254,813,215	1,331,017,527
		<u>3,128,970,858</u>	<u>3,176,465,047</u>
Significant Accounting Policies	15		
Notes to Account	16		

As per our report of even date attached

On behalf of the Board of Directors

For S.R. Dinodia & Co.,

Chartered Accountants

Firm No. 001478N

(Sandeep Dinodia)

Partner

M.No. 083689

Place : New Delhi

Dated : 29.05.2010

(Deepak Seth)

Chairman

DIN 00003021

(Atul Gupta)

Chief Finance Officer

(Dr. Ashutosh P. Bhupatkar)

Director

DIN 00479727

(Sandeep Sabharwal)

Company Secretary

(Pulkit Seth)

Managing Director

DIN 00003044





PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

(Amount in Rupees)

PARTICULARS	SCHEDULE	CURRENT PERIOD		PREVIOUS YEAR
INCOME				
Sales		446,490,361		227,897,867
Export Incentives		1,934,461	448,424,822	427,619
Other Income	12		111,745,398	228,325,486
			<u>560,170,220</u>	<u>202,546,339</u>
				<u>430,871,825</u>
EXPENDITURE				
Cost of Goods Traded			421,386,797	204,714,183
Manufacturing & Other Expenses	13		149,648,320	103,783,590
Finance Cost	14		8,163,552	1,403,078
Depreciation			21,216,064	1,956,655
			<u>600,414,734</u>	<u>311,857,506</u>
PROFIT BEFORE TAXATION AND ADJUSTMENTS:			(40,244,514)	119,014,319
Provision for Current Tax			—	(21,750,000)
Provision for Wealth Tax			(47,519)	(31,363)
Provision for Deferred Tax (Refer to Note No. 14 of Sch. 16)			634,859	(3,075,498)
Provision for Fringe Benefit Tax			—	(2,351,246)
PROFIT AFTER TAX			(39,657,173)	91,806,212
Prior Period Expenses			(810,250)	(140,393)
NET PROFIT FOR THE YEAR			(40,467,423)	91,665,819
Profit brought forward			198,524,446	106,858,627
AMOUNT AVAILABLE FOR APPROPRIATION			158,057,022	<u>198,524,446</u>
Balance Carried to Balance Sheet			158,057,022	198,524,446
			<u>158,057,022</u>	<u>198,524,446</u>
Earnings Per Share (Rs.)				
Basic Earning Per Share			(2.08)	4.70
Diluted Earning Per Share			(2.08)	4.70
(Refer Note No.12 of Schedule `16')				
Significant Accounting Policies	15			
Notes to Account	16			

As per our report of even date attached

On behalf of the Board of Directors

For S.R. Dinodia & Co.,

Chartered Accountants

Firm No. 001478N

(Sandeep Dinodia)

Partner

M.No. 083689

Place : New Delhi

Dated : 29.05.2010

(Deepak Seth)

Chairman

DIN 00003021

(Atul Gupta)

Chief Finance Officer

(Dr. Ashutosh P. Bhupatkar)

Director

DIN 00479727

(Sandeep Sabharwal)

Company Secretary

(Pulkit Seth)

Managing Director

DIN 00003044



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

	Year Ended 31.03.2010	Year Ended 31.03.2009
A. Net Profit Before Tax and Extraordinary Items	(40,244,514)	119,014,319
Adjustments for:		
Depreciation	21,216,064	1,956,655
Foreign Exchange Fluctuation	28,281,266	(13,420,784)
Loss on sale of Assets	649,510	-
Profit/Loss on sale of Investments	7,829,075	-
Finance Cost	8,163,552	1,403,078
Share in the (Profit) / Loss from Partnership firm	(68,153)	(1,828,618)
Non operating Incomes	(81,905,055)	(167,740,766)
Sundry Balance written back		(1,157)
Operating Profit/(loss) before working capital changes	(56,078,254)	(60,617,273)
Adjustments for :		
Trade and Other Receivables	(42,802,799)	(17,031,430)
Inventories	-	161,659
Trade Payables	32,146,611	16,063,846
Cash Generated from operations	(66,734,443)	(61,423,198)
Direct Taxes (Paid)/ Refunds	(13,927,957)	(21,580,192)
Add/(less):-Prior period adjustments	(810,250)	(140,393)
Net Cash Generated / (used) in operating Activities	(81,472,649)	(83,143,783)
B. Cash Flow from Investing Operations:		
Sale of Fixed Assets	8,750	7,431,798
Fixed Assets Purchased	(43,818,716)	(64,211,718)
Investment made in Mutual Funds	-	(193,424,979)
(Increase)/Decrease in share application money	(43,685,562)	(95,672,044)
Purchase of Investments	(103,345,540)	(441,019,181)
Loan given	(160,820,748)	(354,989,205)
Sale of Investment	90,256,620	923,624,898
Interest on Fixed Deposits	9,813,719	36,473,393
Dividend on current investment-Non Trade	945,970	23,303,212
Dividend Income-from Subsidiary	-	45,236,717
Interest on Loan	69,329,222	39,735,536
Share in profit in Firm	68,153	1,828,618
Rent Received	2,803,500	2,803,500
Cash from investing activities	(178,444,632)	(68,879,455)
C. Cash Flow from Financing Activities		
Increase/(Decrease) in Security Deposit	(938,000)	19,481,162
Loans taken	2,400,000	54,161,304
Repayment of Loans	(9,942,654)	(3,867,978)
Dividend Paid	(3,485)	(29,224,778)
Tax on Dividend	-	(4,971,125)
Finance Cost	(8,163,552)	(1,403,078)
Net cash used in financing activities	(16,647,691)	34,175,507
Increase in Cash/Cash equivalents(A+B+C)	(276,564,972)	(117,847,731)
Exchange Fluctuations	(28,281,267)	13,420,784
Net Increase in Cash/Cash equivalents(A+B+C)	(304,846,239)	(104,426,947)
Cash / Cash equivalents at the beginning of the year	350,979,800	455,406,747
Cash / Cash equivalents at the close of the year	46,133,561	350,979,800
Components of Cash and Cash equivalents		
Cash and Cheques on hand	5,529,616	14,927,226
Balances with Scheduled Banks		
i) In Current Accounts	38,203,946	10,386,498
ii) In Fixed Deposits	2,400,000	2,400,000
iii) Fixed Deposit (Unutilised money of IPO Proceeds)	-	323,266,076
	46,133,561	350,979,800

As per our report of even date attached

On behalf of the Board of Directors

For S.R. Dinodia & Co.,
Chartered Accountants
Firm No. 001478N

(Sandeep Dinodia)
Partner
M.No. 083689

Place : New Delhi
Dated : 29.05.2010

(Deepak Seth)
Chairman
DIN 00003021

(Atul Gupta)
Chief Finance Officer

(Dr. Ashutosh P. Bhupatkar)
Director
DIN 00479727

(Sandeep Sabharwal)
Company Secretary

(Pulkit Seth)
Managing Director
DIN 00003044





SCHEDULES FORMING PART OF THE BALANCE SHEET

	(Amount in Rupees)	
	AS AT 31 ST MARCH 2010	AS AT 31 ST MARCH 2009
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 as fully paid Bonus shares by capitalisation of accumulated profits and General Reserve

SCHEDULE - 2 RESERVE & SURPLUS

General Reserve			
Opening Balance	11,323,604		11,323,604
Transfer from Profit & Loss A/c	<u>—</u>		<u>—</u>
	11,323,604		11,323,604
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	158,057,022		198,524,446
Available For Sale Investment Reserve (Refer Note No. 5 of Schedule '16')	—		(515,889)
	<u>2,884,216,756</u>		<u>2,924,168,291</u>

SCHEDULE - 3 SECURED LOANS

FROM BANKS			
Term Loan* (Refer Note No.2(b) of Schedule 16)	44,674,566		47,600,000
From Others			
Vehicle Loan**	5,076,106		9,693,326
	<u>49,750,672</u>		<u>57,293,326</u>

Notes :

*Term Loan

(1) Repayable within one year Rs. 53,37,224/- (Previous year :Rs.5,325,434/-)

**Vehicle Loan

(1) Repayable within one year Rs.48,52,542/- (Previous year : 46,17,220/-)

(2) Secured against hypothecation of vehicles





SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE - 4
FIXED ASSETS

(Amount in Rupees)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As At 1.4.2009	Additions	Sale/Deduction	As At 31.03.2010	Upto 01.04.2009	For the Period	Adjustments/ Sale	As At 31.03.2010	As At 31.03.2009
Tangible Assets									
Land-Leasehold *	1,036,027			1,036,027	—	—	—	1,036,027	1,036,027
Buildings	1,772,301			1,772,301	1,670,596	59,195	—	42,510	101,705
Office Equipments	1,538,286	323,797	294,375	1,567,708	136,691	77,240	26,122	1,379,899	1,401,595
Plant & Machinery	2,202,840	14,214,482	74,060	16,343,262	281,747	1,876,091	14,240	14,199,664	1,921,093
Vehicle	17,042,590	—	25,099	17,017,491	1,557,974	1,618,961	4,024	13,844,580	15,484,616
Furniture & Fittings	2,114,675	233,717	374,623	1,973,769	309,818	144,049	65,512	1,585,414	1,804,857
Intangible Assets									
Software	100,000	116,030,885		116,130,885	14,466	17,440,527	—	96,675,892	85,534
Capital Work in Progress**	25,806,719	130,802,881	768,157	155,841,443	3,971,291	21,216,064	109,898	130,763,985	21,835,428
	131,550,733	42,071,178	129,055,343	44,566,568	—	—	—	44,566,568	131,550,733
	157,357,452	172,874,059	129,823,500	200,408,011	3,971,291	21,216,064	109,898	175,330,554	153,386,161
Previous Year	100,577,531	64,211,718	7,431,798	157,357,452	2,014,636	1,956,655	—	153,386,160	98,562,895

* 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:

a) Expenditure incurred on SAP implementation of Rs. 4,42,39,985/- (Previous Year 13,12,24,150/-)

b) Capital Advance Rs. 326,583,00/(PreviousYear Rs 326,583.00) to DDA for converting its leasehold land into freehold land





SCHEDULES FORMING PART OF THE BALANCE SHEET

	AS AT 31 ST MARCH 2010	(Amount in Rupees) AS AT 31 ST MARCH 2009
SCHEDULE - 5		
INVESTMENTS		
A. Long-term Investment		
Investment in Subsidiaries		
Pearl Global Ltd.		
Unquoted - Trade		
22,39,400 (Previous Year 1,703,000) Redeemable Preference Shares of Rs. 100/- each	223,940,000	170,300,000
4,969,588 (Previous Year 4,969,588) Equity Shares of Rs.10/- each fully paid up (Refer to Note 1 below)	3,413,870	3,413,870
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		
38,68,115 (Previous Year 2,654,597) Equity Shares of TaKa 100 Each fully paid up	263,226,624	191,240,354
Multinational Textile Group Limited., Mauritius		
20,071,170 (Previous Year 20,071,170) Equity Shares of USD 1 each fully paid up	916,159,852	916,159,852
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 Ltd.	132,245,540	18,900,000
1,32,24,554(Previous Year 1,890,000) equity shares of Rs.10 each fully paid up		
Lerros Fashions India Ltd.	39,900,000	49,900,000
3,990,000(Previous Year 4,990,000) Preference shares of Rs.10 each fully paid up		
Investment in partnership firm	53,833,055	53,764,901
B. Current Investment		
In Mutual Funds Unquoted - Non Trade		
Held to Maturity		
Citicorp Finance (India) Ltd.	—	25,000,000
Nil (Previous year 25) units oif Rs. 1,000,000.00 each		
Available for Sales Securities		
DSPML World Gold Fund	—	4,484,111
NIL (Previous year 365,256.78) units of Rs. 12.2766 each		
Reliance Medium Term Fund Daily Div. Plan	—	27,059,547
NIL (Previous Year 1582846.165) unit of Rs. 17.0955 each		
ICICI Prudential Flexible Income Plan Premium-Daily Dividend	—	80,524,695
Nil (Previous Year 7,615,708.603) unit of Rs. 10.5735 each		
Principal Floating Rate Fund FMP-Instl Option- Dividend Reinvest	—	25,311,523
NIL (Previous Year 2,528,042.81) unit of Rs. 10.0123 each		
HDFC Cash Management Fund- Treasury Advantage Plan Wholesale	—	60,529,215
Nil (Previous Year 6,033,914.626) unit of Rs. 10.0315 each		
	1,691,144,059	1,685,013,186

Notes :

1. It Includes 4,752,000 (Previous Year 4,752,000) Bonus Shares and 1,888 shares of 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 NIL (P.Y. Rs. 3,413,870)
3. Aggregate market value of quoted investment is NIL (P.Y. Rs. 228,849,527)
4. Aggregate amount of Unquoted investment is Rs. 16,911,440,549 (P.Y. Rs. 1,681,599,316)





SCHEDULES FORMING PART OF THE BALANCE SHEET

	AS AT 31 ST MARCH 2010	(Amount in rupees) AS AT 31 ST MARCH 2009
SCHECULE - 6		
DEFERRED TAX ASSET (NET)		
Opening Deferred Tax Asset	7,048,173	10,123,671
Deferred Tax Asset/(Liability) for the year (Refer Note No. 14 of the Schedule `16`)	634,859	(3,075,498)
	<u>7,683,032</u>	<u>7,048,173</u>
SCHECULE - 7		
SUNDRY DEBTORS		
(Unsecured - Considered Good)		
Over Six Months	24,484,605	24,290,991
Others	80,422,705	33,428,591
	<u>104,907,310</u>	<u>57,719,582</u>
SCHECULE - 8		
CASH & BANK BALANCES		
Cash in Hand	342,795	288,651
Cheques in Hand	5,186,821	14,638,575
Balances with Scheduled Banks		
i) In Current Accounts	38,203,946	10,386,498
ii) Fixed Deposit*	2,400,000	2,400,000
ii) Fixed Deposit (Unutilised money of IPO Proceeds)	—	323,266,076
	<u>46,133,561</u>	<u>350,979,800</u>
*Pledge with the bank		
SCHECULE - 9		
LOANS & ADVANCES		
(Unsecured -Considered Good)		
Loans to:		
- Subsidiaries	599,964,669	454,889,205
- Others	190,845,285	175,100,000
Advances recoverable in Cash or in Kind or for value to be received	322,525,336	277,785,164
Advance to Subsidiaries	42,692,012	49,474,046
Security Deposits	2,160,000	1,222,000
Advance Tax (including tax deducted at source)	22,223,661	8,343,223
Net of Provision of Rs. 34,220,590 (Previous Year : 34,173,071)	<u>1,180,410,963</u>	<u>966,813,638</u>





SCHEDULES FORMING PART OF THE BALANCE SHEET

	AS AT 31 ST MARCH 2010	(Amount in rupees) AS AT 31 ST MARCH 2009
SCHEDULE - 10		
CURRENT LIABILITIES		
Sundry Creditors -others		
- Due to Micro, Small and Medium enterprises *	—	—
- Others	37,434,714	39,223,938
Other Liabilities **	37,304,534	4,840,471
Unpaid Dividend	22,252	25,737
	<u>74,761,500</u>	<u>44,090,146</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.

** It does not include any amount due to be transferred to investor protection fund.

SCHEDULE - 11

PROVISIONS

Provision For Leave Encashment	1,877,119	405,347
	<u>1,877,119</u>	<u>405,347</u>

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	CURRENT YEAR	(Amount in Rupees) PREVIOUS YEAR
SCHEDULE - 12		
OTHER INCOME		
Interest on Fixed Deposit with Bank	8,471,224	37,483,444
Tax Deducted At Source Rs. 25,60,638 (Previous Year 6,934,286)		
Interest on Loan (Others)	69,329,222	39,735,536
Tax Deducted At Source Rs. 81,73,040 (Previous Year Rs. 8,150,617)		
Rent Received	2,803,500	2,803,500
Tax Deducted At Source Rs.4,09,906 (Previous Year Rs. 608,081)		
Dividend on current investment-Non Trade	945,970	23,303,212
Dividend Income on Long term- trade investment with Subsidiary	—	45,236,717
Profit and Loss on sale of non-trade current/short-term investments		
- Mutual Fund	355,139	19,178,356
Profit from Partnership Firm	68,153	1,828,618
Foreign Exchange Fluctuation	—	32,975,799
Sundry Balances written back	155	1,157
Miscellaneous Income	29,772,035	—
	<u>111,745,398</u>	<u>202,546,339</u>





SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

		(Amount in Rupees)	
		CURRENT YEAR	PREVIOUS YEAR
SCHEDULE-13			
MANUFACTURING & OTHER EXPENSES			
Power & Fuel		856,697	882,502
Rent		1,381,100	1,334,000
Repairs			
- Building	22,760		—
- Others	<u>3,405,804</u>	3,428,564	<u>1,432,732</u>
Salaries & Allowances		31,327,164	23,072,263
Contribution to Provident Fund & Other Funds		128,284	290,216
Employees Welfare		387,426	354,997
Insurance		1,585,851	792,531
Rates & Taxes		1,423,358	512,600
Fabrication & Processing Charges		—	10,256,111
Sampling Expenses		9,580,669	1,221,764
Auditors Remunerations		930,171	689,375
Legal & Professional Charges		8,639,232	2,264,307
Travelling & Conveyance		15,890,629	26,457,336
Printing & Stationary		1,805,926	1,823,423
Communication Expenses		2,112,464	2,702,926
Inward Freight & Clearing Charges		3,034,099	4,465,094
Freight Outward		2,376,303	2,073,034
Sales Promotion		245,016	203,551
Commission Expenses		432,578	2,151,273
Bank Charges		6,230,923	5,381,595
Loss on sale of Assets		649,510	—
Loss on investments at fair value		7,829,075	—
Foreign Exchange Fluctuation		39,669,439	—
Penalties		—	8,640,000
Miscellaneous Expenses		9,703,841	6,781,961
		<u>149,648,320</u>	<u>103,783,590</u>
SCHEDULE - 14			
FINANCE COST			
Interest :			
- Interest on fixed loans		6,495,732	1,228,535
- Others		1,667,820	174,543
		<u>8,163,552</u>	<u>1,403,078</u>





SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE - 15 SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

The financial statements have been prepared to comply with the mandatory Accounting Standards issued by the Companies (Accounting Standards) Rules, 2006 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' as issued by the Companies (Accounting Standards) Rules, 2006.

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 include 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.
- In case of High Sea Sales revenues are recognized on transfer of title of goods to the customer.

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. Intangible Assets

Intangible assets such as technical know how fees, etc. which do not meet the criteria laid down, in the terms of Accounting Standard 26 on "Intangible Assets" as issued by the Companies (Accounting Standards) Rules, 2006, 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 cost 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 identified portion of such asset, liability or 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 the equity, while the ineffective portion is recognized 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 as issued by the Companies (Accounting Standards) Rules, 2006.

(i) Post Employment Benefit Plans

Payments to Defined Contribution Retirement 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. 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 to revenue.

14. 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 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.
- c) Assets leased out under operating leases are capitalized. Rental income is recognized on accrual basis over the lease term.

15. 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.

16. 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.

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 to Account. Contingent assets are neither recognized nor disclosed in the financial statements.

**SCHEDULE – 16
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 Norwest Industries Ltd, Hong Kong for HKD 200 million equivalent to Rs. 1,160,000,000 & GBP 19 Million equivalent to Rs. 1,289,530,000 (Previous Year: HK\$ 150 million equivalent to Rs. 1,009,500,000 & GBP 14 Million equivalent to Rs. 1,038,240,000).
- Corporate Guarantee given by the company to HSBC Limited, Indonesia for securing credit facilities to its step down subsidiary PT Norwest Industry, Indonesia for USD 2,500,000/- equivalent to Rs.112,575,000(Previous Year: USD 2,500,000/- equivalent to Rs. 130,425,000).
- Corporate Guarantee given by the company to HSBC Limited, Bangladesh for securing working capital facility to its subsidiary Nor Pearl Knitwear Limited, Bangladesh for USD 4,525,000/- equivalent to Rs. 203,760,750 (Previous Year: USD 4,525,000/- equivalent to Rs. 236,069,250).
- 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.18,012,000 (Previous Year: USD 400,000 equivalent to Rs. 20,868,000).

- Corporate Guarantee given by the company to HSBC for HKD 300 Million, equivalent to Rs. 1,740,000,000 for securing credit facilities to its step down subsidiaries Norwest Industries Ltd., Simple Approach Ltd. and Zamira Fashion Ltd(Previous Year:- Rs. 2,019,000,000).
 - Corporate Guarantee given by the company to Standard Chartered Bank, Hongkong for USD 16,928,000 equivalent to Rs. 762,267,840 for securing credit facilities to its step down subsidiary Norwest Industries Ltd(Previous Year :USD 16,928,000 equivalent to Rs. 883,133,760).
 - Corporate guarantee given by the company to HSBC, Bangladesh for BDT 293,700,000 equivalent to Rs.193,842,000 for securing various credit facilities to its subsidiary Norp Knit Industries Ltd(Previous Year: BDT 150,685,000 equivalent to Rs. 116,027,450).
 - Corporate Guarantee given by the company to THE CIT GROUP / COMMERCIAL SERVICES INC, New York for credit facilities to its subsidiary Depa International Inc. for USD 6,000,000 equivalent to Rs. 270,180,000 (Previous Year: NIL).
 - Corporate Guarantee given by the company to BNP Paribas, for letter of credit facility to its subsidiary Norwest Industries Ltd. for USD 4,750,000 equivalent to Rs.213,892,500(Previous Year: NIL).
 - Corporate Guarantee given by the company to Canara Bank, HK Branch, for securing various credit facilities to its subsidiary Norwest Industries Ltd. for USD 3,000,000 equivalent to Rs.135,090,000 (Previous Year: NIL).
 - Corporate Guarantee given by the company to ICICI Bank Limited, New Delhi for Rs.100,000,000/- for derivative limits to its subsidiary 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 Pearl Global Limited. (Previous Year: Rs.200,000,000/-).
 - Corporate Guarantee given by the company to Development Credit Bank for USD 10,000,000/- equivalent to Rs.450,300,000 for derivatives/FX Forward Contract to its subsidiary Pearl Global Limited (Previous Year: USD 10,000,000/- equivalent to Rs. 521,700,000) .
 - Corporate Guarantee given by the company to UCO Bank for Rs.50,000,000/- for Term Loan facilities to its Subsidiary Pearl Global Limited(Previous Year: Rs. 150,000,000/- both for Term loan and working capital facilities).
 - Corporate Guarantee given by the company to UCO Bank for Rs.415,000,000/- for Working Capital Credit facilities to its Subsidiary M/s Pearl Global Limited.(Previous Year: Rs. 150,000,000/- both for Term loan and working capital facilities).
 - Corporate Guarantee given by the company to Standard Chartered Bank for Rs.556,750,000/- for securing Fund and Non Fund Based credit facilities to its subsidiary Pearl Global Ltd (Previous Year: Rs. 410,000,000).
 - Corporate Guarantee given by the company to Standard Chartered Bank to secure derivative limits sanctioned to its subsidiary Pearl Global Ltd. for Rs.300,000,000/- (Previous Year: Rs.150,518,093/-).
 - Corporate Guarantee given by the company to Yes Bank for Rs.100,000,000/- for securing term loan facility to its subsidiary Pearl Global Ltd(Previous Year: Rs. 100,000,000/-).
 - Corporate Guarantee given by the company to Yes Bank for Rs.130,000,000/- for working capital facility to its subsidiary Pearl Global Ltd (Previous Year: NIL).
 - Corporate Guarantee given by the company to Yes Bank for Rs.132,500,000/- for Term Loan to its subsidiary Pearl Global Ltd. (Previous Year: NIL).
 - Corporate Guarantee given by the Company to Carat Media Services India Pvt. Ltd NIL in the current year (Previous Year Rs.50,00,000/-)
 - Counter Guarantee given by the company to Standard Chartered Bank, New Delhi for stand by Letter of Credit (SBLC) in favour of Geoffrey Beene, USA on behalf of wholly owned subsidiary House of Pearl Fashions (US) Ltd is NIL in the current year (Previous Year: USD 285,000 equivalent to Rs. 14,868,450).
 - Export bills discounted with banks Rs. NIL (Previous Year: Rs. 10,301,946/-)
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 promoter directors of the company and personal guarantee by the promoter 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		Closing Capital	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Deepak Seth & Sons(HUF)	25%	25%	22,718	609,539	1,455,409	1,432,692
House of Pearl Fashions Limited	75%	75%	68,153	1,828,618	53,833,055	537,64,901
Total			99,871	2,438,157	55,288,464	55,197,593

4. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account (Net of advances) Rs. NIL/- (Previous Year Rs. NIL)

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/redeemed during the year	Shares at the Closing
Nor Pearl Knitwear Limited., Bangladesh (Equity Shares)	2,654,597	1,213,518	-	3,868,115
Lerros Fashion India Ltd. (Equity Shares)	1,890,000	11,334,554	-	13,224,554
Lerros Fashion India Ltd. (Preference Shares)	4,990,000	-	1,000,000	3,990,000
Pearl Global Ltd. (Preference Shares)	1,703,000	536,400	-	2,239,400

Held to Maturity

Name of Company	Units at the beginning	Units purchased during the year	Reinvest during the year	Units sold during the year	Units at the closing
Citicorp Finance (India) Ltd.	25	-	-	25	-

Available for Sale

Name of Company	Units at the beginning	Units purchased during the year	Reinvest during the year	Units sold during the year	Units at the closing
DSPML World Gold Fund	365,257	-	-	365,257	-
Reliance Medium Term Fund Daily Dividend Plan	1,582,846	-	13,895	1,596,741	-
ICICI Prudential Flexible Income Plan Premium- Daily Dividend	7,615,709	-	19,564	7,635,273	-
Principal Floating Rate Fund FMP-Instl. Option- Dividend Reinvestment Daily	2,528,043	-	27,260	2,555,303	-
HDFC Cash Management Fund-Treasury Advantage Plan- Wholesale-Daily Dividend	6,033,915	-	22,792	6,056,707	-

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

(Amount in Rs.)

1. Advances includes	Current Year	Previous Year
(A) Advances		
Pearl Global Limited Maximum balance outstanding during the period Rs. 35,479,434/- (P.Y. Rs. 55,656,226)	35,479,434	45,462,437
Aries Travel Pvt.Ltd. Maximum balance outstanding during the period Rs. 540,000/- (P.Y. Rs. 300,000)	540,000	300,000
Norp Knit Industries Ltd Maximum balance outstanding during the period Rs. 2,657,445/- (P.Y. Rs. 24,910)	2,657,445	24,910
Nor Pearl Knitwear Ltd Maximum balance outstanding during the period Rs. 276,111/- (P.Y. Rs. 304,869)	276,111	304,869
Norwest Industries Ltd.,Hongkong Maximum balance outstanding during the period Rs. 6,279,778/- (P.Y. Rs. 79,946)	1,327,853	79,946
Simple Approach Ltd.,Hongkong Maximum balance outstanding during the period Rs. 1,111,802/- (P.Y. Rs. NIL)	1,035,690	—
PT Norwest, Indonesia Maximum balance outstanding during the period Rs. 38,430/- (P.Y. Rs. NIL)	38,430	—





(Amount in Rs.)

	Current Year	Previous Year
Multinational Textile Ltd. Maximum balance outstanding during the period Rs. 1,171,230/- (P.Y. Rs. NIL)	1,171,230	—
Lerros Fashions India Ltd. Maximum balance outstanding during the period Rs. 5,186,821/- (P.Y. Rs. 3,601,884)	—	3,601,884
Little People Education Society Maximum balance outstanding during the period Rs. 19,094,142/- (P.Y. Rs. 15,075,196)	19,094,142	8,010,983
(B) Share Application Money Includes:		
Lerros Fashions India Ltd. Maximum balance outstanding during the period Rs127,000,000/- (P.Y. Rs. 71,500,000)	32,500,000	71,500,000
House of Pearl Fashions (US) Ltd. Maximum balance outstanding during the period Rs 9,879,924/- (P.Y. Rs. 9,879,924)	9,879,924	9,879,924
Multinational Textile Ltd. Maximum balance outstanding during the period Rs 88,865,486/- (P.Y. Rs. 339,119,181)	88,865,486	2,464,404
Norp Knit Industries Ltd. Maximum balance outstanding during the period Rs 129,859,824/- (P.Y. Rs. 61,589,074)	129,859,824	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
2. Loan includes:		
Little People Education Society Maximum balance outstanding during the period Rs. 212,999,879/- (P.Y. Rs. 175,100,000)	180,845,285	175,100,000
Pearl Polymer Ltd. Maximum balance outstanding during the period Rs. 10,659,343/- (P.Y. Rs. NIL)	10,000,000	—
Pearl Global Limited Maximum balance outstanding during the period Rs 360,242,582/- (P.Y. Rs. 250,900,936)	272,463,961	250,900,936
Nor Pearl Knitwear Ltd. Maximum balance outstanding during the period Rs 136,562,923/- (P.Y. Rs. 149,429,999)	136,562,923	149,429,999
House of Pearl Fashions (US) Ltd. Maximum balance outstanding during the period Rs 19,671,201/- (P.Y. Rs. 21,538,206)	19,671,201	21,538,206
Multinational Textile Group Ltd. Maximum balance outstanding during the period Rs. 171,266,584/- (P.Y. Rs. 67,821,000)	171,266,584	67,821,000
3. Debtors Includes:		
Vau Apparels Pvt Ltd Maximum balance outstanding during the period Rs. 24,290,991/- (P.Y. Rs. 35,031,662)	24,290,991	24,290,991
House of Pearl Fashions (US) Ltd. Maximum balance outstanding during the period Rs 131,348,789/- (P.Y. Rs 92,870,667)	71,559,078	25,519,630
Simple Approach Ltd., Hongkong Maximum balance outstanding during the period Rs 20,287,155/- (P.Y. Rs. NIL)	2,586,399	—



**7. Details of Managerial Remuneration (Amount in Rs.)**

Particulars	Current Year	Previous Year
Salary to Managing Director	4,800,000	5,000,000
Contribution to Provident Fund	9,360	7,800
Total	4,809,360	5,007,800

Notes:

- Provision for / contribution to employee retirement benefits are excluded above.
- Above managerial remuneration has been calculated in accordance to the schedule XIII of Companies Act, 1956.
- Computation of Net Profit as per section 349 and section 198 of Companies Act, 1956:

(Amount in Rs.)

Particulars	Current Year	Previous Year
Profit /(Loss) before Taxes as per Profit & Loss Account	(41,054,764)	118,873,926
Add:-Managerial Remuneration	4,809,360	5,007,800
Add: Directors sitting Fee	440,000	440,000
Net (Loss)	(35,805,404)	124,321,736
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	650,000	525,000
Tax Audit Fee	100,000	75,000
Other Matters	93,310	25,000
Service Tax	86,861	64,375
Total	930,171	689,375

9. Employee Benefits

The Company has adopted Accounting Standard 15 (revised 2005) 'Employee Benefits' as issued by the Companies (Accounting Standards) Rules, 2006. 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. 348,569 (Previous Year: Rs345,974) for provident fund contributions in the profit and loss account and Rs. 252,250 (Previous Year: Rs. 259,557) 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 in Rs.)

	Current Year		Previous Year	
	Gratuity (Funded)	Earned leave (Unfunded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Defined benefit obligations at beginning of the year	1,888,414	405,347	1,352,156	477,460
Interest Cost	151,073	32,428	108,172	38,197
Service Cost	668,123	889,782	388,669	141,007
Benefits Paid	—	(76,150)	—	(122,715)
Gain / Loss	55,887	625,712	39,417	(128,602)
Defined benefit obligations at year end	2,763,497	1,877,119	1,888,414	405,347

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

	Current Year	Previous Year
Fair value of plan assets at beginning of the year	13,97,140	N.A.
Expected Return on plan assets	125,743	—
Contributions	520,118	—
Benefits Paid	—	—
Actuarial gain/(loss) on plan assets	7,823	—
Fair value of plan assets at the year end.	2,050,824	N.A.

(c) Reconciliation of fair value of assets and obligations

	Current Year	Previous Year
Fair Value of plan assets as at the end of the period	20,50,824	—
Present Value of Obligation as at 31st March 2010	2,763,497	1,877,119
Funded status/Difference	(712,673)	—
Excess of actual over estimated	7,823	—
Net assets/(liability) recognized in balance sheet	(712,673)	(1,877,119)

(d) Expenses recognized during the year

	Current Year	Previous Year
Current Service Cost	668,123	889,782
Interest Cost	151,073	32,428
Expected return on plan assets	(125,743)	—
Actuarial (Gain)/Loss	48,064	625,712
Net Cost	741,517	1,547,922

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

(e) Actuarial Assumptions

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



**10. Related Party Disclosure**

(I) Related party disclosure as required under Accounting Standard - "18" as issued by the Companies (Accounting Standards) Rules, 2006 is given below:

a) Subsidiary Companies:**Domestic**

Pearl Global Limited	India
Lerros Fashions India Ltd.	India

Overseas

Nor Pearl Knitwear Limited	Bangladesh
Norp Knits Industries Limited	Bangladesh
Depa International Inc.	USA
House of Pearl Fashions (US) 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 Import 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
Poetic Hong Kong Ltd.	HongKong
Poeticgem (Canada) Limited	Canada
PT Norwest Industry	Indonesia
Pearl GES Home Group SPA,	Chile
Pearl Global (Australia) Pty. Ltd.	Australia

b) Associates:**Domestic**

Hopp Fashions	India
Pearl Wears	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
Nim International Commerce Pvt. Ltd.	India

Overseas

Pallas Holdings Limited	Mauritius
SACB Holdings Limited	Mauritius
JSM Trading (F.Z.E.)	Dubai
Lerros Moden GMBH	Germany
Premier Pearl Garment Joint Stock Co. Ltd.	Vietnam

c) Key Management Personnel:

Mr. Deepak Seth	Chairman
Mr. Pallak Seth	Vice Chairman
Mr. Pulkit Seth	Managing Director

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

i) Subsidiaries**Amount (Rs.)**

	Current Year	Previous Year
Purchase of goods	49,552,066	-
Sale of goods	326,764,231	161,420,426
Investment made	208,683,820	441,019,181
Loan given	154,016,000	243,841,198
Rent received	120,000	120,000
Expenses paid by us on their behalf	8,728,954	3,095,715
Expenses reimbursed	39,499,972	29,286,358
Share application money given	198,729,382	123,068,998
Sap Expenses	—	8,424,074
Sap Income	14,953,045	—
Corporate Fees	1,48,18,988	—
Office Maintenance	2,886,921	—
Advance given	325,699,564	370,403,935
Advance received	6,282,354	—
Advance recovered	279,526,884	2,63,800,000
Dividend received	—	45,236,717
Interest Income	49,052,932	28,670,911
Commission Expenses	429,157	2,151,273
Purchase of Asset	450,000	—
Closing Balance		
Loan to subsidiary	563,799,948	454,889,205
Advance to subsidiaries/Others	167,477,098	33,703,118
Sundry Debtors	74,145,477	25,519,630
Interest Receivable	36,164,721	34,800,936

ii) Associates

	Current Year	Previous Year
Advance Rent Paid	—	300,000
Advance Given	—	3,129,776
Rent Received	2,683,500	2,683,500
Rent Paid	4,320,000	3,338,490
Profit/(Loss) from partnership firm	68,153	1,828,618
Expenses paid by us on their behalf	319,302	—
Expenses Paid	124,087	100,000
Expenses reimbursed	557,380	240,000
Loan Given	3,74,00,000	104,600,000
Loan Received Back	4,57,52,241	4,500,000
Interest Income	18,952,502	10,298,783
Advance received	350,000	—
Closing Balance	—	—
Advances/Others	98,259,191	86,870,836
Loan	180,845,285	175,100,000



**Key Managerial Personal**

Remuneration to Managing Director	4,809,360	5,007,800
-----------------------------------	-----------	-----------

(III) Disclosure of related parties having more than 10% interest in each transaction in the ordinary course of business:-**i) Subsidiaries**

	Amount (Rs.)	
	Current Year	Previous Year
Purchase of goods		
-Norp Knits Industries Limited	24,822,677	—
-Pearl Global Limited	24,729,389	—
Sale of goods		
-House of Pearl Fashions (US) Limited	272,754,641	149,350,066
-Simple Approach Limited	40,596,754	—
-Pearl Global Limited	—	12,070,360
Investment made		
-Pearl Global Limited	53,640,000	—
-Lerros Fashion India Limited	155,043,820	68,800,000
- Multinational Textiles Group Ltd.	—	339,119,181
Loan given		
-Multinational Textiles Group Ltd.	114,516,000	64,636,000
-Pearl Global Limited	39,500,000	—
- Nor Pearl Knitwear Limited	—	142,563,968
Rent received		
-Pearl Global Limited	120,000	120,000
Expenses paid by us on their behalf		
-Norwest Industries Limited	1,723,370	—
-Pearl Global Limited	1,750,799	2,639,294
-Poeticgem Limited	3,541,885	319,208
-Multinational Textiles Group Ltd.	1,171,230	—
Expenses reimbursed		
-Pearl Global Limited	25,847,941	27,064,573
-Poeticgem Limited	10,634,230	-
Share application money given		
-Norp knit Industries Limited	68,270,750	61,589,074
-Multinational Textiles Groups Ltd.	56,113,092	—
-Lerros Fashion India Ltd.	74,000,000	51,600,000
Sap Income		
-Norwest Industries Limited	6,386,821	—
-Poeticgem Limited	4,222,579	—
Corporate Fees		
-Lerros Fashion India Limited	1,951,884	-
-Norpknit Industries Limited	2,836,588	-
-Pearl Global Limited	10,030,516	—
Office Maintenance		
-Poeticgem Limited	2,886,921	—
SAP Expenses		
- Norwest Industries Limited	—	1,870,805
- Pacific Logistics Limited	—	1,829,198
- Poeticgem Limited	—	2,804,970
- Depa International Inc.	—	1,912,886
Advance given		
-Pearl Global Limited	325,436,475	368,403,935
Advance received		
-Norwest Industries Limited	6,282,354	-
- Pearl Global Limited	—	261,800,000
Advance recovered		
-Pearl Global Limited	279,567,627	—

Dividend Received		
-Multinational Textiles Group Ltd.	—	45,236,717
Interest Income		
-Pearl Global Limited	32,778,949	25,081,993
-Nor Pearl Knitwear Ltd.	8,183,107	2,935,688
-Multinational Textiles Group Ltd.	6,924,711	-
Commission Expenses		
-Norwest Industries Limited	429,157	1,231,665
- Pearl Global Limited	-	919,608
Purchase of Asset		
-Pearl Global Limited	450,000	-
Closing Balance		
-Pearl Global Limited	344,108,116	296,363,373
-Nor Knit Industries Limited	132,517,269	-
-Multinational Textile Group Limited	261,303,278	67,821,000
-Nor Pearl Knitwear Ltd.	-	149,734,868
-House of Pearl Fashions (US) Limited	-	-

ii) Associates

	Current Year	Previous Year
Advance Raid Paid		
- Little People Education Society	—	300,000
Advance Given		
- Little People Education Society	—	3,129,776
Rent Received		
- Pearl academy of fashion India Ltd.	2,683,500	2,683,500
Rent Paid		
- Little People Education Society	1,260,000	3,338,490
- Pearl School of business	3,060,000	—
Profit/(Loss)from partnership firm		
-HOPP Fashions	68,153	1,828,618
Expenses paid by us on their behalf		
-Little People Education Society	319,302	—
Expenses paid		
- Pearl academy of fashion India Ltd.	124,087	100,000
Expenses Recovered		
-Pearl School of business	226,480	—
-Pearl academy of fashion India Ltd.	330,900	—
-Aries Travels Pvt. Limited	—	240,000
Loan Given		
- Little People Education Society	37,400,000	104,600,000
Loan Received Back		
- Little People Education Society	37,390,116	4,500,000
- Pearl academy of fashion India Ltd.	8,362,125	—
Interest Income		
- Little People Education Society	18,952,502	10,298,783
Advance received		
-Vau Apparels Pvt. Limited	350,000	—
Closing Balance		
-Vau Apparels Pvt Limited	23,940,991	24,290,991
-Little People Education Society	199,939,427	183,265,079
-HOPP Fashions	53,833,055	53,768,862

iii) Key Managerial Personal

Remuneration to Managing Director		
-Mr.Pulkrit Seth	4,809,360	5,007,800



**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. 2,803,500) has been credited in Profit & loss Account. The future minimum lease payments receivables and detail of assets as at 31st March, 2010 are as follows:

Minimum Lease Payments Receivables (Amount in Rupees)

	Current Year	Previous Year
Not later than 1 year	2,803,500	2,803,500
Later than 1 year but not later than 5 years	11,807,400	11,750,700
Later than 5 years	9,660,600	55,387,440

(ii) Asset Description

	2,808,329	2,808,329
Gross Investment on leased Assets	2,808,329	2,808,329
Accumulated Depreciation on Lease Assets as on 31 st March, 2010	1,729,791	1,670,596
Depreciation Charged During the Year	59,195	59,195

(iii) General Description on 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 debited to Profit & Loss account amounting to Rs 13,81,100*. (Previous Year Rs. 5,372,780). 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		1,320,000	4,164,000
(ii) Later than 1 year but not later than 5 years		6,157,800	1,529,000
(iii) Later than 5 years		4,073,300	—
Total		11,551,100	5,693,000

(ii) General Description of Lease Terms

Particulars	Terms of Renewal	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
Shalima Motiyal	No	No	No	No	No
Little People Education Society (PSB)	Yes	No	No	No	No
Shakuntla Yadav	Atleast Two Terms Of Three Year Each	No	Yes (@15% P.A.)	No	No

* In the above, the amount of Rs. 4,320,000/- paid as Rent for Plot No. 46, sector 32 for SAP division have not been considered. The same amount has been transferred to CWIP and not debited to Profit and loss account during the year.

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	(40,467,423)	91,665,819
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.)	(2.08)	4.70
Potential Equity shares	Nil	Nil
Dilutive Earning per share (Rs.)	(2.08)	4.70

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
Ready-made 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.	1,701,342	446,490,361	740,897	200,483,763
-Sale of Fabric	Mtrs	-	-	387,861*	27,414,104

* 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.)
Ready-made Garments	Pcs	-	-	1,701,342	421,386,797	-	-
		(-)	(-)	(740,897)	(182,008,166)	(-)	(-)
Fabric	Mtrs	-	-	-	-	-	-
		(2,587)	(161,660)	(385,274)	(22,706,017)	(-)	(-)
			(161,660)		421,386,797		(204,714,183)

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	421,386,797	182,008,166
Total	421,386,797	182,437,018

e) Earnings in Foreign Exchange (on accrual basis)**(Amount in Rs.)**

Particulars	Current Year	Previous Year
Export of Goods- FOB basis	433,077,525	215,827,507
Interest Income	16,273,983	—
SAP/Mgmt Charges	19,874,074	—
Others	5,727,910	—
Total	474,953,492	215,827,507



**f) Expenses in Foreign Exchange (on accrual basis) (Amount in Rs.)**

Particulars	Current Year	Previous Year
Foreign Travelling	554,377	4,474,073
Advertisement Expenses	517,064	-
Commission	429,157	2,151,273
Sampling Expenses	8,803,391	-
Others	1,789,711	-
Total	12,093,700	6,625,346

14. In view of Accounting Standard-"22" 'Accounting for Taxes on Income' as issued by the Companies (Accounting Standards) Rules, 2006, the company has accounted for deferred tax as follows:

(Amount in Rs.)

Particulars	Balance as at 01.04.2009	Expenses/Savings during the year	Balance as at 31.03.2010
Deferred Tax Assets			
Unabsorbed Depreciation	-	17,719,361	17,719,361
Business losses	3,734,908	(521,723)	3,213,185
Capital losses	1,261,232	3,469,990	4,731,222
Others	821,133	111,970	933,103
Total (A)	5,817,273	20,779,598	26,596,871
Deferred Tax Liabilities			
Depreciation	1,230,900	(20,144,739)	(18,913,839)
Total (B)	1,230,900	(20,144,739)	(18,913,839)
Net Deferred Tax Asset/ (Liability)	7,048,173	634,859	7,683,032

Note: 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. 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, 2010.
16. The company has not dealt in any derivative financial instrument during the year.
17. There is no reportable segment of the company in view of the Accounting Standard -17 'Segment Reporting' as issued by the Companies (Accounting Standards) Rules, 2006.
18. The House of Pearl Fashions Limited has raised Rs. 2,854,335,000 through a public issue of shares during the financial year 2006-07, 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	46,555,793
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	15,058,950
2.	Investment in Pearl Global Ltd for design center	38,000,000
3.	Setting up an Integrated Information Technology System	174,321,447
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	204,645,540
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	490,555,682
8.	Meeting Share Issue expenses	191,950,492
9.	*Extended working capital & temporary loans to its subsidiaries as an interim use of funds.	584,366,733
10.	Balance amount lying in the mutual funds and fixed deposits & Bank Balances	39,806,724

*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. 91,796,194/- 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.

*Extended a temporary loan of Rs. 75,638,605/- for working capital to its subsidiary Pearl Global Limited as an interim use of funds.

*Extended a temporary loan of Rs. 80,229,654/- for working capital to other subsidiaries as an interim use of funds.

19. Previous year figures have been re-grouped/ re-casted wherever necessary.

Signature to schedule 1 to 16

On behalf of Board

(Deepak Seth) (Dr. Ashutosh P. Bhupatkar) (Pulkit Seth)
Chairman Director Managing Director
DIN 00003021 DIN 00479727 DIN 00003044

(Atul Gupta) (Sandeep Sabharwal)
Chief Finance Officer Company Secretary

Place : New Delhi
Dated : 29.05.2010



**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

(As per Schedule VI, Part (iv) of the Companies Act, 1956)

I. Registration Details

Registration no.	<input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="9"/>	State code	<input type="text" value="5"/> <input type="text" value="5"/>
Balance Sheet date	<input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="0"/>		

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

Public Issue	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Rights issue	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Bonus Issue	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Private placement	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

III. Position of Mobilization and Deployment of Funds (Amount in Rupees Thousands)

Total liabilities	<input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="1"/>	Total assets	<input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="1"/>
-------------------	--	--------------	--

Sources of funds

Paid - up capital	<input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="3"/>	Reserves & surplus	<input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="7"/>
Secured loans	<input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="1"/>	Unsecured loans	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Deferred Tax Liability (Net)	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>		

Application of Funds

Net Fixed Assets*	<input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="1"/>	Investments	<input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="4"/>
Net current assets	<input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="3"/>	Miscellaneous Expenditure	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Accumulated Losses	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Deferred Tax Asset (Net)	<input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="3"/>

* Including capital work in Progress

IV. Performance of Company (Amount in Rs. thousands)

Turnover (Total Income)		Total Expenditure	<input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="5"/>
Income	<input type="text" value="5"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="0"/>	Profit after tax	<input type="text" value="-"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="7"/>
Profit before tax	<input type="text" value="-"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="5"/>	Dividend Rate %	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Earning per share (in Rs.)			
Basic	<input type="text" value="-"/> <input type="text" value="2"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="8"/>		
Diluted	<input type="text" value="-"/> <input type="text" value="2"/> <input type="text" value="."/> <input type="text" value="0"/> <input type="text" value="8"/>		

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

Item code (ITC code)	<input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="0"/>
Product description	<input type="text" value="R"/> <input type="text" value="E"/> <input type="text" value="A"/> <input type="text" value="D"/> <input type="text" value="Y"/> <input type="text" value="M"/> <input type="text" value="A"/> <input type="text" value="D"/> <input type="text" value="E"/> <input type="text" value="."/> <input type="text" value="G"/> <input type="text" value="A"/> <input type="text" value="R"/> <input type="text" value="M"/> <input type="text" value="E"/> <input type="text" value="N"/> <input type="text" value="T"/> <input type="text" value="S"/> <input type="text" value="."/> <input type="text" value="M"/> <input type="text" value="E"/> <input type="text" value="N"/>
Item code (ITC code)	<input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="0"/>
Product description	<input type="text" value="R"/> <input type="text" value="E"/> <input type="text" value="A"/> <input type="text" value="D"/> <input type="text" value="Y"/> <input type="text" value="M"/> <input type="text" value="A"/> <input type="text" value="D"/> <input type="text" value="E"/> <input type="text" value="."/> <input type="text" value="G"/> <input type="text" value="A"/> <input type="text" value="R"/> <input type="text" value="M"/> <input type="text" value="E"/> <input type="text" value="N"/> <input type="text" value="T"/> <input type="text" value="S"/> <input type="text" value="."/> <input type="text" value="W"/> <input type="text" value="O"/> <input type="text" value="M"/> <input type="text" value="E"/> <input type="text" value="N"/>

Place : New Delhi
Dated : 29.05.2010

On behalf of the Board of Directors

(Deepak Seth) Chairman DIN 00003021	(Dr. Ashutosh P. Bhupatkar) Director DIN 00479727	(Pulkit Seth) Managing Director DIN 00003044
(Atul Gupta) Chief Finance Officer	(Sandeep Sabharwal) Company Secretary	





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 Co'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	2009-10	4,969,588 Equity Shares of Rs. 10/- each	60.49%	98,197,326	6,819,996	-	-
Lerros Fashions India Limited	India	2009-10	13,224,554 Equity & 3,990,000 Preference Shares of Rs. 10/- each, respectively	59.55% & 100% respectively	(71,376,557)	(280,000)	-	-
Overseas :								
Nor-Pearl Knitwear Limited	Bangladesh	2009-10	3,868,115 equity shares of Taka 100 each	99.93%	(57,658,138) @	(169,260,303)	-	-
Norp Knit Industries Limited	Bangladesh	2009-10	493,761 equity shares of Taka 100 each	99.99%	23,493,063 @	(28,627,128)	-	-
House of Pearl Fashions (US) Ltd.	USA	2009-10	200 shares without par value	100.00%	(10,230,951) @	(16,387,460)	-	-
Multinational Textile Group Limited	Mauritius	2009-10	20,071,170 Equity Shares of USD 1 each fully paid up	100.00%	(46,667,201) @	4,548,391	-	-
Global Textile Group Limited #	Mauritius	2009-10	5,771,556 Equity Shares of USD 1 each fully paid up	100.00%	(1,068,607) @	7,337,845	-	-
Poeticgem Limited #	UK	2009-10	50,000 Equity Shares of GBP 1 each fully paid up	100.00%	29,914,517 @	59,979,669	-	-
Pacific Logistics Limited #	UK	2009-10	10,000 Equity Shares of GBP 1 each fully paid up	100.00%	(6,266,030) @	(3,621,128)	-	-
Depa International Inc. #	USA	2009-10	100 Common Shares without par value	75.00%	(67,917,578) @	(32,663,902)	-	-
Poeticgem (Canada) Limited #	Canada	2009-10	100 Common Shares without par value	100.00%	(9,427,976) @	1,841,513	-	-
PT Norwest Industry #	Indonesia	2009-10	14,998 Equity Shares of USD 10 each fully paid up	99.87%	21,659,970 @	23,745,535	-	-
Norwest Industries Limited #	Hongkong	2009-10	1,020,000 Equity Shares of USD 1 each fully paid up	85.00%	315,422,334 @	229,385,594	-	-
FX Import Company Limited #	UK	2009-10	12,600 ordinary shares of 1 Pound each	50.00%	(7,801,724) @	(47,624,786)	-	-
Zamira Fashion Limited #	Hongkong	2009-10	167,500 shares of US\$ 1 each	67.00%	(11,795,303) @	(36,798,229)	-	-
Pacific Supply Chain Limited #	UK	2009-10	1000 shares of 1 Pound each	100.00%	(360,865) @	(334,245)	-	-
Simple Approach Limited #	HK	2009-10	187,500 Ordinary Shares of USD 1 each	75.00%	32,039,269.60 @	(25,785,933.00)	-	-
Pearl GES Group Limited #	HK	2009-10	510,000 ordinary shares of USD 1 each	51.00%	(25,722,351.81) @	(55,480,579.00)	-	-
Pearl GES Home Group Limited #	HK	2009-10	225,000 ordinary shares of USD 1 each	90.00%	(8,439,477.57) @	(15,191,136.00)	-	-
Pearl GES Home Group SPA #	Chile	2009-10	1,000 shares without par value	100.00%	- @	(15,655.00)	-	-
Magic Global Fashion Ltd #	Hong Kong	2009-10	2,000,000 ordinary shares of HKD 1 each	100.00%	(297,342.80) @	-	-	-
Magic Global Fashion Ltd #	UK	2009-10	100 ordinary shares of GBP 1 each	100.00%	(2,024,629.97) @	-	-	-
Zamira Fashions Europe Ltd #	UK	2009-10	100 ordinary shares of GBP 1 each	100.00%	(4,998,829.11) @	-	-	-
Poetic Knitwear Ltd #	UK	2009-10	67 ordinary shares of GBP 1 each	67.00%	(28,539,742.22) @	-	-	-
FX Import Hong Kong Ltd #	Hong Kong	2009-10	10000 ordinary shares of HKD 1 each	100.00%	392,085.80 @	-	-	-
Pearl Global Fareast Ltd #	Hong Kong	2009-10	413000 ordinary shares of USD 1 each	100.00%	(8,109,177.20) @	-	-	-
Pearl Global (Australia) Pty Ltd #	Australia	2009-10	175000 fully paid ordinary shares with no par value	100.00%	(5,602,193.26) @	-	-	-
Poetic Hong Kong Limited #	Hong Kong	2009-10	10,000 ordinary shares of HKD 1 each	100.00%	(294.80) @	-	-	-

Shares held through wholly owned subsidiaries.

@ Exchange rate of 31.03.2010 has been considered for conversion for current year's figures.

(Deepak Seth) Chairman DIN 00003021	On behalf of the Board of Directors (Dr. Ashutosh P. Bhupatkar) Director DIN 00479727	(Pulkit Seth) Managing Director DIN 00003044
(Atul Gupta) Chief Finance Officer	(Sandeep Sabharwal) Company Secretary	

Place : New Delhi
Dated : 29.05.2010





Pearl Global Limited

DIRECTORS' REPORT

To the Shareholders,

The Directors of your Company have pleasure in presenting the 30th Annual Report on the business and operations of the Company and the Audited Financial Accounts for the year ended 31st March 2010.

Financials

The performance of the Company for the financial year ended 31st March 2010 is summarized below:

(Rs. In Lacs)

PARTICULARS	2009 – 10	2008 – 09
Sales Turnover (including Export Incentives)	54924.45	39944.81
Other Income	488.27	507.47
Profit before Interest, Depreciation & Tax	3100.02	1601.87
Interest (Net)	1123.42	978.09
Depreciation/Amortisation	553.02	473.47
Profit (Loss) before Tax	1423.58	150.30
Provision for Taxation (including deferred Tax)	441.60	76.45
Tax Adjustments for earlier years	--	(0.14)
Provision for doubtful debts	--	5.79
Profit (Loss) after Tax	981.97	68.19
Transfer to Reserves	--	--

Business & Operations

Textile Industries plays a major role in the economy of the country. Indian textile industry is also the largest in the country in terms of employment generation. Indian textile industry currently generates employment to more than 35 million people. Today, around 45% of the total textile exports in India account for ready-made garments. There are various international brands which source readymade garments from the Indian markets.

In order to be competitive in the export market, we have re-strengthened our strategic relationship with some of the top global retailers to become a Preferred Vendor and intend to leverage our scalable and cost efficient production and operational capabilities with focus on providing innovative design, more product categories, providing with higher value addition to our customers.

In the industry scenario, where most of the top retailers of the world are consolidating their vendor base, stand alone vendors are going out of business and their share are being taken over by companies which can provide one Stop Shop Solutions. Vendors that are able to offer value addition in terms of design input provide different sourcing options and have the operational and financial resources to meet retailers' increasing requirements are being categorized as their "Preferred Vendors". This gives the vendor an edge over the competition. Your Company has already been categorized as Preferred Vendor by various big Retailers in US and Europe. This together with strategic investments in new geographies helps the company to retain and grow its market share and add new customers.

With rising cost, the Company would like to produce only value added products in India and will continue outsource low margin basis products through offshore contract manufacturing from low cost countries like Bangladesh & Vietnam. This would ensure improving the margins of the Company. The gross income of the company stood at Rs.554.13 Crores, a 37% growth over last year's Rs.404.76 Crores. The PBDIT for the year is Rs.31 Crores as against Rs.16 Crores, a growth of 94%. The company managed to have PAT of Rs.982 Lacs as against Rs.68.19 Lacs for last year.

To capitalize on further growth in the apparel Industry and associated demand for our products, the company has significantly increased its production capacity at its Gurgaon Plant. The company has focused on cost reduction since last couple of years and managed to have growth with almost similar fixed overheads. During the current year, your Company has implemented Phase II of SAP to improve the business process efficiency.

With integrated manufacturing facilities producing value added products, adherence of international quality and environmental standards, focused approach towards various market segments, your directors are confident of sustained growth in turnover and profitability in the future years.

Dividend

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

conserve cash for increase in working capital requirements anticipated in the Financial Year 2010-11 to meet the increase in turnovers.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of your Company, Mr. Anil Nayar, Mr. Santosh Gadia and Mr. Shelley Cherian would retire by Rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Necessary resolutions for their re-appointment are included in the notice convening Annual General Meeting.

The Board of Directors have appointed Mrs. Shefali Seth as Additional Director and Whole-time Director of the Company for a period of 3 years w.e.f. 1st April 2010. Shareholders' approvals for her appointment as above are being sought in the ensuing Annual General Meeting.

The Board of Directors in its meeting held on 29th May 2010, increased the remuneration of Mr. Sanjay Pershad as Whole-time Director of the Company. Shareholders' approval for the same is being sought for the same in the ensuing 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 P. Bhupatkar	-	00479727
Mrs. Shefali Seth	-	01388430	Mr. Anil Nayar	-	01390190
Mr. Sanjay Pershad	-	00003054	Mr. Shelley Cherian	-	02123028
Mr. A K G Nair	-	00011177			

Subsidiaries

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 of your Company, M/s S. R. Dinodia & Co, Chartered Accountants, (Regn. No. 001478N), New Delhi, will retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

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.

Awards and Recognition

The Company received "AEPIC Export Award" for the year 2006-07 and 2007-08 in the category "Highest Exports in Woven Garments" on 2nd December, 2009.

Corporate Governance Voluntary Guidelines 2009

The company is in the process of considering adoption of Corporate Governance Voluntary Guidelines, 2009 (the Guidelines) and formulating relevant policies/codes. The subject being at inception/planning level, will take its shape in due course.

Corporate Social Responsibility Voluntary Guidelines 2009

The company is in the process of formulating a Corporate Social Responsibilities (CSR) Policy keeping in tune with its overall business policy and goals.

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.

Delisting

Your Company has been de-listed from Bombay Stock Exchange and National Stock Exchange w.e.f. 21st August 2009.

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:

i) That in the preparation of the Annual Accounts for the financial year ended 31st March 2010,





Pearl Global Limited

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 2010 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**

(DEEPAK SETH)
Chairman
(DIN – 00003021)

Place: Gurgaon
Date: 29.05.2010

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	30	Managing Director	Nil	Graduate in Management Studies From Leonard N. Stern School of Business, New York University	9	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	47	Whole-time Director	27,38,160/-	Commerce Graduate from Delhi University, In the year 1985	23	01.08.2006	Managing the Company	Managing Director Pearl Styles Limited w.e.f. 01.05.2005 upto 31.07.2006.
Ashwani Palaha	42	COO Merchandising	39,33,074/-	B.Com (P)	19	03.07.2006	Responsible as Profit Centre Head	Sr. President JC Textiles Pvt. Ltd. September 2005 to June 2006
Sanjay Jhangala	37	V.P. (OPR.) Production	41,14,501/-	B.Sc., M.A. (Eco)	13	01.08.1997	To plan production and maintain quality	Astt. Manager, (Production) Prima Fashion, May 1996 to June 1997
Vinay Arora	30	VP (Marketing)	30,88,060/-	B.Sc., PG Dip NIFT, Certificate in GSM	30	01.05.2009	Marketing	Business India, Hypercity Retail (India) Ltd., April 2008 to April 2009
Pankaj Bhasin	37	Vice President	26,04,277/-	B.Com, Apparel Production Management	15	15.07.1995	Heading GAP Accounts	No previous employment, first joining with Pearl Global Ltd
Rajeev Anand	45	Vice President	4,34,980/-	B.Com.	21	01.09.2008	Drawing complete business plan	CEO, Shyamtex International Ltd., Nov 2005 – Aug 2008

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.





Pearl Global Limited

Annexure II to the Director's 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)	
	2009-10	2008-09
a) Capital	NIL	NIL
b) Recurring	639.80	319
c) Total	639.80	319
d) Total R & D expenditure as a percentage of total turnover is approx. 1.2% (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.

	2009-10	2008-09
i. Foreign Exchange Earnings :		
Export of Goods – FOB basis	5,263,396,770	3,81,28,49,704
Export of software FOB basis	10,081,500	1,87,38,500
Sampling Recoveries	—	51,49,746
Claim Received	7,796,525	83,95,290
Commission received	—	1,41,28,678
Designing Charges	13,452,620	1,22,11,566
Testing Charges	794,410	—
Others	958,540	—
Total	529,64,80,365	387,14,73,484
ii. Foreign Exchange Outgo :		
Interest on Loan	7,724,310	28,64,682
Foreign Traveling	1,355,841	72,88,561
Export Commission	42,086,583	3,25,61,944
Others	38,141,979	2,90,69,839
Total	89,308,713	7,17,85,026





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 2010, 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 2010 and taken on record by the Board of Directors. We report that none of the directors are disqualified as on 31st March 2010 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 2010;
 - (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
Regn.No 001478N

(Sandeep Dinodia)
Partner
M. No. 083689

Place: New Delhi
Date: 29.05.2010

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 2010 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) 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 of physical verification followed by the management 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 advances during the year to six parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum balance involved in the transaction is Rs. 41,378,564-. (The year end balance was Rs. 24,197,496-)
- b) The rate of interest and other terms and conditions on which advances have been given are not prime facie prejudicial to the interest of the company.
- c) In respect of the aforesaid, all the advances were repayable on demand
- iv) a) The company had taken unsecured loans from one of the company and two other parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum balance involved in the transaction is Rs. 385,318,154/- . (The year end balance was Rs. 280,487,397-).
- b) The rate of interest and other terms and conditions on which loan has been taken are not prime facie prejudicial to the interest of the company.
- c) On the basis of information available, in respect of the aforesaid loan, the principal amount has not fallen due for repayment.
- v) 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 and services. 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.
- vi) 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.
- vii) 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.
- viii) In our opinion, the company has an internal audit system commensurate with the nature and size of its business.
- ix) 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.





- x) 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 as applicable to it.
- 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, 2010.
- c) On the basis of our verification of records and information and explanations provided, the detail of disputed statutory dues aggregating amounting to Rs 1,944,752 which have not been deposited on account of matters pending before appropriate authorities are as under:

Name of the statute	Nature of Dues	Amount in Rs.	Period to which Amount Relates	Forum where dispute is pending
Central Sales Tax Act, 1956 & Delhi Sales Tax Act, 1975	Sales Tax	883,278	1991-92, 1992-1993, 1999-00	Deputy Commissioner of Sales Tax (Appeals)/ Appellate Tribunal, Chandigarh
Employee State Insurance	E.S.I	219,281	-	E.S.I court
Apparel Export Promotion Council	Penalty	842,193	1999	High court, New Delhi

- xi) 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.
- xii) 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.
- xiii) 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.
- xiv) 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.

- xv) 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.
- xvi) 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(e) of Schedule 17 for loans taken by others from banks or financial institutions.
- xvii) 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.
- xviii) 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.
- xix) During the year, the company has allotted shares (Preference Shares) on preferential basis to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956. The price at which the shares have been issued is not prejudicial to the interest of the company.
- xx) 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.
- xxi) According to the information and explanation given to us, the company has not raised any money by way of public issues during the year under audit. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xxii) 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
Regn.No 001478N

(Sandeep Dinodia)
Partner
M. No. 083689

Place: New Delhi
Date: 29.05.2010





Pearl Global Limited

BALANCE SHEET AS AT 31ST MARCH, 2010

(Amount in Rs.)

PARTICULARS	SCHEDULE	AS AT		(Amount in Rs.)	
		31 ST MARCH, 2010	31 ST MARCH, 2009	AS AT	AS AT
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	306,089,800		252,449,800	
Reserves and Surplus	2	709,779,035	1,015,868,835	407,157,381	659,607,181
Loan Funds					
Secured Loans	3		1,141,647,662		916,345,832
Unsecured Loans			280,478,397		216,100,000
Deferred Tax Liability (Net) (Refer Note No. 19 of Sch. 17)	4		48,412,269		4,393,745
			<u>2,486,407,162</u>		<u>1,796,446,758</u>
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	5	1,327,731,719		1,284,355,683	
Less: Depreciation		343,342,601		289,896,817	
Net Block		<u>984,389,117</u>		<u>994,458,866</u>	
Capital Work in Progress(Including Capital Advances)		208,002,302	1,192,391,420	62,911,985	1,057,370,851
Investments	6		34,232,560		2,868,967
Current Assets, Loans & Advances					
Inventories	7	1,210,949,369		818,234,098	
Sundry Debtors	8	571,748,748		791,140,865	
Cash & Bank Balances	9	264,441,728		133,164,327	
Loans & Advances	10	245,865,845		113,685,452	
		<u>2,293,005,690</u>		<u>1,856,224,742</u>	
Less :Current Liabilities & Provisions					
Current Liabilities	11	1,024,996,877		1,117,857,430	
Provisions	12	8,225,630		2,160,372	
		<u>1,033,222,507</u>		<u>1,120,017,802</u>	
Net Current Assets			<u>1,259,783,182</u>		<u>736,206,940</u>
			<u>2,486,407,162</u>		<u>1,796,446,758</u>
Significant Accounting Policies	16				
Notes to Account	17				

As per our report of even date attached

For **S.R. Dinodia & Co.,**
Chartered Accountants
Regn. No. 001478N

(Sandeep Dinodia)
Partner
M.NO. 083689

Place : New Delhi
Dated : 29.05.2010

On behalf of the board

(Deepak Seth)
Chairman
DIN 00003021

(Dr. Ashutosh P. Bhupatkar)
Director
DIN 00479727

(Pulkit Seth)
Managing Director
DIN 00003044

(Prakash Prusty)
Company Secretary





Pearl Global Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

PARTICULARS	SCHEDULE	CURRENT YEAR	(Amount in Rs.) PREVIOUS YEAR
INCOME			
Turnover			
Sales		5,307,949,483	3,870,146,066
Export Incentives		184,496,078	126,767,174
		<u>5,492,445,561</u>	<u>3,996,913,240</u>
Other Income	13	48,827,245	50,747,075
		<u>5,541,272,806</u>	<u>4,047,660,315</u>
EXPENDITURE			
Purchase of Trading Goods		2,005,976,665	1,632,484,758
Manufacturing & Others Expenses	14	3,225,041,660	2,251,730,138
Finance Cost	15	112,341,993	97,809,670
Depreciation/Amortisation		55,302,415	47,346,878
		<u>5,398,662,733</u>	<u>4,029,371,444</u>
PROFIT			
Profit before Taxation and Prior Period Adjustments		142,610,073	18,288,871
Provision for - Current Tax		18,150,889	-
Provision for - Wealth Tax		(142,000)	(134,500)
Provision for - Deferred Tax		(44,018,524)	(4,210,958)
Provision for - Fringe Benefit Tax		—	(3,300,000)
MAT Credit Adjustment		(18,150,889)	—
Tax Adjustments for Earlier Years		—	13,767
Provision for Doubtful Debts		—	(578,893)
Prior Period Expenses		(252,223)	(3,258,291)
Profit/Loss		<u>98,197,326</u>	<u>6,819,996</u>
Transfer to General Reserve			
Balance Brought Forward		41,984,038	35,164,042
Balance carried forward to Balance Sheet		<u>140,181,364</u>	<u>41,984,038</u>
Paid up Equity Share Capital(Nos.of shares)		8,214,980	8,214,980
(Equity Shares of Rs. 10/- each)			
Earning Per Share(Rs.)			
- Basic		11.95	0.83
- Dilutive		11.95	0.83
(Refer Note 18 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
Regn. No. 001478N

(Sandeep Dinodia)
Partner
M.NO. 083689

Place : New Delhi
Dated : 29.05.2010

On behalf of the board

(Deepak Seth)
Chairman
DIN 00003021

(Dr. Ashutosh P. Bhupatkar)
Director
DIN 00479727

(Pulkit Seth)
Managing Director
DIN 00003044

(Prakash Prusty)
Company Secretary





Pearl Global Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

PARTICULARS	(Amount in Rs.)	
	Year Ended 31.03.2010	Year Ended 31.03.2009
A. Net Profit Before Tax and Extraordinary Items	142,610,073	18,288,871
Adjustments :		
Depreciation	55,302,415	47,346,878
Interest Expense	112,341,993	97,809,670
Exchange Fluctuation	43,600,671	(36,888,901)
Rent Income	(7,631,100)	(7,403,100)
(Profit) / Loss on sale of Investments	—	1,473,103
(Profit) / Loss on Restatement of Investment at fair value	(2,934,726)	1,368,148
(Profit) / Loss on sale of Assets(Net)	(4,844,275)	365,275
Excess Provision written back	(710,680)	(1,505,297)
Sundry balance written off (Net)	156,732	104,098
Interest, Dividend & Income from other Investments	(694,761)	(305,959)
Operating Profit / (loss) before working capital changes	337,196,341	120,652,785
Adjustment for :		
Trade and Other Receivables	109,885,392	(367,638,050)
Trade Payables	107,238,999	365,821,177
Inventory	(392,715,271)	(189,166,617)
Cash Generated from operations	161,605,461	(70,330,705)
Add/Less: Prior period adjustments	(252,223)	(3,258,291)
Direct Taxes (Paid)/ refunds	(15,047,385)	(10,241,964)
Net Cash Generated / (used) in operating activities	146,305,852	(83,830,961)
B. Cash Flow from Investing Operations:		
Purchase of fixed Assets	(228,830,130)	(99,121,957)
Loan Given	—	(1,000,000)
Rent Received	7,631,100	7,403,100
Interest, Dividend & Income from other Investment	2,230,628	5,821,989
Sale of fixed Assets	43,351,423	9,813,233
Sale of Investment	(28,428,867)	4,028,785
Investment in Associates	—	—
Net Cash Generated / (used) in Investing activities	(204,045,845)	(73,054,850)
C. Cash Flow from Financing Activities		
Dividend paid	—	(222,052)
Interest paid	(110,702,160)	(64,932,044)
Unsecured Loan Taken	64,378,397	16,100,000
(Decrease)/Increase in Share Application Money	—	(22,500,000)
Issue of Preference Shares	53,640,000	33,100,000
Loans taken - Packing Credit	(9,793,826)	241,967,448
Loans taken - Long Term	235,095,656	47,220,104
Repayment of Term loans	—	(123,352,827)
Net cash Generated/(used) in financing activities	232,618,067	127,380,630
Increase in Cash/Cash equivalents(A+B+C)	174,878,075	(29,505,181)
Exchange Fluctuation	(43,600,674)	36,888,903
Net Increase in cash/Cash Equivalents	131,277,401	7,383,722
Cash / Cash equivalents at the beginning of the year	133,164,327	125,780,605
Cash / Cash equivalents at the close of the year	264,441,728	133,164,327
Component of cash & cash equivalents at the year end:		
Cash and cheques in hand	5,581,970	3,105,419
Balance with Scheduled Banks		
i) In Current Accounts	119,818,504	63,699,146
ii) In Fixed Deposits *	139,041,255	60,461,036
iii) In Margin Account	—	5,898,726
	264,441,728	133,164,327

As per our report of even date attached

For **S.R. Dinodia & Co.,**
Chartered Accountants
Regn. No. 001478N

(Sandeep Dinodia)
Partner
M.NO. 083689

Place : New Delhi
Dated : 29.05.2010

On behalf of the board

(Deepak Seth) Chairman DIN 00003021	(Dr. Ashutosh P. Bhupatkar) Director DIN 00479727	(Pulkit Seth) Managing Director DIN 00003044
--	--	---

(Prakash Prusty)
Company Secretary





Pearl Global Limited

Schedules forming part of the Balance Sheet

	AS AT 31 ST MARCH, 2010	(Amount in Rs.) AS AT 31 ST MARCH, 2009
SCHEDULE-1		
Share Capital		
Authorised		
26,450,000 (Previous Year 26,450,000) Equity Shares of Rs. 10/- each	264,500,000	264,500,000.00
32,56,000 (previous year 32,56,000) 10.5% redeemable preference shares of Rs. 100/- each	<u>325,600,000</u>	<u>325,600,000.00</u>
	<u>590,100,000</u>	<u>590,100,000.00</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	82,149,800.00
2,239,400 (Previous Year 1,703,000) 10.5% non-cumulative redeemable preference shares of Rs.100/- each Fully Paid Up	<u>223,940,000</u>	<u>170,300,000.00</u>
	<u>306,089,800</u>	<u>252,449,800.00</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.
- 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.
- 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 Company issued 536,400 preference shares of Rs. 100/- each to House of Pearl Fashions Ltd., the holding Company during the year. Out of total preference share held by the holding company, 1,703,000 preference shares are redeemable in 2012 and balance 536,400 preference shares are to be redeemed in 2015.

SCHEDULE-2**RESERVE & SURPLUS**

Capital Redemption Reserve	8,900,000	8,900,000
Amalgamation Reserve	4,504,755	4,504,755
Revaluation Reserve	39,296,855	39,296,855
Share Premium Account	64,918,034	64,918,034
General Reserve	398,071,794	398,071,794
Hedging Reserve (Refer note 7 of schedule 17)	53,906,234	(150,518,094)
Profit & Loss Account	<u>140,181,364</u>	<u>41,984,038</u>
	<u>709,779,035</u>	<u>407,157,381</u>

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

a) Term Loan *		
- Rupee Loan	423,152,859	177,645,684
b) Packing Credit		
- Rupee Loan	515,044,799	469,747,032
- Foreign currency Loan	203,450,004	258,541,597

FROM OTHERS

- UPSIDC - Term Loan	—	1,141,647,662	10,411,519	916,345,832
----------------------	---	---------------	------------	-------------

UNSECURED LOANS

- From Holding Company		255,600,000		216,100,000
- From Directors		<u>24,878,397</u>		—
		<u>1,422,126,059</u>		<u>1,132,445,832</u>

(Refer note 4 of the schedule 17)

*Amount Repayable within one year Rs. 24,26,40,455 (Previous Year Rs. 93,647,650)

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

Opening Deferred Tax Liability	4,393,745	182,787
Add: Liability accrued for the year	<u>44,018,524</u>	<u>4,210,958</u>
	<u>48,412,269</u>	<u>4,393,745</u>

(Refer note 19 of the schedule 17)





Pearl Global Limited

Schedule forming part of the Balance Sheet

**SCHEDULE -5
FIXED ASSETS**

(Amount in Rs.)

Particulars	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK AS ON	
	As On 01.04.2009	Additions	Deductions	Total 31.03.2010	As On 01.04.2009	Additions	Deductions/ Adjustments	Upto 31.03.2010	31.03.2010	31.03.2009
Tangible Assets										
Land Freehold	240,901,366	834,637	33,137,953	208,598,050	-	-	-	-	208,598,050	240,901,366
Land Leasehold	15,606,000	-	-	15,606,000	1,558,650	431,978	-	1,990,628	13,615,372	14,047,350
Building	325,971,053	9,708,829	-	335,679,882	66,190,975	10,888,807	-	77,079,782	258,600,100	259,780,078
Plant & Machinery	592,949,133	49,170,544	179,965	641,939,712	177,460,963	32,631,663	24,684	210,067,943	431,871,770	415,488,170
Vehicles	32,189,063	20,040,254	4,776,011	47,453,306	15,429,055	3,379,672	1,831,304	16,977,423	30,475,883	16,760,008
Furniture & Fixtures	58,145,431	3,693,718	30,606	61,808,543	25,335,431	4,664,236	642	29,999,025	31,809,518	32,810,000
Intangible Assets										
-Software	16,354,396	291,830	-	16,646,226	3,921,743	3,306,059	-	7,227,802	9,418,424	12,432,652
Total	1,282,116,442	83,739,812	38,124,534	1,327,731,719	289,896,817	55,302,415	1,856,630	343,342,601	984,389,117	992,219,625
Assets held for Disposal										
- Land and Building	2,239,241	-	2,239,241	-	-	-	-	-	-	2,239,241
Capital Work-in-progress	62,911,985	182,338,616	37,248,298	208,002,302	-	-	-	-	208,002,302	62,911,985
	1,347,267,668	266,078,428	77,612,073	1,535,734,021	289,896,817	55,302,415	1,856,630	343,342,601	1,192,391,420	1,057,370,851
Previous Year	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

Notes :

- Capital WIP includes:
 - Capital Advances Rs.4,790,599 (Previous year Rs. 329,635)
 - Pre-operative expenses of Rs. 3,708,353 (Previous year : 4,657,668)
- 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 of Rs. 15,954,319 & Building of Rs. 14,890,483 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 2009-2010.

**SCHEDULE-6
INVESTMENTS**

Long Term- At cost

Investment in Government Securities

National Saving Certificate

4,000

4,000

(Pledged with Sales Tax Authorities)

Unquoted (Trade)

Investment in Subsidiaries

Pearl Global Fareast Limited

413,000 Equity Shares (Previous year 10,000) of USD 1/- each fully paid up

19,702,124

521,700

Pearl Global (Australia) Pty. Ltd.

7,248,543

—

175,000 Equity Shares (Previous year NIL) of USD 1/- each fully paid up

Current Investments

Held For Trading

Investment in Equity Shares

Quoted (Trade)

GIVO Ltd

229,080

153,384

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

Unquoted (Trade)

Vau Apparels Pvt. Ltd

—

100

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

Quoted (Non - trade)

Bhagheeratha Engineering Ltd

60,750

60,750

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

PNB Gilts Ltd

440,632

342,203

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





Pearl Global Limited

Schedule forming part of the Balance Sheet

	AS AT 31 ST MARCH, 2010	(Amount in Rs.) AS AT 31 ST MARCH, 2009
Punjab National Bank	3,040,350	1,232,700
3,000 Equity Shares (Previous year 3,000) of Rs.10/- each fully paid up		
UCO Bank	220,350	93,600
3,900 Equity Shares (Previous year 3900) of Rs.10/- each fully paid up		
Chennai Petroleum Ltd	295,400	94,450
1,000 Equity Shares (Previous year 1,000) of Rs.10/- each fully paid up		
ICICI Bank Ltd	952,700	332,600
1,000 Equity Shares (Previous year 1000l) of Rs.10/- each fully paid up		
Gem Spinners	36,720	33,480
10,800 Equity Shares (Previous year 10,800) of Rs.10/- each fully paid up		
Unquoted (Non - trade)		
Investment in Mutual Funds		
Unquoted (Non - trade)		
Principal Emerging Blue Chip Fund-Regular Growth Plan	509,339	—
17295.05 Units (Previous Nil) of Rs. 29.45 each		
Principal Monthly Income Plan-Dividend Payout Monthly	490,971	—
45325.16 Units (Previous Nil) of Rs. 10.83 each		
Reliance Regular Savings Fund-Debt Plan - Growth Option	1,001,600	—
79216.71 Units (Previous Nil) of Rs. 12.64 each		
	<u>34,232,560</u>	<u>2,868,967</u>

Notes:

- Aggregate book value of quoted investments is Rs. 5275982 (Previous year Rs. 2,343,167)
- Aggregate market value of quoted investments is Rs. 5275982.10 (Previous year Rs. 2,343,167)
- Aggregate of unquoted investments is Rs. 28,956,577.74 (Previous year Rs. 525,800)

SCHEDULE-7

INVENTORIES

(As taken, Valued and certified by the management)

Raw Material	479,009,696	371,256,675
Work in Progress	123,714,096	84,388,403
Finished Goods	599,377,283	354,845,579
Stores and Spares	6,459,530	5,889,283
Goods in Transit (Raw Material & Accessories)	2,179,615	1,854,158
Goods in Transit (Finished Goods)	209,149	—
	<u>1,210,949,369</u>	<u>818,234,098</u>

SCHEDULE-8

SUNDRY DEBTORS

(Unsecured - Considered Good unless otherwise stated)

Over Six Months		
- Considered Good	38,646,653	22,812,065
- Considered Doubtful	578,893	578,893
Others	533,102,094	768,328,800
Less: Provisions for Doubtful Debts	(578,893)	(578,893)
	<u>571,748,748</u>	<u>791,140,865</u>

SCHEDULE-9

CASH AND BANK BALANCES

Cash in hand		3,969,709	3,105,419
Cheques in hand		1,612,261	
Balance with Scheduled Banks			
I) In Current Accounts	119,818,504	63,699,146	
ii) In Fixed Deposits *	139,041,255	60,461,036	
iii) In Margin Account	—	5,898,726	130,058,908
		<u>264,441,728</u>	<u>133,164,327</u>

* Under lien with authorities. Rs. 13,00,59,644





Pearl Global Limited

Schedule forming part of the Balance Sheet

	AS AT 31 ST MARCH, 2010	(Amount in Rs.) AS AT 31 ST MARCH, 2009
SCHEDULE-10		
LOANS & ADVANCES		
(Unsecured - Considered Good)		
Loan	—	1,000,000
Staff Loan	5,549,975	5,009,038
Advances Recoverable in cash or in kind or for value to be received	54,918,311	48,260,423
Export Incentive Receivables	62,975,882	33,421,087
Other Receivables	97,134,438	15,613,051
MAT Credit Entitlement	18,150,889	
Advance Tax	7,136,349	10,381,853
(Net of Provision for tax Rs. 42,585,642/- (P.Y. Rs. 23,960,456/-)		
	<u>245,865,845</u>	<u>113,685,452</u>

SCHEDULE-11

CURRENT LIABILITIES

Sundry Creditors		
- Due to Micro Small and Medium Scale Enterprises		
- Due to Small Scale Enterprises	—	—
(Refer note 23 of schedule 17)		
- Others	761,277,738	647,840,173
Other Liabilities	262,842,789	469,140,907
Unclaimed Dividend *	876,350	876,350
	<u>1,024,996,877</u>	<u>1,117,857,430</u>

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

SCHEDULE-12

PROVISION

Leave Encashment	8,225,630	2,160,372
	<u>8,225,630.00</u>	<u>2,160,372</u>

Schedule forming part of the Profit & Loss Account

	CURRENT YEAR	PREVIOUS YEAR
SCHEDULE - 13		
OTHER INCOME		
Other Operating Income	21,333,013	27,548,391
Rent - TDS Rs. 14,18,100 (Previous Year Rs.498,848/-)	7,631,100	7,403,100
Interest Received on loans		
- on Loan TDS Rs NIL (Previous year Rs. NIL)	551,088	207,462
- on Income Tax		
Interest on Fixed Deposit with Bank [TDS Rs. 4,78,180/- (Previous year 84,443/-)	4,691,814	8,098,407
Dividend		
- From Non Trade Investments	143,673	98,497
Profit on Sale of Assets	4,844,275	—
Income from Non Trade Investments	2,934,726	—
Miscellaneous Income	6,697,556	7,391,218
	<u>48,827,245</u>	<u>50,747,075</u>





Pearl Global Limited

Schedule forming part of the Profit & Loss Account

(Amount in Rs.)

	<u>CURRENT YEAR</u>	<u>PREVIOUS YEAR</u>
SCHEDULE - 14		
MANUFACTURING, ADMINISTRATIVE, SELLING & OTHER EXPENSES		
Raw Material Consumed		
Opening Stock	369,671,824	306,393,088
Purchases	1,800,502,071	1,191,603,407
Less:		
Cost of Goods Sold	65,266,941	134,314,814
Closing Stock	478,054,418	369,671,824
(Increase) / Decrease in Stock	1,626,852,536	994,009,857
Work in Progress		
Opening Stock	84,388,403	33,392,224
Closing Stock	(123,714,096)	(84,388,403)
Finished Goods	(39,325,694)	(50,996,179)
Opening Stock	354,845,579	282,974,298
Closing Stock	(599,377,283)	(354,845,579)
Manufacturing Expenses	960,832,152	493,008,626
Stores and Spares Consumed	46,248,974	24,627,612
Power & Fuel	73,720,927	58,093,972
Salaries & Allowances	367,571,876	289,533,684
Contribution to Provident Fund & Other Funds	31,930,270	29,194,295
Staff Welfare Expenses	14,245,344	12,236,106
Legal & Professional Charges	26,174,366	11,126,638
Travelling & Conveyance	39,502,010	31,342,071
Rent	8,599,744	3,071,903
Rates & Taxes	11,797,609	7,187,037
Repairs		
- Building	420,000	494,465
- Plant & Machinery	957,384	883,044
- Others	7,645,189	4,897,624
Printing & Stationary	10,838,188	8,539,387
Auditor's Remuneration	1,155,596	973,040
Communication Expenses	8,109,817	7,757,972
Freight Outward	20,321,990	18,977,145
Insurance	3,369,733	3,179,816
Clearing & Forwarding Charges etc.	97,634,614	50,305,553
Foreign Exchange Fluctuation	(23,466,809)	225,146,222
Loss on sale of trade investment	—	2,841,251
Loss on Sale of Fixed Assets	—	365,275
Claim to buyers	23,292,376	2,657,888
Bank Charges	72,698,188	41,085,871
Sundry Balances Written off	156,732	104,098
Miscellaneous Expenses	78,290,250	52,957,146
	<u>3,225,041,660</u>	<u>2,251,730,138</u>
SCHEDULE - 15		
FINANCE COST		
Interest :		
- Fixed Loans	20,315,960	17,183,994
- Others	92,026,033	80,625,676
	<u>112,341,993</u>	<u>97,809,670</u>





Pearl Global Limited

SCHEDULE-16 SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

The financial statements have been prepared to comply with the mandatory accounting standards issued by the Companies (Accounting Standards) Rules, 2006 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 and 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.
- Dividend income is recognized when the right to receive is established.

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 and financial Assets

The company has classified its investment 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: 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 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 cost 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) as issued by the Companies (Accounting Standards) Rules, 2006.

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 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





Pearl Global Limited

takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

13. Leases

- In respect of lease transactions entered into prior to April 1, 2001, lease rentals of assets acquired are charged to profit & loss account.
- 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.

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 to Account. Contingent assets are neither recognized nor disclosed in the financial statements.

SCHEDULE -17**NOTES TO THE ACCOUNT****1. Contingent Liabilities:-**

- Claims against the Company not acknowledged as debts and other matters Rs. 19,44,752/- (Previous Year: Rs. 3,413,854).
- Export Bills Discounted with banks Rs. 377,250,832/- (Previous Year Rs. 212,561,243).
- 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).
- Guarantee given to government authorities in respect of facilities availed by holding co. & other parties Rs.200,000/-(Previous Year Rs.200,000).
- 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 111,254,000).

2. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account (net of advances); Rs. 2,30,96,437 (Previous year Rs. 101,836,680).

3. Adoption of Accounting Standard - 30

Arising from the announcement dated 29th March 2008, the company had adopted Accounting Standard 30.(Financial Instrument : Recognition and Measurement) in its entirety. The adoption of this standard in the current year had resulted an increased in total Profit by Rs.56,840,960/- (Previous Year increase in loss by Rs. 104,811,143/-) due to

- Increase in the value of investments by Rs.2,934,726/- (Previous Year: Increase in the value of investments by Rs. 4,079,813).
- Aggregate increase in reserve by Rs. 5,39,06,234/-(Previous Year: Aggregate

decrease in reserve 19,135,836/-) due to creation of hedging reserves on account of Cash Flow hedges.

- The Provision of Market Losses Rs.NIL (Previous Year: Rs. 128,026,792) on outstanding derivatives at balance sheet.

4. Secured Loans

- 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/II, 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.
- 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.
- 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.
- Rupee term loan & corporate loan from Yes Bank are secured by first charge on moveable fixed assets of the Company and exclusive charge on immovable property located at Plot No.10, Sector-5, Growth Centre, Bawal.
- Rupee term loan from Punjab National Bank is secured by exclusive charge on the movable/immovable assets purchased from proceeds of term loan (including exclusive charge on the land & building located at Plot No.51, Sector-32,Gurgaon).
- Rupee short term loan from Punjab National Bank is secured by sub-servient charge on current assets of the Company.
- Vehicle loans are secured against hypothecation of respective vehicles.
- Pre- post shipment advances and working capital facilities from PNB, UCO Bank, HSBC, Chinatrust Commercial Bank, Standard Chartered Bank and Yes 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.16-17, Phase-VI, Udyog Vihar, Gurgaon

- The Profit from trade investment is Rs. 75,696 (Previous Year: Loss from Trade Investment Rs. 229,080).The Net Profit from the non trade investment is Rs.2,859,030 (Previous Year: Net Loss from Non-trade investment was Rs. 2,612,171).

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

Name Of the Security	Face Value	Opening Quantity	Purchase/ Addition/ Reinvest during the year	Sold during the year	Quantity at the closing
Reliance Money Manager Fund-(Daily Dividend Plan)	Rs.1001	-	10,001	10,001	-
Reliance Regular Savings Fund-Debt Plan(Growth Option)	Rs.12.64	-	79,216.71	-	79,216.71
Principal Emerging Blue Chip Fund	Rs.29.45	-	17,295.05	-	17,295.05
Principal Monthly Income Plan (D.P.Monthly)	Rs.10.83	-	45,325.16	-	45,325.16





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 31 st March 2010		As on 31 st March 2009	
	USD	INR	USD	INR
Forward Foreign exchange contracts	25,423,230	1,211,609,006	28,150,000	1,299,878,500

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 31st March, 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 2010 to March 2011 value assessed at a Profit of Rs. 5,39,06,234/- (Previous Year: Loss Rs.150,518,094) 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 2010, the company has no outstanding derivatives contracts.

9. Details of Managerial Remuneration (Amount in Rs.)

		Current Year	Previous Year
a)	Salary to Whole Time Director	2,700,000	3,300,000
b)	Contribution to Provident Fund	9,360	10,920
	Total	2,709,360	3,310,920

Notes:

- Provision for / Contribution to employee retirement benefits are excluded above.
- No Remuneration paid/payable to the Managing Director during the year ending as of 31st March 2010.
- The above managerial Remuneration has been calculated in accordance to the Schedule XIII of Companies Act 1956.
- Computation of Net Profit as per section 349 and section 198 of companies Act, 1956

(Amount in Rs.)

Particulars	Current Year	Previous Year
Profit/(Loss) before Taxes as per Profit & Loss Account	142,357,850	15,030,580
Add:- Managerial Remuneration	2,709,360	3,310,920
Add: Loss on sales of fixed asset	239,068	365,275
Add: Directors sitting Fee	36,000	48,000
Net (Loss)	145,342,278	18,754,775
Maximum permissible remuneration to managing director/Whole time director under section 301 of companies Act,1956 @10% of profit computed above.	14,534,228	1,875,477
Maximum permissible remuneration to managing director/Whole time director under section 198 of companies Act,1956 @11% of profit computed above	15,987,651	2,063,025

10. Auditors' Remuneration (Amount in Rs.)

		Current Year	Previous Year
a)	Audit Fee	600,000	575,000
b)	Tax Audit	125,000	125,000
c)	Other matters	322,684	186,800
d)	Service Tax	107,912	86,240
	Total	1,155,596	973,040

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 (Amount in Rs.)

Particulars of Expenses	As At 31st March, 2010	As At 31st March, 2009
Legal Expenses	148,304	148,304
Subscription	25,139	25,139
Maintenance	23,993	23,993
Processing Charges	725,000	725,000
Conveyance	12,375	12,375
Others	89,997	1,211,260
Professional Fee	10,000	10,000
Total	1,034,808	2,156,071

(ii) TIRPUR (Amount in Rs.)

Particulars of Expenses	As At 31st March, 2010	As At 31st March, 2009
Interest on Term Loan	1,188,841	1,188,841
Traveling Expenses	94,699	94,699
Electricity expenses	799,408	685,000
Property tax	56,800	42,400
Miscellaneous expenses	218,938	168,938
Business Promotion	119,159	119,159
Telephone	47,200	38,400
Maintenance	148,500	74,250
Total	2,673,545	2,411,687

(iii) REAL ESTATE

Particulars of Expenses	As At 31st March, 2010	As At 31st March, 2009
Processing Fee	-	50,000
Professional Charges	-	39,910
Total	-	89,910

GRAND TOTAL (i) + (ii) + (iii)	3,708,353	4,657,668
---------------------------------------	------------------	------------------

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 31.03.2010	Maximum amount during the year	Balance as at 31.03.2009	Maximum amount during the year
Poeticgem Ltd.	-	-	14,558,456	28,223,287
Simple Approach Ltd.	-	2,251,500	2,608,500	17,302,681
Nor Pearl Knitwear Ltd.				180,720
Norp Knit Industries	67,06,217	40,655,025		
Norwest Industries Ltd				2,997,383
P.T. Norwest	11,170,337	25,533,125		32,172
House of Pearl Fashions (U.S) Ltd.	26,453,340	81,502,060	53,698,658	78,646,409
Norwest Industries (Bangladesh)	-			114,892
Vau Apparels Pvt. Ltd.	-	-	-	1,797,577
Lerros Modem GMBH	9,566,883	9,566,883	11,481,744	12,226,405
Depa International Inc.	4,841,859	4,855,085	1,449,248	2,842,892





Pearl Global Limited

Advances Includes:

Name of the Concern	Current Year (Rs)		Previous Year (Rs.)	
	Balance as at 31.03.2010	Maximum amount outstanding during the year	Balance as at 31.03.2009	Maximum amount outstanding during the year
Hopp Fashions	1,335,383	1,335,383	1,335,383	1,812,441
Little People Education Society	-	-	1681518	1681518
Vau Apparels Pvt. Ltd.	-	-	2150000	2150000
Nor Pearl Knitwear Ltd.	7,541,732	8,196,703	-	-
Pearl Academy Of Fashions India Ltd.	-	-	74,937	74,937
Poetic Gem.	10,259,974	12,838,212		
Vastras	-	949,645	59,932	59,932
Depa International	173,518	1,644,013	-	-
Nim International Commerce Pvt. Ltd.	220,136	220,136	56	56
Aries Travels	20,443	20,443	-	-
Norwest Delhi	1,744,777	7,320,426	-	-

Loan Includes:

Name of the Concern	Current Year (Rs)		Previous Year (Rs.)	
	Balance as at 31.03.2010	Maximum amount outstanding during the year	Balance as at 31.03.2009	Maximum amount outstanding during the year
Little People Education Society	-	-	1,000,000	1,000,000

13. There is no reportable segment of the company in view of Accounting Standard-17 'Segmental Reporting' issued by the Companies (Accounting Standards) Rules, 2006.

14. Related Party Disclosure

(I) Related party disclosure as required under Accounting Standard- "18" issued by the Companies (Accounting Standards) Rules, 2006 is given below:

a) Holding Company

Domestic

House of Pearl Fashions Limited India

b) Subsidiary

Overseas

Pearl Global Fareast Ltd. Hongkong
Pearl Global (Australia) Pty. Ltd. Australia

c) Fellow Subsidiaries

Domestic

Lerros Fashions India Ltd. India

Overseas

Multinational Textile 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 Fashions (US) Ltd USA

Zamira Fashion 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 Fashion Ltd. UK
Poetic Hong Kong Ltd. Hongkong

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 Solutions Private Limited. India
Deepak Seth & Sons (HUF) India
Vau Apparels Pvt. Ltd India
Nim International Commerce Pvt. Ltd. India

Overseas

Pallas Holdings Ltd Mauritius
J S M Trading(F.Z.E.) Mauritius
SACB Holdings Ltd Dubai
Lerros Modem GMBH Germany
Premier Pearl Garment Joint Stock Co.Ltd. Vietnam

e) Key Managerial Persons

Mr. Deepak Seth
Mr. Pulkit Seth
Mr. Sanjay Pershad

f) Relatives

Mrs.Payal Seth
Mrs.Shefali Seth

(II) The following transactions was carried out with Related Parties in the ordinary course of business:-

(i) Holding Company

(Amount in Rs.)

	Current Year	Previous Year
Purchase of Goods	13,412,836	12,070,360
Advance Returned	271,000,010	257,219,735
Loan Taken	39,500,000	16,100,000
Advance Received	341,604,742	348,462,418
Sale of Goods	24,729,389	-
Interest Expenses	32,778,949	25,217,141
Rent Paid	120,000	120,000
Expenses Paid by us on their behalf	25,312,688	29,283,419
Expenses Reimbursed	1,650,762	1,084,373
Issue of Preference Shares	53,640,000	33,100,000
Corporate Fees	10,030,516	
Purchase of Fixed Assets	-	865,300
Closing Balance		
Loan	272,463,961	216,100,000
Interest Payable	36,164,721	34,800,936
Advance from Holding Co./Others	35,479,434	45,462,437





Pearl Global Limited

(ii) **Subsidiary Company** (Amount in Rs.)

	Current Year	Previous Year
Purchase of Goods	1,153,265	-
Expenses Paid by us on their behalf	542,796	-
Commission Expenses	1,576,356	-
Expenses Reimbursed	8,966,783	-
Share Application Money	23,031,539	-
Investment	26,439,394	-
Closing Balance		
Amount Payable to Subsidiary	9,443,697	-

(iii) **Fellow Subsidiaries** (Amount in Rs.)

	Current Year	Previous Year
Purchase of Goods	790,361,133	837,963,028
Commission Paid	25,675,695	26,789,360
Sale of Goods	221,170,539	214,400,559
Sale of Fixed Assets	-	1,117,125
Expenses Reimbursed	29,108,516	15,417,255
Sampling Expenses	8,733,436	18,924,620
Sampling Recovery	4,868,151	34,448,913
Sampling Income	13,452,620	
Claim Paid	-	2,708,252
Advance Received	1,743,094	40,660,000
Advance Recovered	13,100,000	4,420,000
Expenses Paid by us on their behalf	13,008,078	8,886,643
Advance Given	17,656,000	4,400,000
Balance written off	-	7,600
Closing Balance		
Amount Payable to fellow Subsidiaries	163,938,771	(177,352,837)

(iv) **Associatesz** (Amount in Rs.)

	Current Year	Previous Year
Purchase of Goods	-	24,950,505
Job Work Expenses	19,986,915	17,001,076
Advance Given	14,10,000	1,000,000
Advance Paid	-	400,000
Sale of Goods	-	1,204,959
Share Application money return back	21,50,000	-
Rent Received	4,883,700	4,895,100
Rent Paid	5,040,000	-
Expenses Reimbursed	11,23,525	177,881
Expenses Paid by us on their behalf	1,284,407	1,315,636
Sale of Software	10,081,500	18,738,500
Advance Received	7,800,000	3,750,000
Advance Returned	5,170,000	-
Commission Income	-	4,176,265
Advance received back	1,506,002	-
Interest Income	22,500	33,801
Sample Recovery	-	48,672
Sampling Expenses	13,720	-
Closing Balance		
Other Receivable	-	51,061
Sundry Debtors	9,269,343	11,481,744
Loan to Associates	-	1,033,884

(v) **Key Managerial Personnel / Director/Relative** (Amount in Rs.)

	Current Year	Previous Year
Expenses Reimbursement	-	59,058
Sale of Fixed Assets	-	8,000,000
Interest paid	677,721	-
Loan taken from directors	30,000,000	-
Loan Repaid	15,675,572	
Expenses Paid	-	190,609
Remuneration	2,709,360	3,310,920
Salary to Relative	600,000	600,000

(iii) Disclosure of related parties having more than 10% interest in each transaction in the ordinary course of business:-

(i) **Holding Company (House of Pearl Fashions Limited)** (Amount in Rs.)

	Current Year	Previous Year
Purchase of Goods	13,412,836	12,070,360
Advance Returned	271,000,010	257,219,735
Loan Taken	39,500,000	16,100,000
Advance Received	341,604,742	348,462,418
Sale of Goods	24,729,389	-
Interest Expenses	32,778,949	25,217,141
Rent Paid	120,000	120,000
Expenses Paid by us on their behalf	25,312,688	29,283,419
Expenses Reimbursed	1,650,762	1,084,373
Issue of Preference Shares	53,640,000	33,100,000
Corporate Fees	10,030,516	-
Purchase of Fixed Assets	-	865,300
Closing Balance	344,108,116	296,363,373

(ii) **Subsidiary Company** (Amount in Rs.)

Purchase of Goods		
-Pearl Global Fareast Ltd.	1,153,265	-
Expenses Paid by us on their behalf		
-Pearl Global Fareast Ltd.	542,796	-
Commission Expenses		
-Pearl Global (Australia) Pty. Ltd.	1,576,356	-
Expenses Reimbursed		
-Pearl Global Fareast Ltd.	8,966,783	-
-Pearl Global (Australia) Pty. Ltd.		
Share Application Money		
-Pearl Global Fareast Ltd.	14,161,446	-
-Pearl Global (Australia) Pty. Ltd.	8,870,093	-
Investment		
-Pearl Global Fareast Ltd.	19,190,851	-
-Pearl Global (Australia) Pty. Ltd.	7,248,543	-
Closing Balance		
-Pearl Global Fareast Ltd.	7,867,341	-
-Pearl Global (Australia) Pty. Ltd.	1,576,356	-





Pearl Global Limited

(iii) Fellow Subsidiaries

	Current Year	Previous Year
Purchase of Goods		
-Norpknit Industries Limited	363,551,065	338,991,777
-PT Norwest Industry	426,810,068	293,091,170
- Nor Pearl Knitwear Limited	-	202,283,961
Commission Paid		
-House of Pearl Fashions (US) Limited	16,534,263	62,82,579
-Norwest Industries Ltd.	8,789,257	17,568,353
-Depa International Inc.	-	2,938,428
Sale of Goods		
- House of Pearl Fashions (US) Limited	167,660,131	138,717,798
- Norpknit Industries Limited	48,629,503	-
-PT Norwest Industry	-	51,118,079
Sales of Fixed Assets		
- Norpknit Industries Limited	-	1,117,125
Expenses Reimbursed		
- House of Pearl Fashions (US) Limited	11,303,224	3,087,856
-Norpknit Industries Limited	6,169,599	9,058,297
-Norwest Industries Limited	6,670,381	-
Sampling Expenses		
-Simple Approach Limited	8,719,532	-
-Poeticgem Limited	-	18,187,763
Sampling Recovery		
-Depa International Inc.	4,064,545	-
- House of Pearl Fashions (US) Limited	-	13,940,769
-Poeticgem Limited	-	19,364,872
Sampling Income		
-Norwest Industries Limited	13,452,620	-
Claim Paid		
- House of Pearl Fashions (US) Limited	-	2,294,482
- PT Norwest	-	413,770
Advance Received		
-Depa International Inc.	1,743,094	-
-Poeticgem Limited	-	40,660,000
Advance Recovered		
-Norwest Industries Limited	8,100,000	4,400,000
-Lerros Fashions India Limited	5,000,000	-
Expenses Paid by us on their behalf		
-House of Pearl Fashions (US) Limited	2,981,886	-
-Norpknit Industries Limited	8,729,468	4,318,196
-Norwest Industries Limited	1,306,956	923,207
- P.T.Norwest Industry	-	1,107,562
Advance Given		
- House of Pearl Fashions (US) Limited	4,556,000	-
- Norwest Industries Limited	8,100,000	4,400,000
- Lerros Fashions India Ltd.	5,000,000	-
Balance written off		
- Norwest Industries Limited	-	7,600
Closing Balance		
-Norpknit Industries Limited	29,396,202	(53,447,255)
-Norwest Industries Limited	52,827,138	(68,753,795)
-P.T.Norwest Industry	57,861,250	-
-Poeticgem Ltd	47,094,358	(45,354,313)

(iv) Associates

(Amount in Rs.)

	Current Year	Previous Year
Purchase of Goods		
-Vau Apparels Pvt. Limited	-	24,750,743
Job Work Expenses		
-Crown Computerized Embroideries	19,986,915	17,001,076
Advance Given		
-Vastras	1,410,000	-
Loan Given		
-Little People Education Society	-	1,000,000

	Current Year	Previous Year
Advance Paid		
- Vau Apparels Pvt. Limited	-	400,000
Sales of Goods		
-Lerros Fashions India Limited	-	1,204,959
Share Application money return back		
-Vau Apparels Pvt.Limited	2,150,000	-
Rent Received		
-Crown Computerized Embroideries	588,600	600,000
-Pearl Academy of Fashion	4,295,100	4,295,100
Rent Paid		
-Little People Education Society	5,040,000	-
Expenses Reimbursed		
-Pearl School of business	750,671	-
-Pearl Academy of Fashion	372,854	-
-Lerros Fashions India Limited	-	177,881
Expenses Paid by us on their behalf		
-Crown Computerized Embroideries	1,022,044	1,066,678
-Nim International Commerce Pvt. Limited	220,080	-
-Lerros Fashions India Limited	-	163,546
Sale of Software		
-Lerros Modem GMBH	10,081,500	18,738,500
Advance Received		
-Vau Apparels Pvt. Limited	3,300,000	3,750,000
-Little People Education Society	4,500,000	-
Commission Income		
- Lerros Modem GMBH	-	4,176,265
Advance Returned		
- Little People Education Society	5,000,000	-
Advance received back		
-Vastras	1,506,002	-
Interest Income		
-Little People Education Society	22,500	33,801
Sampling Recovery		
-Lerros Fashions India Limited	-	48,672
Sampling Expenses		
-Crown Computerized Embroideries	13,720	-
Closing Balance		
-Lerros Modem GMBH	9,566,883	11,169,557
-HOPP Fashions	1,335,383	1,335,383
-Pearl Academy of Fashion	2,024,464	-
-Crown Computerized Embroideries	-	2,056,824

(v) Key Managerial Personnel / Director/Relative

(Amount in Rs.)

	Current Year	Previous Year
Expenses Reimburse		
- Mr.Deepak Seth	-	59,058
Sale of Fixed Assets		
-Mr.Deepak Seth	-	4,000,000
-Mrs.Payal Seth	-	4,000,000
Expense Paid		
-Mr.Deepak Seth	-	190,609
Interest paid		
-Mr.Deepak Seth	230,137	-
-Mr.Pulkit Seth	447,584	-
Loan taken from Directors		
-Mr.Deepak Seth	10,000,000	-
-Mr.Pulkit Seth	20,000,000	-
Loan Repaid		
-Mr.Deepak Seth	10,075,572	-
-Mr.Pulkit Seth	5,600,000	-
Remuneration		
-Mr.Sanjay Pershad	2,709,360	2,709,360
-Mr.Pulkit Seth	-	601,560
Salary to Relative		
-Mrs.Shefali Seth	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 8,599,744/- (Previous Year Rs. 3,071,903) 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	10,121,218	1,994,352
(ii)	Later than 1 year but not later than 5 years	15,750,651	5,111,958
(iii)	Later than 5 years	7,048,932	5,376,216

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	Yes	No	No	No	No
House of Pearl Fashions Ltd	Yes	No	No	No	No
Pearl School of Business	Yes	No	No	No	No

16. Assets given on lease

a) The company has given certain assets on non-cancelable operating lease and lease rent income amounting to Rs 7,631,100 (Previous Year Rs. 7,403,100) has been credited in Profit & Loss account. The future minimum lease payments receivables and details of assets, as at March 31, 2010 are as follows:

(Amount in Rupees)

S.No.	Minimum Lease Payments Receivables	Current Year	Previous Year
(i)	Not later than in 1 years	7,868,700	7,631,100
(ii)	Later than 1 year but not later than 5 years	32,158,920	32,903,580
(iii)	Later than 5 years	15,462,360	90,620,784

b) Asset Description

(Amount in Rupees)

(i)	Gross Investment on Lease Assets	35,255,587	35,255,587
(ii)	Accumulated Depreciation	5,931,810	5,030,841
(iii)	Depreciation Charged during the Year	798,089	795,518

c) General Description of Lease Terms:

Particulars	Terms of Renewal	Purchase Option	Escalation Clause	Contingent Rent	Sub-Leasing
B-Earth & Spire India P. Ltd.	Yes (2 terms of 2years)	No	20% (After 2 Years)	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	Yes	No	20% (After Every 5 Years)	No	No

17. 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. 21,035,050 (Previous Year: Rs. 19,721,380) 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	11,158,713	2,098,708	2,160,372	11,778,866	1,478,873	5,563,127
Current Service Cost	2,047,077	1,830,840	3,123,712	2,565,310	1,277,932	883,355
Interest Cost	892,697	167,897	172,830	942,309	118,307	445,050
Actuarial (gain)/loss	(11,170,184)	(241,010)	4,592,983	5,588,746	(776,374)	(2,306,056)
Benefits paid	-	-	(1,824,267)	(9,716,518)	-	(2,425,104)
Defined Benefit Obligations at year end	2,928,303	3,856,435	8,225,630	11,158,713	2,098,708	2,160,372

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

(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 beginning of the year	1,229,290	-	N.A	5,670,912	-	N.A
Expected Return on plan assets	353,236	-	-	274,368	-	-
Contribution Actuarial (gain)/loss	6,370,405	-	-	5,000,528	-	-
Benefits paid	-	-	-	(9,716,518)	-	-
Fair value of plan assets at the year end.	7,952,931	N.A	N.A	1,229,290	-	N.A

(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 31 st March 2010	7,952,931	N.A	N.A	1,229,290	N.A	N.A
Present value of obligation as at 31 st March 2010	2,928,303	3,856,435	8,225,630	11,158,713	2,098,708	2,160,372
Net Assets/(Liability) recognized in balance sheet	5,024,628	(3,856,435)	(8,225,630)	(99,294,23)	(2,098,708)	(2,160,372)





Pearl Global Limited

(d) Expenses recognized during the year

(Amount in Rs.)

	Current year			Previous Year		
	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Current Service Cost	2,047,077	1,830,840	3,123,712	2,565,310	1,277,932	883,355
Interest Cost	892,697	167,897	172,830	942,309	118,307	445,050
Expected return on plan assets	(353,236)	-	-	(274,368)	-	(2,306,056)
Net Cost	1,963,765	1,757,727	7,889,525	8,821,997	619,865	(977,651)

(e) Actuarial Assumptions

(Amount in Rs.)

	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%	8.00%	8.00%	8.00%	8.00%
Future increase in compensation	6.00%	5.50%	5.50%	5.00%	5.00%	5.50%
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
Withdrawal rate						
Upto 30 Years	3%	3%	3%	3%	3%	3%
Upto 44 Years	2%	2%	2%	2%	2%	2%
Above 44 Years	1%	1%	1%	1%	1%	1%

18. Earning per share

The numerator and denominators used to calculate Basic and Dilutive Earning per share:

Particulars	Current Year (Rs)	Previous Year (Rs.)
Profit/(Loss) attributable to the equity shareholders basic / weighted average	98,197,326	6,819,995
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)	11.95	0.83
Potential Equity Shares	-	-
Diluted Earning per share(Rs)	11.95	0.83

19. In view of Accounting Standard-22, 'Accounting for Taxes on Income' issued by the Companies (Accounting Standards) Rules, 2006, the company has accounted for deferred tax as follows:

(Amount in Rs.)

Particulars	Balance as at 01.04.2009	Expenses / Savings during the Year	Balance as at 31.3.2010
Deferred Tax Assets			
Capital Losses	3,606,644	238,476	3,845,120
Unabsorbed Business losses	18,194,400	(18,194,400)	-
Others	55,766,039	(16,220,870)	39,545,168
Total (A)	77,567,083	(34,176,794)	43,390,288
Deferred Tax Liabilities			
Depreciation	81,960,828	9,841,729	91,802,557
Total (B)	81,960,828	9,841,729	91,802,557
Net Deferred Tax Asset/(Liability) (A)-(B)	(4,393,745)	(44,018,523)	(48,412,269)

Note: 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. 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	
		For the Year	Previous Year	Current Year	Previous Year	For the Year	Previous Year
Readymade Garments	No's	N.A.	N.A.	12,120,000	11,000,000	11,968,498	7,450,774

* 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	10,906,205	2,988,065,175	7,137,779	2,010,388,690
Readymade Garments (Traded)	Pcs	10,330,954	2,154,505,409	7,628,504	1,674,362,221
Fabric	Mtrs. Kgs.	11,46,418 161,441	112,152,729	1,466,179 17,315	119,275,461
Others	.		53,226,170		63,687,373
			5,307,949,483		3,867,713,745

c) Details of Finished Goods

(Amount in Rs.)

Class of Goods	Current Year				Previous Year			
	Opening Stock		Closing Stock		Opening Stock		Closing Stock	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Readymade Garments (Pcs)	1,492,654	354,845,579	2,320,959	599,377,283	1,179,659	282,974,298	1,492,654	354,845,579





Pearl Global Limited

d) Purchases/Cost of Goods Traded

Class of Goods	Unit	Current Year		Previous Year	
		Qty	Amount (Rs.)	Qty	Amount (Rs.)
Readymade Garments	Pcs	10,330,954	1,888,218,030	7,628,504	1,498,169,944
Fabric	Mtrs	1,146,418	101,264,794	1,466,179	107,347,915
	Kgs	161,441		17,315	
Others			1,6493,842		26,966,899
			2,005,976,665		1,632,484,758

e) Breakup of Raw Material/Stores & Spares Consumed

Class of Goods	Current Year		Previous Year	
	Amount (Rs.)	%	Amount (Rs.)	%
Raw Material Consumed				
Indigenous	982,866,504	60.42	683,683,883	68.78
Imported	643,986,032	39.58	310,325,974	31.22
	1,626,852,536	100	994,009,857	100
Stores and Spares Consumed				
Indigenous	46,248,974	100	24,627,612	100

f) Raw Material Consumed

Class of Goods	Current Year		Previous Year	
	Qty.	Value (Rs.)	Qty.	Value (Rs.)
Fabric-woven (Mtrs.) (KG)	14,452,296 905,109	1,316,579,330	9,462,626 598,027	787,980,477
Others		310,273,206		206,029,380
		1,626,852,536		994,009,857

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

(Amount in Rs.)

	Current Year	Previous Year
Raw Material	677,145,264	346,743,216
Capital Goods	24,116,883	8,464,540
Readymade Garments	1,888,218,030	1,498,330,454
Total	2,589,480,177	1,853,538,210

h) Expenditure in Foreign Currency

(Amount in Rs.)

	Current Year	Previous Year
Interest on loan	7,724,310	2,864,682
Foreign Traveling	1,355,841	7,288,561
Export Commission	42,086,583	32,561,944
Others	38,141,979	29,069,839
Total	89,308,713	71,785,026

Signature to Schedule 1 to 17

Place : New Delhi
Date : 29.05.2010

i) Earnings in Foreign Exchange

(Amount in Rs.)

	Current Year	Previous Year
Export of Goods- FOB basis	5,263,396,770	3,812,849,704
Export of Software FOB basis	10,081,500	18,738,500
Sampling Recoveries	-	5,149,746
Claim Received	7,796,525	8,395,290
Commission received	-	14,128,678
Designing Recovery	13,452,620	12,211,566
Testing Charges	794,410	-
Others	958,540	-

21. 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.

22. 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.
10.5% Non-Cumulative Redeemable Preference Shares	536,400	30-01-2010	To be redeemed after 5 Years from the date of allotment.
Total	2,239,400		

23. 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 amount at the year end together with the interest paid/payable have not been given.

24. The Company has initiated for delisting of shares during the previous year ending 31st March 2009 and the equity shares of the Company were delisted from Bombay Stock Exchange and National Stock Exchange w.e.f. August 21,2009. The Final Exit Option for six months following delisting of shares for public shareholding expired on February 20,2010 and out of total public holding of 2,082,345 shares as on 31st March 2009, shareholders holding 1,101,696 shares have availed the option at the exit price of Rs.47.50 per share.

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

(Deepak Seth)
Chairman
DIN 00003021

(Dr. Ashutosh P. Bhupatkar)
Director
DIN 00479727

(Pulkit Seth)
Managing Director
DIN 00003044

(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 2010.

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 detention of fraud and other irregularities.

By order of the Board

Date: May 10, 2010

Director

AUDITORS' REPORT

To the Shareholder of **NOR-PEARL KNITWEAR LTD.**

We have audited the accompanying balance sheet of Nor-Pearl Knitwear Ltd. as at 31 March 2010 and the related profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and 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 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 and Bangladesh Financial Reporting Standards, give a true and fair view of the state of the company's affairs as at 31 March 2010 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 readers' 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, 10 May 2010

BALANCE SHEET AS AT MARCH 31,2010

	Notes	2010 Taka	2009 Taka
Non-current assets			
Property, plant and equipment:			
At cost less accumulated depreciation	4	254,140,866	283,237,332
Investment	5	400,000	400,000
		<u>254,540,866</u>	<u>283,637,332</u>
Current assets			
Inventories	6	14,159,763	60,868,723
Trade receivables	7	34,063,741	51,294,732
Loan to PAF International Ltd.	8	8,000,000	8,000,000
Advances, deposits and prepayments	9	8,578,140	10,821,609
Cash and bank balances	10	237,080	4,984,322
Total current assets		<u>65,038,724</u>	<u>135,969,386</u>
Current liabilities and provisions:			
Short term finance	11	217,924,162	209,011,275
Trade and other payables	12	48,054,211	69,633,411
Total current liabilities and provisions		<u>265,978,373</u>	<u>278,644,686</u>
Net current assets		<u>(200,939,649)</u>	<u>(142,675,300)</u>
Net assets		<u>53,601,217</u>	<u>140,962,032</u>
Financed by:			
Shareholders' equity:			
Share capital	13	387,101,500	265,749,700
Share money deposit	14	-	121,351,800
Retained earnings/(loss)		(333,500,283)	(246,139,468)
		<u>53,601,217</u>	<u>140,962,032</u>

The annexed notes 1 to 21 form an integral part of these financial statements.

Sd/-
Managing Director

Sd/-
Director

As per our report of same date.

Dhaka, 10 May 2010

Sd/-
Auditors

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 Taka	2009 Taka
Turnover		15,549,035	807,061,501
Cost of goods sold	15	(76,424,745)	(840,240,711)
Gross profit		<u>(60,875,710)</u>	<u>(33,179,210)</u>
Administrative, selling and distribution expenses	16	(16,270,191)	(201,328,319)
Non-operating Income/ (expenses)	17	1,745,677	(2,504,226)
Loss before interest and tax expenses		<u>(75,400,224)</u>	<u>(237,011,755)</u>
Interest Expenses		(11,960,591)	(8,322,018)
Loss before tax		<u>(87,360,815)</u>	<u>(245,333,773)</u>
Tax expense:	3.10	-	-
Loss after Tax for the year		<u>(87,360,815)</u>	<u>(245,333,773)</u>

The annexed notes 1 to 21 form an integral part of these financial statements.

Sd/-
Managing Director

Sd/-
Director

As per our report of same date.

Dhaka, 10 May 2010

Sd/-
Auditors





Nor Pearl Knitwear Limited

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2010

Particulars	Share capital	Share money deposit	Accumulated loss	Total
	Taka	Taka	Taka	Taka
Balance as at 31 March 2008	265,749,700	121,351,800	2,023,250	389,124,750
Adjustment of Depreciation	-	-	(2,828,945)	(2,828,945)
Restated Balance as at 1 April 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
Conversion of share money				
Deposit into Equity capital	121,351,800	(121,351,800)	-	-
Net loss for the year	-	-	(87,360,815)	(87,360,815)
Balance as at 31 March 2010	387,101,500	-	(333,500,283)	53,601,217

CASH FLOW STATEMENT

for the year ended 31 March 2010

	2010 Taka	2009 Taka
A. Cash flow from operating activities:		
Loss before tax	(87,360,815)	(245,333,773)
Add: Adjustment of items not involving the movement of cash		
Depreciation	24,627,432	28,923,512
Gain on sale of property, plant and equipment	(976,883)	-
	23,650,549	28,923,512
Operating loss before changes in working capital	(63,710,266)	(216,410,261)
Adjustment for changes in working capital:		
Decrease/(Increase) in inventories	46,708,960	46,784,801
Decrease/(Increase) in trade receivables	17,230,991	41,676,813
Decrease/(Increase) in Advance ,		
Deposits & Prepayments	2,243,469	36,987,903
Increase/(Decrease) in short term finance	8,912,887	131,507,512
Increase/(Decrease) in trade and other payables	(21,579,200)	(20,895,995)
	53,517,107	236,061,034
Net cash (used in)/generated from operating activities	(10,193,159)	19,650,773
B. Cash flow from investing activities:		
Purchase of property, plant and equipment	-	(20,858,905)
Proceeds from sale of property, plant and equipment	5,445,917	-
Net cash provided from/(used) in investing activities	5,445,917	(20,858,905)
C. Cash flow from financing activities:		
Net cash used in financing activities	-	-
D. Net decrease in cash and bank balances (A+B+C)	(4,747,242)	(1,208,132)
E. Cash and bank balances at opening	4,984,322	6,192,454
F. Cash and bank balances at closing (D+E) (Note 10)	237,080	4,984,322

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2010

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 (99.925%) and Pallas Holdings Ltd., Mauritius (0.075%). 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

During the year ended 31.03.2010, the company incurred a loss before tax of Tk.87,360,815 and as at 31st March 2010, its current liabilities exceeds its current assets by Tk 200,939,649. The operation of the factory has remained closed since February 2009. The management is however, confident that the company will continue in operation soon and it will remain operative for the foreseeable future through 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%
Plant and machinery	10%
Furniture and fixtures	33.33%
Office equipment	33.33%
Factory equipment	33.33%
Vehicles	20%





Nor Pearl Knitwear Limited

3.3 Investments

Investments are stated at cost. Dividend is accounted for consistently as income when it is received.

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				Depreciation				Written down value at 31 March 2010	Written down value at 31 March 2009
	Balance at 1 April 2009	Addition during the Year	Disposal during the Year	Balance at 31 March 2010	Balance at 1 April 2009	Charged during the Year	Adjustments for disposal Year	Balance at 31 March 2010		
	Taka	Taka	Taka	Taka	Taka	Taka	Taka	Taka		
Building	148,009,404			148,009,404	22,615,687	7,400,472		30,016,159	117,993,245	125,393,717
Plant and machinery	196,595,426		6,524,968	190,070,458	43,876,358	14,687,053	3,099,351	55,464,060	134,606,398	152,719,068
Furniture and fixtures	18,539,304		2,062,805	16,476,499	16,466,225	1,223,171	2,062,805	15,626,591	849,908	2,073,079
Office equipment	5,676,209		113,850	5,562,359	4,291,893	839,400	113,850	5,017,443	544,916	1,384,316
Factory equipment	3,897,882			3,897,882	3,536,233	228,750		3,764,983	132,899	361,649
Vehicles	3,567,977		3,509,447	58,530	2,262,474	248,586	2,466,030	45,030	13,500	1,305,503
Total	376,286,202	-	12,211,070	364,075,132	93,048,870	24,627,432	7,742,036	109,934,266	254,140,866	283,237,332
Total 2009	355,427,297	20,858,905	-	376,286,202	64,125,358	28,923,512	-	93,048,870	283,237,332	

	2010 Taka	2009 Taka		2010 Taka	2009 Taka
4.1 Allocation of depreciation			7. Trade receivables		
Cost of goods sold (Note 15.2)	22,316,275	22,760,434	Al Libas Int. Fashions LLC		1,343,748
Administrative, selling and distribution expenses (Note 16)	2,311,157	6,163,078	Dolphine Through		47,265
	24,627,432	28,923,512	Inter-company receivables	34,063,741	49,903,719
				34,063,741	51,294,732
5. Investment			7.1 Inter-company receivables		
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.			Pearl Global Ltd	50,366	15,893,456
			Simple Approach Ltd	9,908,852	9,908,851
6. Inventories			Norpknit	561,640	561,640
Raw materials	4,931,231	15,300,743	Norwest Industries Ltd.	3,767,500	3,767,500
Work-in-progress	2,096,922	6,864,741	Poeticgem Ltd.	19,775,383	19,772,272
Finished goods	7,131,610	38,703,239		34,063,741	49,903,719
	14,159,763	60,868,723			





Nor Pearl Knitwear Limited

	2010 Taka	2009 Taka		2010 Taka	2009 Taka
8. Loan to PAF International Ltd.					
The amount of Tk. 8,000,000 represents short term non interest bearing loan given to PAF International Ltd.					
9. Advances, deposits and prepayments			12. Trade and other payables		
Advances to:			Trade payables:		
Suppliers	434,712	2,001,445	To suppliers of raw materials:		
Employees	41,000	142,687	Feung Ning Industries (China) Ltd.	-	915,686
	475,712	2,144,132	Shepherd Industries Ltd.	31,789	662,812
Deposits:			Fullwise Co. Ltd.	-	427,714
Guarantee deposit	2,578,429	2,578,429	Morale Trade	209,293	386,480
Security deposits	3,871,237	4,424,468	Shore to Shore Bangladesh Ltd.	30,748	30,748
	6,449,667	7,002,896	Zumana Paper Box	543,694	3,933,269
Prepayments:			Sundry parties	173,992	13,724,269
For expenses	1,603,326	1,536,632	Inter-company payables	42,793,149	35,449,797
For insurance	49,435	137,948		43,782,665	55,530,774
	1,652,761	1,674,580	Other payables:		
	8,578,140	10,821,609	Salaries	318,460	617,353
10. Cash and bank balances			Wages	82,128	82,128
Cash on hand	77,773	343,005	Provident fund	45,618	101,276
Balances with bank:			Withholding tax	217,919	388,068
Current account with Janata Bank	119,322	485,718	Payable to BEPZA	71,169	748,177
Current account with HSBC	39,985	1,188,414	Contractor for building construction	-	502,102
L/C margin deposit with HSBC	-	2,967,185	Export bills discounted	-	241,014
	159,307	4,641,317	Bakhrabad Gas Systems Ltd.	-	934,126
	237,080	4,984,322	JSN Trading (FZE)		
11. Short term finance			SBS Shipping & Trading Agencies Pvt. Ltd.	24,390	171,285
From HSBC:			Khandaker Logistic Ltd.	529,142	979,142
Bank overdraft	10,183,540	4,244,923	DHL Bangladesh	43,156	40,851
Import loan	-	8,562,500	Nepcons	34,363	110,141
Short Term Loan- HOPFL	207,740,622	196,203,852	Others	2,905,201	9,186,974
	217,924,162	209,011,275		4,271,546	14,102,637
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.				48,054,211	69,633,411
Securities against overdraft and import loan			12.1 Inter-company payables		
i) First charge after BEZPA over book debts and receivables for BDT 327,000,000 with Registrar of Joint Stock Companies (RJSC).			Norp Knit Industries Ltd.	16,154,955	12,066,934
ii) First charge after BEZPA over stocks of raw materials, work-in-progress and finished goods for BDT 327,000,000 equivalent to USD 5,000,000 with RJSC.			House of Pearl Fashions Ltd. - current account	420,022	420,022
iii) First charge after BEZPA over plant and machinery for BDT 327,000,000 with RJSC.			Pearl Global Ltd	10,043,507	7,500,160
iv) 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.			Norwest Industries Ltd., Hong Kong	1,785,956	155,926
v) Corporate guarantee executed by House of Pearl Fashions Ltd. for USD 4,525,000.			PAF International Ltd - current account	-	72,150
			HOPFL (Usa)	688,709	1,534,605
			Poeticgem Ltd.	13,700,000	13,700,000
				42,793,149	35,449,797





Nor Pearl Knitwear Limited

	2010 Taka	2009 Taka		2010 Taka	2009 Taka
13. Share capital					
Authorised capital:			Freight inward	370	913,363
4,000,000 ordinary shares of Tk 100 each	<u>400,000,000</u>	<u>300,000,000</u>	Insurance expenses	532,193	2,972,432
Issued, subscribed and paid up capital:			Drinking water	19,875	1,063,061
3,871,015 ordinary shares of Tk 100 each	<u>387,101,500</u>	<u>265,749,700</u>	Medical and child care expenses	98,760	617,843
At 31 March 2010, the share capital			Depreciation (Note 4.1)	22,316,275	22,760,434
was subscribed as under:			Others	79,301	11,874,720
Shareholders	No. of share	No. of share		<u>29,015,279</u>	<u>183,713,839</u>
House of Pearl Fashions Ltd.	3,868,115	2,654,597	16 Administrative, selling and distribution expenses		
Pallas Holdings Ltd.	2,900	2,900	Salaries (Note 16.1)	5,558,327	46,704,945
	<u>3,871,015</u>	<u>2,657,497</u>	Office rent	61,650	1,568,650
14. Share money deposit			Guest house expenses	289,334	1,911,934
Shares has allotted to House of Pearl Fashions Ltd., during the year against share money in deposit.			Printing and stationary	95,262	1,270,916
15 Cost of goods sold			Communication expenses	424,910	2,547,328
Raw materials consumed (Note 15.1)	10,637,537	416,413,442	Compliance test expenses	-	777,452
Wages	432,481	183,609,035	Insurance expenses	12,870	94,556
Wages- Termination expenses	-	21,948,057	Agent Commission	1,977,775	-
Manufacturing overhead (Note 15.2)	29,015,279	183,713,839	Legal and professional expenses	449,296	606,066
	<u>40,085,297</u>	<u>805,684,373</u>	Office expenses	186,705	636,936
Add: Opening work-in-progress	6,864,741	43,995,228	Marketing expenses	477,584	32,195,230
	<u>46,950,038</u>	<u>849,679,601</u>	Conveyance expenses	46,944	1,093,485
Less: Closing work-in-progress	2,096,922	6,864,741.00	Vehicle fuel and maintenance	286,731	5,825,779
Cost of goods manufactured	44,853,116	842,814,860	Bank charges	174,195	9,262,694
Add: Opening stock of finished goods	38,703,239	36,129,090	Depreciation (Note 4.1)	2,311,157	6,163,078
Cost of goods available for sale	83,556,355	878,943,950	Audit fee	216,000	200,000
Less: Closing stock of finished goods	7,131,610	38,703,239	Entertainment	22,688	692,765
Cost of goods sold	<u>76,424,745</u>	<u>840,240,711</u>	Repairs and maintenance - office	62,755	347,589
15.1 Raw materials consumed			Forwarding - exports	239,719	3,173,933
Opening inventory	15,300,743	27,529,206	Freight outward	58,950	63,802,547
Purchase during the year	268,025	404,184,979	Discount to customers	-	20,020,045
Closing inventory	(4,931,231)	(15,300,743)	Other general expenses	3,317,339	2,432,391
	<u>10,637,537</u>	<u>416,413,442</u>		<u>16,270,191</u>	<u>201,328,319</u>
15.2 Manufacturing overhead			16.1 Salaries		
Rent for leased land	3,777,216	4,204,396	This includes following emoluments to one of the directors of the company:		
Food and transport allowance	2,564	3,611,081	Remuneration	-	1,897,500
Repairs and maintenance for factory building, machinery	56,373	1,108,103	Housing	-	720,242
Security expenses	984,726	1,700,100		<u>-</u>	<u>2,617,742</u>
Cleaning expenses	77,324	1,240,717	17. Non-operating expenses (net)		
Testing expenses	-	2,414,037	Exchange (loss)	(2,530)	(4,116,184)
Staff welfare	-	586,219	Sale of scrap	771,324	1,611,958
Chemical, spare parts etc.	1,120	6,924,307	Gain on sale of property, plant and equipment	976,883	-
Power and fuel	969,182	8,754,370		<u>1,745,677</u>	<u>(2,504,226)</u>
Subcontract expenses	100,000	112,968,656			





Nor Pearl Knitwear Limited

18 Related parties

Name of the parties	Nature	Transactions	Transaction value (Taka)		Balance outstanding (Taka)	
			Year ended 31 Mar 2010	Year ended 31 Mar 2009	At 31 Mar 2010	At 31 Mar 2009
Norwest Industries Ltd.	Group company	Sales of goods		83,360,092	3,767,500	3,767,500
		Expenses payable	131,894	790,957	1,785,956	155,926
		Expenses recoverable	106,721	238,857	-	-
PAF International Ltd.	Group company	Loan disbursed	300,000	-	8,000,000	8,000,000
		Loan re-payment received	300,000	-	-	-
		Investment in shares by Norpearl	-	-	400,000	400,000
		Expenses recoverable	-	-	-	-
		Expenses payable	72,150	1,595,806	-	72,150
Poeticgem Ltd.	Group company	Sale of goods	-	123,615,064	10,274,999	10,274,999
		Expenses payable	-	6,138,461	-	-
		Expenses recoverable	3,111	1,930,897	9,500,384	9,497,272
		Advance received	-	-	13,700,000	13,700,000
Pearl Global Ltd.	Group Company	Sale of goods	-	344,679,811	50,366	11,005,902
		Expenses Payable	-	1,788,572	10,043,507	2,612,608
		Expenses recoverable	-	2,191,756	-	-
		Facility / Mgt Income	-	-	-	-
House of Pearl Fashions Ltd.	Parent Company	Expenses payable	-	-	420,022	420,022
		Short term loan	-	192,279,500	192,279,500	192,279,500
		Share money deposit	121,351,800	-	-	121,351,800
		Expenses recoverable	-	-	-	-
		Interest Payable	11,536,772	3,924,352	15,461,123	3,924,352
House of Pearl Fashions Ltd.- USA	Group Company	Expenses payable	-	1,594,363	688,709	1,523,485
		Expenses recoverable	-	48,555	-	-
		Sampling Income recoverable	-	-	-	-
Norp Knit Industries Ltd.	Group Company	Purchase of goods	-	3,526,977	-	-
		Expenses payable	1,881,683	1,360,678	16,154,955	12,066,934
		Expenses recoverable	2,878,288	10,140,958	561,640	561,640
		Sampling Expenses	270,342	-	-	-
Simple Approach Ltd	Group Company	Sale of goods	-	21,683,743	-	-
		Expenses payable	-	2,511,923	-	-
		Expenses recoverable	-	-	9,908,851	9,908,851

Outstanding balances in respect of sale of goods and expenses with these related parties are priced on an arm's length basis.

19. Contingent liability

Contingent liability of the company as at 31st March 2010 was Tk 5.4 millions in respect of bank guarantee (31 March 2009 - Tk 6.87 million in respect of letters of credit outstanding and Tk 5.40 million in respect of bank guarantee).

20. Number of employees

The number of employees engaged during the year, who received a total remuneration of Tk 36,000 p.a or above was 15 (2009: 1747).

21. 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 effect 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 2010.

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 after tax of Tk. 35,595,550 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

Director

Date: May 10, 2010

AUDITORS' REPORT

To The Shareholders of
Norp Knit Industries Ltd.

We have audited the accompanying Balance Sheet of Norp Knit Industries Ltd. as of 31 March, 2010 and the related Profit & Loss Account for the period of Twelve Months ended on 31 March, 2010 and Cash Flow Statement and Statement of Changes in Equity for the period then ended. The preparation of these statements is the responsibility of the Company's Management. Our responsibility is to express as 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. As 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 of 31 March, 2010 and its Cash Flow for the period of Twelve Months ended on 31 March, 2010 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 & Loss Account dealt with by the report are in agreement with the books of account and returns.

Place : Dhaka
Date : 10.05.2010.

Sd/-
G. Biswas & Co.
Chartered Accountants

BALANCE SHEET AS AT MARCH 31, 2010

	NOTE	Amount in Taka As on 31 March 2010	Amount in Taka As on 31 March 2009
Sources of fund			
Shareholders' equity			
Share Capital	4	49,378,100	49,378,100
Share Money Deposit		200,445,000	102,120,000
Retained earnings		125,640,148	90,044,598
		<u>375,463,248</u>	<u>241,542,698</u>
Long Term Liabilities			
Loan from Orchid Trading Ltd.	5	—	96,082,110
		<u>375,463,248</u>	<u>337,624,808</u>
Application of fund			
Property, plant and equipment:			
At cost less accumulated depreciation			
Current assets:			
Goods in Transit		1,588,476	—
Inventories	7	148,583,357	166,153,104
Trade receivables	8	111,162,879	80,777,024
Inter-company receivables	9	82,984,854	92,689,908
Advances, deposits and prepayments	10	81,950,324	28,111,971
Cash and bank balances	11	61,692,988	54,934,947
		<u>487,962,878</u>	<u>422,666,954</u>
Current liabilities:			
Secured loan from United Commercial Bank		—	—
Trade and other payables	12	118,536,661	125,264,461
Inter-company payables	13	43,388,178	26,763,946
		<u>161,924,839</u>	<u>152,028,407</u>
Net current assets		<u>326,038,039</u>	<u>270,638,547</u>
Deferred Tax		—	27,286
		<u>375,463,248</u>	<u>337,624,808</u>

The annexed notes 1 to 21 form an integral part of these financial statements.

Managing Director Director

Dhaka : May 10, 2010
G. Biswas & Co.
Chartered Accountants

PROFIT AND LOSS ACCOUNT

For the Twelve Months ended on March 31, 2010

	NOTE	01 April 2009 To 31 March 2010	AMOUNT IN TAKA 01 April 2008 To 31 March 2009
Turnover		781,802,682	647,612,168
Cost of goods sold	14	(640,991,087)	(535,053,574)
Gross profit/(loss)		140,811,595	112,558,594
Administrative, selling and distribution expenses	15	(106,786,667)	(74,499,702)
Pre-operative expenses		34,024,928	38,058,892
Other income	16	2,245,622	3,429,700
Net profit/(loss) before tax		<u>36,270,550</u>	<u>41,488,592</u>
Tax Expenses :			
Prov for Tax		(675,000)	—
Deferred Tax		(675,000)	—
Net Profit/(Loss) for the year		<u>35,595,550</u>	<u>41,488,592</u>

The annexed notes 1 to 21 form an integral part of these financial statements.

Managing Director Director
As per our annexed report of same date

Dhaka : May 10, 2010

G. Biswas & Co.
Chartered Accountants





Norp Knit Industries Limited

CASH FLOW STATEMENT AS AT MARCH 31, 2010

	Amount in Tk	
	Twelve Months ended	Twelve Months ended
	31 March 2010	31 March 2009
Cash flow from operating activities		
Net profit for the period	35,595,550	41,488,592
Add: Adjustment of items not involving movement of cash		
Pre-operating expenses	—	—
Depreciation	23,784,963	24,310,278
Profit on Sale Of Assets	—	—
Write-Off of Deferred Tax	27,286	—
	<u>23,812,249</u>	<u>24,310,278</u>
Operating Profit before changes in working capital	59,407,799	65,798,870
Adjustment for changes in working capital		
Decrease / (Increase) in Inventories	17,569,747	(46,999,513)
Decrease / (Increase) in Goods in Transit	(1,588,476)	870,242
Decrease / (Increase) in Trade receivables	(30,385,855)	3,411,265
Decrease / (Increase) in Inter-company receivables	9,705,054	(58,531,824)
Decrease/(Increase) in advances, deposits and prepayments	(53,838,353)	(21,241,532)
Increase / (Decrease) in Secured loan	—	(5,441,553)
Increase / (Decrease) in Creditors for goods	(6,727,800)	40,830,930
Increase/(Decrease) in accrued expenses and other payables	—	—
Increase / (Decrease) in Inter-company payables	16,624,232	(2,187,583)
Increase / (Decrease) in Withholding Tax	—	(236,520)
	<u>(48,641,451)</u>	<u>(89,526,088)</u>
Net cash from operating activities	10,766,348	(23,727,218)
Cash flow from investing activities:		
Purchase of fixed assets	(6,264,837)	(5,880,230)
Sale of Assets	13,639	—
	<u>(6,251,198)</u>	<u>(5,880,230)</u>
Net cash used in investing activities	(6,251,198)	(5,880,230)
Cash flow from financing activities:		
Proceeds from issue of shares	—	—
Share Money Deposit Received	98,325,000	102,120,000
Loan from Orchid Trading Limited	(96,082,110)	(87,338,595)
	<u>2,242,890</u>	<u>14,781,405</u>
Net cash flow from financing activities	2,242,890	14,781,405
Increase in cash and cash equivalents	6,758,040	(14,826,043)
Cash and cash equivalent at opening	54,934,947	69,760,990
Cash and cash equivalent at closing (Note 11)	<u>61,692,987</u>	<u>54,934,947</u>

STATEMENT FOR CHANGES IN EQUITY

For the Twelve Months ended on March 31, 2010

Particulars	AMOUNT IN TAKA			
	Share capital	Share Money Deposit	Retained earnings	Total
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
Depriciation Reserve	—	—	(7,603,570)	(7,603,570)
Balance as on March 31, 2009	<u>49,378,100</u>	<u>102,120,000</u>	<u>90,044,598</u>	<u>241,542,698</u>
Addition during the period	—	98,325,000	—	98,325,000
Net profit for the period	—	—	35,595,550	35,595,550
Balance as on March 31, 2010	<u>49,378,100</u>	<u>200,445,000</u>	<u>125,640,148</u>	<u>375,463,248</u>

NOTES TO THE ACCOUNTS FOR YEAR ENDED ON MARCH 31, 2010

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 :

The Financial Statement 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 :

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.

2.04 Going Concern :

The Company has adequate resources to continue its operation for the foreseeable future. For this reason the directors 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 straight line method using different rates varying from 10% to 20% on cost of the assets. Depreciation is charged from the month following the month of acquisition/installation of the Property, Plant and Equipment.

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 costs necessary to make the sale.

3.05 Trade Receivable :

Trade Receivables at the Balance Sheet date are stated at amounts 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 and loss account.

3.09 Revenue recognition

Revenue from the sale of goods is recognised when:





Norp Knit Industries Limited

- * 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 which export proceeds of an exporter of Knitwear and Woven garments is 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 and will be regarded as final tax liability. Accordingly the company is now liable to tax on export proceeds at the rate of 0.25 percent.

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 values for financial Reporting process. In view of pre-levant 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

Authorized capital:

25,00,000 (2009: 25,00,000) ordinary shares of Tk. 100 each

As on
31 March 2010 As on
31 March 2009

250,000,000 250,000,000

Issued, subscribed and paid up capital:

493,781 (2009: 493,781) ordinary shares of Tk. 100 each

49,378,100 49,378,100

The aforesaid capital was subscribed as under:

Subscribers:

No. of shares No. of shares

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 As on 31.03.10

Particulars	COST				DEPRECIATION					
	Cost as on 31.03.2009	Addition for the period	Deletion for the period	Cost as on 31.03.2010	Total depreciation as on 31.03.2009	Addition for the period Apr'09-Mar'10	Depreciation on Disposal of Assets	Total depreciation as on 31.03.2010	W.D. Value as on 31.03.2010	W.D. Value as on 31.03.2009
Unit 1										
Building & Civil Works	20,138,734	—	—	20,138,734	10,331,744	3,861,189	—	14,192,933	5,945,801	9,806,990
Plant & Machinery	92,609,972	444,400	—	93,054,372	50,939,291	17,209,598	—	68,148,889	24,905,483	41,670,681
Vehicles	1,678,558	940,917	455,500	2,163,975	619,517	398,938	441,861	576,594	1,587,381	1,059,041
Furniture & Fixtures	9,980,206	371,796	—	10,352,002	2,807,524	1,136,039	—	3,943,563	6,408,439	7,172,682
Office Equipments & Computers	5,190,170	443,681	—	5,633,851	2,475,977	724,877	—	3,200,854	2,432,997	2,714,193
Telephone Installation & Connection	572,410	—	—	572,410	390,098	96,274	—	486,372	86,038	182,312
Air Conditioners	1,587,100	—	—	1,587,100	990,437	284,243	—	1,274,680	312,420	596,663
Fire extinguisher	415,040	—	—	415,040	250,060	73,573	—	323,633	91,407	164,980
Unit 2										
Telephone Installation & Connection	—	6,950	—	6,950	—	232	—	232	6,718	-
Total	132,172,190	2,207,744	455,500	133,924,434	68,804,648	23,784,963	441,861	92,147,750	41,776,684	63,367,542
Capital Work in Progress- Unit 1										
Plant & Machinery	3,149,637	—	—	3,149,637	—	—	—	—	3,149,637	3,149,637
Capital Work in Progress- Unit 2										
Capital WIP-Building	—	1,040,000	—	1,040,000	—	—	—	—	1,040,000	—
Capital WIP-Furniture	—	198,938	—	198,938	—	—	—	—	198,938	—
Capital WIP-Computer	—	94,522	—	94,522	—	—	—	—	94,522	—
Capital WIP-Electrical Installation	—	42,714	—	42,714	—	—	—	—	42,714	—
Capital WIP-Gas Connection	—	796,254	—	796,254	—	—	—	—	796,254	—
Capital WIP-Plant & Machinery	—	420,924	—	420,924	—	—	—	—	420,924	—
Capital WIP-Utilities	—	34,905	—	34,905	—	—	—	—	34,905	—
New Project Expenses related to building, plant & machinery, gas connection, utilities etc	441,796	1,492,947	64,111	1,870,632	—	—	—	—	1,870,632	441,796
Total	3,591,433	4,121,204	64,111	7,648,526	—	—	—	—	7,648,526	3,591,433
Total Fixed Assets	135,763,623	6,328,948	519,611	141,572,960	68,804,648	23,784,963	441,861	92,147,750	49,425,209	66,958,974





Norp Knit Industries Limited

	01 April 2009 to 31 March 2010 Taka	01 April 2008 to 31 March 2009 Taka		As on 31 March 2010 Taka	As on 31 March 2009 Taka
6.01. Allocation of depreciation			12. Trade and other payables		
Cost of goods sold (Note 14.02)	21,144,592	21,815,433	Trade payables:		
Administrative, selling and distribution expenses (Note 15)	2,640,371	2,494,845	Basic Thread Industries Ltd.	1,664,228	2,590,469
	<u>23,784,963</u>	<u>24,310,278</u>	Coats Bangladesh	1,524,272	640,996
	As on	As on	Gupta Exim.	—	10,769,035
7. Inventories	31 March 2010	31 March 2009	Hotz Industries Ltd	—	—
Raw materials	54,975,842	64,355,196	HTMS Packaging	76,999	884,886
Work-in-progress	44,575,007	37,828,974	Ideal Builders & Engineers Ltd.	—	—
Finished goods	49,032,508	63,968,934	J. R. Fashion	891,716	993,493
	<u>148,583,357</u>	<u>166,153,104</u>	Mainetti (BD) Ltd	—	—
			Nice Dyeing Factory	36,428,364	—
8. Trade receivables			P. A. Knit Composite Ltd.	—	—
ATS Apparels	—	174,771	Raj Washing Plant Ltd.	—	—
Generation Next Fashions Ltd.	—	—	Toddler Ltd.	—	2,461,065
Al Libas International Fashions LLC	65,128,591	65,128,591	Kam Hing Piece Works Ltd	—	14,690,257
Anand Fashion International Dubai	13,800,000	13,800,000	Victory City Company Ltd.	10,990,209	5,012,217
KDS Apparels	—	42,838	Aduri Knit Composite Ltd	9,404,421	12,599,422
Celio International	22,558,809	1,208,704	Yasin Enterprise	—	4,284
Ibrahim Knit Garments Ltd	—	202,306	Zumana Paper Box	2,443,330	5,224,036
International Knitwear & Apparels Ltd(Unit-2)	—	118,243	Others	28,966,264	45,777,315
Ocean Design	—	96,943		<u>92,389,803</u>	<u>101,647,475</u>
Friends International	19,107	—	Other payables		
Pearl Prince	—	4,628	Management fee payable	1,500,000	1,500,000
S.Oliver Bernd Freier GmbH & Co kg	9,656,372	—	Liability for Tax	675,000	—
Asian Regency Limited	—	—	Withholding tax payable	400,961	91,363
Orchid Trading Limited	—	—	Export bills discounted	13,256,496	12,445,016
	<u>111,162,879</u>	<u>80,777,024</u>	Others	10,314,401	9,580,607
				<u>26,146,858</u>	<u>23,616,986</u>
9. Inter-company receivables				<u>118,536,661</u>	<u>125,264,461</u>
Norwest Industries Limited	—	—	13. Inter-company payables		
Norwest Industries Limited(Expenses)	360,797	—	Norwest Industries limited (Expenses)	—	633,635
Pearl Global Limited	62,547,752	80,622,973	House Of Pearl Fashions Ltd.	4,072,035	34,500
Pearl Global Limited-Chennai	3,921,350	—	Poeticgem Ltd	14,393,299	14,393,299
Nor - Pear Knitwear Limited (Expense)	16,154,955	12,066,935	Simple Approach Ltd	2,665,332	1,099,170
Nor-Pearl Knitwear Limited (Drs)	—	—	Simple Approach Ltd(Expenses)	346,038	346,038
	<u>82,984,854</u>	<u>92,689,908</u>	Norpearl Knitwear Ltd	561,640	561,640
			Pearl Global Limited(Creditor-Goods)	7,493,115	7,441,072
10. Advances, deposits and prepayments			Pearl Global Limited(Creditors- Expenses)	13,856,719	2,254,592
Advances (considered good) to:				<u>43,388,178</u>	<u>26,763,946</u>
Landlord against rent	807,324	1,245,065			
Suppliers	74,849,636	21,979,359		01 April 2009	01 April 2008
Employees	315,896	284,304		to	to
Others	2,859,074	1,961,896		31 March 2010	31 March 2009
	<u>78,831,930</u>	<u>25,470,624</u>	14. Cost of goods sold		
			Raw material consumed (Note 14.01)	497,161,830	397,411,891
Deposits			Wages	61,803,605	59,618,584
Margin against L/C and B/G	167,600	130,600	Manufacturing overheads (Note 14.02)	73,835,259	75,275,646
Security deposits	2,910,460	2,405,560		<u>632,800,694</u>	<u>532,306,121</u>
	<u>3,078,060</u>	<u>2,536,160</u>	Add: Opening work-in-progress	37,828,974	40,988,835
				<u>670,629,668</u>	<u>573,294,956</u>
Prepayments			Less: Closing work-in-progress	44,575,007	37,828,974
Prepaid insurance	40,334	105,187	Cost of goods manufactured	626,054,661	535,465,982
	<u>40,334</u>	<u>105,187</u>	Add: Opening stock of finished goods	63,968,934	63,556,526
	<u>81,950,324</u>	<u>28,111,971</u>	Cost of goods available for sale	690,023,595	599,022,508
			Less: Closing stock of finished goods	49,032,508	63,968,934
11. Cash and bank balances			Cost of goods sold	<u>640,991,087</u>	<u>535,053,574</u>
Cash in hand	512,206	668,425			
Balances with bank			14.01. Raw material consumed		
Fixed deposit with United Commercial Bank	10,079,658	9,065,686	Opening inventory	64,355,196	14,608,230
Current Account with United Commercial Bank	290,805	5,974,845	Purchases during the period	487,782,476	447,158,857
Margin deposit with United Commercial Bank	46,978,207	39,030,515	Closing inventory	54,975,842	64,355,196
Exchange Retention Quota with United Commercial Bank	720,878	194,866		<u>497,161,830</u>	<u>397,411,891</u>
The Hongkong and Shanghai Banking Corporation Ltd	3,111,234	610			
	<u>61,180,782</u>	<u>54,266,522</u>			
	<u>61,692,988</u>	<u>54,934,947</u>			





Norp Knit Industries Limited

14.02. Manufacturing overheads

Stores, Spares & Maintenance	3,797,942	3,181,128
Factory cleaning & Upkeep	884,232	860,662
Factory rent	5,733,068	5,544,960
Security services	1,957,075	2,155,900
Power & Fuel	7,159,681	13,993,322
Consumables	2,809,957	2,875,912
Compliance Expenses	767,173	404,974
Sampling expenses	476,982	527,691
Testing Charges	4,236,749	4,069,623
Machinery Higher	598,570	644,770
Embroidery Charges	635,330	498,133
Clearing and forwarding inward	7,481,839	7,637,452
L/C charges for inputs	5,517,031	5,689,278
Subcontract Expenses	8,379,871	2,544,633
Depreciation (Note 6.01)	21,144,592	21,815,433
Insurance	2,255,167	2,831,775
	73,835,259	75,275,646

15. Administrative, selling and distribution expenses

Salaries	38,074,091	27,044,609
Marketing Expenses	22,210,686	14,299,674
Interest	—	2,385,695
Communication	2,052,289	1,555,454
Conveyance	903,474	811,058
Entertainment	204,671	129,026
Office Stationery	1,470,339	921,409
Stationery Printing	454,771	370,291
Clearing & forwarding outward	6,502,732	7,021,411
Bank Charges	3,901,357	4,251,711
Travelling - Foreign	182,674	358,734
Vehicle fuel & maintenance	5,906,133	3,102,863

Courier & postage	3,025,242	2,787,034
Corporate Charges	4,022,700	—
Audit fee / Internal Audit	282,150	372,576
Depreciation (Note 6.01)	2,640,371	2,494,845
Exchange Loss	2,546,441	2,936,727
Others	12,406,546	3,656,585
	106,786,667	74,499,702

15.01. Salaries

This includes the following emoluments to one of the directors of the company:

Remuneration	NA	NA
Housing	NA	NA
	—	—

16. Other income

Sale of scrap	1,130,325	3,137,674
Others	1,115,297	292,026
	2,245,622	3,429,700

17. Contingent liability

Contingent liability of the company was Tk. 152.40 million as on 31 March 2010 in respect of letters of credit outstanding and Tk 1.885 millions in respect of bank guarantee.

18. Number of employees

The number of employees engaged as on 31st March, 2010 who received a total remuneration of Tk. 3,000 per month or above was 996 Persons.

19. Exchange gain/(loss)

This represents gain/(loss) arising from translation of foreign currency into local currency.

20. General

Figures are rounded off to nearest Taka.

Previous year figures have been rearranged, wherever necessary, to conform to current period's presentation.

21. Related parties

Name of the parties	Nature	Transactions	Transaction value (Taka)		Balance outstanding (Taka)	
			Year ended 31 Mar 2010	Year ended 31 Mar 2009	As At 31 Mar 2010	As At 31 Mar 2009
Norwest Industries Ltd.	Group company	Sales of goods	1,877,059	100,145,710	—	—
		Expenses payable	892,862	34,323	—	633,635
		Expenses recoverable	955,794	375,002	360,797	—
Pearl Global Ltd.	Group Company	Sale of goods	520,608,383	516,996,879	62,547,752	80,622,975
		Purchases	70,266,073	20,653,182	7,493,116	7,441,072
		Expenses Payable	13,045,335	10,352,260	13,856,719	2,254,592
		Expenses recoverable	1,443,207	8,097,668	—	—
Pearl Global Ltd -Chennai	Group company	Expenses recoverable	7,668,075	—	3,921,350	—
House of Pearl Fashions Ltd-USA	Group company	Sale of goods	—	29,170,440	—	—
Poeticgem Ltd.	Group company	Sale of goods	—	—	—	—
		Expenses payable	—	2,622,000	14,393,299	14,393,299
		Expenses recoverable	—	135,231	—	—
House of Pearl Fashions Ltd.	Parent	Sales	36,021,520	—	—	—
	Company	Corporate Charges & Expenses Payable	4,037,535	—	4,072,035	34,500
Nor Pearl Knitwear Ltd	Group Company	Share money deposit	98,325,000	102,120,000	200,445,000	102,120,000
		Sale of goods	—	3,526,977	—	—
		Expenses payable	2,878,288	10,140,958	561,640	561,640
Simple Approach Ltd	Group Company	Expenses recoverable	2,152,025	1,360,678	16,154,955	12,066,934
		Sale of goods	125,448,349	33,257,498	—	—
		Expenses payable	—	831,832	346,038	1,445,208
		Expenses recoverable	—	89,427	2,665,332	—

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.





Lerros Fashions India Ltd.

DIRECTORS' REPORT

To the Shareholders,

The Directors of your Company have pleasure in presenting the 3rd Annual Report on the business and operations of the Company and the Audited Financial Accounts for the year ended 31st March 2010.

Financials

The performance of the Company for the financial year ended 31st March 2010 is summarized below:

PARTICULARS	(Rs. in Lacs)	
	2009 – 2010	2008 – 2009
Sales Turnover (including Export Incentives)	1448.69	699.48
Other Income	59.11	2.76
Profit before Tax	(1005.47)	(672.29)
Provision for Tax	291.71	167.29
Profit (Loss) after Tax	713.76	(505.00)

Business & Operations

The Company's retail business is making gradual improvement even though we have opened retail stores and shop-in-shop across India.

During the year, your company's total income was Rs.1507.80 Lacs. The Company, being at beginning stage, suffered a loss of Rs.713.76 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, Mrs. Shefali Seth would retire by Rotation at the ensuing Annual General Meeting and being eligible offer herself for re-appointment. Necessary resolution for her re-appointment is included in the notice convening Annual General Meeting.

Auditors

The Auditors of your Company, M/s S. R. Dinodia & Co, Chartered Accountants (Regn. No. 001478N), 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 2010, 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 2010 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.2,14,052 (Previous year Rs. 2,20,259/-) in Foreign Currency incurred towards Travel Expenses during the period ended.

The Company at present does not envisage any export and no export plans in next 2-3 years.

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 LIMITED

Place: New Delhi	(Payel Seth) Director DIN: 00003035	(Shelley Cheria) Director DIN: 02123028	(Kamal Verma) Company Secretary
Date: 29.05.2010			

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	34	CEO	79,05,096/-	Commerce Graduate, MBA (IIM-A)	9	21.01.2008	Managing the Company including marketing, sales, planning etc.	Reebok India Ltd, Director (Sales & Retail) 1999-2008
Supratim Choudhury	35	General Manager	18,77,582/-	B. Tech, PGP - NIFT	15	06.03.2009	Management of all design	GM – Indian Terrain, 2005 to March 2009

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 Ltd.

AUDITORS' REPORT

To the Share Holders of M/S LERROS FASHIONS INDIA LIMITED (Formerly known as Lerros Fashions India Private Ltd.)

We have audited the attached Balance sheet of M/S LERROS FASHIONS INDIA LIMITED (Formerly known as Lerros Fashions India Private Ltd.), as at 31st March, 2010, Profit & Loss Account and also the cash flow statement for 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 have 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 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, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 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, 2010;
 - ii) in the case of the Profit & Loss Account, of the Loss for the year ended on that date;
 - 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
Regn. No. 01478N

(**SANDEEP DINODIA**)
PARTNER
M. NO. 083689

PLACE: NEW DELHI
DATED: 29.05.2010

ANNEXURE TO THE AUDITORS' REPORT

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

RE: M/s. Lerros Fashions India Ltd. (Formerly Known as Lerros Fashions India Private Ltd.)

- i) a. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets which still need updation.
- b. As explained to us, physical verification of a major portion of fixed assets as at 31st March 2010 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. In our opinion, the frequency of physical verification followed by the management is reasonable.
- 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(iii) 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) In our opinion, the company has an internal audit system which needs to be strengthened so as to commensurate with the nature and size of the 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 generally regular in depositing with appropriate authorities undisputed applicable statutory dues including income tax, wealth tax and other statutory dues except for 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 Statue	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
Employee State Insurance Act, 1948	ESI	20,520 (approx.)	2010-10	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, 2010.
- 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 2010, 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 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) 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 and according to the information and explanation given to us during the year, we have neither come across any instance of fraud on or by the Company, noticed or reported nor have we been informed of such case by the management.

For **S.R. DINODIA & CO.,**
CHARTERED ACCOUNTANTS
Regn. No. 01478N

(**SANDEEP DINODIA**)
PARTNER
M. NO. 083689

PLACE: NEW DELHI
DATED: 29.05.2010





Lerros Fashions India Ltd.

BALANCE SHEET AS AT 31ST MARCH, 2010

PARTICULARS	SCH	(Amount in Rs.)	
		AS AT MARCH 31, 2010	AS AT MARCH 31, 2009
SOURCES OF FUNDS			
Shareholder's Funds			
Share Capital	1	261,975,900	69,800,000
Share Application			
Money-Pending allotment		32,500,000	71,500,000
		<u>294,475,900</u>	<u>141,300,000</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	2	21,407,863	12,903,092
Less :-Depreciation		8,043,537	1,184,958
Net Block of Fixed Assets		<u>13,364,326</u>	<u>11,718,133</u>
Capital Work In Progress		—	55,132
Deferred Tax Asset	3	46,975,850	17,773,265
Current Assets,Loans & Advances			
Inventories	4	27,482,063	25,547,071
Sundry Debtors	5	80,550,610	27,332,343
Cash & Bank Balances	6	858,750	4,361,822
Loans & Advances	7	46,264,725	40,843,573
		<u>155,156,148</u>	<u>98,084,808</u>
Current Liabilities & Provisions			
Current Liabilities	8	44,228,996	38,285,361
Provisions	9	459,937	370,101
		<u>44,688,933</u>	<u>38,655,462</u>
Net Current Assets		<u>110,467,215</u>	<u>59,429,347</u>
Profit & Loss A/c		<u>123,668,509</u>	<u>52,291,951</u>
		<u>294,475,900</u>	<u>141,300,000</u>
Significant Accounting Policies	13		
Notes To Account	14		

As per our report of even date attached On behalf of the board

For S.R. Dinodia & Co.,
Chartered Accountants
Regn. No. 001478N

(Sandeep Dinodia)
Partner
M. No. 83689

(Pulkit Seth)
Director
DIN 00003044

(Payel Seth)
Director
DIN 00003035

Place : New Delhi
Dated: 29.05.2010

(Kamal Verma)
Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

PARTICULARS	SCH	(Amount in Rs.)	
		CURRENT YEAR	PREVIOUS YEAR
INCOME			
Sales		144,869,327	69,947,600
Other Income	10	5,911,363	276,123
		<u>150,780,691</u>	<u>70,223,723</u>
EXPENDITURE			
Cost of Goods Traded	11	77,870,532	32,634,984
Administrative, Selling & Other Expenses	12	166,574,251	103,633,014
Depreciation	2	6,882,878	1,184,958
		<u>251,327,661</u>	<u>137,452,956</u>
PROFIT/(LOSS) BEFORE TAXATION AND ADJUSTMENTS:		(100,546,971)	(67,229,234)
Provision for Deferred Tax		29,170,413	17,009,436
Provision for Fringe Benefit Tax		—	(280,000)
Prior Period Adjustment		—	(3,603,853)
Loss for the year		(71,376,557)	(50,499,798)
Loss Brought Forward		(52,291,951)	(1,792,153)
Balance carried to balance sheet		<u>(123,668,509)</u>	<u>(52,291,951)</u>
Earning per share (Rs.)			
Basic		(8.79)	(480.14)
Diluted		(8.79)	(480.14)
(Refer note no.7 of Schedule 14)			
Significant Accounting Policies	13		
Notes To Account	14		

As per our report of even date attached On behalf of the board

For S.R. Dinodia & Co.,
Chartered Accountants
Regn. No. 001478N

(Sandeep Dinodia)
Partner
M. No. 83689

(Pulkit Seth)
Director
DIN 00003044

(Payel Seth)
Director
DIN 00003035

Place : New Delhi
Dated: 29.05.2010

(Kamal Verma)
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

	(Amount in Rupees)	
	Year Ended 31.03.2010	Year Ended 31.03.2009
A. Net Profit Before Tax and Exceptional Items	(100,546,971)	(67,229,234)
Adjustments :		
Depreciation	6,882,878	1,184,958
Prior Period Expenses	—	(3,603,853)
Loss on sale of Fixed assets	299,219	-
Operating Profit/(loss) before working capital changes	(93,364,874)	(69,648,129)
Adjustments for :		
Trade and Other Receivables	(53,218,267)	(27,332,343)
Loans & Advances	(4,839,320)	(39,023,802)
Inventories	(1,934,992)	(25,547,071)
Trade Payables	6,033,471	37,710,071
Cash Generated from operations	(147,323,981)	(123,841,273)
Direct Taxes (Paid)/ Refunds	(581,832)	(212,353)
Add/(Less):-Prior Period Adjustments	—	3,603,853
Net Cash Generated / (used) in operating Activities	(147,905,813)	(120,449,773)
B. Cash Flow from Investing Operations:		
(Purchase)/Sale of Fixed Assets	(8,773,158)	(12,958,224)
Cash from investing activities	(8,773,158)	(12,958,224)

C. Cash Flow from Financing Activities

Net Proceeds from issue of Share Capital	192,175,900	68,800,000
Net Proceeds from issue Share Application	(39,000,000)	51,600,000
Loans taken-short term	—	(34,900)
Net cash Generated/(used) in financing activities	153,175,900	120,365,100
Increase in Cash/Cash equivalents(A+B+C)	(3,503,072)	(13,042,897)
Net Increase in Cash/Cash equivalents(A+B+C)	(3,503,072)	(13,042,897)
Cash / Cash equivalents at the beginning of the year	4,361,822	17,404,719
Cash / Cash equivalents at the close of the year	858,750	4,361,822
Components of Cash and Cash equivalents		
Cash and Cheques on hand	22,750	38,398
Balances with Scheduled Banks		
i) In Current Accounts	—	1,783,424
ii) In Fixed Deposits	836,000	2,540,000
	858,750	4,361,822

As per our report of even date attached On behalf of the board

For S.R. Dinodia & Co.,
Chartered Accountants
Regn. No. 001478N

(Sandeep Dinodia)
Partner
M. No. 83689

(Pulkit Seth)
Director
DIN 00003044

(Payel Seth)
Director
DIN 00003035

Place : New Delhi
Dated: 29.05.2010

(Kamal Verma)
Company Secretary





Lerros Fashions India Ltd.

SCHEDULES FORMING PART OF THE BALANCE SHEET

	(Amount In Rs.)	
	AS AT MARCH 31, 2010	AS AT MARCH 31, 2009
SCHEDULE-1		
SHARE CAPITAL		
Authorised		
22,500,000 (Previous Year: 10,000,000)		
Equity Shares of Rs. 10/- each	225,000,000	100,000,000
75,00,000 (Previous Year: 10,000,000) 10.50%		
Non- Cumulative Redeemable	75,000,000	100,000,000
Preference Shares of Rs. 10/- each		
	<u>300,000,000</u>	<u>200,000,000</u>
Issued, Subscribed and Fully Paid Up		
22,207,590 (Previous Year: 1,990,000)		
Equity Shares of Rs. 10/- Each*	222,075,900	19,900,000
3,990,000 (Previous Year: 4,990,000) 10.50%		
Non- cumulative Redeemable	39,900,000	49,900,000
Preference shares of Rs. 10/- Each**		
	<u>261,975,900</u>	<u>69,800,000</u>

Notes:

- (a) Out of the above 13,224,554 (Previous Year 18,90,000) Equity shares of Rs. 10 each and 39,900,000 (Previous year 49,900,000) 10.5% Non-cumulative Redeemable Preference shares of Rs. 10 each are held by the Holding Company M/s House Of Pearl Fashions Limited.
- (b) During the year, 1,000,000 10.5% Non- Cumulative Redeemable Preference Shares are redeemed.
- (c) The remaining Preference Shares are redeemable as per terms mentioned in Note No. 12 of Schedule 14.

SCHEDULES FORMING PART OF THE BALANCE SHEET

	(Amount In Rs.)	
	AS AT MARCH 31, 2010	AS AT MARCH 31, 2009
SCHEDULE- 3		
DEFERRED TAX ASSET (NET)		
Opening Deferred Tax Assets	17,805,437	796,001
Add: Asset/(Liability) accrued for the year (Refer Note No.9 Of Schedule 14)	29,170,413	17,009,436
	<u>46,975,850</u>	<u>17,805,437</u>
SCHEDULE- 4		
INVENTORIES		
(As taken, valued and certified by the management)		
Stock in trade	24,745,992	19,351,011
Goods in Transit	2,736,071	6,196,060
	<u>27,482,063</u>	<u>25,547,071</u>
SCHEDULE- 5		
SUNDRY DEBTORS		
(Unsecured-Considered Good unless otherwise stated)		
Over Six months	11,599,044	—
Others	68,951,566	27,332,343
	<u>80,550,610</u>	<u>27,332,343</u>
SCHEDULE- 6		
CASH & BANK BALANCES		
Cash in hand	22,750	38,398
Balance with scheduled Bank	—	1,783,424
(i) In Current Account	836,000	2,540,000
(ii) Fixed Deposits with Axis Bank *		
	<u>858,750</u>	<u>4,361,822</u>

*Pledge Rs. 1,90,000 during the year on account of Sales tax guarantee(Previous Year: Rs. 1,90,000)
*Rs 646,000/- pledged for margin of LC
(Previous Year: Rs.24,50,000)

**SCHEDULE-2
FIXED ASSETS**

PARTICULARS	(Amount in Rs.)									
	GROSS BLOCK				DEPRECIATION			NET BLOCK		
	AS ON 01-04-2009	ADDITIONS	DEDUCTIONS	TOTAL 3/31/2010	AS ON 01-04-2009	ADDITIONS	DEDUCTION	UP TO 3/31/2010	AS ON 3/31/2010	AS ON 3/31/2009
TANGIBLE ASSETS										
Leasehold Improvements	6,355,452	7,019,898	—	13,375,350	523,907	5,763,218	—	6,287,125	7,088,225	5,831,545
Plant & Machinery	1,003,496	45,800	—	1,049,296	27,469	48,770	—	76,239	973,057	976,027
Computer	1,470,129	555,250	118,670	1,906,709	166,926	272,212	17,563	421,575	1,485,134	1,303,203
Furniture & Fittings	1,024,487	215,586	35,968	1,204,105	214,012	130,689	1,772	342,928	861,177	810,476
Office Equipments	218,184	489,891	168,880	539,195	16,829	34,384	4,964	46,249	492,946	201,355
INTANGIBLE ASSETS										
Software	2,831,344	—	—	2,831,344	235,816	566,269	—	802,085	2,029,259	2,595,528
Website	—	501,865	—	501,865	—	67,337	—	67,337	434,528	—
TOTAL	12,903,092	8,828,290	323,518	21,407,864	1,184,958	6,882,878	24,299	8,043,538	13,364,327	11,718,133
Capital Work-in -Progress	55,132	—	55,132	—	—	—	—	—	—	55,132
Grand Total	12,958,224	8,828,290	378,650	21,407,864	1,184,958	6,882,878	24,299	8,043,538	13,364,327	11,773,265
Previous Year		12,958,224	—	12,958,224	—	1,184,958	—	1,184,958	—	11,773,265

Note: Capital Work-in -Progress includes Capital Advances Rs. NIL (Previous Year: Rs. 55,122)

	(Amount In Rs.)	
	AS AT MARCH 31, 2010	AS AT MARCH 31, 2009
SCHEDULE- 7		
LOANS & ADVANCES		
(Unsecured - Considered Good)		
Loans to Employees	—	14,585
Advances recoverable in cash or kind or for value to be received	2,021,702	360,424
Security Deposit	43,740,938	40,468,564
Advance Tax	502,085	—
Net of Provision of Rs.292,100 (Previous Year Rs.292,100)	<u>46,264,725</u>	<u>40,843,573</u>
SCHEDULE- 8		
CURRENT LIABILITIES		
Sundry Creditors - others	—	—
- Due to Micro,small and medium scale Enterprises (Refer Note No.11 of Schedule 14)	—	—
- Others	29,582,216	29,627,724
Other Liabilities*	14,646,780	8,657,637
	<u>44,228,996</u>	<u>38,285,361</u>
*It does not include any amount due to Investor Education & Protection Fund		
SCHEDULE-9		
PROVISIONS		
Leave Encashment	257,511	143,676
Gratuity	202,426	146,678
Fringe Benefit Tax	—	79,747
	<u>459,937</u>	<u>370,101</u>





Lerros Fashions India Ltd.

	CURRENT YEAR	PREVIOUS YEAR
SCHEDULE-10		
OTHER INCOME		
Interest on Fixed Deposit Tds:Rs17,332 (Previous Year:Rs12,253/-)	139,618	60,258
Miscellaneous Income	54,757	16,203
Rental Income	3,500,000	—
Tds:Rs 437,500 (Previous Year:Rs NIL)		
Income from Foreign Ex-fluctuation	2,216,988	—
	<u>5,911,363</u>	<u>76,461</u>

	CURRENT YEAR	PREVIOUS YEAR
SCHEDULE-11		
COST OF GOODS TRADED		
Opening Stock	19,351,011	—
Add :-Purchases	83,265,513	55,589,580
Less :- Closing Stock	24,745,992	9,351,011
	<u>77,870,532</u>	<u>32,634,984</u>

	CURRENT YEAR	PREVIOUS YEAR
SCHEDULE-12		
ADMINISTRATIVE,SELLING & OTHER EXPENSES		
Rent	52,561,504	32,867,406
Rates & Taxes	668,080	1,185,294
Salaries & Other benefits to staff	20,569,147	15,643,376
Staff Welfare Expenses	348,527	187,739
Repairs		
-Others	1,296,756	757,488
Insurance	77,211	30,368
Licence fees	478,547	-
Commission & Brokerage	922,481	2,212,043
Electricity & Water Expenses	277,622	196,715
Legal & Professional Expenses	2,518,486	159,203
Communication Expenses	733,826	306,076
Printing & Stationery	271,914	125,322
Auditor's Remuneration	60,665	27,575
Travelling & Conveyance	4,207,608	2,323,889
Security Expenses	570,778	403,824
Selling & marketing Expenses	74,100,184	40,216,831
Stores Maintenance	5,993,461	2,191,217
Foreign Exchange Fluctuation	—	1,037,778
Loss on Sale of Fixed Assets	299,219	—
Miscellaneous Expenses	618,235	177,316
	<u>166,574,251</u>	<u>100,049,460</u>

SCHEDULE - 13
SIGNIFICANT ACCOUNTING POLICIES

- Accounting Convention**
The financial statements have been prepared to comply with the mandatory Accounting Standards 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.
- 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.
- Inventories**
Inventories of traded goods are valued at lower of procurement cost calculated on FIFO basis or estimated net realizable value.
- Cash Flow Statement**
Cash flows are reported using the indirect method as specified in Accounting Standard (AS-3) 'Cash Flow Statement'.
- 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 and Website are amortized over the period of 5 years which in the opinion of management is their estimated economic life.
- Leasehold Improvements are amortized over the period of Lease.

- Revenue Recognition**
 - Revenue is recognized on accrual basis on transfer of risk and reward to the customers. Sales of goods to distributors, franchisees and dealers are recognized on door delivery basis which coincides with transfer of risk and reward as per the agreements with the customers. Sale of goods at own/rented outlets are recognized on the basis of delivery of goods to the customers. Sales are accounted net of sales returns, sales tax and trade discounts.
 - Interest income is recognized on time proportion basis.

- 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.

- Foreign Currency Transactions**
The transactions in foreign currency are accounted for at the rate prevailing as on the transaction date. Gain/(Loss) arising out of fluctuation in rate between transaction date and settlement date are recognized in the profit and loss account.

The monetary items denominated in the foreign currency are stated at the exchange rate prevailing at the year end and the overall net gain/(loss) is adjusted to the profit and loss account.

- Employee's Benefit**
Expenses and Liabilities in respect of employee benefits are recorded in accordance with Revised Accounting Standard 15 – Employees Benefits (Revised 2005).

- 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 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.

- 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.

- 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 19.

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.

- Rental Income from the assets leased out under operating lease is recognized on accrual basis over the lease term.

- 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.

- 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 to Account. Contingent assets are neither recognized nor disclosed in the financial statements.

- 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.





Lerros Fashions India Ltd.

**SCHEDULE- 14
NOTES TO ACCOUNT****1. Contingent Liabilities**

The contingent liability of Lerros Fashions India Limited is Rs. 427,894 (Previous Year: Rs. 2,204,648) in respect of letters of credit outstanding.

2. Amount due from companies/ firms in which directors are interested are given as under:

(Amount in Rs.)

Advances Given	Current Year	Previous Year
Pearl Academy of Fashions		
Maximum balance outstanding during the year Rs.216,188/- (P.Y. 60,000/-)	-	-
Little People Education Society		
Maximum balance outstanding during the year Rs.29,700/- (P.Y. NIL)	-	-

3. Payment to Auditors (Amount in Rs.)

Particulars	Current Year	Previous Year
Statutory Audit Fee	35,000	15,000
Tax Audit Fee	20,000	10,000
Other Matters	32,000	-
Service Tax	8,961	2,575
Total	95,961	27,575

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.

The company recognized Rs 57,320/- (Previous Year NIL) for provident fund contribution in the profit and loss account. 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

	Gratuity (Unfunded) 2009-10	Earned leave (Unfunded) 2009-10	Gratuity (Unfunded) 2008-09	Earned leave (Unfunded) 2008-09
Defined benefit obligations at beginning of the year	146,678	143,676	39,630	32,520
Interest Cost	11,734	11,494	3,170	2,602
Current Service Cost	132,440	165,209	1,37,779	1,34,800
Benefits paid	—	(602,713)	—	—
(Gain) / Loss	(88,426)	539,845	(33,901)	(26,246)
Defined benefit obligations at year end	202,426	257,511	146,678	143,676

(b) Reconciliation of fair value of assets and obligations

Fair Value of plan assets at 31 st March 2010	—	—	—	—
Present Value of Obligation as at 31 st March 2010	202,426	257,511	146,678	143,676
Net assets/(liability) recognized in balance sheet	(202,426)	(257,511)	(146,678)	(143,676)

(c) Expenses recognized during the year

Current Service Cost	132,440	165,209	137,779	134,800
Interest Cost	11,734	11,494	3,170	2,602
Actuarial (Gain)/Loss	(88,426)	539,845	(33,901)	(26,246)
Net Cost	55,748	716,548	107,048	111,156

	Gratuity (Unfunded) 2009-10	Earned leave (Unfunded) 2009-10	Gratuity (Unfunded) 2008-09	Earned leave (Unfunded) 2008-09
--	-----------------------------	---------------------------------	-----------------------------	---------------------------------

(d) Actuarial Assumptions

Discount Rate (per annum)	8%	8%	8%	8%
Future increase in compensation	5%	5%	5%	5%
Expected rate of return on plan assets	—	—	—	—
In Service Mortality	LIC (1994-96) duly modified	LIC (1994-96) duly modified	LIC (1994-96) duly modified	LIC (1994-96) duly modified
Retirement age	58 Years	58 Years	58 Years	58 Years
Withdrawal rates				
-Upto 30 Years	3%	3%	3%	3%
-Upto 44 Years	2%	2%	2%	2%
-Above 44 Years	1%	1%	1%	1%

5. Related Party Disclosure**(i) Related party disclosure as required under Accounting Standard 18- Related Parties is given below:****a) Holding Company:****Domestic**

House of Pearl Fashions Limited India

b) Fellow Subsidiaries:**Domestic**

Pearl Global Limited India

M/s.HOPP Fashion India

Overseas

Multinational Textile 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

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**

Aries Travels Pvt Limited India

Nim International Commerce Pvt Limited India

Pearl Retail Solutions Pvt Limited India

Crown Computerized Embroideries India

Vastras India

Pearl Wear India

Little People Education Society India

Pearl Academy of Fashion India Limited. India

Hopp Fashions India

Deepak Seth & Sons India

Vau Apparels Pvt. Ltd India

Overseas

Pallas Holdings Ltd Mauritius

J S M Trading Mauritius

SACB Holdings Ltd Dubai

Transnational Textile Group Limited Mauritius

Lerros Moden GMBH Germany

FX Imports Hongkong Limited, Hongkong





Lerros Fashions India Ltd.

NAFS Limited	UK
Premier Pearl Garment Joint Stock Co. Limited	Vietnam
PAF International Limited	Bangladesh
Pearl Global (Australia) Pty.Limited	Australia
Pearl Global (HK) Limited	Hongkong

d) Key Management Personnel:

Mr. Pulkit Seth
Mrs. Payal Seth

(II) The following transactions were carried out with related parties in the ordinary course of business:

i) Holding Company (Amount in Rs.)

Particulars	Current Year	Previous Year
Share Application money received	96,500,000	141,300,000
Share Application money refunded	32,500,000	1,000,000
Transfer to Share Application money	345,540	—
Equity Share Capital allotted	113,345,540	18,900,000
Preference Share Capital allotted	—	49,900,000
Preference Share Capital redeemed	10,000,000	—
Advances given	—	42,970
Expenses reimbursed on behalf	—	3,644,854
Services Provided	2,152,928	—
Closing Balance as on 31st March 2010		
Share Application Received	32,500,000	71,500,000
Other Liabilities	—	3,601,884

ii) Fellow Subsidiary

Particulars	Current Year	Previous Year
Purchases of Goods	340,856	1,269,988
Expenses Reimbursed on behalf	208,812	30,508
Gift Vouchers Given	-	79,250
Sale of Garments	13,255	-
Closing Balance as on 31st March 2010		
Other Liabilities	545,620	59,500

iii) Associates (Amount in Rs.)

Particulars	Current Year	Previous Year
Purchase of Goods	5,219,717	9,780,163
Services Received	300,088	90,000
Closing Balance as on 31st March 2010		
Creditors	2,457,404	1,334,126

iv) Key Management Personnel (Amount in Rs.)

Particulars	Current Year	Previous Year
Gift Vouchers	-	20,000
Expenses Reimbursed on behalf	4,895	-

(III) Disclosure of Related Parties having more than 10% interest in each transaction in the ordinary course of business

i) Holding Company (House of Pearl Fashions Limited) (Amount in Rs.)

Particulars	Current Year	Previous Year
Share Application money received	96,500,000	141,300,000
Share Application money refunded	32,500,000	1,000,000
Transfer to Share Application money	345,540	-
Equity Share Capital allotted	113,345,540	18,900,000
Preference Share Capital allotted	-	49,900,000
Preference Share Capital redeemed	10,000,000	-
Advances given	-	42,970
Expenses reimbursed on behalf	-	3,644,854
Services Provided	2,152,928	-

ii) Fellow Subsidiary (Amount in Rs.)

Particulars	Current Year	Previous Year
Purchases of Goods - Pearl Global Limited	340,856	1,268,488

Expenses Reimbursed on behalf - Pearl Global Limited	208,812	30,508
Gift Vouchers Given - Pearl Global Limited	-	79,250
Sale of Garments - Pearl Global Limited	13,255	-

iii) Associates (Amount in Rs.)

Particulars	Current Year	Previous Year
Purchase of Goods - Lerros Moden GmbH	5,219,717	9,776,003
Services Received - Pearl Academy of Fashions	270,088	60,000
Services Received - Little People Education Society	-	30,000

6. Leases

(a) Assets taken on Lease

The company has taken certain assets on non-cancelable operating lease and lease rent amounting to Rs. 52,561,504/- (Previous Year Rs. 32,867,406/-) 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 Year
(i)	Not later than in 1 year	58,684,427	42,039,099
(ii)	Later than 1 year but not later than 5 years	226,320,734	79,968,199
(iii)	Later than 5 years	66,383,644	46,712,938
	Total	351,388,805	168,720,236

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
GVK Mall, Hyderabad	6 Years	No	15% after every three years	No	No
South Extn Part-1, New Delhi	6 Years	No	20% after every three years	No	Yes

(b) Assets given on Lease

The company has given certain assets on non-cancellable operating lease during the year and lease rent amounting to Rs. 3,500,000/- (Previous Year Nil) and has been credited to Profit & Loss account.



**7. Earning per share**

The numerator and denominators used to calculate Basic and Diluted Earning per Share:

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Profit/(Loss) attributable to the equity shareholders	(71,376,557)	(50,499,798)
Basic/weighted average no. of equity shares outstanding during the period	8,117,826	105,178
Nominal value of Equity shares	10	10
Basic/Dilutive Earning per share (Rs.)	(8.79)	(480.14)

8. Additional Information pursuant to the provisions of Part-II of Schedule VI of the Companies Act, 1956**a) Breakup of Sales**

Class of Goods	Unit	Current Year		Previous Year	
		Qty.	Amount (Rs.)	Qty.	Amount (Rs.)
Readymade Garments -Traded	Pcs.	136,420	139,240,681	(49,259)	(68,043,839)
Readymade Accessories -Traded	Pcs.	1,960	878,087	(1,352)	(828,232)
Others -Traded	Pcs.	39,559	4,750,559	(26,154)	(1,075,529)
TOTAL		177,939*	144,869,327	(76,765)*	(69,947,600)

* Includes shortage of 107 Pieces (Previous year 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.)
Ready-made Garments	Pcs	32,812 (-)	17,324,883 (-)	144,908 (82,071)	75,879,012 (47,273,559)	41,300 (32,812)	22,317,590 (17,324,883)
Ready-made Accessories	Pcs	382 (-)	125,509 (-)	3,645 (1,734)	1,256,621 (603,691)	2,067 (382)	630,938 (125,509)
Others	Pcs	23,264 (-)	1,900,619 (-)	43,134 (49,418)	6,129,880 (4,108,746)	26,839 (23,264)	1,797,464 (1,900,619)
TOTAL	Pcs	56,458 (-)	19,351,011 (-)	191,687 (133,223)	83,265,513 (51,985,996)	70,206 (56,458)	24,745,992 (19,351,011)

Amounts in bracket denotes previous year figures.

c) Value of Imports on C.I.F. basis**(Amount in Rs.)**

Particulars	Current Year	Previous Year
Readymade Garments & Others	40,408,970	35,307,811
Total	40,408,970	35,307,811

d) Expenditure in Foreign Currency**(Amount in Rs.)**

Particulars	Current Year	Previous Year
Foreign Travelling	214,052	220,259
Total	214,052	220,259

9. In view of Accounting Standard-"22" 'Accounting for Taxes on Income' as issued by the Companies (Accounting Standards) Rules, 2006, the company has accounted for deferred tax as follows:

(Amount in Rs.)

Particulars	Balance as at 01.04.2009	Expenses/ Savings during the year	Balance as at 31.03.2010
Deferred Tax Asset			
Unabsorbed Depreciation	753,409	2,188,229	2,941,638
Unabsorbed losses	17,340,295	27,001,801	44,342,097
Others	98,990	49,311	148,301
Total (A)	18,192,694	29,239,341	47,432,035
Deferred Tax Liabilities			
Depreciation	387,257	68,928	456,185
Total (B)	387,257	68,928	456,185
Net Deferred Tax			
Asset/(Liability) (A)-(B)	17,805,437	29,170,413	46,975,850

Note: 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.

10. 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 in the Balance Sheet as at 31st March, 2010.

11. 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.

12. Terms of Redemption

Type	No. of Shares	Date of Issue	Terms of Redemption
10.5% Redeemable Preference Shares	500,000	29-04-08	16-01-2010
10.5% Redeemable Preference Shares	500,000	07-05-08	16-01-2010
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.

Note: 1,000,000 Preference shares were redeemed and subsequently 1,000,000 fully paid Equity Shares were allotted on 16-01-2010.

13. Lerros Fashions India Private Limited was originally incorporated as a Private Limited company on 30.03.2007 under the Companies Act,1956 (No. 1 of 1956) as Wear International Retail Private Limited and became a subsidiary of Public company namely House of Pearl Fashions Limited with effect from 31st March, 2009. However, during the current year, the company has changed its status from private limited company to public limited company vide fresh Certificate of Incorporation issued by Registrar of Companies, National Capital Territory of Delhi and Haryana dated 02nd December 2009 and Corporate Identity Number: U74900DL2007PLC161396.

14. There is no reportable segment of the Company in view of the Accounting Standard-17 "Segment Reporting" as issued by the Companies (Accounting Standard) Rules, 2006.

15. Previous year figures have been re-grouped/ re-casted wherever necessary.

Signature to schedule 1 to 13

On behalf of the Board

(Pulkit Seth) Director DIN 00003044	(Payal Seth) Director DIN 00003035	(Kamal Verma) Company Secretary
--	---	---





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 2010.

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 (2009: 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

Director

Date: 24 May 2010

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholder of House of Pearl Fashions (US) Ltd.

We have audited the accompanying balance sheet of House of Pearl Fashions (US) Ltd. (the "Company") as of March 31, 2010, and the related statements of comprehensive income, changes in shareholders' (deficit) 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, 2009, were audited by other auditors whose report dated May 28, 2009 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 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 2010 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, 2010, and the results of its operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards.

Sd/
New York, NY
May 24, 2010

BALANCE SHEETS

March 31, 2010 and 2009

	Note	2010	2009
Assets			
Non-current assets			
Property and equipment, net	5	\$ 41,993	\$ 54,234
Other non-current assets	6	43,167	43,167
Total non-current assets		85,160	97,401
Current assets			
Inventory		3,746,458	843,692
Trade and other receivables	7,17,18,19	844,404	4,078,800
Other current assets	8, 19	66,054	63,310
Cash		426,503	585,840
Total current assets		5,083,419	5,571,642
Total assets		\$ 5,168,579	\$ 5,669,043
Equity			
Share capital	9	\$ 810,000	\$ 810,000
Accumulated deficit		(893,045)	(665,842)
Total (deficit) equity		(83,045)	144,158
Liabilities			
Non-current liabilities			
Loans	10,17,18	400,000	400,000
Total non-current liabilities		400,000	400,000
Current liabilities			
Trade and other payables	11,17,18	4,851,624	5,123,633
Income tax liabilities		—	1,252
Total current liabilities		4,851,624	5,124,885
Total liabilities		5,251,624	5,524,885
Total equity and liabilities		\$ 5,168,579	\$ 5,669,043

STATEMENTS OF COMPREHENSIVE INCOME

Years Ended March 31, 2010 and 2009

	Note	2010	2009
Net sales	17	\$ 19,660,346	\$ 15,537,994
Cost of sales	17,20	17,041,404	13,481,739
Gross profit		2,618,942	2,056,255
Distribution expenses	17,21	1,527,035	1,185,745
Administrative expenses	17,22	1,705,319	1,413,126
Other income	12, 17	(620,565)	(292,078)
Operating income (loss)		7,153	(250,538)
Finance income	13,17	5,473	499
Finance expenses	14	(239,829)	(101,075)
Loss before income taxes		(227,203)	(351,114)
Income taxes	15	—	1,532
Net loss		\$ (227,203)	\$ (352,646)

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY (DEFICIT)

Years Ended March 31, 2010 and 2009

	Note	Share Capital	Accumulated Deficit	Total
Balance - April 1, 2008	9	\$ 595,000	\$ (313,196)	\$ 281,804
Capital contributions		215,000	—	215,000
Net loss		—	(352,646)	(352,646)
Balance - March 31, 2009	9	810,000	(665,842)	144,158
Net loss		—	(227,203)	(227,203)
Balance - March 31, 2010	9	\$ 810,000	\$ (893,045)	\$ (83,045)





House of Pearl Fashions (US) Ltd.

STATEMENTS OF CASH FLOWS

Years Ended March 31, 2010 and 2009

	Note	2010	2009
Cash flows from operating activities			
Loss before income tax		\$ (227,203)	\$ (351,114)
Adjustment for non-cash items:			
Depreciation and amortization	5	12,241	9,489
Add finance expense	14	239,829	101,075
Deduct finance income	13, 17	(5,473)	(499)
Working capital adjustments			
Change in trade and other receivables	7, 17, 18, 19	3,226,728	(3,715,647)
Change in inventory		(2,902,766)	(843,692)
Change in other current assets		(518)	(41,656)
Change in non-current assets	8	—	(23,869)
Change in trade and other payables	6, 11, 18	(340,592)	4,414,445
Cash generated from operations		2,246	(451,468)
Finance expenses paid	14	(239,829)	(101,075)
Finance income received	13, 17	5,473	499
Income tax paid	15	(3,478)	(2,350)
Net cash used in operating activities		(235,588)	(554,394)
Cash flows from investing activities			
Acquisition of equipment	5	—	(44,357)
Due from affiliates	7, 17	7,668	(64,341)
Net cash provided by (used in) investing activities		7,668	(108,698)
Cash flows provided by financing activities			
Proceeds from loans	11	—	501,921
Due to affiliates	11	68,583	432,207
Capital contributions		—	215,000
Net cash provided by financing activities		68,583	1,149,128
Change in cash		(159,337)	486,036
Cash at beginning of year		585,840	99,804
Cash at end of year		\$ 426,503	\$ 585,840

NOTES TO FINANCIAL STATEMENTS

Years Ended March 31, 2010 and 2009

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 in the United States of America on August 1, 2006. The address of its registered office is 300-2 Route 17 South, Unit E, Lodi, New Jersey 07644. The Company is a subsidiary of House of Pearl Fashions Ltd.

These financial statements were authorized for issue by the board of directors on May 24, 2010.

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

The financial statements of the Company have been prepared on the historical cost basis and are presented in U.S. dollars, which is the Company's functional and presentation currency under International Financial Reporting Standards (IFRS).

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These standards comprise:

1. International Financial Reporting Standards (IFRS).
2. International Accounting Standards (IAS).
3. Interpretations issued by the IFRIC and by the SIC.

Changes in accounting policies in view of the adoption of new standards:**IAS 1 (Revised) - Presentation of Financial Statements:**

Pursuant to a revision to IAS 1 (Revised) (effective for periods beginning on or after January 1, 2009), an additional separate statement, "statement of comprehensive income", may be presented and display net income taken from the statement of income

and all items carried in the reported period to equity that do not result from transactions with the Shareholders in their capacity as shareholders (other comprehensive income (loss)). Alternatively, the items of other comprehensive income may be displayed along with the items of the statement of income in a single statement entitled "statement of comprehensive income" which replaces the statement of income. Items carried to equity resulting from transactions with the shareholders in their capacity as shareholders (such as capital issues, dividend distribution etc.) will be disclosed in the statement of changes in shareholders' equity as will the summary line carried forward from the statement of comprehensive income. The revision was adopted on January 1, 2009 with a retrospective restatement of comparative figures.

Estimates

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of income and expenses. Actual results may differ from these estimates.

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.

Cash

The Company maintains cash balances at one bank which exceeds federally-insured limits from time to time. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Replacement 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.

Inventory

Inventory, which consists of finished goods, is 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.

The Company writes down inventory to net realizable value, through the use of an allowance account, whenever the net realizable value of inventory becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount of inventory is expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the balance sheet date to the extent that such events confirm conditions existing at the balance sheet date. The allowance account is reviewed on a regular basis to reflect the accurate valuation in the financial records.

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 management's assessment of the collectibility of specific customer accounts and the aging of the trade receivables.

Other Receivables

Other 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.

Impairment

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





House of Pearl Fashions (US) Ltd.

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 comprehensive income.

Loans

Loans are stated at their repayment amounts. Loans 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. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded.

For sale of goods, revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is normally upon delivery.

Leases

Payments made under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

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 taxes are recognized based on the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled.

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.

3. Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

Credit and Liquidity Risk

Financial instruments that potentially subject the Company to concentrations of credit and liquidity risk consist of cash and trade and other 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.

The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments:

	March 31, 2010			
	On Demand	Less than 30 days	More than 30 days	Total
Trade and other payables	\$ 4,851,624	\$ —	\$ —	\$ 4,851,624
Loans from shareholder	—	—	400,000	400,000
	<u>\$ 4,851,624</u>	<u>\$ —</u>	<u>\$ 400,000</u>	<u>\$ 5,251,624</u>
March 31, 2009				
Trade and other payables	\$ 5,123,633	\$ —	\$ —	\$ 5,123,633
Income tax liabilities	—	1252	—	1252
Loans from shareholder	—	—	400,000	400,000
	<u>\$ 5,123,633</u>	<u>\$ 1,252</u>	<u>\$ 400,000</u>	<u>\$ 5,524,885</u>

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 and other receivables and trade payables approximate their fair values due to the short-term maturities of these instruments.

4. Capital Management

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

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payments, pay-off existing debts, return capital to shareholders or issue new shares.

5. Property and Equipment

Property and equipment consisted of the following at March 31.:

	Furniture and Fixtures	Equipment	Leasehold Improvements	Total
Cost				
April 1, 2009	\$ 18,489	\$ 27,489	\$ 27,213	\$ 73,191
Additions during the year	—	—	—	—
March 31, 2010	<u>\$ 18,489</u>	<u>\$ 27,489</u>	<u>\$ 27,213</u>	<u>\$ 73,191</u>
Accumulated Depreciation				
April 1, 2009	\$ 6,533	\$ 11,342	\$ 1,082	\$ 18,957
Depreciation for the year	3,035	5,440	3,766	12,241
March 31, 2010	<u>\$ 9,568</u>	<u>\$ 16,782</u>	<u>\$ 4,848</u>	<u>\$ 31,198</u>
Net Book Value				
April 1, 2009	\$ 11,956	\$ 16,147	\$ 26,131	\$ 54,234
March 31, 2010	\$ 8,921	\$ 10,707	\$ 22,365	\$ 41,993
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	<u>\$ 18,489</u>	<u>\$ 27,489</u>	<u>\$ 27,213</u>	<u>\$ 73,191</u>
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	<u>\$ 6,533</u>	<u>\$ 11,342</u>	<u>\$ 1,082</u>	<u>\$ 18,957</u>
Net Book Value				
April 1, 2008	\$ 8,952	\$ 10,414	\$ —	\$ 19,366
March 31, 2009	\$ 11,956	\$ 16,147	\$ 26,131	\$ 54,234

6. Other Non-Current Assets

Other non-current assets consisted of the following:

	March 31,	
	2010	2009
Security deposits	<u>\$ 43,167</u>	<u>\$ 43,167</u>

7. Trade and Other Receivables

Trade and other receivables consisted of the following:

	March 31,	
	2010	2009
Due from factor	<u>\$ 499,666</u>	\$ 1,364,232
Trade receivables	<u>244,394</u>	2,546,239
Due from affiliates	<u>100,344</u>	108,012
Other receivables	<u>—</u>	60,317
	<u>\$ 844,404</u>	<u>\$ 4,078,800</u>

The Company has a factoring agreement wherein the factor purchases substantially all of the trade accounts receivable and assumes substantially all credit risks with respect to such accounts. At March 31, 2010, the Company did not assume any substantial customer credit risk. To the extent the Company draws on funds prior to the average maturity date of accounts receivable sold to the factor, the Company pays interest on such funds at the prime lending rate per annum (prime lending rate was 3.25% at March 31, 2010).





House of Pearl Fashions (US) Ltd.

The Company is contingently liable to the factor for merchandise disputes, customer's claims, etc., on receivables sold to the factor. The factor has a security interest in all of the Company's accounts receivable and other property.

At March 31, 2010 and 2009, due from affiliates are due on a demand basis, bearing no interest.

8. Other Current Assets

Other current assets consisted of the following:

	March 31,	
	2010	2009
Prepaid expenses	\$ 24,932	\$ 20,395
Advance payments to vendors	36,943	40,000
Other current assets	4,179	2,915
	\$ 66,054	\$ 63,310

9. Share Capital

Common shares consisted of the following:

	Par Value	Shares Authorized	Shares Issued	Amount
March 31, 2010	\$ —	200	100	\$ 810,000
March 31, 2009	\$ —	200	100	\$ 810,000

10. Loans

Loans consisted of the following:

	March 31,	
	2010	2009
Loans from shareholder	\$ 400,000	\$ 400,000

At March 31, 2010 and 2009, the loans from shareholder are due in more than one year and bear interest at 6% per annum. These loans have been subordinated to the factor. For the years ended March 31, 2010 and 2009, interest on these loans amounted to \$24,000 and \$12,847, respectively.

11. Trade and Other Payables

Trade and other payables consisted of the following:

	March 31,	
	2010	2009
Trade payables	\$1,739,061	\$4,435,193
Accrued expenses	62,426	73,363
Due to affiliates	3,050,137	513,156
Loans from officer	—	101,921
	\$4,851,624	\$5,123,633

At March 31, 2010 and 2009, due to affiliates are due on a demand basis. Of the total amount due, \$1,207,686 and \$237,030, respectively, bear interest at the prevailing market rate, as determined by management, which was 3.25%, per annum. For the years ended March 31, 2010 and 2009, interest on these amounts totaled \$20,935 and \$5,836, respectively. The remaining amounts do not bear 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.

12. Other Income

Other income consisted of the following:

	March 31,	
	2010	2009
Commission and fee income	\$ 81,256	\$ 58,630
Sampling and designing income	—	139,227
Other income	539,309	94,221
	\$ 620,565	\$ 292,078

13. Finance Income

Finance income consisted of the following:

	March 31,	
	2010	2009
Interest income	\$ 5,473	\$ 499

14. Finance Expenses

Finance expenses consisted of the following:

	March 31,	
	2010	2009
Factor's interest, commissions and charges	\$ 194,199	\$ 78,047
Other interest expense	45,630	23,028
	\$ 239,829	\$ 101,075

15. Income Taxes

The major components of income tax expense are as follows:

	March 31,	
	2010	2009
Current income tax expense	\$ —	\$ 1,532
Deferred income tax	—	—
Income tax expense	\$ —	\$ 1,532

For the years ended March 31, 2010 and 2009, the significant components of the net deferred tax assets amounting to approximately \$347,000 and \$253,000, respectively, were the difference between the book and tax bases of property and equipment and net operating loss carry forward which were offset fully by a valuation allowance.

At March 31, 2010, the Company had approximately \$866,000 of net operating loss carry forwards for income tax purposes. These loans are available to offset future taxable income and expire at various dates through March 31, 2030.

16. Commitments and Contingencies**License Agreement**

Effective February 1, 2009, the Company has entered into 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 years ended March 31, 2010 and 2009, the license and advertising fees amounted to approximately \$672,000 and \$105,000, respectively.

At March 31, 2010 and 2009, the future minimum payments required under this agreement were as follows:

	March 31,	
	2010	2009
No later than 1 year	\$ 637,500	\$ 465,000
Later than 1 year and no later than 5 years	562,500	1,200,000
	\$1,200,000	\$1,665,000

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, 2010 and 2009, rent expense amounted to approximately \$272,000 and \$205,000, respectively.

At March 31, 2010 and 2009, the approximate future minimum rental payments were as follows:

	March 31,	
	2010	2009
No later than 1 year	\$ 235,000	\$ 222,000
Later than 1 year and no later than 5 years	1,018,000	994,000
More than 5 years	130,000	389,000
	\$1,383,000	\$1,605,000

17. Related Party Transactions and Balances

The Company had the following related party transactions and balances:

	Years Ended March 31,	
	2010	2009
Net purchases	\$(10,179,874)	\$ 7,883,126
Buying commission	—	107,363
Sampling	1,281	1,395
Salaries	(145,844)	—
Consulting fees	213,557	330,000
Commission expense	—	60,752
Reimbursement of expenses	222,216	352,545
Finance expense	(44,935)	20,371
Designing income	—	55,745
Allocated income	—	27,364
Commission income	46,958	58,630
Other income	—	94,221
Rent expense	(112,412)	—
SAP Facility charges	(12,450)	—
Pre-SAP Facility charges	(1,950)	—





House of Pearl Fashions (US) Ltd.

	March 31,	
	2010	2009
Trade payables	—	\$ 2,576,410
Due from affiliates	100,344	\$ 108,012
Loans from shareholder (HOPFL India)	400,000	\$ 400,000
Due to affiliates	3,050,137	\$ 513,156
Loans from officer	—	\$ 101,921

18. Financial Instruments

Balance sheet amounts for financial instruments by category are as follows:

	March 31, 2010		Breakdown by Category	
	carrying value	Fair value	Loans and receivables	Financial liabilities at amortized cost
Assets				
Cash	\$ 426,503	\$ 426,503	\$ 426,503	\$ —
Trade and other receivables, net	844,404	844,404	844,404	—
Total	\$ 1,270,907	\$ 1,270,907	\$ 1,270,907	\$ —
Liabilities				
Trade and other payables	\$ 4,851,624	\$ 4,851,624	—	\$ 4,851,624
Loans from shareholder	400,000	400,000	—	400,000
Total	\$ 5,251,624	\$ 5,251,624	\$ —	\$ 5,251,624

	March 31, 2009		Breakdown by Category	
	carrying value	Fair value	Loans and receivables	Financial liabilities at amortized cost
Assets				
Cash	\$ 585,840	\$ 585,840	\$ 585,840	\$ —
Trade and other receivables, net	4,078,800	4,078,800	4,078,800	—
Total	\$ 4,664,640	\$ 4,664,640	\$ 4,664,640	\$ —
Liabilities				
Trade and other payables	\$ 5,123,633	\$ 5,123,633	—	\$ 5,123,633
Income tax liabilities	1,252	1,252	—	1,252
Loans from shareholder	400,000	400,000	—	400,000
Total	\$ 5,524,885	\$ 5,524,885	\$ —	\$ 5,524,885

19. Credit Risk Exposure and Concentration

The table below shows the maximum exposure to credit risk of the company per counterparty as of:

	March 31, 2010			
	Banks and financial institutions	Accredited customers	Related parties	Total
Cash	\$ 426,503	\$ —	\$ —	426,503
Due from factor	499,666	—	—	499,666
Trade and other receivables	—	244,394	—	244,394
Due from affiliates	—	—	100,344	100,344
Total	\$ 926,169	\$ 244,394	\$ 100,344	\$ 1,270,907

	March 31, 2009			
	Banks and financial institutions	Accredited customers	Related parties	Total
Cash	\$ 585,840	\$ —	\$ —	\$ 585,840
Due from factor	1,364,232	—	—	1,364,232
Trade and other receivables	—	2,606,556	—	2,606,556
Due from affiliates	—	—	108,012	108,012
Total	\$ 1,950,072	\$ 2,606,556	\$ 108,012	\$ 4,664,640

Based on the above table, as of March 31, 2010, 73% and 27% of the Company's total financial assets are from banks and other financial institutions, and accredited customers and related parties, respectively, which management considers having high quality credit ratings. As of March 31, 2009, 42% and 58% of the Company's total financial assets are from banks and other financial institutions, and accredited customers and related parties, respectively, which management considers having high quality credit ratings.

For the year ended March 31, 2010, sales to two customers accounted for 47% of gross sales. For the year ended March 31, 2009, sales to one customer accounted for 40% of gross sales

20. Cost of Sales

	March 31,	
	2010	2009
Beginning inventory	\$ 843,692	\$ -
Purchases and other costs	19,944,170	14,325,431
Ending inventory	(3,746,458)	(843,692)
Cost of sales	\$ 17,041,404	\$ 13,481,739

21. Distribution Expenses

Distribution expenses predominantly consist of showroom and warehouse rent, license fees, and consulting fees, amounting to approximately \$1,209,000 and \$479,000 for the years ended March 31, 2010 and 2009, respectively.

22. Personnel Expenses and Numbers

The average number of personnel employed by the Company during the years ended March 31, 2010 and 2009 was 16 and 11, respectively. The following table presents personnel expenses included in administrative expenses:

	March 31,	
	2010	2009
Salaries	\$ 1,210,936	\$ 854,072
Payroll taxes	3,593	8,112
Hospitalization and major medical insurance	92,119	58,442
Total	\$ 1,306,648	\$ 920,626

23. Subsequent Event

Effective April 1, 2010 Depa International, Inc., a subsidiary of Global Textile Group Ltd. who is an indirect subsidiary of House of Pearl Fashions (India) Ltd., the Company's parent, merged with the Company. The major reason for the merger was to generate greater operating efficiencies





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 2010.

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 (2009; 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.

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 of Directors

Sd/-

Director

Date: 24 May 2010

Statement from secretary 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 return 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 24 May 2010

AUDITORS' REPORT TO THE SHAREHOLDERS OF MULTINATIONAL TEXTILE GROUP LIMITED

Report on the Financial Statements

We have audited the financial statements of Multinational Textile Group Limited, which comprise the statement of financial position at 31 March 2010, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

Directors' responsibilities 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 in compliance with the requirements of the Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibilities

Our responsibilities are 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 the 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 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act 2001.

Other matter

This report, including the opinion, has been prepared for and only for the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001 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

Companies Act 2001

We have no relationship with or interests in the Company other than in our capacity as auditors.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the company as far as appears from our examination of those records.

Lancasters
Chartered Accountants
14, Lancaster Court
Lavoquer Street
Port Louis
Mauritius
Date: 24 may 2010





Multinational Textile Group Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Note	2010 USD	2009 USD
Revenue	4	1,591,168	2,090,987
Expenses		(2,631,807)	(1,112,207)
(Loss)/ Profit from operating activities		(1,040,639)	978,780
Finance income		4,281	—
(loss)/profit before taxation		(1,036,358)	978,780
Taxation		—	—
(Loss)/Profit for the year		(1,036,358)	978,780
Other comprehensive income		—	—
Total comprehensive (Loss)/income for the year		(1,036,358)	978,780

The notes on pages 10 to 23 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	Note	2010 USD	2009 USD
Assets			
Non-current assets			
Investments	6	16,980,091	17,197,316
Receivables	7	7,205,141	2,750,159
Total non-current assets		24,185,232	19,947,475
Current assets			
Other receivables	8	1,218,222	543,200
Cash and cash equivalents		113,285	1,097,860
Total Current assets		1,331,507	1,641,060
Total assets		25,516,739	21,588,535
Equity and liabilities			
Capital and reserves			
Share capital	9	20,071,170	20,071,170
Share application monies		1,877,100	48,100
Revenue deficit		(1,186,465)	(150,107)
Total capital and reserves		20,761,805	19,969,163
Non-current liabilities			
Loan from holding company	10	3,686,010	1,300,000
Current liabilities			
Other payables	11	1,068,924	319,372
Total current liabilities		1,068,924	319,372
Total liabilities		4,754,934	1,619,372
Total equity and liabilities		25,516,739	21,588,535

Approved by the Board on 24 May 2010

Director Director

The notes on page 10 to 23 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Share Capital USD	Share application monies USD	Revenue deficit USD	Total USD
Balance as at 01 April 2008	13,017,610	184,500	(108,887)	13,093,223
Net movement during the year	7,053,560	(136,400)	—	6,917,160
Total comprehensive income				
For the year				
Profit for the year	—	—	978,780	978,780
Dividend paid during the year	—	—	(1,020,000)	(1,020,000)
Balance as at 31 March 2009	20,071,170	48,100	(150,107)	19,969,163
Net movement during the year	—	1,829,000	—	1,829,000
Total comprehensive loss for the year				
Loss for the year	—	—	(1,036,358)	(1,036,358)
Balance as at 31 March 2010	20,071,170	1,877,100	(1,186,465)	20,761,805

The notes on page 10 to 23 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010 USD	2009 USD
Cash flows from operating activities		
(Loss)/profit for the year	(1,036,358)	978,780
<i>Adjustment for:</i>		
Dividend receivable	—	(1,017,582)
Interest received	(175,055)	(22,635)
Interest on loan	143,389	—
	(1,068,024)	(61,437)
Change in receivables	(4,454,982)	(1,968,370)
Change in other receivables	(675,022)	(518,920)
Change in other payables	749,552	249,895
	(5,448,476)	(2,298,832)
Interest paid	(143,389)	—
Net cash (used)/from operating activities	(5,591,865)	(2,298,832)
Cash flows from investing activities		
Interest received	175,055	5
Deposit on shares	243,235	—
Dividend receivable	—	1,017,582
Acquisition of investments	(26,010)	(4,818,260)
Net cash (used)/from investing activities	(392,280)	(3,800,673)
Cash flows from financing activities		
Proceeds from issue of shares	—	6,869,060
Dividend paid	—	(1,020,000)
Proceeds from share application monies	1,829,000	48,100
Proceeds of loan from holding company	2,386,010	1,300,000
Net cash from financing activities	4,215,010	7,197,160
Net movement in cash and cash equivalents	(984,575)	1,097,655
Cash and cash equivalents at beginning of year	1,097,860	205
Cash and cash equivalents at end of year	113,285	1,097,860

The notes on page 10 to 23 form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

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

(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 except that financial assets and financial liabilities are fair valued.

(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.





Multinational Textile Group Limited

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

(e) *Change in accounting policies*

The accounting policies are consistent with those adopted in the previous year, except for the following:

Adoption of new standards and interpretations effective for the current financial year

- Revised IAS 1 Presentation of Financial Statements

IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

- Amendments to IFRS 7 Improving Disclosures about Financial Instruments

The amendments require enhanced fair value measurement and liquidity risk disclosures. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

3. Significant accounting policies

The principal accounting policies adopted are as follows:

(a) *Revenue recognition*

Revenue is recognized in the statement of comprehensive income as follows:

- Dividend income: when the company's right to receive payment is established.
- Interest income: as it accrues (taking into account the effective yield on the assets)
- Professional fees income: are accounted for as it accrues

(b) *Taxation*

Income tax expense comprises of current and deferred tax. Income tax expense is recognized the statement of comprehensive income except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

Deferred tax is recognized using the statement of financial position 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.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(c) *Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary terms is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

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

(d) *Impairment of assets*

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment in respect of a financial asset measured at amortised cost is calculated

as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis.

All impairment is recognized in the statement of comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the statement of comprehensive income.

(d) *Impairment of assets (continued)*

An impairment is reversed if the reversal can be related objectively to an event occurring after the impairment was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised directly in the statement of comprehensive income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

(e) *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 recognized directly in equity.

(f) *Non-derivative financial assets*

Financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company classifies its financial assets in the following categories: at fair value through profit and loss, loans and receivables, held to maturity investments 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank. 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 receivables

Other receivables are stated at cost less impairment.

(g) *Non-derivative financial liabilities*

Financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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

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

The Company has the following non-derivative financial liabilities: loan due to holding company and other payables.

Other payables

Other payables are recognized at fair value, net of transactions costs incurred. Other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Loan from holding company

Loan from holding company is recognized initially at fair value, net of transaction costs incurred. Loan from holding company is subsequently carried at amortised cost: Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Share capital

Ordinary shares





Multinational Textile Group Limited

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(h) Related parties

Related parties may be individuals or other entities where the individual or other entities has the ability, directly or indirectly, to control the Company or exercise significant influence over the company in governing the financial and operating policies, or vice versa, or where the Company are subject to common control of common significant influence.

(i) Expenses

All expenses are recognized in the income statement on an accrual basis.

(j) Provisions

A provision is recognized if, as a result of a past event, the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(k) New standards, interpretations not yet adopted

Other than those adopted early as explained in the note 2 (e), a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2010 and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Company.

4. Revenue

Revenue represents:	2010 USD	2009 USD
Management fee income	756,700	—
Professional fees income	659,413	1,050,770
Interest receivable	175,055	22,635
Dividend received	—	1,017,582
	<u>1,591,168</u>	<u>2,090,987</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 80% of the Mauritian tax on its foreign source income.

The directors have, in accordance with the Company's accounting policy, not recognized a deferred tax asset.

Recognized in statement of comprehensive income

	2010 USD	2009 USD
Current year Income tax	—	—

A reconciliation of the actual income tax expense based on accounting (loss)/profit and actual income tax expense is as follows:

Reconciliation of effective taxation

	2010 USD	2009 USD
(Loss)/profit before taxation	<u>1,036,358</u>	<u>978,780</u>
Income tax at 15%	(155,454)	146,817
Foreign tax credit	124,363	(146,603)
Deferred tax asset not recognized for the year	31,091	—
Exempt income	—	(1)
Deferred tax assets not recognized	—	(213)
	<u>—</u>	<u>—</u>

6. Investments

Investments consist of unquoted shares in subsidiaries and other investment.

Investment of subsidiaries

	2010 USD	2009 USD
Cost		
At 01 April	16,736,856	11,918,596
Additions during the year	—	4,818,260
At 31 March	<u>16,736,856</u>	<u>16,736,856</u>

Other investment	2010 USD	2009 USD
Cost		
At 01 April	460,460	460,460
Additions during the year	26,010	—
Disposal during the year	(243,235)	—
At 31 March	<u>243,235</u>	<u>460,460</u>
Net investment	<u>16,980,091</u>	<u>17,197,316</u>

Name of company	Type of shares	Number of shares	2010 % held	2009 % held	Country of incorporation
Subsidiaries					
Global Textiles Group Limited	Equity	5,621,556	100%	100%	Mauritius
Norwest Industries Limited	Equity	1,020,000	85%	85%	Hongkong
Zamira Fashions Limited	Equity	167,500	67%	67%	Hongkong
Pearl Ges Group	Equity	510,000	51%	51%	Hongkong
Simple Approach Ltd	Equity	187,500	75%	75%	Hongkong
Magic Global Fashion Ltd	Equity	2,000,000	100%	100%	Hongkong
Poetic Hongkong Limited	Equity	10,000	100	---	Hongkong
Other Investments					
Nam Long garment	Equity	460,460	19%	30.5%	Vietnam

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

	2010 USD	2009 USD
Loan to subsidiaries	5,260,806	2,246,644
Loan to related parties	1,944,335	503,515
	<u>7,205,141</u>	<u>2,750,159</u>

8. Other receivables

	2010 USD	2009 USD
Professional fees receivable	517,582	517,582
Management fees receivable	492,000	—
Interest receivable	197,686	22,630
Loan to subsidiary	8,042	—
Prepaid expenses	2,912	2,988
	<u>1,218,222</u>	<u>543,200</u>

9. Share capital

	2010 USD	2009 USD
Stated capital 20,071,170 ordinary Shares of USD 1 each	<u>20,071,170</u>	<u>20,071,170</u>

10. Loan from holding company

	2010 USD	2009 USD
Unsecured, interest free loan with no Fixed repayment terms	<u>3,686,010</u>	<u>1,300,000</u>

11. Other payables

	2010 USD	2009 USD
Management fees payable	576,042	—
Loan payable from related party	265,125	257,800
Interest on loan	163,461	20,072
Non-trade payable and accrued expenses	64,296	41,500
	<u>1,068,924</u>	<u>319,372</u>

12. Related party transactions

During the year under review, the company entered into the following related party transactions

Transactions during the year:	Nature	2010 USD	2009 USD
Global Textiles Group Limited	Loan repaid/Loan granted	2,114,161	116,630
Norwest Industries Limited	Loan repaid	(1,100,000)	1,185,000





Multinational Textile Group Limited

Pearl GES Group	Loan granted	2,000,000	400,000
Related party	Loan granted	---	500,000
JSM Trading	Loan granted	1,300,000	---
Related party	Interest receivable	34,886	22,630
Global Textiles Group Limited	Interest receivable	29,204	---
Pearl GES Group	Interest receivable	54,640	---
JSM Trading Limited	Interest receivable	56,594	---
Simple Approach Limited	Management fees accrued	26,400	---
Zamira Fashion	Management fees accrued	22,200	---
Pearl GES Group Limited	Management fees accrued	12,500	---
Norwest Industries	Management fees accrued	66,000	---
Global Textiles Group Limited	Management fees accrued	364,900	---
JSM Trading Limited	Management fees payable	576,042	---
House of Pearl Fashions Private Ltd	Interest payable	143,388	---
Share application monies	Share application monies	1,829,000	48,100
Magic Global Fashions Limited	Loan received	---	257,800
Simple approach Limited	Loan repaid	(6,829)	6,829
House of Pearl Fashions Private Ltd	Loan payable	2,386,010	1,300,000

During the year under review, the Company entered into the following related party transactions.

Balances outstanding at 31 March:

Global Textiles Group Limited	Loan receivable	2,492,251	378,090
Norwest Industries Limited	Loan receivable	368,554	1,468,554
Related party	Loan receivable	---	503,515
Pearl GES Group	Loan receivable	2,400,000	400,000
Loan to JSM Trading	Loan receivable	1,300,000	---
Frou Holdings Ltd	Interest receivable	57,246	22,630
Global Textiles Group Limited	Interest receivable	29,204	---
JSM Trading Limited	Interest receivable	56,594	---
Simple Approach Limited	Management fees receivable	26,400	---
Zamira Fashion	Management fees receivable	22,200	---
Pearl GES Group Limited	Management fees receivable	12,500	---
Norwest Industries	Management fees receivable	66,000	---
Global Textiles Group Limited	Management fees receivable	364,900	---
JSM Trading Limited	Management fees payable	576,042	---
Palas Holdings Limited	Amount payable	7,325	7,325
Palas Holdings Limited	Interest payable	20,072	20,072
Magic Global Fashions Limited	Loan payable	257,800	257,800
Simple Approach Limited	Loan payable	---	6,829
House of Pearl Fashions Private Ltd	Loan payable	3,686,010	1,300,000
House of Pearl Fashions Private Ltd	Interest payable	143,388	---
House of Pearl Fashions Private Ltd	Share application monies	1,877,100	48,100

13. Financial instruments

Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

	Carrying Amount	Fair value	Carrying amount	Fair value
	2010	2010	2009	2009
	USD	USD	USD	USD
Financial Assets				
Investments	243,235	243,235	460,460	460,460
Receivables	7,205,141	7,205,141	2,750,159	2,750,159
Other receivables	1,215,310	1,215,310	540,212	540,212
Cash and cash equivalents	113,285	113,285	1,097,860	1,097,860
Total Financial Assets	8,776,971	8,776,971	4,848,691	4,848,691
Financial Liabilities				
Loan from holding company	3,686,010	3,686,010	1,300,000	1,300,000
Other payables	1,068,924	1,068,924	319,372	319,372
Total Financial Liabilities	4,754,934	4,754,934	1,619,372	1,619,372

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 statement of financial position 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 statement of financial position.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit risk at the reporting date was:

	2010	2009
	USD	USD
Investments	243,235	460,460
Receivables	7,205,141	2,750,159
Other receivables	1,215,310	540,212
Cash and cash equivalents	113,285	1,097,860
	8,776,971	4,848,691

The ageing of trade receivables at the reporting date was:

	Gross 2010	Impairment 2010	Gross 2009	Impairment 2009
	USD	USD	USD	USD
Not past due	---	---	---	---
Past due 0-30 days	---	---	---	---
Past due 31-120 days	1,215,310	---	540,212	---
More than one year	7,205,141	---	2,750,159	---
	8,420,451	---	3,290,371	---

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.

	Within One year	One to Five years
	USD	USD

31 March 2010

Financial liabilities

Loan from holding company	---	3,686,010
Other payables	1,068,924	---
Total Financial liabilities	1,068,924	3,686,010

31 March 2009

Financial liabilities

Loan from holding company	---	1,300,000
Other payables	319,372	---
Total Financial liabilities	319,372	1,300,000

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 optimizing the return.

Currency risk

The Company invests in stocks denominated in Hongkong Dollar (HKD) and Vietnames





Multinational Textile Group Limited

Dong (VDN). Consequently, the company is exposed to the risk that the exchange rate of the USD relative to the Hongkong 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

	Financial Assets 2010 USD	Financial liabilities 2010 USD	Financial assets 2009 USD	Financial liabilities 2009 USD
USD	5,500,557	4,471,124	2,519,677	1,361,572
HKD	2,892,337	257,800	1,868,554	257,800
VDN	384,055	26,010	460,460	---
GBP	22	---	---	---
	<u>8,776,971</u>	<u>4,754,934</u>	<u>4,848,691</u>	<u>1,619,372</u>

Sensitivity Analysis:

	2010 USD	2009 USD
Currency		
HKD	263,453	161,075
VDN	35,804	---
Total	<u>299,257</u>	<u>161,075</u>

A 10% strengthening of USD against the following currencies at 31st March would have increased net profit before tax by USD 299,257 (2009: USD 161,075). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis in 2009.

Similarly a 10 percent weakening of the USD against the above currencies at 31 March will have had the exact reverse effect.

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. 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.

16. Holding company

The Company is a wholly owned subsidiary of House of Pearl Fashions Private Limited (previously known as Mina Estates Private Limited), a Company incorporated in India.

	2010 USD	2009 USD
Revenue		
Management fee income	756,700	---
Professional fee income	659,413	1,050,770
Interest receivable	175,055	22,635
Dividend income	---	1,017,582
	<u>1,591,168</u>	<u>2,090,987</u>
Expenses		
Consultancy fees	1,528,914	528,682
Management fees	762,300	---
Interest on loan	143,389	---
Joining bonus	102,414	490,000
Accounting fee	28,000	32,500
Audit fees	23,000	24,500
Debtor written off	22,072	---
Sundry expenses	7,933	3,750
Bank charges	4,074	4,513
Professional fees	3,861	16,150
Administration fee	2,250	2,400
Licence fees	1,875	1,713
Telephone, fax and courier charges	1,725	1,170
Stamp duties	---	6,829
	<u>2,631,807</u>	<u>1,112,207</u>
(Loss)/Profit after operating activities	<u>(1,040,639)</u>	<u>978,780</u>
Finance income	4,281	---
(Loss)/profit before taxation	<u>(1,036,358)</u>	<u>978,780</u>





Norwest Industries Limited

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 March 2010.

Principal activity

The principal activity of the Company is the trading of garments. Details of the principal activity of the Company's subsidiary are set out in note 12 to the financial statements. There was no significant change in the nature of the Group's principal activities during the year.

Results

The Group's profit for the year ended 31 March 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on page 5 to 55.

Property, Plant and equipment and investment properties

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group 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 and the Group during the year are set out in note 22(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Directors

The directors of the Company during the year were:

Pallak Seth	(appointed on 1 December 2009)
Pulkit Seth	(resigned on 1 December 2009)
Sandeep Malhotra	
Shelly Cherian	

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, 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 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

Chairman

Hongkong
27 April 2010.

INDEPENDENT AUDITORS' REPORT**To the shareholders of NORWEST INDUSTRIES LIMITED
(Incorporated in Hongkong with limited liability)**

We have audited the financial statements of Norwest Industries Limited set out on pages 5 to 55, which comprise the consolidated and company statements of financial position at 31 March 2010, and the consolidated income statement, the statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 Hongkong Financial Reporting Standards issued by the Hongkong Institute of Certified Public Accountants and the Hongkong 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 supplying 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 Hongkong 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 Hongkong Standards on Auditing issued by the Hongkong 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 the 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 give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's profit and its cash flows for the year then ended in accordance with Hongkong Financial Reporting Standards and have been properly prepared in accordance with the Hongkong Companies Ordinance.

Certified Public Accountants
Hongkong
27 April 2010

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2010

	Notes	2010 HK\$	2009 HK\$
REVENUE	4	1,058,634,830	902,327,878
Cost of Sales		(841,073,108)	(706,696,387)
Gross Profit		217,561,722	195,631,491
Other income and gains	4	67,740,085	32,492,464
Selling and distribution costs		(111,267,700)	(106,068,825)
Administrative expenses		(100,582,591)	(76,073,933)
Other operating expenses		(6,411,309)	(8,201,889)
Finance costs	6	(9,322,692)	(7,053,657)
PROFIT BEFORE TAX	5	57,717,515	30,725,651
Tax	8	(3,334,354)	7,663,144
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		54,383,161	38,358,795

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2010

	2010 HK\$	2009 HK\$
PROFIT FOR THE YEAR	54,383,161	38,358,795
OTHER COMPREHENSIVE INCOME (LOSS)		
Cash flow hedges:		
Effective position of changes in fair value of hedging instruments arising during the year	(5,633,023)	17,835,578
Available-for-sale investments:		
Changes in fair value	750,839	(1,544,538)
Reconciliation adjustments to gain/(loss) on disposal included in the consolidated income statement	1,282,854	(1,197,716)
Exchange differences on translation of Foreign operations	(36,585)	—
OTHER COMPREHENSIVE INCOME (LOSS)		
FOR THE YEAR, NET OF TAX	(3,635,915)	15,093,324
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	50,747,246	53,452,119





Norwest Industries Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2010

	Notes	2010 HK\$	2009 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	10	8,160,126	5,125,909
Investment properties	11	34,431,131	35,164,602
Available-for-sale investments	13	2,603,170	2,418,956
Other receivables		2,781,353	2,139,500
Total non-current assets		47,975,780	44,848,967
CURRENT ASSETS			
Trade and bills receivables	14	233,060,235	146,328,299
Prepayments, deposits and other receivables	15	17,485,813	21,967,949
Due from the ultimate holding company	25(b)	—	7,122
Due from fellow subsidiaries	25(b)	51,698,950	67,164,213
Derivative financial instruments	20	16,121,063	22,867,198
Pledged time deposits	16	39,709,809	15,479,738
Cash and bank balances	16	11,481,029	14,541,437
Total current assets		369,556,899	288,355,956
CURRENT LIABILITIES			
Trade and bills payables	17	108,711,307	74,440,657
Other payables and accruals		7,471,646	7,164,023
Interest bearing and bank borrowings	18	52,275,158	38,092,237
Due to the immediate holding company	25(b)	513,480	—
Due to the ultimate holding company	25(b)	204,565	—
Due to a fellow subsidiary	25(b)	2,633,510	10,506,689
Tax payable		5,798,797	1,949,819
Total current liabilities		177,608,463	132,153,425
NET CURRENT ASSETS		191,948,436	156,202,531
TOTAL ASSETS LESS CURRENT ASSETS		239,924,216	201,051,498
NON-CURRENT LIABILITIES			
Interest bearing bank borrowings	18	13,191,900	15,416,940
Due to the immediate holding company	25(b)	2,867,348	11,425,348
Deferred tax liabilities	19	2,729,002	3,820,490
Total non-current liabilities		18,788,250	30,662,778
Net assets		221,135,966	170,388,720
EQUITY			
Issued capital	21	9,336,000	9,336,000
Reserves		211,799,966	161,052,720
Total equity		221,135,966	170,388,720
		Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 MARCH 2010

	Issued Capital HK\$	Available-for-sale investment revaluation reserve HK\$	Hedging reserve HK\$	Retained profits HK\$	Exchange reserve HK\$	Proposed final dividend HK\$	Total equity attributable to owners of the parent HK\$
At 1 April 2008	9,336,000	493,210	1,258,534	105,848,857	—	9,336,000	126,272,601
Total comprehensive income for the year	—	(2,742,254)	17,835,578	38,358,795	—	—	53,452,119
Final 2008 dividend declared	—	—	—	—	—	(9,336,000)	(9,336,000)
At 31 March 2009 and at 1 April 2009	9,336,000	(2,249,044)	19,094,112	144,207,652	—	—	170,388,720
Total comprehensive income for the year	—	2,033,693	(5,633,023)	54,383,161	(36,585)	—	50,747,246
At 31 March 2010	9,336,000	(215,351)*	13,461,089*	198,590,813*	(36,585)*	—	221,135,966

*these reserve accounts comprise the reserves HK\$ 211,799,966(2009: HK\$ 161,052,720) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 March 2010

	Notes	2010 HK\$	2009 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		57,717,515	30,725,651
Adjustments for:			
Finance costs	6	9,322,692	7,053,657
Interest income	4	(1,022,701)	(1,235,885)
Loss/(gain) on disposal of available-for-sale investments	4,5	1,282,854	(1,197,716)
Dividend income from available-for-sale investments	4	(8,385)	(389,000)
Depreciation – property, plant and equipment	5	3,690,282	2,772,031
Depreciation – investment properties	5	733,471	733,471
		71,715,728	38,462,209
Decrease/(increase) in trade and bills receivables		(86,731,936)	64,618,079
Decrease/ in prepayments, deposits and other receivables		3,840,283	5,743,809
Decrease/(Increase) in an amount due to a fellow subsidiary		15,692,282	(51,699,536)
Decrease/(increase) in an amount due from the Ultimate holding company		7,122	(7,122)
Increase/(decrease) in trade and bills payables		34,270,650	(12,856,839)
Increase in other payables and accruals		307,623	717,021
Decrease in amounts due to fellow subsidiaries		(7,873,179)	(11,945,462)
Increase in an amount due to the immediate Holding company		513,480	9,219,300
Increase in an amount due to the ultimate Holding company		204,565	—
Cash generated from operations		31,946,618	42,251,459
Hongkong profits tax refunded (paid)		557,998	(5,423,026)
Overseas tax paid		(21,750)	—
Interest paid		(9,322,692)	(7,053,657)
Net cash flows from operating activities		23,160,174	29,774,776
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	10	(6,724,499)	(3,228,861)
Purchases of available-for-sale investments		(2,031,185)	(778,000)
Proceeds from disposal of available-for-sale investments		2,597,810	10,979,941
Dividends received from available-for-sale investments		8,385	389,000
Interest received		795,682	248,151
Net cash flows from (used in) investing activities		(5,353,807)	7,610,231
CASH FLOWS FROM FINANCING ACTIVITIES			
New interest-bearing bank loans		32,470,345	1,819,174
Repayment of interest-bearing bank loans		(20,217,195)	(18,459,314)
Decrease in an amount due to the immediate Holding company		(8,558,000)	—
Dividends paid		—	(9,336,000)
Net cash flows from (used in) financing activities		3,695,150	(25,976,140)
NET INCREASE IN CASH AND CASH EQUIVALENTS		21,501,517	11,408,867
Cash and cash equivalents at beginning of the year		29,176,952	17,768,085
Effect of foreign exchange rate changes, net		(36,585)	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		50,641,884	29,176,952
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	16	11,481,029	14,541,437
Time deposits with original maturity of less than three months when acquired and pledged as security		—	—
for bank loans and bank overdraft facilities	16	39,709,809	15,479,738
Bank overdrafts	18	(548,954)	(844,223)
		50,641,884	29,176,952





Norwest Industries Limited

STATEMENT OF FINANCIAL POSITION

Year ended 31 March 2010

	Notes	2010 HK\$	2009 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	10	8,160,126	5,125,909
Investment properties	11	34,431,131	35,164,602
Investment in a subsidiary	12	1,167,000	—
Available-for-sale investments	13	2,603,170	2,418,956
Other receivables		2,781,353	2,139,500
Total non-current assets		49,142,780	44,848,967
CURRENT ASSETS			
Trade and bills receivables	14	233,060,235	146,328,299
Prepayments, deposits and other receivables	15	17,477,209	21,967,949
Due from the ultimate holding company	25(b)	—	7,122
Due from fellow subsidiaries	25(b)	51,698,950	67,164,213
Due from a subsidiary	12	1,258,452	—
Derivative financial instruments	20	16,121,063	22,867,198
Pledged time deposits	16	39,709,809	15,479,738
Cash and bank balances	16	10,767,219	14,541,437
Total current assets		370,092,937	288,355,956
CURRENT LIABILITIES			
Trade and bills payables	17	108,674,964	74,440,657
Other payables and accruals		7,520,688	7,164,023
Interest bearing and bank borrowings	18	52,275,158	38,092,237
Due to the immediate holding company	25(b)	513,480	—
Due to the ultimate holding company	25(b)	204,565	—
Due to a fellow subsidiary	25(b)	2,633,510	10,506,689
Tax payable		5,798,797	1,949,819
Total current liabilities		177,621,162	132,153,425
NET CURRENT ASSETS		192,471,775	156,202,531
TOTAL ASSETS LESS CURRENT ASSETS		241,614,555	201,051,498
NON-CURRENT LIABILITIES			
Interest bearing bank borrowings	18	13,191,900	15,416,940
Due to the immediate holding company	25(b)	2,867,348	11,425,348
Deferred tax liabilities	19	2,729,002	3,820,490
Total non-current liabilities		18,788,250	30,662,778
Net assets		222,826,305	170,388,720
EQUITY			
Issued capital	21	9,336,000	9,336,000
Reserves	22(b)	213,490,305	161,052,720
Total equity		222,826,305	170,388,720
	Director	Director	

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2010

1. CORPORATE INFORMATION

Norwest Industries Limited is a limited company incorporated in Hongkong. 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, Hongkong.

During the year, the Group was primarily involved in the trading of garments.

The Company is 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.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hongkong Financial Reporting Standards ("HKFRSs") (which includes all Hongkong Financial Reporting Standards, Hongkong Accounting Standards ("HKASs") and Interpretations) issued by the Hongkong Institute of Certified Public Accountants, accounting principles generally accepted in Hongkong and the Hongkong 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 Hongkong dollars ("HK\$"), 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 year ended 31 March 2010. The results of subsidiaries are consolidated from the date of incorporation, 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 unrealized gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	<i>Amendments to HKFRS 1 First time Adoption of HKFRSs and HKFRS 27 Consolidated and Separate financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	<i>Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAs 18 Amendment*	<i>Amendment to Appendix to HKAS 18 Revenue – Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	<i>Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
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>
HK(IFRIC) – Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC) – Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC) – Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC) – Int 18	<i>Transfers of Assets from Customers (adopted from 1 July 2009)</i>
Improvements to HKFRSs (October 2008)**	<i>Amendments to a number of HKFRSs</i>

* Included in Improvements to HKFRSs 2009 (as issued in May 2009)

** The Group adopts all the improvements to HKFRSs issued in October 2008 except for the amendment to HKFRS 5 Non-current Assets held for Sale and Discontinued Operations – Plan to sell the Controlling Interest in a Subsidiary, which is effective from annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised), the adoption of these new and revised HKFRSs has had no financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense recognized directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.





Norwest Industries Limited

2.3 ISSUED BUT NOT YET EFFECTIVE HONGKONG 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 (Revised)	<i>First-time Adoption of Hongkong Financial Reporting Standards¹</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hongkong Financial Reporting Standards – Additional Exemptions for First-time Adopters²</i>
HKFRS 1 Amendment	<i>Amendment to HKFRS 1 First-time Adoption of Hongkong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters⁴</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS Share-based Payment – Group Cash-settled Share-based Payment Transactions²</i>
HKFRS 3 (Revised)	<i>Business Combinations¹</i>
HKFRS 9	<i>Financial Instruments⁶</i>
HKAS 24 (Revised)	<i>Related Party Disclosures⁵</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements¹</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues³</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 financial Instruments: Recognition and Measurement – Eligible Hedged Items¹</i>
HK (IFRIC) – Int 14 Amendment	<i>Amendment to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement⁵</i>
HK (IFRIC)- Int 17	<i>Distributions of Non-cash Assets to Owners¹</i>
HK (IFRIC) – Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments⁴</i>
Amendments to HKFRS 5 Included in Improvements to HKFRSs issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary¹</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Amendments Hongkong Land Leases²</i>

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK (IFRIC)- Int 9 and HK (IFRIC)- Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFR 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transactional provisions for each standard or interpretation.

- 1 Effective for annual periods beginning on or after 1 July 2009
- 2 Effective for annual periods beginning on or after 1 January 2010
- 3 Effective for annual periods beginning on or after 1 February 2010
- 4 Effective for annual periods beginning on or after 1 July 2010
- 5 Effective for annual periods beginning on or after 1 January 2011
- 6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the company's results of operations and financial position.

2.4 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 Company 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 recognized 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 in those expenses categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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 / amortization) had no impairment loss been recognized 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 the recognition criteria are satisfied, the expenditure for major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation.

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 shorter of the lease terms and 33 1/3%
Furniture and fixtures	25%
Motor vehicles	33 1/3%
Office equipment	33 1/3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is located 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 financial year end.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the income statement in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.





Norwest Industries Limited

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 term of the lease.

Any gain or loss on disposal recognized in the income statement in the year the investment property is derecognized 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 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.

Investments and other Financial assetsInitial recognition and measurement

Financial assets of the Group within in the scope of HKAS 39 are classified as loans and receivables, and available-for-sale financial asset, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized 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.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group 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 market place.

The Group's financial assets include cash and bank balances, pledged time deposits, amounts due from affiliates, investments in quoted unit trusts, trade and bills receivables, deposits and other receivables, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:-

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequent measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income statement. The loss arising from impairment is recognized in the income statement in other operating expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognized in the income statement in other operating expenses and removed from the available-for-sale investment valuation reserves. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognized in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

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.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables, and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified cost of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to 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 derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and





Norwest Industries Limited

the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is removed from other comprehensive income and recognized in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" required judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss- measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the investment previously recognized in the income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognized directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities of the Group within the scope of HKAS 39 are classified as loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, and amounts due to affiliates. Financial guarantee contracts, derivative financial instruments and interest bearing loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the income statement.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognized initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance

of the guarantee. Subsequent to initial recognition, the Group 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 end of the reporting period, and (ii) the amount initially recognized less, when appropriate, cumulative amortization.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions and reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models or other valuation models.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. Such derivatives financial instruments are initially recognized 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 of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income.

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 recognized asset or liability or an unrecognized 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 recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group 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 Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value of 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 Group 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 recognized directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognized immediately in the income statement in finance costs.

Amounts recognized in other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale occurs, where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized in other comprehensive income are transferred to the initial carrying amount of the non-financial liability.





Norwest Industries Limited

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or of its designation as a hedge is revoked, the amounts previously recognized in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated and effective hedging instruments are classified as current or non-current or separated into a current or non-current position based on an assessment of the facts and circumstances (i.e. the underlying contracted cash flows)

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, 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 statement of financial position, 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 recognized 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 recognized for a provision is the present value at the end of the reporting period 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 relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized 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 the end of each reporting period 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 utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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 recognized when it is probable that the economic benefits will flow to the Group and when 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) 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 exactly 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 shareholder's right to receive payment has been established.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance for its employees who are eligible to participate in MPF scheme. 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 Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentages 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 statement of financial position, 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 recognized 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 recognized immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, 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 recorded by the entities of the Group are initially recorded using their respective 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 reporting period. 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 is a currency other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of the subsidiary are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and its income statement is translated into Hong Kong dollar at the weighted average exchange rates for the period. The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.





Norwest Industries Limited

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiary are translated into Hong Kong dollar 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 Hong Kong dollar at the weighted average exchange rates for the period.

3. 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 end of the reporting period. 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 end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are summarized 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 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 available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movements in 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 2010, the carrying amount of available-for-sale assets was HK\$2,603,170 (2009: HK\$2,418,956).

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 receivables 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.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold.

An analysis of the Group's revenue, other income and gains is as follows:

	2010	2009
	HK\$	HK\$
Revenue – Sale of goods	1,058,634,830	902,327,878
Other income		
Dividend income from available-for-sale investments	8,385	389,000
Interest income	1,022,701	1,235,885
Handling fee income	14,150,374	21,308,089
Rental income	2,165,553	1,564,200
Foreign exchange differences, net	15,661,418	—
Others	16,332,852	6,797,574
	<u>49,341,283</u>	<u>31,294,748</u>
Gains:		
Gain on disposal of available-for-sale investments	—	1,197,716
Fair value gains of cash flow hedges (transfer from equity), net	18,398,802	—
	<u>67,740,085</u>	<u>32,492,464</u>

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging :

	Notes	2010	2009
		HK\$	HK\$
Auditors' remuneration		340,000	488,000
Depreciation – property, plant and equipment	10	3,690,282	2,772,031
Depreciation – Investment properties	11	733,471	733,471
Employee benefits expense, excluding			

Directors' remuneration (note 7):

Wages and Salaries	48,547,566	39,665,122
Pension scheme contributions	1,377,466	1,480,734
	<u>49,925,032</u>	<u>41,145,856</u>

Minimum lease payments under operating leases of land and buildings	2,945,688	1,998,153
Foreign exchange differences, net	—	4,598,396
Loss on disposal of available-for-sale investments	1,282,854	—
	<u>1,282,854</u>	<u>—</u>

6. FINANCE COST

	Group	
	2010	2009
	HK\$	HK\$
Interest on bank loans and overdrafts	9,322,692	7,053,657

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to Section 161 of the Hongkong Companies Ordinance is as follows:

Fees	1,711,600	—
Other emoluments:		
Salaries, allowances and benefits in kind	—	—
	<u>1,711,600</u>	<u>—</u>

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated profits arising in Hongkong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Current – Hong Kong		
Charge for the year	3,651,326	3,244,422
Overprovision in prior year	(811,533)	(11,261,359)
Current-elsewhere	472,937	654,663
Deferred tax (note 19)	21,624	(270,870)
Tax charge /credit for the year	<u>3,334,354</u>	<u>(7,633,144)</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and its subsidiary are domiciled to the tax charge at the Group's effective tax rate, and a reconciliation of the applicable rate to the effective rate are as follows:

	Hong Kong		Mainland China		Total	
	HK\$	%	HK\$	%	HK\$	%
Group – 2010						
Profit /Loss before tax	59,371,269		(1,653,754)		57,717,515	
Tax at the applicable tax rate	9,796,259	16.5	(413,439)	(25.0)	9,382,820	16.3
Adjustments in respect of current tax of Previous periods	(811,533)	(1.4)	—	—	(811,533)	(1.4)
Income not subject to tax	(6,934,823)	(11.7)	—	—	(6,934,823)	(12)
Expenses not deductible for tax	798,687	1.3	—	—	798,687	1.4
Tax on deemed profit arising from operations outside						
Hong Kong	472,937	0.8	—	—	472,937	0.8
Temporary difference	1,208	—	—	—	1,208	—
Tax loss not recognized	—	—	413,439	25.0	413,439	0.7
Others	11,619	—	—	—	11,619	—
Tax charge at the effective rate	<u>3,334,354</u>	<u>5.5</u>	<u>—</u>	<u>—</u>	<u>3,334,354</u>	<u>5.8</u>





Norwest Industries Limited

Group – 2009

	Hongkong		Mainland China		Total	
	HK\$	%	HK\$	%	HK\$	%
Profit before tax	30,725,651		---		30,725,651	
Tax at the applicable tax rate	5,069,733	16.5	---	---	5,069,733	16.5
Adjustments in respect of current tax of Previous periods	(11,261,359)	(36.7)	---	---	(11,261,359)	(36.7)
Income not subject to tax	(2,332,445)	(7.6)	---	---	(2,332,445)	(7.6)
Expenses not deductible for tax	481,198	1.6	---	---	481,198	1.6
Tax on deemed profit arising From operations outside						
Hong Kong	654,663	2.1	---	---	654,663	2.1
Temporary difference	(242,208)	(0.8)	---	---	(242,208)	(0.8)
Others	(2,726)	---	---	---	(2,726)	---
Tax credit at the effective rate	(7,633,144)	(24.9)	---	---	(7,633,144)	(24.9)

9. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 March 2010 includes a profit of HK\$56,035,915(2009: HK\$38,358,795), which has been dealt with in the financial statements of the company (note 22(b)).

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold	Furniture	Motor	Office	Total
	Improvement	and Fixtures	vehicles	equipment	
	HK\$	HK\$	HK\$	HK\$	HK\$
31 March 2010					
Group and company					
At 31 March 2009 and 1 April 2009:					
Cost	1,810,345	2,693,682	1,227,552	4,000,536	9,732,115
Accumulated depreciation	(764,107)	(1,034,566)	(775,225)	(2,032,308)	(4,606,206)
Net carrying amount	1,046,238	1,659,116	452,327	1,968,228	5,125,909
At 1 April 2009, net of Accumulated					
Depreciation	1,046,238	1,659,116	452,327	1,968,228	5,125,909
Additions	1,527,001	956,969	1,179,962	3,060,567	6,724,499
Depreciation provided during the year	(821,808)	(804,799)	(437,838)	(1,625,837)	(3,690,282)
At 31 March 2010, net of Accumulated					
Depreciation	1,751,431	1,811,286	1,194,451	3,402,958	8,160,126
At 31 March 2010:					
Cost	3,337,346	3,650,651	2,407,514	7,061,103	16,456,614
Accumulated depreciation	(1,585,915)	(1,839,365)	(1,213,063)	(3,658,145)	(8,296,488)
Net carrying amount	1,751,431	1,811,286	1,194,451	3,402,958	8,160,126
31 March 2009					
Group and company					
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	1,100,737	1,611,292	221,175	1,735,875	4,669,079

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	1,046,238	1,659,116	452,327	1,968,228	5,125,909
At 31 March 2009:					
Cost	1,810,345	2,693,682	1,227,552	4,000,536	9,732,115
Accumulated depreciation	(764,107)	(1,034,566)	(775,225)	(2,032,308)	(4,606,206)
Net carrying amount	1,046,238	1,659,116	452,327	1,968,228	5,125,909

11. INVESTMENT PROPERTIES

Group and company

	2010	2009
	HK\$	HK\$
At beginning of year:		
Cost	36,673,551	36,673,551
Accumulated depreciation	(1,508,949)	(775,478)
Net carrying amount	35,164,602	35,898,073
At beginning of year, net of Accumulated Depreciation	35,164,602	35,898,073
Additions		
Depreciation provided during the year	(733,471)	(733,471)
At 31 March 2010, net of Accumulated Depreciation	34,431,131	35,164,602
At end of year:		
Cost	36,673,551	36,673,551
Accumulated depreciation	(2,242,420)	(1,508,949)
Net carrying amount	34,431,131	35,164,602

The Group's investment properties are situated in Hong Kong and are held under medium term leases.

As at 31 March 2010, the aggregate fair value of the Group's investment properties as estimated by the directors based on market information amounted to HK\$45,600,000(2009: HK\$37,800,000). An investment property has been leased to a third party under an operating lease, further summary details of which are included in note 24 (a) to the financial statements.

At 31 March 2010, the Group's investment properties were pledged to a bank for general banking facilities, including mortgage loans, granted to the group.

12. INVESTMENT IN A SUBSIDIARY

Company	2010	2009
	HK\$	HK\$
Untitled shares, at cost	1,167,000	---

The amount due from a subsidiary is unsecured, interest-free, and has no fixed terms of repayment.

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity directly attributable to the Company	Principal activities
Grand Pearl Trading Company Limited	People's Republic of China ("PRC")	US\$150,000	100%	Trading of garment Products

The subsidiary is registered as a wholly-foreign-owned enterprise under PRC Law.

The financial statements of the subsidiary were not audited by Ernst & Young Hong Kzong or other member firm of the Ernst & Young global network.





Norwest Industries Limited

13. AVAILABLE-FOR-SALE INVESTMENTS

Group and company

2010 2009

HK\$ HK\$

Unit trusts, at fair value, 2,603,170 2,418,956

During the year, the gross gain in respect of the Group's available-for-sale investments recognized in other comprehensive income amounted to HK\$750,839 (2009: gross loss of HK\$1,544,538) of which HK\$1,282,854 (2009: HK\$1,197,716) was reclassified from other comprehensive income to 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.

14. 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 2010 and 2009, on trade and bills receivables of the Group were impaired. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade and bills receivables at the end of the reporting period, based on payment due date, which are not considered to be impaired is as follows:

Group and company	2010 HK\$	2009 HK\$
Neither past due nor impaired	173,532,330	86,129,334
Less than 1 month past due	43,339,597	39,592,422
1 to 3 months past due	15,265,576	20,606,543
Over 3 months past due	922,732	—
	<u>233,060,235</u>	<u>146,328,299</u>

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Prepayments	791,298	595,445	791,298	595,445
Deposits	2,573,875	6,675,591	2,573,875	6,675,591
Other receivables	14,120,640	14,696,913	14,112,036	14,696,913
	<u>17,485,813</u>	<u>21,967,949</u>	<u>17,477,209</u>	<u>21,967,949</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.

16. CASH AND BANK BALANCES AND PLEDGED TIME DEPOSITS

	Group		Company	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Cash and bank balances	11,481,029	14,541,437	10,767,219	14,541,437
Time deposits	39,709,809	15,479,738	39,709,809	15,479,738
	<u>51,190,838</u>	<u>30,021,175</u>	<u>50,477,028</u>	<u>30,021,175</u>
Less: Pledged time deposits:				
Pledged for bank loans	(25,562,095)	—	(25,562,095)	—
Pledged for bank overdraft				
Facilities	(14,147,714)	(15,479,738)	(14,147,714)	(15,479,738)
Cash and Cash equivalents	<u>11,481,029</u>	<u>14,541,437</u>	<u>10,767,219</u>	<u>14,541,437</u>

At the end of the reporting period, the cash and bank balances of the Group denominated

in Renminbi ("RMB") amounted to HK\$263,194 (2009: HK\$348,642). 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 Group is permitted to exchange RMB for other currencies through banks authorized 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 Group, 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.

17. TRADE AND BILLS PAYABLES

All trade and bills payables of the Group and the Company are unsecured, interest-free and repayable on demand.

18. INTEREST-BEARING BANK BORROWINGS

Group and Company

	Effective Interest rate (%)	Maturity	2010 HK\$	2009 HK\$
Current				
Mortgage loans (note (b))	2.25% over 1 month HIBOR	2016	1,085,040	1,085,040
Mortgage loans (note (c))	2% below BLR	2017	1,140,000	1,140,000
Bank overdrafts	Higher of prime +1% or cost of Funding + 1.5%	on demand	548,954	844,223
Advances from bank	Either on HIBOR + 2.25%, LIBOR + 2% or standard finance rates + 2.25%	2010	31,555,478	16,397,146
Trust receipt loans	Either on HIBOR + 2.25% or Cost of funding +2.25%	2010	17,945,686	18,625,828
			<u>52,275,158</u>	<u>38,092,237</u>
Non-current				
Mortgage loans	2.25% over 1 month HIBOR	2016	5,876,900	6,961,940
Mortgage loans	2% below BLR	2017	7,315,000	8,455,000
			<u>13,191,900</u>	<u>15,416,940</u>
			<u>65,467,058</u>	<u>53,509,177</u>
Analysed into:				
Bank loans and overdrafts repayable:				
Within one year or on demand			52,275,158	38,092,237
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			6,571,740	8,796,780
			<u>65,467,058</u>	<u>53,509,177</u>

Notes:

- The Group's banking facilities are secured by way of:
 - The Group's pledged time deposits and marketable securities;
 - Bank guarantees of aggregate US\$1,800,000; and
 - Guarantees from the ultimate holding company, a fellow subsidiary, directors of the Company and a related party.
- The mortgage loan is secured (note 11), bears interest at 2.25% over 1 month HIBOR per annum and is repayable by 119 equal monthly instalments of HK\$90,420 each which commenced on 10 September 2006, plus a final repayment of HK\$90,020.
- The mortgage loan is secured (note 11), bears interest 2% below the corresponding bank's best lending rate per annum and is repayable by 120 equal monthly instalments of HK\$95,000 each which commenced on 30 September 2007.





Norwest Industries Limited

19. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities of the Group and the Company during the year are as follows:

	Accelerated tax depreciation HK\$	Cash flow hedge HK\$	Total HK\$
At 1 April 2008	318,273	947,626	1,265,899
Deferred tax credited to the income statement during the year (note 8)	(270,870)	—	(270,870)
Deferred tax debited to equity			
During the year	—	2,825,461	2,825,461
Gross deferred tax liabilities at 31 March 2009 and 1 April 2009	47,403	3,773,087	3,820,490
Deferred tax credited to the income statement during the year (note 8)	21,624	—	21,624
Deferred tax debited to equity			
During the year	—	(1,113,112)	(1,113,112)
Gross deferred tax liabilities at 31 March 2010	69,027	2,659,975	2,729,002

20. DERIVATIVE FINANCIAL INSTRUMENTS

Group and company	2010 HK\$	2009 HK\$
Foreign Currency contracts	16,121,063	22,867,198

The carrying amounts of forward currency contracts approximate to their fair values

Forward Currency contracts – cash flow hedges

At 31 March 2010, the Group held 87 forward currency contracts (2009:56) designated as hedges in respect of expected future sales to customers in the United Kingdom for which the Group 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 2010 and November 2010 have been assessed to be highly effective and a net loss of HK\$5,633,023(2009: a net gain of HK\$17,835,578) (net of deferred tax – see note 19) was included in the hedging reserve for the year.

21. SHARE CAPITAL

	2010 HK\$	2009 HK\$
Authorized, issued and fully paid:		
1,200,000 ordinary shares of US\$1 each - US\$1,200,000	9,336,000	9,336,000

22. RESERVES**(a) Group**

The amounts of the Group's reserves and the movements therein for the current year and the prior period are presented in the consolidated statement changes in equity on page 9 of the financial statements.

(b) Company	Available- for-sale Investment capital	Hedging reserve	Retained profits	Proposed final dividend	Total equity	
	HK\$	HK\$	HK\$	HK\$	HK\$	
At 1 April 2008	9,336,000	493,210	1,258,534	105,848,857	9,336,000	126,272,601
Total comprehensive income						
For the year	—	(2,742,254)	17,835,578	38,358,795	—	53,452,119
Final 2008 dividend declared	—	—	—	—	(9,336,000)	(9,336,000)
At 31 March 2009 and at 1 April 2009	9,336,000	(2,249,044)	19,094,112	144,207,652	—	170,388,720
Total comprehensive income						
For the year	—	2,033,693	(5,633,023)	(56,036,915)	—	52,437,585
At 31 March 2010	9,336,000	(215,351)*	13,461,089*	200,244,567*	—	222,826,305

*these reserve accounts comprise the reserves HK\$ 213,490,305(2009: HK\$ 161,052,720) in the Company's statement of financial position.

23. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had contingent liabilities, not provided for in the financial statements, in respect of guarantees given to banks of HK\$ 11,745,000

(2009: HK\$34,525,000) which were in connection with facilities granted to a fellow subsidiary.

24. OPERATING LEASE ARRANGEMENTS**(a) As lessor**

The Group and the Company lease an investment property (note 11) under an operating lease arrangements. The lease for this property is negotiated for terms of four years.

At 31 March 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010 HK\$	2009 HK\$
Within one year	120,132	—
In the second to fifth years, inclusive	262,956	—
	<u>383,088</u>	<u>—</u>

(b) As lessee

The Group and the Company lease staff quarters and certain office properties under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to five years.

At 31 March 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010 HK\$	2009 HK\$
Within one year	2,829,075	2,087,986
In the second to fifth years, inclusive	485,395	960,131
	<u>3,314,470</u>	<u>3,048,117</u>

25. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(a) A portion of the Group's business transactions represented transactions with certain group companies. The significant transactions are summarized below:

	Notes	2010 HK\$	2009 HK\$
Sales to fellow subsidiaries	(i)	9,702,886	15,291,927
Purchases from fellow subsidiaries	(ii)	911,201	31,619,102
Handling fee income received from Fellow subsidiaries	(iii)	14,092,307	19,032,184
Marketing fees paid to fellow subsidiaries	(iv)	100,872,870	91,776,776
Rental income received from a fellow subsidiary	(v)	1,937,950	849,200
Interest income received from a fellow subsidiary	(vi)	946,729	987,734
Management expenses paid to the immediate Holding company	(vii)	2,053,920	—
Service fee income received from Fellow subsidiaries	(viii)	586,782	674,808
Other administrative and general expenses Charged by a fellow subsidiary	(ix)	4,476,394	—
Other administrative and general expenses Charged by the ultimate holding company	(ix)	1,000,897	—
Sampling income received from Fellow subsidiaries	(x)	11,659,310	2,669,489

Notes:

- The sales to fellow subsidiaries were made according to the prices and conditions also offered to the third party major customers of the Group.
- The purchases from fellow subsidiaries were made according to the prices and conditions agreed between the Group and the respective fellow subsidiaries.
- The handling fee income arose from sales of garments to fellow subsidiaries. The Group received a commission based on 2% to 5.25% of the sales transaction value.
- 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 Group and the fellow subsidiaries.
- The rental income received from fellow subsidiaries was based on the area of the office space occupied and at rates agreed between the Group and the fellow subsidiaries.
- The interest income received from fellow subsidiary was based on a rate of 7.5% per annum on the balance with the fellow subsidiary (see note 25(b) (i)).
- The management fee paid to the immediate holding company was charged at US\$264,000 per annum and such amount is subject to an increase by 10% annually.





Norwest Industries Limited

- (viii) The service fees received from fellow subsidiaries were based on a certain percentage of general operating expenses incurred by the Group and the amount of expenses incurred by the Group which were directly attributable to the fellow subsidiaries.
- (ix) The other administrative and general expenses charged by a fellow subsidiary and the ultimate holding company were based on actual costs incurred.
- (x) The sampling income received from fellow subsidiaries was based on rates agreed between the Group and the fellow subsidiaries.
- (b) Outstanding balance with related parties:
- (i) Except for an unsecured amount due from a fellow subsidiary of HK\$ 7,414,221 as at 31 March 2010 which is interest-bearing at 7.5% per annum and has no fixed terms of repayment, all balances with fellow subsidiaries 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.
- (iii) The balances with the immediate holding company, the ultimate holding company and fellow subsidiaries, included in current assets or current liabilities, are unsecured, interest-free, and have no fixed terms of repayment.

26. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2010				
Financial assets – Group				
Financial assets at fair value through profit or loss- held for trading	Loans and receivables	Available for-sale financial assets	Total	
HK\$	HK\$	HK\$	HK\$	
Available-for-sale investments	—	2,603,170	2,603,170	
Trade and bills receivables	233,060,235	—	233,060,235	
Financial assets included in Prepayments deposits and other receivables	—	—	—	
Due from fellow subsidiary	16,694,515	—	16,694,515	
Derivative financial instruments	51,698,950	—	51,698,950	
Pledged time deposits	16,121,063	—	16,121,063	
Cash and bank balances	39,709,809	—	39,709,809	
	11,481,029	—	11,481,029	
	<u>16,121,063</u>	<u>352,644,538</u>	<u>2,603,170</u>	<u>371,368,771</u>
Financial liabilities – Group				
Trade and bills payables			Financial Liabilities at Amortised Cost	HK\$
Other payables and accruals				108,711,307
Interest-bearing bank borrowings				7,471,646
Due to the immediate holding company				65,467,058
Due to the ultimate holding company				3,380,828
Due a fellow subsidiary				204,565
				<u>2,633,510</u>
				<u>187,868,914</u>
Financial assets – Group				
Financial assets at fair value through profit or loss- held for trading	Loans and receivables	Available for-sale financial assets	Total	
HK\$	HK\$	HK\$	HK\$	
Available-for-sale investments	—	2,603,170	2,603,170	
Trade and bills receivables	233,060,235	—	233,060,235	
Financial assets included in Prepayments, deposits and other receivables	—	—	—	
Due from fellow subsidiary	16,685,911	—	16,685,911	
Derivative financial instruments	51,698,950	—	51,698,950	
Pledged time deposits	16,121,063	—	16,121,063	
Cash and bank balances	39,709,809	—	39,709,809	
	10,767,219	—	10,767,219	
	<u>16,121,063</u>	<u>351,922,124</u>	<u>2,603,170</u>	<u>370,646,357</u>

Financial liabilities – Company

	Financial Liabilities at Amortised Cost
	HK\$
Trade and bills payables	108,674,964
Other payables and accruals	7,520,688
Interest-bearing bank borrowings	65,467,058
Due to the immediate holding company	3,380,828
Due to the ultimate holding company	204,565
Due a fellow subsidiary	2,633,510
	<u>187,881,613</u>

2009

Financial assets – Group and Company

Financial assets at fair value through profit or loss- held for trading	Loans and receivables	Available for-sale financial assets	Total
HK\$	HK\$	HK\$	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	—	—	—
Due from the ultimate holding company	21,372,504	—	21,372,504
Due from fellow subsidiary	7,122	—	7,122
Derivative financial instruments	67,164,213	—	67,164,213
Pledged time deposits	22,867,198	—	22,867,198
Cash and bank balances	15,479,738	—	15,479,738
	14,541,437	—	14,541,437
	<u>22,867,198</u>	<u>264,893,313</u>	<u>2,418,956</u>
			<u>290,179,467</u>

Financial liabilities – Group and Company

	Financial Liabilities at Amortised Cost
	HK\$
Trade and bills payables	74,440,657
Other payables and accruals	7,164,023
Interest-bearing bank borrowings	53,509,177
Due a fellow subsidiary	10,506,689
Due to the immediate holding company	11,425,348
	<u>157,045,894</u>

27. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: fair value measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 March 2010, the Group and the company held the following financial instruments measured at fair value;

Assets measured at fair value as 31 March 2010:	Level 1	Level 2	Level 3	Total
	HK\$	HK\$	HK\$	HK\$
Available-for-sale investments	—	2,603,170	—	2,603,170
Derivative financial instruments	—	16,121,063	—	16,121,063
	<u>—</u>	<u>18,724,233</u>	<u>—</u>	<u>18,724,233</u>

During the year ended 31 March 2010, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group'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





Norwest Industries Limited

Group's financial management policies and practices described below:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rates.

The Group's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing borrowings. As the Group is not expected to significantly increase its level of interest-bearing borrowings, it has not used any interest rate swaps to hedge its expenditure to interest rate risk.

The following table demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) In basis points	Increase/ (decrease) in profit before tax HK\$	Increase/ (decrease) in equity HK\$
2010			
Hongkong dollar	50	(261,376)	(261,376)
Hongkong dollar	(50)	261,376	261,376
2009			
Hongkong dollar	50	(190,147)	(190,147)
Hongkong dollar	(50)	190,147	190,147

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases in currencies other than the Group's functional currency. Approximately 40% (2009:38%) of the Group's sales are denominated in currencies other than the functional currency. The Group 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 Group has entered into firm commitments for the sales. The forward currency contracts must be in the same currency as the hedged items. The Group negotiates the terms of the hedge derivatives to match the terms of the hedged item to maximize hedge effectiveness. It is the Group's policy that a forward contract is not entered into until a firm commitment is in place.

At 31 March 2010, the Group had fully hedged its foreign currency sales for which firm commitments existed at the end of the reporting period, and thus the Group's exposure to foreign currency risk is minimal.

Credit risk

The Group trades on credit terms only with recognized 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 other receivables, amounts due from directors and cash 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 recognized 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 14 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 operation.

The Group'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 Group's balances with group companies are disclosed in note 25(b). The maturity profile of the Group's other financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Group				Total HK\$
	Within 1 Year or on Demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years		
	HK\$	HK\$	HK\$		
Trade and bills payables	108,711,307	—	—		108,711,307
Other payables and accruals	7,471,646	—	—		7,471,646
Interest-bearing bank borrowings	52,247,193	2,229,035	10,990,830		65,467,058
Due to the immediate holding company	513,480	2,867,348	—		3,380,828
Due to the ultimate holding Company	204,565	—	—		204,565
Due a fellow subsidiary	2,633,510	—	—		2,633,510
	<u>171,781,701</u>	<u>5,096,383</u>	<u>10,990,830</u>		<u>187,868,914</u>

	Company				Total HK\$
	Within 1 Year or on Demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years		
	HK\$	HK\$	HK\$		
Trade and bills payables	108,674,964	—	—		108,674,964
Other payables and accruals	7,520,688	—	—		7,520,688
Interest-bearing bank borrowings	52,247,193	2,229,035	10,990,830		65,467,058
Due to the immediate holding company	513,480	2,867,348	—		3,380,828
Due to the ultimate holding Company	204,565	—	—		204,565
Due a fellow subsidiary	2,633,510	—	—		2,633,510
	<u>171,794,400</u>	<u>5,096,383</u>	<u>10,990,830</u>		<u>187,881,613</u>

	Group and Company				Total HK\$
	Within 1 Year or on Demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years		
	HK\$	HK\$	HK\$		
Trade and bills payables	74,440,657	—	—		74,440,657
Other payables and accruals	7,164,023	—	—		7,163,023
Interest-bearing bank borrowings	38,064,272	2,229,035	13,215,870		53,509,177
Due a 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>

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 Group'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 Group may return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2010 and 2009. The capital of the Group companies all components of shareholders' equity.

29. **FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

The fair values of the Group's financial assets and liabilities at the end of the reporting period were not materially different from their carrying amounts.

30. **APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements were approved and authorized for issue by the board of directors on 27 April 2010.





Zamira Fashions Limited

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended March 31, 2010, 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 (14) to the financial statements.

FINANCIAL RESULTS

The results of the group for the year ended March 31, 2010 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 the 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.

DIRECTORS' INTEREST

Expect for the related party transactions as disclosed in Note (25) 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

Hongkong, May 11, 2010

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ZAMIRA FASHION LIMITED

(Incorporated In Hongkong 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 34, which comprise the consolidated statement of financial position as at March 31, 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 Hongkong Financial Reporting Standards issued by the Hongkong Institute of Certified Public Accountants and the disclosure requirements of the Hongkong Companies Ordinance. This responsibility included 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 Hongkong 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 Hongkong Standards on auditing issued by the Hongkong 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 judgement, 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 considers 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 included 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 be 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, 2010 and of the Group's loss and its cash flows for the year then ended in accordance with Hongkong Financial Standards and have been properly prepared in accordance with the disclosure requirements of the Hongkong Companies Ordinance.

Sd/-

Louis Lai & Luk

Certified Public Accountants

Hongkong, May 11, 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED MARCH 31, 2010

	NOTES	2010 HK\$	2009 HK\$
TURNOVER	(6)	85,905,721	58,406,752
PURCHASES AND RELATED COSTS		(68,107,280)	(45,495,936)
GROSS PROFIT		17,798,441	12,910,816
OTHER REVENUE	(6)	2,979,626	480,794
STAFF COSTS		(8,040,982)	(8,274,195)
AMORTIZATION AND DEPRECIATION		(1,484,692)	(836,995)
OTHER OPERATING EXPENSES		(12,664,211)	(9,400,534)
LOSS FROM OPERATION		(1,411,818)	(5,120,114)
FINANCE COSTS	(7)	(933,063)	(1,033,436)
LOSS BEFORE TAXATION	(8)	(2,344,881)	(6,153,550)
TAXATION	(10)	287,884	-
LOSS FOR THE YEAR		(2,056,997)	(6,153,550)
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of financial statements of overseas subsidiary		23,324	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(2,033,673)	(6,153,550)

The Notes on pages 11 To 34 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2010

	NOTES	2010 HK\$	2009 HK\$
ASSETS			
Non-current assets			
Plant and equipment	(12)	1,701,284	1,387,555
Intangible assets	(13)	641,525	-
Deferred tax assets	(10b)	271,520	-
		2,614,329	1,387,555
Current Assets			
Deposits and prepayment		70,720	9,150
Trade receivables	(15)	17,283,992	2,374,458
Other receivables		6,245	159,054
Bank balances		215,645	480,041
		17,576,602	3,022,703
Current Liabilities			
Amounts due to fellow subsidiaries	(16)	10,378,716	12,021,394
Amount due to a director	(17)	45,000	-





Zamira Fashions Limited

	NOTES	2010 HK\$	2009 HK\$
Trade and other payables	(18)	8,783,321	2,042,161
Interest-bearing bank and other borrowings	(19)	8,129,839	453,630
		<u>27,336,876</u>	<u>14,517,185</u>
Net current Liabilities		<u>9,760,274</u>	<u>(11,494,482)</u>
Total Assets less Current Liabilities		<u>(71,45,945)</u>	<u>(10,106,927)</u>
Non-current Liabilities			
Interest-bearing bank and other borrowings	(19)	5,093,378	98,723
NET LIABILITIES		<u>(12,239,323)</u>	<u>(10,205,650)</u>
Represented by:			
CAPITAL AND RESERVES			
Share capital	(22)	1,945,000	1,945,000
Accumulated losses	(23)	(14,207,647)	(12,150,650)
Translation reserve	(23)	23,324	—
SHAREHOLDERS' DEFICIT	(23)	<u>(12,239,323)</u>	<u>(10,205,650)</u>

Approved by the Board of Directors on May 11, 2010 and signed on behalf of the board by:

Sd/- Sd/-
Director Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2010

	Share Capital	Translation Reserve	Accumulated Losses	Total
	HK\$	HK\$	HK\$	HK\$
At April 1, 2008	1,945,000	-	(5,997,100)	(4,052,100)
Total comprehensive income	-	-	(6,153,550)	(6,153,550)
At March 31, 2009	1,945,000	-	(12,150,650)	(10,205,650)
Total comprehensive income	-	23,324	(2,056,997)	(2,033,673)
At March 31, 2010	<u>1,945,000</u>	<u>23,324</u>	<u>(14,207,647)</u>	<u>(12,239,323)</u>

The Notes on pages 11 to 34 form an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2010

	2010 HK\$	2009 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(2,344,881)	(6,153,550)
Adjustments for:		
Bank interest income	(728)	(489)
Depreciation	1,144,599	836,995
Hire purchase charges	40,002	38,812
Bank overdraft interest	60,205	6,890
Interest expenses	781,871	987,734
Gain on disposal of plant and equipment	(215,779)	-
Bank loan interest	50,985	-
Impairment loss	340,093	-
Operating loss before working Capital Changes	(143,633)	(4,283,608)
(Increase)/Decrease in deposits and prepayment	(61,570)	3,410
Increase in trade receivables	(14,909,534)	(2,374,458)
Decrease in other receivables	152,809	45,208
Increase in discounted bills loan	4,732,171	118,026
Increase in trade and other payables	6,741,160	1,981,547
(decrease)/Increase in amounts due to fellow subsidiaries	(1,642,678)	6,854,400
Increase in amount due to a director	45,000	-
Increase in factoring	716,544	-
Net cash (used in)/Generated from operations	(4,369,731)	2,344,525
Bank interest received	728	489
Hire purchase interest paid	(40,002)	(38,812)
Bank overdraft interest paid	(60,205)	(6,890)
Interest paid	(781,871)	(987,734)
Bank loan interest paid	(50,985)	-
Net cash (used in)/generated from operating activities	<u>(5,302,066)</u>	<u>(1,311,578)</u>
Cash Flows from investing activities		
Purchase of plant and equipment	(1,728,561)	(186,328)
Receipt from disposal of plant and equipment	498,000	-
Payments to acquire intangible assets	(962,287)	-
Net cash used in investing activities	<u>(2,192,848)</u>	<u>(186,328)</u>

The Notes on pages 11 to 34 form an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED MARCH 31, 2010

	2010 HK\$	2009 HK\$
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of obligations under finance lease	(396,147)	(228,680)
Proceeds from secured bank loan	6,000,000	-
Inception of obligations under finance lease	498,000	-
Inception of trust receipt loan	1,175,365	-
Net cash generated from/(used in) financing activities	<u>7,277,218</u>	<u>(228,680)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(217,696)	896,570
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	387,025	(509,545)
EFFECT OF FOREIGN EXCHANGE RATES CHANGES	8,369	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>177,698</u>	<u>387,025</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances	215,645	480,041
Bank overdrafts	(37,947)	(93,016)
	<u>177,698</u>	<u>387,025</u>

The Notes on pages 11 to 34 form an integral part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Zamira Fashion Limited is incorporated in Hongkong as a limited liability company. The principal activity of the Company is trading of garment. The address of its registered office is 10/F, Park Fook Industrial Building, 615-617, Tai Nan West Street, Cheung Sha Wan, Kowloon, Hongkong. The directors consider that the ultimate holding company is House of Pearl Fashions Limited, a company incorporated in India. The shares of the ultimate holding company is listed on the Bombay Stock Exchange and National Stock Exchange in India.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of preparation

The consolidated financial statements have been prepared in accordance with the Hongkong financial Reporting Standards ("HKFRS(s)") (which also include Hongkong Accounting Standards ("HKFRS(s)") and Interpretations ("Int(s)")) issued by the Hongkong Institute of Certified Public Accountants, accounting principles generally accepted in Hongkong and the disclosure requirements of the Hongkong Companies Ordinances.

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note (5) to the financial statements.

In 2010, the Group adopted the new and revised HKFRSs below, which are relevant to its operations.

• HKFRSs (Amendments)	Improvements to HKFRSs
• HKAS 1 (Revised)	Presentation of Financial Statements
• HKAS 23 (Revised)	Borrowing Costs
• HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
• HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associates
• HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
• HKFRS 8	Operating Segments
• HK (IFRIC) – Int. 15	Agreements for the Construction of Real Estate

The adoption of the above HKFRSs has had no material impact on the principal accounting policies of the Group and the methods of computation in the Group's financial statements. As such, no 2009 comparatives have been amended as a result from adopting the captioned HKFRSs.

b. Impact of issued but not yet effective HKFRSs

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.





Zamira Fashions Limited

- HKFRS 1 (Revised) First-time Adoption of Hongkong Financial Reporting Standards ⁽¹⁾
- HKFRS 1 (Amendment) Additional Exemptions for First-time Adopters ⁽²⁾
- HKFRS 2 (Amendment) Group Cash-settled Share-based Payment Transactions ⁽²⁾
- HKFRS 3 (Revised) Business Combinations ⁽¹⁾
- HKFRS 9 Financial Instruments ⁽⁶⁾
- HKAS 24 (Revised) Related Party Disclosures ⁽⁵⁾
- HKAS 27 (Revised) Consolidated and Separate Financial Statements ⁽¹⁾
- HKAS 32 (Amendment) Classification of Rights Issues ⁽³⁾
- HKAS 39 (Amendment) Eligible Hedged Items ⁽¹⁾
- HK (IFRIC) – Int. 14 (Amendment) Prepayments of a Minimum Requirement ⁽⁵⁾
- HK (IFRIC) – Int. 17 Distributions of Non-cash Assets to Owners ⁽¹⁾
- HK (IFRIC) – Int. 19 Extinguishing Financial Liabilities with Equity Instruments ⁽⁴⁾
- HKFRSs (Amendments) Improvements to HKFRSs – Amendment to HKFRS 5 ⁽¹⁾
- HKFRSs (amendments) Improvements to HKFRSs 2009 ⁽⁷⁾

Notes:

- (1) Effective for annual periods beginning on or after 1 July 2009
- (2) Effective for annual periods beginning on or after 1 January 2010
- (3) Effective for annual periods beginning on or after 1 February 2010
- (4) Effective for annual periods beginning on or after 1 July 2010
- (5) Effective for annual periods beginning on or after 1 January 2011
- (6) Effective for annual periods beginning on or after 1 January 2013
- (7) Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010 as appropriate.

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, 2010 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.

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 statement of Financial Position 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 Statement of Comprehensive Income 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. Intangible Assets

Intangible assets are stated in the statement of financial position at cost less accumulated amortization and impairment losses.

Amortisation of intangible assets is charged to Consolidated Statement of Comprehensive Income on a straight-line basis over the assets' estimated useful lives unless such lives are indefinite. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Trademark and customer list	3 years
Both the period and method of amortization are reviewed annually.	

f. 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 the end of each reporting period.

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 Statement of Comprehensive Income.

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 Statement of Comprehensive Income.

g. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortization, 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 amortization 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).

h. 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 Statement of Financial Position 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.

i. Financial Assets

The group's financial assets are only classified under loans and receivables category.

j. 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 amortised cost using effective interest method, less any identified impairment losses. An impairment loss is recognized in the Consolidated Statement of Comprehensive Income when there is objective evidence that the asset is impaired, and is 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.

k. Financial Liabilities

The Group's financial liabilities include account and other payables which are subsequently measured at amortised cost, using the effective interest rate method.

l. 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.

m. 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.

n. 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.





Zamira Fashions Limited

(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 Statement of Comprehensive Income.

o. 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 Statement of Comprehensive Income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes 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 utilized. 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the Consolidated Statement of Comprehensive Income.

p. Turnover

Turnover represents invoiced amount of sales less discount and returns.

q. 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.

r. 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.

s. 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.

t. 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 Statement of Comprehensive Income on a straight-line basis over the term of the relevant lease.

u. Employee Benefits

Employee benefits are all forms of consideration, 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 Statement of Comprehensive Income.

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.

v. Retirement Benefit Scheme

The Group participates in Mandatory Provident Fund Scheme ("MPF Scheme") for

its employees in Hongkong. 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 Statement of comprehensive Income represent contribution payable to the funds by the Group in accordance with the rules of the MPF Scheme.

w. 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 Statement of Financial Position 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 Statement of Comprehensive Income at a constant periodic rate on the remaining balance of the obligations under finance leases or hire purchase contracts for each accounting period.

x. 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 venture;
- (d) The party is a member of the key management personnel of the Group or its parent;
- (e) The party is 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).

y. 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.





Zamira Fashions Limited

3. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- 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;
- To support the Group's stability and growth; and
- 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 Hongkong 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 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 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 (19).

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 judgement 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

	GROUP	
	2010 HK\$	2009 HK\$
Revenue recognized during the year including revenue arising from:		
Turnover:		
Sales of goods	<u>85,905,721</u>	<u>58,406,752</u>
Other revenue:		
Bank interest income	728	489
Commission income	841,259	--
Gain on disposal of plant and equipment	215,779	--
Management income	246,000	480,000
Sundry income	1,675,860	305
	<u>2,979,626</u>	<u>480,794</u>
Total revenue recognized	<u>88,885,347</u>	<u>58,887,546</u>

GROUP

	2010	2009
	HK\$	HK\$
7. FINANCE COSTS		
Bank overdraft interest	60,205	6,890
Hire purchase interest	40,002	38,812
Other interest	781,871	687,734
Bank loan interest	50,985	--
	<u>933,063</u>	<u>1,033,436</u>
8. LOSS BEFORE TAXATION		
Loss before taxation is stated after charging and (crediting):		
Auditors' remuneration	133,334	65,000
Depreciation – owned assets	953,042	594,954
– assets held under finance lease	191,557	242,041
Exchange difference	463,242	136,681
Gain on disposal of plant and equipment	(215,779)	--
Impairment of intangible asset	340,093	--
Rental payments under operating leases	766,653	529,200
Staff costs (including director's remuneration)		
- MPF contribution	231,374	234,706
- Salaries and allowances	7,787,137	8,011,255
9. DIRECTOR'S REMUNERATION		
Fees	--	--
Other emoluments	1,200,000	1,200,000
	<u>1,200,000</u>	<u>1,200,000</u>
10. TAXATION		

- a. No provision for Hongkong profits tax has been made in these financial statements as the Group made no estimated assessable profits for the year.

	GROUP		COMPANY	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
The company and its subsidiaries:				
Deferred taxation – current	287,884	--	--	--

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.

- a. The tax charge for the year can be reconciled to the loss per Consolidated Statement of Comprehensive Income as follows:

Loss before taxation	(2,344,881)	(6,153,550)	(1,168,240)	(6,153,550)
Tax loss at the domestic				
Income tax rate	(479,806)	(1,015,335)	(192,760)	(1,015,335)
Tax effect of expenses				
That are not deductible				
In determining taxable				
Profit	19,946	-	-	-
Tax effect of income				
That are not taxable				
In determining				
Taxable profit	(120)	(80)	(120)	(80)
Net tax allowance claimed	138,008	62,684	121,094	62,684
Tax loss not yet recognized	321,972	952,731	71,786	952,731
Current year deferred tax	287,884	-	-	-
Taxation expense for the year	287,884	-	-	-

- b. The following is the analysis of deferred tax balance presented on the consolidated statement of financial position.

Subsidiaries:				
Deferred tax assets	271,520	-	-	-

- c. At the balance sheet date, the Company has unused tax losses of HK\$12,593,125 (2009:HK\$12,154,583) 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.

11. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Included in the loss of HK\$2,056,997 (2009: HK\$6,153,550) attributable to shareholders of the Group is a loss of HK\$1,168,240 (2009:HK\$6,153,550) which is dealt with in the Company's own accounts.





Zamira Fashions Limited

12. PLANT AND EQUIPMENT

GROUP	Leasehold Improvement	Furniture and Fixtures	Office Equipment	Motor vehicles	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
Cost					
At 1/4/2008	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
Additions	848,893	162,321	219,346	498,000	1,728,560
Disposal	---	---	--	(726,197)	(726,197)
At 31/3/2010	2,018,893	451,806	645,628	498,000	3,614,327
Aggregate Depreciation					
At 1/4/2008	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
Charge for the year	595,332	139,512	218,198	191,557	1,144,599
Written back	---	--	--	(443,976)	(443,976)
Exchange realignment	(5,673)	(2,446)	(3,870)	-	(11,989)
At 31/3/2010	1,174,620	254,062	373,706	110,655	1,913,043
Net Book Value					
At 31/3/2010	844,273	197,744	271,922	387,345	1,701,284
At 31/3/2009	585,039	172,489	266,904	363,123	1,387,555

The net book value of plant and equipment of HK\$1,701,284 (2009:HK\$1,387,555) includes amount of HK\$387,345 (2009: HK\$363,123) in respect of assets held under hire purchase contracts.

COMPANY	Leasehold Improvement	Furniture and Fixtures	Office Equipment	Motor vehicles	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1/4/2008	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
Additions	378,200	---	26,709	498,000	902,909
Disposal	---	---	---	(726,197)	(726,197)
At 31/3/2010	1,548,200	289,485	452,991	498,000	2,788,676
Aggregate Depreciation					
At 1/4/2008	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
Charge for the year	495,520	96,486	150,116	191,557	933,679
Written back	---	---	--	(443,976)	(443,976)
At 31/3/2010	1,080,481	213,482	309,494	110,655	1,714,112
Net Book Value					
At 31/3/2010	467,719	76,033	143,497	387,345	1,074,564
At 31/3/2009	585,039	172,489	266,904	363,123	1,387,555

The net book value of plant and equipment of HK\$1,074,564 (2009:HK\$1,387,555) includes amount of HK\$387,345 (2009: HK\$363,123) in respect of assets held under hire purchase contracts.

13. INTANGIBLE ASSETS

COST	Trade Mark and Customer list	
	GROUP	COMPANY
	HK\$	HK\$
Additions and at 31/3/2010	962,287	---
Impairment Loss		
Charge for the year	340,093	---
Exchange realignment	(19,331)	---
At 31/3/2010	320,762	---
Net book value	641,525	--
At 31/3/2010	---	---
At 31/3/2009	---	---

14. INTERESTS IN SUBSIDIARY

	COMPANY	
	2010 HK\$	2009 HK\$
Unlisted shares, at cost	1,128	1,128
Less: Amount due from/(to) a subsidiary	1,242,319	(1,128)
	<u>1,243,447</u>	<u>---</u>

Details of the subsidiary are as follows:

Name of subsidiary	Place of Incorporation	Percentage of Equity attributable To the Group	Principal activity
Zamira Fashion (Europe) Limited	England and Wales	100%	Import and distributions of ladies clothing

The amount due to a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

15. TRADE RECEIVABLES

	GROUP AND COMPANY	
	2010 HK\$	2009 HK\$
Trade receivable (Note (i))	17,283,992	2,374,458
(i) Aging analysis		
Aging analysis of trade receivables is as follows:		
Neither par due nor impaired	15,727,097	2,089,643
Past due but not impaired	1,556,895	284,815
	<u>17,283,992</u>	<u>2,374,458</u>

Trade receivables are due within 90 days from date of billing.

16. AMOUNTS DUE TO FELLOW SUBSIDIARIES

Apart from a balance with a fellow subsidiary amounting HK\$8,870,527 (2009:HK\$11,894,124) which is interest-bearing at a rate of 7.5% (2009:9%) 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. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and repayable on demand. The amount was for the purpose of operational financing, the director had agreed not to demand repayment of the amount due until the Group is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash and cash equivalents.

18. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Trade payable (Note(i))	7,212,847	1,685,993	7,212,847	1,685,993
Other payables	531,409	40,886	531,409	40,886
Accruals	1,039,065	315,282	992,385	315,282
	<u>8,783,321</u>	<u>2,042,161</u>	<u>8,736,641</u>	<u>2,042,161</u>

(i) Maturity of the trade payables is as follows:

	GROUP	COMPANY
	2010 HK\$	2009 HK\$
Due for payment:		
Not later than one year	7,212,847	1,685,993
	<u>7,212,847</u>	<u>1,685,993</u>

19. INTEREST - BEARING BANK AND OTHER BORROWINGS

	GROUP AND COMPANY	
	2010 HK\$	2009 HK\$
Current Liabilities:		
Discounted bills loan	4,850,197	118,026
Trust receipt loan	1,175,365	--
Factoring	721,570	5,026
Obligation under finance lease (Note 20)	112,760	237,562
Secured bank loan (Note 21)	1,232,000	--
Bank overdraft	37,947	93,016
	<u>8,129,839</u>	<u>453,630</u>
Non-current Liabilities:		
Obligation under finance lease (Note 20)	325,378	98,723
Secured bank loan (Note 21)	4,768,000	---
	<u>5,093,378</u>	<u>98,723</u>
	<u>13,223,217</u>	<u>552,353</u>





Zamira Fashions Limited

20. OBLIGATIONS UNDER FINANCE LEASE

	GROUP AND COMPANY			
	Minimum Lease payments		Present value of minimum lease payments	
	2010 HK\$	2009 HK\$	2010 HK\$	2009 HK\$
Amount payable under finance lease:				
Within one year	150,648	267,492	112,760	237,562
Second to fifth years inclusive	364,066	89,164	325,378	98,723
	514,714	356,656	438,138	336,285
Future finance charges	76,576	20,371		
	438,138	336,285		
Less: Portion classified as current Liabilities			112,760	237,562
Amounts due after one year included in non-current liabilities			325,378	98,723

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. (The portion underneath of this page has been intentionally left blank)

21. SECURED BANK LOAN

The carrying amount of the secured bank loan at the balance sheet date is analyzed as follow:

	GROUP AND COMPANY	
	2010 HK\$	2009 HK\$
Current liability portion		
Amount repayment within one year	1,232,000	---
Non-current liability portion		
Amount repayable in the 2nd year	1,344,000	---
Amount repayable in 3rd to 5th years	3,424,000	---
	4,768,000	---
	6,000,000	---

- The secured bank loan is arranged at floating rate. Hence, it exposes the Company to cash flow and interest rate risks.
- As stated in Note (5) to the financial statements, the carrying amount of the non-current secured bank loan as of March 31, 2010 approximates its fair value.
- The secured bank loan carries effective interest at 2.065% per annum.

22. SHARE CAPITAL

COMPANY	2010 HK\$	2009 HK\$
Authorised issued and fully paid-up: 250,000 shares of US\$1 each	1,945,000	1,945,000

23. RESERVES

GROUP	Translation Reserve	Accumulated Losses	Total
	HK\$	HK\$	HK\$
Balance at April 1, 2008	--	(5,997,100)	(5,997,100)
Total comprehensive income for the year	--	(6,153,550)	(6,153,550)
Balance at March 31, 2009 and April 1, 2009	---	(12,150,650)	(12,150,650)
Total comprehensive income for the year	---	(2,056,997)	(2,056,997)
Unrealized translation reserve arising From consolidation	23,324	---	23,324
Balance at March 31, 2010	23,324	(14,207,647)	(14,184,323)
COMPANY			
Balance at April 1, 2008		(5,997,100)	(5,997,100)
Loss for the year		(6,153,550)	(6,153,550)
Balance at March 31, 2009 and April 1, 2009		(12,150,650)	(12,150,650)
Total comprehensive income for the year		(1,168,240)	(1,168,240)
Balance at March 31, 2010		(13,318,890)	(13,318,890)

24. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had the outstanding commitments under its non-cancellable operating leases, which fall due as follows:

	2010 HK\$	2009 HK\$
Within one year	--	302,400
In the second to fifth years inclusive	--	--
	--	302,400

25. 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	2010 HK\$	2009 HK\$
Norwest Industries Ltd., Hongkong	Fellow Subsidiary	- Sample expenses - Management fee	56,918	--
		- Rental paid	180,000	--
		- Interest paid	700,800	529,200
		- Commission paid	781,871	987,734
		- Commission received	226,275	79,683
		- Amount due to	(684,266)	--
			(8,225,154)	(11,894,125)
Pearl GES Group Ltd., Hongkong	Fellow Subsidiary	- Management and Service fee	131,482	--
		- Amount due to	--	(40,456)
Poeticgem Ltd.,	Fellow Subsidiary	- Commission received	(63,166)	--
		- Commission paid	186,456	--
		- Amount due to	(1,962,236)	(73,480)
Simple Approach Ltd., Hongkong	Fellow Subsidiary	- Management and Service fee	84,667	13,333
		- Management fee		
		Income	(246,000)	--
		- Overseas travelling	2,428	--
		- Amount due to	(18,610)	(13,333)
FX Import Co. Ltd., UK	Fellow Subsidiary	- Purchases	--	5,274,737
SSY Asia Limited	Related company*	- Consultancy fee	600,000	600,000
House of Pearl Fashions, India	Ultimate holding	- Repair and company Maintenance	177,578	--
		- Prepaid expenses	27,814	--
Multinational Textile Group Ltd., Mauritius	Fellow Subsidiary	- Management fee and Service fee	389,000	--
		- Amount due to	(172,716)	--

* Connected with Thomas Mueller who is a controlling director and shareholder of the companies.

26. CONTINGENT LIABILITY

The Company had the following contingent liability not provided for in the financial statements at the balance date:

	2010 HK\$	2009 HK\$
Irrecoverable letters of credit	9,940,998	--

27. 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.

	2010				
	USD	CHF	EUR	GBP	RMB
Trade receivable	554,999	236	1,087,730	82,446	--
Cash and cash equivalent	8,225	386	3,962	8,511	--
Trade payable	(935,318)	--	--	--	--
Other payable	(32,280)	--	(20,778)	--	11,165
Net exposure arising from Recognized assets and liabilities	(404,374)	622	(1,070,914)	90,957	11,165





Zamira Fashions Limited

	USD	CHF	2009		
			EUR	GBP	RMB
Trade receivable	198,488	—	70,545	7,912	—
Other receivable	—	—	—	78,250	—
Cash and cash equivalent	41,496	605	12,443	1,522	—
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>—</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. $\pm 10\%$) in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

	2010		2009	
	Increase	Decrease	Increase	Decrease
	HK\$	HK\$	HK\$	HK\$
Swiss Franc (CHF)	354	(354)	396	(396)
Euro (EUR)	939,192	(939,192)	77,135	(77,135)
British Pound (GBP)	85,678	(85,678)	98,908	(98,908)
Renminbi (RMB)	1,082	(1,082)	—	—
	<u>1,026,306</u>	<u>(1,026,306)</u>	<u>176,439</u>	<u>(176,439)</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 Hongkong 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 Hongkong dollars at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2009.

29. BANKING FACILITIES

General 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 and fellow subsidiaries.

30. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the company's Board of Directors on May 11, 2010.





Simple Approach Limited

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended March 31, 2010, 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, 2010 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 (resigned on January 6, 2010)

Pallak Seth (appointed on January 6, 2010)

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 (20) to the financial statements, no contracts of significance to which the Company, its holding company or any of 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, its holding company or any of 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, Messrs. Louis Lai & Luk, retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Chairman

Hong Kong, May 4, 2010.

INDEPENDENT AUDITOR'S 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 25, which comprise the statement of financial position as at March 31, 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

In Our opinion the financial statements give a true and fair view of the state of affairs of the Company as at March 31, 2010 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.

Louis Lai & Luk
Certified Public Accountants
Hong Kong, May 4, 2010.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED MARCH 31, 2010

	NOTES	2010 HK\$	2009 HK\$
TURNOVER	(6)	226,318,279	126,717,271
COST OF SALES		(182,676,988)	(101,785,303)
GROSS PROFIT		43,641,291	24,931,968
OTHER REVENUE	(6)	3,509,743	8,274,620
SELLING AND DISTRIBUTION COSTS		(18,387,687)	(12,787,265)
DEPRECIATION EXPENSES		(78,640)	(96,574)
STAFF COST		(12,594,375)	(12,685,686)
OTHER OPERATING EXPENSES		(8,623,457)	(9,951,232)
PROFIT/(LOSS) FROM OPERATIONS		7,466,875	(2,314,169)
FINANCE COST	(7)	(1,942,863)	(1,997,860)
PROFIT/(LOSS) BEFORE TAXATION	(8)	5,524,012	(4,312,029)
TAXATION	(10)	—	—
PROFIT/(LOSS) FOR THE YEAR		5,524,012	(4,312,029)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,524,012	(4,312,029)

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2010

	NOTES	2010 HK\$	2009 HK\$
ASSETS			
Non-Current Assets			
Plant and equipment	(11)	60,974	163,765
Current Assets			
Deposits		249,277	286,422
Amount due from ultimate holding company	(13)	—	7,780
Amount due from intermediate holding company	(13)	—	53,128
Amounts due from fellow subsidiaries	(13)	22,410	69,155
Amounts due from affiliate companies	(13)	948,452	303,296
Amount due from a director*	(14)	5,248,831	5,035,792
Trade and other receivables	(12)	69,616,768	46,021,996
Cash and bank balances		8,672,380	2,030,966
		84,758,118	53,808,535
Current Liabilities			
Amount due to ultimate holding company	(15)	625,802	—
Amount due to intermediate holding company	(15)	205,392	—
Amounts due to fellow subsidiaries	(15)	16,814,063	29,122,218
Amount due to affiliate company	(15)	1,458,443	1,125,414
Trade payable and other borrowings	(16)	60,276,974	23,810,262
		79,380,674	54,057,894
Net Current Asset/(Liabilities)		5,377,444	(249,359)
NET ASSET/(LIABILITIES)		5,438,418	(85,594)
Represented by:			
CAPITAL AND RESERVES			
Share capital	(17)	26,763,200	26,763,200
Accumulated losses		(21,324,782)	(26,848,794)
SHAREHOLDERS' EQUITY/(DEFICIT)		5,438,418	(85,594)

APPROVED BY THE BOARD OF DIRECTORS ON MAY 4, 2010.

OF THE BOARD BY

DIRECTOR DIRECTOR



**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2010**

	Note	Share Capital HK\$	Accumulated Losses HK\$	Total HK\$
At April 1, 2008		1,945,000	(22,536,765)	(20,591,765)
Total comprehensive loss for the year		—	(4,312,029)	(4,312,029)
Issuance of 9% redeemable preference shares	(17)	24,818,200	—	24,818,200
At March 31, 2009		26,763,200	(26,848,794)	(85,594)
Total comprehensive income for the year		—	5,524,012	5,524,012
At March 31, 2010		26,763,200	(21,324,782)	5,438,418

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2010**

	2010 HK\$	2009 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	5,524,012	(4,312,029)
Adjustments for:		
Depreciation	78,640	96,574
Bank interest expenses	459,586	584,930
Bank interest income	(3,575)	(7,372)
Exchange difference	(273,193)	388,577
Fixed asset written off	38,599	—
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES	5,824,069	(3,249,320)
Decrease/(Increase) in inventories	—	220,356
Decrease in deposits	37,145	7,408
Increase in trade and other receivables	(23,594,772)	(7,497,221)
Increase/(Decrease) in discounted bills loan	11,908,909	(11,221,996)
(Decrease)increase in trust receipts loan	3,156,686	662,547
Increase/(Decrease) in trade and other payables	21,412,994	(29,305,253)
Cash generated from/(used in) operations	18,745,031	(50,383,479)
Bank interest received	3,575	7,372
Interest paid	(459,586)	(584,930)
Net cash generated from/(used in) operating activities	18,289,020	(50,961,037)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(14,448)	(103,052)
Net receipt from/(payment to) intermediate holding company	258,520	(53,128)
Net receipt from/ (payment to) ultimate holding company	633,582	(7,780)
Net payment to a director	(213,039)	(1,167,949)
Net (payment to)/receipt from affiliate companies	(312,127)	822,118
Net (payment to)/receipt from fellow subsidiaries	(12,261,410)	29,053,063
Issuance of share capital	—	24,818,200
Net cash (used in)generated from investing activities	(11,908,922)	53,361,472
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,380,098	2,400,435
CASH AND CASH EQUIVALENTS AT April. 1 (NOTE A)	2,019,089	7,231
EFFECT OF FOREIGN EXCHANGE DIFFERENCE	273,193	(388,577)
CASH AND CASH EQUIVALENTS AT MARCH 31 (NOTE A)	8,672,380	2,019,089
NOTE A		
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	8,672,380	(2,030,966)
Bank overdrafts	—	(11,877)
	8,672,380	2,019,089

NOTES TO THE FINANCIAL STATEMENTS**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 2010, the Company adopted the new and revised HKFRSs below, which are relevant to its operations.

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associates
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 8	Operating Segments
HK (IFRIC)-Int.15	Agreements for the Construction of Real Estate

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 2009 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 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ⁽¹⁾
• HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁽²⁾
• HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁽²⁾
• HKFRS 3 (Revised)	Business Combinations ⁽¹⁾
• HKFRS 9	Financial Instruments ⁽⁶⁾
• HKAS 24 (Revised)	Related Party Disclosures ⁽⁵⁾
• HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁽¹⁾
• HKAS 32 (Amendment)	Classification of Rights Issues ⁽³⁾
• HKAS 39 (Amendment)	Eligible Hedged Items ⁽¹⁾
• HK (IFRIC) - Int. 14 (Amendment)	Prepayments of a Minimum Requirement ⁽⁵⁾
• HK (IFRIC) - Int. 17	Distributions of Non-cash Assets to Owners ⁽¹⁾
• HK (IFRIC) - Int. 19	Extinguishing Financial Liabilities with Equity Instruments ⁽⁴⁾
• HKFRSs (Amendments)	Improvements to HKFRSs - Amendment to HKFRS 5 ⁽¹⁾
• HKFRSs (Amendments)	Improvements to HKFRSs 2009 ⁽⁷⁾

Notes:

⁽¹⁾ Effective for annual periods beginning on or after 1 July 2009

⁽²⁾ Effective for annual periods beginning on or after 1 January 2010

⁽³⁾ Effective for annual periods beginning on or after 1 February 2010

⁽⁴⁾ Effective for annual periods beginning on or after 1 July 2010

⁽⁵⁾ Effective for annual periods beginning on or after 1 January 2011

⁽⁶⁾ Effective for annual periods beginning on or after 1 January 2013

⁽⁷⁾ Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010 as appropriate

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





Simple Approach Limited

period commencing April 1, 2010 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.

c. 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 Statement of Comprehensive Income.

The asset's residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

d. 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).

e. 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 Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

f. Financial Assets

The Company's financial assets are only classified under loans and receivables category.

g. 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 the end of each reporting period 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 Statement of Comprehensive Income when there is objective evidence that the asset is impaired, and is 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.

h. 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.

i. 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.

j. 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.

k. 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 Statement of Comprehensive Income.

l. 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 Statement of Comprehensive Income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes 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 statement of financial position 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 Statement of Comprehensive Income.

m. Turnover

Turnover represents invoiced amount of sales less discounts and returns.

n. 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.
- Other income is recognized on a receipt basis.

o. 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 Statement of Comprehensive Income represent contribution payable to the funds by the Company in accordance with the rules of the scheme.

p. 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 Statement of Comprehensive Income.

Provision on employees' entitlements to unconsumed annual leaves as of the end of reporting period 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.

q. 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.

r. 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





Simple Approach Limited

borrowings in accordance with the Company's policy for borrowing cost as stated in the preceding note.

s. 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).

t. 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 end of reporting period, 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

	2010	2009
	HK\$	HK\$
Revenue recognized during the year are as follows:		
Turnover:		
Sale of goods	226,318,279	126,717,271
Other revenue:		
Bank interest income	3,575	7,372
Commission received	—	3,468,529
Claim and recovery	2,449,154	4,035,347
Handling fee income	4,060	213,707
Sundry income	177,859	549,665
Management fee received	875,095	—
	<u>3,509,743</u>	<u>8,274,620</u>
Total revenue recognized	<u>229,828,022</u>	<u>134,991,891</u>

7. FINANCE COST

Bank interest paid	459,586	584,930
LC handling charges	1,483,277	1,412,930
	<u>1,942,863</u>	<u>1,997,860</u>

8. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is stated after charging and (crediting):

Auditors' remuneration	56,000	62,555
Depreciation - owned assets	78,640	96,574
Exchange difference	(273,193)	388,577
Rental payment under operating leases - properties	1,189,145	1,592,529
Staff costs		
- Salaries and allowance		
(including directors' remuneration)	11,384,211	11,497,172
- Contribution to retirement benefit scheme - MPF	319,072	251,114
- Director's quarter expenses	816,000	816,000
	<u>11,808,228</u>	<u>12,245,377</u>

9. DIRECTORS' REMUNERATION

	2010	2009
	HK\$	HK\$
Fees	—	—
Other emoluments	2,149,080	2,149,080
	<u>2,149,080</u>	<u>2,149,080</u>

10. TAXATION

No Hong Kong profits tax has been provided in the financial statements as the assessable profits for the current year have been wholly offset by taxation loss sustained in previous years.

At the end of reporting period, the Company has unused tax losses of HK\$21,367,589 (2009: HK\$26,990,974) 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 Statement of Comprehensive Income as follows:

	2010	2009
	HK\$	HK\$
Profit/(Loss) before taxation	<u>5,524,012</u>	<u>(4,312,029)</u>
Tax/(Tax loss) at the domestic income tax rate of 16.5%	911,462	(711,484)
Tax effect of income that are not taxable in determining taxable profits	(433)	(1,216)
Tax effect of expense that are not deductible in determining taxable profits	396	—
Net tax allowance claimed	16,433	1,421
Utilization of tax loss not previously recognized	(927,858)	—
Tax effect of tax loss not recognized	—	711,279
Taxation expense for the year	<u>—</u>	<u>—</u>





Simple Approach Limited

11 PLANT AND EQUIPMENT

Cost HK\$	Office Equipment HK.\$	Furniture and Fixtures HK\$	Computer Equipment	Total HK\$
At 1/4/2008	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	73,678	24,170	257,243	355,091
Additions	7,898	—	6,550	14,448
Written off	(55,612)	—	—	(55,612)
At 31/3/2010	25,964	24,170	263,793	313,927
Aggregate Depreciation				
At 1/4/2008	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	18,180	12,039	161,107	191,326
Charge for the year	-14,613	8,056	55,971	78,640
Written back	(17,013)	—	—	(17,013)
At 31/3/2010	15,780	20,095	217,078	252,953
Net Book Value				
At 31/3/2010	10,184	4,075	46,715	60,974
At 31/3/2009	55,498	12,131	96,136	163,765

12. TRADE AND OTHER RECEIVABLES

	2010 HK\$	2009 HK\$
Trade receivables	66,582,982	39,382,526
Bills receivables	280,655	6,639,470
Total trade receivables (Note (i))	66,863,637	46,021,996
Other receivables	2,753,131	—
	69,616,768	46,021,996

(i) Aging analysis

Aging analysis of trade receivables is as follows:

	2010 HK\$	2009 HK\$
Neither past due nor impaired	64,273,965	31,632,679
Past due but not impaired	2,589,672	14,389,317
	66,863,637	46,021,996

Trade receivables are due within 90 days from date of billing.

13. AMOUNTS DUE FROM ULTIMATE HOLDING / INTERMEDIATE / FELLOW SUBSIDIARIES / AFFILIATE COMPANIES

The amounts due from ultimate holding/intermediate/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.

14. AMOUNT DUE FROM A DIRECTOR

Disclosed pursuant to Section 161B of the Companies Ordinance:

	Sandeep Malhotra HK\$
Balance at 31/3/2010	5,248,831
Balance at 31/3/2009	5,035,792
Maximum balance outstanding during the year	5,248,831
Terms : On demand	
Interest : Free	
Security : Nil	

15. AMOUNTS DUE TO ULTIMATE HOLDING/INTERMEDIATE HOLDING/FELLOW SUBSIDIARIES/AFFILIATE COMPANY

The amounts due to ultimate holding/intermediate holding/fellow subsidiaries/affiliate company are unsecured, interest-free and repayable on demand. The ultimate holding/intermediate holding/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.

16. TRADE PAYABLE AND OTHER BORROWINGS

	2010 HK\$	2009 HK\$
Trade payable	16,834,087	11,779,736
Bills payable	1,133,951	334,332
Total trade and other payable	17,968,038	12,114,068
Other payables and accruals	15,665,603	106,579

Discounted bills loan	22,824,100	10,915,191
Trust receipts loan	3,819,233	662,547
Bank overdraft	—	11,877
	60,276,974	23,810,262

(i) Maturity of the trade payables and accruals is as follows:

Due for payment:	2010	2009
Not later than one year	17,968,038	12,114,068

17. SHARE CAPITAL

	2010 HK.\$	2009 HK\$
Authorised		
3,190,000 9% redeemable preference shares of US\$ 1 each	24,818,200	24,818,200
5,00,000 ordinary shares of US\$ 1 each	3,890,000	3,890,000
	28,708,200	28,708,200
Issued and fully paid-up:		
3,190,000 9% redeemable preference shares of US\$ 1 each	24,818,200	24,818,200
250,000 ordinary shares of US\$ 1 each	1,945,000	1,945,000
	26,763,200	26,763,200

18. OPERATING LEASE COMMITMENTS

(a) At the end of reporting period, the Company had outstanding commitments under its non-cancellable operating leases, which fall due as follows:

	2010 HK.\$	2009 HK\$
Within one year	612,000	816,000
In the second to fifth years inclusive	—	612,000
	612,000	1,428,000

(b) Operating lease arrangements represent rental payable by the Company for its rented premises. Leases are negotiated for an average term of two years.

19. BANKING FACILITIES

General banking facilities granted by a bank were secured by fellow subsidiaries' corporate guarantee.

20. 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	Relationship	Nature of transaction	2010 HK.\$	2009 HK.\$
Depa International Inc.	Affiliate company	Amount due to	(8,082)	
House of Pearl Fashions Ltd., India	Ultimate holding company	Purchase of goods	6,872,361	
		SAP facilities charges	161,435	
		Amount due (to)/from	(625,802)	7,780
House of Pearl Fashions (US) Ltd., USA	Affiliate company	Management fee paid	1,106,203	
		Amount due (to)/from	(324,947)	47,347
Multinational Textiles Group Ltd., Mauritius	Intermediate holding company	Management fee paid	410,784	
		Amount due (to)/from	(205,392)	53,128
Norp Knit Industries Ltd., B'desh	Affiliate company	Purchase of goods	14,144,760	2,452,170
		Amount due from	339,543	162,952
Norwest Industries Ltd., Hong Kong	Fellow subsidiary	Inspection commission paid	7,206,608	2,022,105
		Rental fee	1,003,750	320,000
		Management fee paid	392,112	
		Sampling expense	180,224	
		Sampling income	412,215	
		Amount due to	(13,480,291)	(28,544,288)
Nor Pearl Knitwear Ltd., B'desh	Affiliate company	Claims and penalty		233,400
		Amount due to	(1,125,414)	(1,125,414)
Pacific Logistics Ltd., UK	Fellow subsidiary	Processing charges	194,369	153,075
Pearl GES Group Ltd., Hong Kong	Fellow subsidiary	Purchase of goods	6,748,219	
		Management fee paid	131,482	
		Inspection commission paid	231,323	
		Amount due from	1,900	55,822
Pearl Global Ltd., India	Affiliate company	Amount due from	608,909	92,997
Pearl Global Far East Ltd.	Fellow subsidiary	Amount due from	1,900	
Poetigem Limited, UK	Fellow subsidiary	Management fee paid	162,446	
		Sampling expense	691,625	
		Sampling income	13,618	-
		Marketing fee paid		444,665
		Amount due to	(3,333,772)	(577,930)
Zamira Fashion Ltd., Hong Kong	Fellow subsidiary	Management fee paid	246,000	
		Management fee received	(87,095)	13,333
		Amount due from	18,610	13,333





Simple Approach Limited

21. CONTINGENT LIABILITY

The Company had the following contingent liability not provided for in the financial statements at the end of reporting period:

	2010 HK\$	2009 HK\$
Irrevocable letter of credit	42,492,621	37,376,067
Shipping guarantee	—	222,838
	<u>42,492,621</u>	<u>37,598,905</u>

22. CURRENCY RISK

(i) Exposure to currency risk. The following table details the Company's exposure at the end of reporting period 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.

	2010				
	USD	GBP	EURO	RMB	BDT
Trade receivables	7,781,719	—	602,006	—	—
Cash and cash equivalent	1,083,600	356	658	—	632,641
Trade payables	(2,301,849)	—	—	(88,786)	—
Net exposure arising from recognized assets and liabilities	<u>6,563,470</u>	<u>356</u>	<u>602,664</u>	<u>(88,786)</u>	<u>632,641</u>
	2009				
	USD	GBP	EURO	RMB	BDT
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 recognized assets and liabilities	<u>3,983,556</u>	<u>267,465</u>	<u>351,296</u>	<u>(43,413)</u>	<u>—</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.±10%) in the foreign exchange rates to which the Company has significant exposure at the statement of financial position date.

	2010		2009	
	Increase HK\$	Decrease HK\$	Increase HK\$	Decrease HK\$
United States Dollars	—	—	—	—
British Pound	402	(402)	411,896	(411,896)
Euro Dollars	632,978	(632,978)	423,663	(423,663)
Chinese Yuan	(10,309)	10,309	(4,823)	4,823
Bangladeshi Taka	7,136	(7,136)	—	—
	<u>630,207</u>	<u>(630,207)</u>	<u>830,736</u>	<u>(830,736)</u>

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period 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 reporting period. 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 end of reporting period for presentation purposes. The analysis is performed on the same basis for 2009.

23. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Company's Board of Director on May 4, 2010.





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 2010.

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 (2009; 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.

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 of Directors

Sd/-

Director

Date: 24 May 2010

STATEMENT FROM SECRETARY 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 return 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 24 May 2010

AUDITORS' REPORT

to the shareholders of Global Textiles Group Limited

Report on the Financial Statements

We have audited the financial statements of Global Textiles Group Limited, which comprise the statement of financial position at 31 March 2010, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

Directors' responsibilities 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 in compliance with the requirements of the Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and supplying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibilities

Our responsibilities are to express an opinion on these financial statements based on our audit. We conduct our audit in accordance with International Standards on auditing. These 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 the 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 23 give a true and fair view of the financial position of the Company at 31 March 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act 2001.

Other matter

This report, including the opinion, has been prepared for and only for the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001 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

Companies Act 2001

We have no relationship with or interests in the Company other than in our capacity as auditors.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the company as far as appears from our examination of those records.

Sd/-

Lancasters

Chartered Accountants

14, Lancaster Court

Lavoquer Street

Port Louis

Mauritius

Date: 24 May 2010

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Note	2010 USD	2009 USD
Revenue	4	2,923,036	2,279,197
Expenses		(2,935,107)	(2,117,039)
(Loss)/ Profit before taxation		(12,071)	162,158
Taxation	5	(11,660)	(4,253)
(Loss)/Profit for the year		(23,731)	157,905
Other comprehensive income		---	---
Total comprehensive income for the year		(23,731)	157,905

STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	Note	2010 USD	2009 USD
Assets			
Non-current assets			
Investments	6	6,895,833	5,006,412
Receivables	7	1,654,056	1,406,556
Total non-current assets		8,549,889	6,412,968
Current assets			
Other receivables	8	713,437	135,358
Cash and cash equivalents		180,656	55,595
Total Current assets		894,093	190,953
Total assets		9,443,982	6,603,921
Equity and liabilities			
Capital and reserves			
Share capital		5,771,556	5,771,556
Revenue reserves		339,349	363,080
Total capital and reserves		6,110,905	6,134,636
Liabilities			
Non-current liabilities			
Loan from holding company	10	2,492,251	378,090
Total non-current liabilities		2,492,251	378,090
Current liabilities			
Other payables		840,826	86,942
Taxation		---	4,253
Total liabilities	11	840,826	91,195
Total equity and liabilities	15	9,443,982	6,603,921

Approved by the Board on 24 May 2010

Sd/-
Director

Sd/-
Director





Global Textiles Group Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Share Capital USD	Share application monies USD	Revenue reserves USD	Total USD
Balance as at 01 April 2008	5,621,556	150,000	205,175	5,976,731
Net movement during the year	150,000	(150,000)	---	---
Total comprehensive income for the year				
Profit for the year	--	---	157,905	157,905
Balance as at 31 March 2009	5,771,556	---	363,080	6,134,636
Total comprehensive income for the year				
Loss for the year	---	----	(23,731)	(23,731)
Balance as at 31 March 2010	5,771,556	---	339,349	6,110,905

STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010 USD	2009 USD
Cash flows from operating activities		
(Loss)/profit for the year	(23,731)	157,905
Adjustment for:		
Taxation	11,660	4,253
Exchange difference	—	305
Change in receivables	(247,500)	(300,000)
Change in other receivables	(578,079)	166,492
Change in other payables	403,884	(6,461)
Net cash (used)/from operating activities	(433,766)	22,494
Tax paid	(15,913)	—
	(449,679)	22,494
Cash flows from investing activities		
Acquisition of investments	(1,889,421)	—
Net cash (used)/from investing activities	(1,889,421)	22,494
Cash flows from financing activities		
Loan from holding company	2,114,161	33,370
Advance from related party	350,000	—
Net cash from financing activities	2,464,161	33,370
Net increase in cash and cash equivalents	125,061	55,864
Cash and cash equivalents at beginning of year	55,595	36
Effect on exchange rate fluctuations on cash held	—	(305)
Cash and cash equivalents at end of year	180,656	55,595

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

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 except that financial assets and financial liabilities are fair valued.

(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 recognized in the period in which the estimate is revised and in any future period affected.

(e) Change in accounting policies

The accounting policies are consistent with those adopted in the previous year, except for the following:

Adoption of new standards and interpretations effective for the current financial year

- Revised IAS 1 Presentation of Financial Statements
IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
- Amendments to IFRS 7 Improving Disclosures about Financial Instruments
The amendments require enhanced fair value measurement and liquidity risk disclosures. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

3. Significant accounting policies

The principal accounting policies adopted are as follows:

(a) Revenue recognition

Revenue is recognized in the statement of comprehensive income as follows:

- Dividend income: when the company's right to receive payment is established.
- Interest income: as it accrues (taking into account the effective yield on the assets)
- Professional fees income: are accounted for as it accrues

(b) Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

Deferred tax is recognized using the statement of financial position 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.

A deferred tax asset is recognized to the extent that it is possible that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(c) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary terms is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

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





Global Textiles Group Limited

(d) *Impairment of assets*

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis.

All impairment is recognized in the statement of comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to the statement of comprehensive income.

An impairment is reversed if the reversal can be related objectively to an event occurring after the impairment was recognized. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognized directly in the statement of comprehensive income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

(e) *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 recognized directly in equity.

(f) *Non-derivative financial assets*

Financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company classifies its financial assets in the following categories: at fair value through profit and loss, loans and receivables, held to maturity investments 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank. 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 receivables

Other receivables are stated at cost less impairment.

(g) *Non-derivative financial liabilities*

Financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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

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

The Company has the following non-derivative financial liabilities: loan due to holding company and other payables.

Other payables

Other payables are recognized at fair value, net of transactions costs incurred. Other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Loan from holding company

Loan from holding company is recognized initially at fair value, net of transaction costs incurred. Loan from holding company is subsequently carried at amortised cost: Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

(h) *Related parties*

Related parties may be individuals or other entities where the individual or other entities has the ability, directly or indirectly, to control the Company or exercise significant influence over the company in governing the financial and operating policies, or vice versa, or where the Company are subject to common control of common significant influence.

(i) *Expenses*

All expenses are recognized in the statement of comprehensive income on an accrual basis.

(j) *Provisions*

A provision is recognized if, as a result of a past event, the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(k) *New standards, interpretations not yet adopted*

Other than those adopted early as explained in the note 2 (e), a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2010 and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Company.

4. **Revenue**

Revenue represents:	2010	2009
	USD	USD
Marketing income	2,302,078	1,770,560
Management fees income	591,754	45,100
Interest receivable on loan	29,204	—
Professional fees	—	463,167
Bank interest	—	370
	<u>2,923,036</u>	<u>2,279,197</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. No provision has been made in the accounts due to availability of tax losses.

The reconciliation of the actual tax charge with the effective tax charge is as follows:

Recognized in statement of comprehensive income	2010	2009
	USD	USD
Income tax expense	—	4,253
Withholding tax	11,660	—
	<u>11,660</u>	<u>4,253</u>

A reconciliation of the actual income tax expense based on accounting (loss)/profit and actual income tax expense is as follows:

<i>Reconciliation of effective taxation</i>	2010	2009
	USD	USD
(Loss)/profit before taxation	(23,731)	162,158
Income tax at 15%	(3,560)	24,324
Tax exempt revenues	—	(56)
Tax credit	2,848	(19,414)
Deferred tax asset not recognized	712	(601)
Withholding tax	11,660	—
	<u>11,660</u>	<u>4,253</u>





Global Textiles Group Limited

6. Investments

Investments consist of unquoted shares.

	2010 USD	2009 USD
Cost		
At 01 April	5,006,412	5,006,412
Additions during the year	1,889,421	—
At 31 March	6,895,833	5,006,412

Name of company	Type of shares	Number of shares	2010 % held	2009 % held	Country of incorporation
Poetigem Limited	Equity	50,000	100	100	United Kingdom
Depa International, Inc	Equity	100	100	75	USA
PT Norwest Industry	Equity	149,998	99.87	99.99	Indonesia

At statement of financial position 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

	2010 USD	2009 USD
Unsecured, interest free loan to subsidiaries with no fixed repayment terms	1,654,056	1,406,556

8. Other receivables

	2010 USD	2009 USD
Loan to related parties	710,824	132,295
Prepayments	2,613	3,063
	<u>713,437</u>	<u>135,358</u>

9. Share capital

	2010 USD	2009 USD
Issued and fully paid 5,771,556 ordinary Shares of USD 1 each	5,771,556	5,771,556

10. Loan from holding company

	2010 USD	2009 USD
Unsecured, interest free loan with no fixed repayment terms	2,492,251	378,090

11. Other payables

	2010 USD	2009 USD
Loan from related party	350,000	—
Management fees payables	364,900	—
Loan interests accrued	90,251	61,047
Advance from related company	18,075	16,925
Non-trade payables and accrued expenses	17,600	8,970
	<u>840,826</u>	<u>86,942</u>

12. Related party transactions

During the year under review, the company entered into the following related party transactions.

Nature	2010 USD	2009 USD
<i>Transactions during the year:</i>		
Holding company Loan payable	2,114,161	33,370
Holding company Management fees payable	364,900	—
Holding company Interest payable	29,204	—
Related party Management fees receivable	74,123	132,295
Subsidiary Loan receivable	360,000	—
Subsidiary Interest receivable	29,204	—
Subsidiary Loan receivable	187,500	—
Related party Loan payable	351,650	—
Subsidiary Management fees payable	11,660	—
Subsidiary Management fees receivable	153,340	—
<i>Balances outstanding at 31 March:</i>		
Holding company Loan payable	2,492,251	378,090
Related party Interest payable	61,047	61,047
Related party Loan payable	358,575	16,925
Related party Loan receivable	206,418	132,295
Subsidiary Loan receivable	904,056	544,056
Subsidiary Interest receivable	29,204	—
Subsidiary Loan receivable	750,000	565,200

Related party Loan receivable	300,000	300,000
Holding company Management fees payable	364,900	—
Holding company Interest payable	29,204	—
Subsidiary Management fees receivable	11,660	—
Subsidiary Management fees receivable	153,340	—

13. Financial instruments

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

	Carrying Amount 2010 USD	Fair value 2010 USD	Carrying amount 2009 USD	Fair value 2009 USD
Financial Assets				
Receivables	1,654,056	1,654,056	1,406,556	1,406,556
Other receivables	710,824	710,824	132,296	132,296
Cash and cash equivalents	180,656	180,656	55,595	55,595
Total Financial Assets	2,545,536	2,545,536	1,594,447	1,594,447
Financial Liabilities				
Loan from holding company	2,492,251	2,492,251	378,090	378,090
Other payables	840,826	840,826	86,942	86,942
Total Financial Liabilities	3,333,077	3,333,077	465,032	465,032

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 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 statement of financial position 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 statement of financial position.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum credit risk at the reporting date was:

	2010 USD	2009 USD
Receivables	1,654,056	1,406,556
Other receivables	710,824	132,296
Cash and cash equivalents	180,656	55,595
	<u>2,545,536</u>	<u>1,594,447</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.

The following are the company's contractual maturities of financial liabilities

	Within One year USD	One to Five years USD
31 March 2010		

Financial liabilities

Loan from holding company	—	2,492,251
---------------------------	---	-----------





Global Textiles Group Limited

Other payables	840,826	—
Total Financial liabilities	<u>840,826</u>	<u>2,492,251</u>
<i>31 March 2009</i>		
Financial liabilities		
Loan from holding company	—	378,090
Other payables	<u>86,942</u>	<u>—</u>
Total Financial liabilities	<u>86,942</u>	<u>378,090</u>

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 optimizing the return.

Currency risk

The Company invests in stocks denominated in GBP and HKD. Consequently, the company is exposed to the risk that the exchange rate of the USD relative to the GBP 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 and HKD.

Currency risk

Currency profile

	Financial Assets	Financial liabilities	Financial assets	Financial liabilities
	2010	2010	2009	2009
	USD	USD	USD	USD
USD	1,795,062	3,333,077	918,096	465,032
GBP	544,056	—	544,056	—
HKD	206,418	—	132,295	—
	<u>2,545,536</u>	<u>3,333,077</u>	<u>1,594,447</u>	<u>465,032</u>

Sensitivity Analysis:

Currency	2010	2009
	USD	USD
GBP	54,406	54,406
HKD	20,642	13,230
Total	<u>75,048</u>	<u>67,636</u>

A 10% strengthening of USD against the above currencies at 31st March would have increased net loss before tax by USD 75,048 (2009 USD 67,636). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis in 2010.

Similarly a 10 percent weakening of the USD against the above currencies at 31 March will have had the exact reverse effect.

14. Capital management

The Company's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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. The group monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

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, Fort 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 a Company incorporated in India.

	2010 USD	2009 USD
Revenue		
Marketing income	2,302,078	1,770,560
Management fees	591,754	45,100
Interest on loan received	29,204	—
Professional fee income	—	463,167
Bank interests	—	370
	<u>2,923,036</u>	<u>2,279,197</u>
Expenses		
Consultancy fees	2,327,903	2,069,041
Management fees	364,900	—
Debtors written off	132,456	—
Interest paid on loan	29,204	—
Bank charges	27,567	22,285
Salaries	25,960	—
Audit and accounting fees	10,700	14,500
Sundries	6,212	1,680
Professional fees	5,580	4,495
Administration charges	2,250	2,200
Licence fees	1,875	1,713
Telephone, fax and courier charges	500	820
Exchange difference	—	305
	<u>2,935,107</u>	<u>2,117,039</u>
(Loss)/profit before taxation	<u>(12,071)</u>	<u>162,158</u>





Pearl GES Group Limited

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2010.

Principal activity

The principal activities of the Company are the trading of garments and investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 12 to the financial statements. There was no significant change in the nature of the Group's principal activities during the year.

Results

The Group's loss for the year ended 31 March 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 5 to 41.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 11 to the financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 18 to the financial statements and in the consolidated statement of changes in equity, respectively.

Directors

The directors of the Company during the year were:

Berstein Jauregui Sebastian Felipe
Deepak Seth
Guiloff Titelman Yariv
Pallak Seth
Pulkit Seth (resigned on 19 March 2010)
Payel Seth (appointed on 19 March 2010)

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 year was the Company, its subsidiaries 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 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 subsidiaries 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

Hongkong
27 April 2010

INDEPENDENT AUDITORS' REPORT

To the shareholders of Pearl GES Group Limited
(Incorporated in Hongkong with limited liability)

We have audited the financial statements of Pearl GES Group Limited set out on pages 5 to 41, which comprise the consolidated and company statements of financial position as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 Hongkong Financial Reporting Standards issued by the Hongkong Institute of Certified Public accountants and the Hongkong

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 Hongkong Companies Ordinance, and for no other purposes. 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 Hongkong Standards on Auditing issued by the Hongkong 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 2010 and the Group's loss and cash flows for the year then ended in accordance with Hongkong Financial Reporting Standards and have been properly prepared in accordance with the Hongkong Companies Ordinance.

Certified Public Accountants

Hongkong
27 April 2010

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2010

		Year ended 31 March 2010 US\$	Period from 13 May 2008 (date of) incorporation to 31 March 2009 US\$
	Notes		
REVENUE	5	17,640,953	2,242,393
Cost of Sales		(14,996,321)	(1,841,459)
Gross Profit		2,644,632	400,934
Other income	5	414,859	29,737
Selling and administrative expenses		(3,469,824)	(1,596,011)
Other operating expenses		(22,150)	(8,469)
Finance costs	7	(79,323)	(1,432)
LOSS BEFORE TAX	6	(511,806)	(1,175,241)
Tax	9	(33,000)	(18,661)
LOSS FOR THE YEAR / PERIOD		(544,806)	(1,193,902)
Attributable to:			
Owners of the parent	10	(544,806)	(1,168,902)
Minority interests		---	(25,000)
		(544,806)	(1,193,902)





Pearl GES Group Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2010

	Notes	Year ended 31 March 2010 US\$	Period from 13 May 2008 (date of incorporation) to 31 March 2009 US\$
LOSS FOR THE YEAR/PERIOD		(544,806)	(1,193,902)
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of Foreign operations		(26,421)	(5,870)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR / PERIOD		(571,227)	(1,199,772)
Attributable to:			
Owners of the parent	10	(571,227)	(1,174,772)
Minority interests		---	(25,000)
		(571,227)	(1,199,772)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Year ended 31 March 2010

	Notes	2010 US\$	2009 US\$
NON-CURRENT ASSETS			
Property, plant and equipment	11	120,217	195,000
Deposits	14	42,547	42,469
Due from a director	15	7,000	7,000
Total non-current assets		169,764	244,499
CURRENT ASSETS			
Trade and bills receivables	13	2,431,498	414,210
Prepayments, deposits and other receivables	14	100,383	35,366
Due from directors	15	404,000	228,000
Cash and bank balances		81,131	96,008
Total current assets		3,017,012	773,584
CURRENT LIABILITIES			
Trade and bills payable	16	576,923	151,344
Other payables and accruals		206,521	82,224
Due to the immediate holding company	20	2,467,140	400,000
Due to a fellow subsidiary	20	678,128	559,287
Tax payable		4,063	---
Total current liabilities		3,932,775	1,192,855
NET CURRENT LIABILITIES		(915,763)	(419,271)
Net liabilities		(745,999)	(174,772)
EQUITY			
Issued capital	17	1,000,000	1,000,000
Reserves		(1,745,999)	(1,174,222)
Minority interests		---	---
Net deficiency in assets		(745,999)	(174,772)
		Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2010

	Issued Capital US\$	Exchange reserve US\$	Accumulated losses US\$	Total US\$	Minority interests US\$	Net deficiency in assets US\$
Issue of shares (note17)	1,000,000	---	---	1,000,000	---	1,000,000
Capital contribution by a Minority shareholder	---	---	---	---	25,000	25,000
Total comprehensive Loss for the period	---	(5,870)	(1,168,902)	(1,174,772)	25,000	(1,199,772)
At 31 March 2009 and 1 April 2009	1,000,000	(5,870)	(1,168,902)	(174,772)	---	(174,772)
Total comprehensive Loss for the year	---	(26,421)	(544,806)	(571,227)	---	(571,227)
At 31 March 2010	1,000,000	(32,291)	(1,713,708)	(745,999)	---	(745,999)

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 March 2010

	Notes	Year ended 31 March 2010 US\$	Period from 13 May 2008 (date of incorporation) to 31 March 2009 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(511,806)	(1,175,241)
Adjustments for:			
Finance costs	7	79,323	1,432
Interest income	5	(18,838)	(6)
Depreciation	6	101,478	28,990
		(349,843)	(1,144,825)
Increase in trade and bills receivables		(2,017,288)	(414,210)
Increase in prepayments, deposits and other Receivables		(64,705)	(77,835)
Increase in amounts due from directors		(176,000)	(235,000)
Increase in an amount due to the immediate Holding company		2,021,973	400,000
Increase in an amount due to a fellow subsidiary		118,841	559,287
Increase in trade and bills payables		424,999	151,344
Increase in other payables and accruals		122,680	82,224
Cash generated from/(used in) operations		80,657	(679,015)
Interest received		18,838	6
Interest paid		(79,323)	(1,432)
Overseas tax paid		(28,937)	(18,661)
Net cash flows from/(used in) operations		(8,765)	(699,102)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital contribution by a minority shareholder		---	25,000
Purchases of items of property, plant and equipment	11	(14,976)	(226,368)
Net cash flows used in investing activities		(14,976)	(201,368)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		---	1,000,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		(23,741)	99,530
Cash and cash equivalents at beginning of the year		96,008	---
Effect of foreign exchange rate changes, net		8,864	(3,522)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		81,131	96,008
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		81,131	96,008





Pearl GES Group Limited

STATEMENT OF FINANCIAL POSITION

Year ended 31 March 2010

	Notes	2010 US\$	2009 US\$
NON-CURRENT ASSETS			
Property, plant and equipment	11	53,919	70,074
Investment in a subsidiary	12	225,000	225,000
Deposits	14	41,749	41,749
Due from a director	15	7,000	7,000
Total non-current assets		<u>327,668</u>	<u>343,823</u>
CURRENT ASSETS			
Trade and bills receivables	13	1,516,989	388,788
Prepayments, deposits and other receivables	14	75,639	30,849
Due from a subsidiary	12	1,034,444	203,416
Due from directors	15	404,000	228,000
Cash and bank balances		39,751	53,886
Total current assets		<u>3,070,823</u>	<u>904,939</u>
CURRENT LIABILITIES			
Trade and bills payable	16	337,902	108,204
Other payables and accruals		166,129	49,812
Due to the immediate holding company	20	2,467,140	400,000
Due to a fellow subsidiary	20	678,128	557,746
Total current liabilities		<u>3,649,299</u>	<u>1,115,762</u>
NET CURRENT LIABILITIES			
		<u>(578,476)</u>	<u>(210,823)</u>
EQUITY			
Net assets /(liabilities)		<u>(250,808)</u>	<u>(133,000)</u>
EQUITY			
Issued capital	17	1,000,000	1,000,000
Accumulated losses		(1,250,808)	(867,000)
Total equity / (net deficiency in assets)		<u>(250,808)</u>	<u>(133,000)</u>
	Director		Director

NOTES TO FINANCIAL STATEMENTS

31 March 2010

1. CORPORATE INFORMATION

Pearl GES Group Limited is a limited company incorporated in Hongkong. The registered office of the Company is located at Level 28, Three Pacific Place, 1 Queen's Road East, Hongkong.

During the year, the Group was primarily involved in the trading of home and garment products, and sales marketing.

The Company is 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 and Bombay Stock Exchange.

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 net liabilities at the end of the reporting period, as the Company's ultimate holding company has agreed to provide adequate funds for the Group and the Company to meet their liabilities as and when they fall due.

3.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hongkong Financial Reporting Standards ("HKFRSs") (which includes all Hongkong Financial Reporting Standards, Hongkong Accounting Standards ("HKFRSs") and Interpretations) issued by the Hongkong Institute of Certified Public Accountants, accounting principles generally accepted in Hongkong and the Hongkong 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 year ended 31 March 2010. The results of subsidiaries are consolidated from the date of incorporation, 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 unrealized 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.

3.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	<i>Amendments to HKFRS 1 First time Adoption of HKFRSs and HKFRS 27 Consolidated and Separate financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	<i>Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAs 18 Amendment*	<i>Amendment to Appendix to HKAS 18 Revenue – Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	<i>Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
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>
HK(IFRIC) – Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC) – Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC) – Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC) – Int 18	<i>Transfers of Assets from Customers (adopted from 1 July 2009)</i>
Improvements to HKFRSs (October 2008)**	<i>Amendments to a number of HKFRSs</i>

* Included in Improvements to HKFRSs 2009 (as issued in May 2009)

** The Group adopts all the improvements to HKFRSs issued in October 2008 except for the amendment to HKFRS 5 Non-current Assets held for Sale and Discontinued Operations – Plan to sell the Controlling Interest in a Subsidiary, which is effective from annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKAS 1 (Revised), the adoption of these new and revised HKFRSs has had no financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense recognized directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

3.3 ISSUED BUT NOT YET EFFECTIVE HONGKONG 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 (Revised)	<i>First-time Adoption of Hongkong Financial Reporting Standards¹</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hongkong Financial Reporting Standards – Additional Exemptions for First-time Adopters²</i>
HKFRS 1 Amendment	<i>Amendment to HKFRS 1 First-time Adoption of Hongkong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters⁴</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS Share-based Payment – Group Cash-settled Share-based Payment Transactions²</i>





Pearl GES Group Limited

HKFRS 3 (Revised)	<i>Business Combinations</i> ¹
HKFRS 9	<i>Financial Instruments</i> ⁶
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ⁵
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ¹
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i> ³
HKAS 39 Amendment	<i>Amendment to HKAS 39 financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> ¹
HK (IFRIC) – Int 14 Amendment	<i>Amendment to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement</i> ⁵
HK (IFRIC)– Int 17	<i>Distributions of Non-cash Assets to Owners</i> ¹
HK (IFRIC) – Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ⁴
Amendments to HKFRS 5 Included in Improvements to HKFRSs issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i> ¹
HK Interpretation 4 Amendments (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hongkong Land Leases</i> ²

3.3 ISSUED BUT NOT YET EFFECTIVE HONGKONG FINANCIAL REPORTING STANDARDS (continued)

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK (IFRIC)- Int 9 and HK (IFRIC)- Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFR 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transactional provisions for each standard or interpretation.

- 1 Effective for annual periods beginning on or after 1 July 2009
- 2 Effective for annual periods beginning on or after 1 January 2010
- 3 Effective for annual periods beginning on or after 1 February 2010
- 4 Effective for annual periods beginning on or after 1 July 2010
- 5 Effective for annual periods beginning on or after 1 January 2011
- 6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the company'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 Company 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 recognized 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 in those expenses categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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 / amortization) had no impairment loss been recognized 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 the recognition criteria are satisfied, the expenditure for major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation.

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 1/3%
Furniture and fixtures	10% - 33 1/3 %

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is located 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 financial year end.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the income statement in the period the asset is derecognized 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

Initial recognition and measurement

Financial assets of the Group within the scope of HKAS 39 are classified as loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of





Pearl GES Group Limited

assets within the period generally established by regulation or convention in the market place.

The Group's financial assets include cash and bank balances, amount due from affiliates, trade and bill receivables, a deposit and other receivables.

Subsequent measurement – loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income statement. The loss arising from impairment is recognized in the income statement in other operating expenses.

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 derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in the income statement.

Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an even occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Financial liabilities**Initial recognition and measurement**

Financial liabilities of the Group within the scope of HKAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, and amounts due to affiliates.

Subsequent measurement – loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, 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 statement of financial position, 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 recognized when a present obligation (legal or constructive) has arisen as a result of a past event and its 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 recognized for a provision is the present value at the end of the reporting period 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 relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the





Pearl GES Group Limited

amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized 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 the end of each reporting period 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 utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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 recognized when it is probable that the economic benefits will flow to the Group and when 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 exactly 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 Group operates a mandatory provident fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance for its employees in Hongkong 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 Group in an independently administered fund. The Group'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 recorded by the entities of the Group are initially recorded using their respective 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 reporting period. 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 is a currency other than the US\$. As at the end of the reporting period, the assets and liabilities of the subsidiary are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and its income statement is translated into US\$ at the weighted average exchange rates for the year. The resulting exchange differences are recognized

in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

For the purpose of the consolidated statement of cash flows, 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 year are translated into US\$ at the weighted average exchange rates for the year.

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 end of the reporting period. 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 end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are summarized 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 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 receivables 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 revised 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 the Group's other income is as follows:

	Year ended 31 March 2010 US\$	Period from 13 May 2008 (date of incorporation) to 31 March 2009 US\$
Interest income	18,838	6
Commission income	294,733	1,308
Foreign exchange differences, net	58,317	28,423
Others	42,971	—
	<u>414,859</u>	<u>29,737</u>

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging (crediting):

	Year ended 31 March 2010 US\$	Period from 13 May 2008 (date of incorporation) to 31 March 2009 US\$
Cost of inventories sold	14,996,321	1,841,459
Depreciation	101,478	28,990
Employee benefits expense, excluding Directors' remuneration (note 8):		
Salaries	550,264	186,274
Pension scheme contributions	120,425	21,963
	<u>670,689</u>	<u>208,237</u>
Auditors' remuneration	23,498	15,815





Pearl GES Group Limited

7. FINANCE COST

Analysis of finance costs is as follows:

	Group	
	Year ended 31 March 2010 US\$	Period from 13 May 2008 (date of incorporation) to 31 March 2009 US\$
Interest on bank loans, overdrafts and other Loan wholly repayable within five years	<u>79,323</u>	<u>1,432</u>

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to Section 161 of the Hongkong Companies Ordinance is as follows:

	Group	
	Year ended 31 March 2010 US\$	Period from 13 May 2008 (date of incorporation) to 31 March 2009 US\$
Fees		
Other emoluments:		
Salaries, allowances and benefits in kind	<u>252,556</u>	<u>242,858</u>
	<u>252,556</u>	<u>242,858</u>

9. INCOME TAX

Hongkong profits tax has been provided at the rate of 16.5% (Period ended 31 March 2009: Nil) on the estimated profits arising in Hongkong during the year.

Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	Year ended 31 March 2010 US\$	Period from 13 May 2008 (date of incorporation) to 31 March 2009 US\$
Current – Hongkong		
Charge for the year	—	—
Underprovision in prior year	<u>4,063</u>	—
Current – Mainland China	<u>28,937</u>	<u>18,661</u>
Tax charge for the year / period	<u>33,000</u>	<u>18,661</u>

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, and a reconciliation of the applicable rate to the effective rate are as follows:

	Group		Period from 13 May 2008 (date of incorporation) to 31 March 2009	
	Year ended 31 March 2010 US\$	%	US\$	%
Loss before tax	<u>(511,806)</u>		<u>(1,175,241)</u>	
Tax credit at the Hongkong				
Statutory tax rate of 16.5%	<u>(84,448)</u>	<u>(16.5)</u>	<u>(193,915)</u>	<u>(16.5)</u>
Income not subject to tax	<u>(35,668)</u>	<u>(7.0)</u>	<u>(374,901)</u>	<u>(31.9)</u>
Expenses not deductible for tax	<u>16,743</u>	<u>3.3</u>	<u>424,426</u>	<u>36.1</u>
Adjustments in respect of current tax of Previous periods	<u>4,063</u>	<u>0.8</u>	—	—
Tax loss not recognized	<u>103,373</u>	<u>20.2</u>	<u>144,390</u>	<u>12.3</u>
Deemed income tax on the Group's Representative office located in Mainland China	<u>28,937</u>	<u>5.7</u>	<u>18,661</u>	<u>1.6</u>
Tax change for the year/period	<u>33,000</u>	<u>6.5</u>	<u>18,661</u>	<u>1.6</u>

At the end of the reporting period, the Company had tax losses arising from Hongkong of approximately US\$1,501,593 (2009: US\$875,091), subject to the agreement of Hongkong Inland Department, that are available indefinitely for offsetting against future taxable profits of the Company arising in Hongkong.

At the end of the reporting period, net deferred tax assets in respect of tax losses and other temporary differences not recognized were as follows:

	2010 US\$	2009 US\$
Tax losses	<u>247,763</u>	<u>144,390</u>
Depreciation allowance in excess of related depreciation	<u>(6,643)</u>	<u>(8,745)</u>
	<u>241,120</u>	<u>140,645</u>

Deferred tax assets have not been recognized in respect of the above items as the directors consider that the availability of future profits of the Company against which the above items can be utilized is unpredictable.

10. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year includes a loss of US\$383,808 (Period ended 31 March 2009: US\$867,000), which has been dealt with in the financial statements of the company (note 18(b)).

11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold Improvement US\$	Furniture and Fixtures US\$	Office equipment US\$	Total US\$
31 March 2010				
At 31 March 2009 and At 1 April 2009:				
Cost	134,034	49,580	40,719	224,333
Accumulated depreciation	<u>(21,278)</u>	<u>(4,039)</u>	<u>(3,986)</u>	<u>(29,303)</u>
Net carrying amount	<u>112,756</u>	<u>45,541</u>	<u>36,733</u>	<u>195,030</u>
At 1 April 2009, net of accumulated				
Depreciation	112,756	45,541	36,733	195,030
Additions	—	567	14,409	14,976
Depreciation provided during the year	<u>(70,864)</u>	<u>(16,248)</u>	<u>(14,366)</u>	<u>(101,478)</u>
Exchange realignment	<u>10,446</u>	<u>196</u>	<u>1,047</u>	<u>11,689</u>
At 31 March 2010, net of accumulated				
Depreciation	<u>52,338</u>	<u>30,056</u>	<u>37,823</u>	<u>120,217</u>
At 31 March 2010:				
Cost	134,034	50,147	55,128	239,309
Accumulated depreciation	<u>(81,696)</u>	<u>(20,091)</u>	<u>(17,305)</u>	<u>(119,092)</u>
Net carrying amount	<u>52,338</u>	<u>30,056</u>	<u>37,823</u>	<u>120,217</u>
31 March 2009				
Addition	135,990	49,607	40,771	226,368
Depreciation provided during the period	<u>(20,972)</u>	<u>(4,038)</u>	<u>(3,980)</u>	<u>(28,990)</u>
Exchange realignment	<u>(2,262)</u>	<u>(28)</u>	<u>(58)</u>	<u>(2,348)</u>
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	<u>(21,278)</u>	<u>(4,039)</u>	<u>(3,986)</u>	<u>(29,303)</u>
Net carrying amount	<u>112,756</u>	<u>45,541</u>	<u>36,733</u>	<u>195,030</u>
Company				
		Furniture and Fixtures US\$	Office equipment US\$	Total US\$
31 March 2010				
At 31 March 2009 and At 1 April 2009:				
Cost		47,584	30,015	77,599
Accumulated depreciation		<u>(3,965)</u>	<u>(3,560)</u>	<u>(7,525)</u>
Net carrying amount		<u>43,619</u>	<u>26,455</u>	<u>70,074</u>
At 1 April 2009, net of accumulated Depreciation		43,619	26,455	70,074





Pearl GES Group Limited

Additions	—	12,057	12,057
Depreciation provided during the year	(15,860)	(12,352)	(28,212)
At 31 March 2010, net of			
Accumulated depreciation	27,759	26,160	53,919
At 31 March 2010:			
Cost	47,584	42,072	89,656
Accumulated depreciation	(19,825)	(15,912)	(35,737)
Net carrying amount	27,759	26,160	53,919

31 March 2009

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	43,619	26,455	70,074
At 31 March 2009:			
Cost	47,584	30,015	77,599
Accumulated depreciation	(3,965)	(3,560)	(7,525)
Net carrying amount	43,619	26,455	70,074

12. INVESTMENT IN A SUBSIDIARY

Company	2010	2009
	US\$	US\$
Untitled shares, at cost	225,000	225,000

The amount due from a subsidiary is unsecured, interest-free, and has no fixed terms of repayment.

Particulars of the Company's subsidiaries are 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	Hongkong	
Pearl GES Home Group S.P.A.#	Chile	Peso 3,000,000	—	90	Sales marketing

Not audited by Ernst & Young Hongkong or other member firm of the Ernst & Young global network.

13. 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 2010 and 2009, on trade and bills receivables of the Group were impaired. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade and bills receivables at the end of the reporting period, based on payment due date, which are not considered to be impaired is as follows:

Group	2010	2009
	US\$	US\$
Neither past due nor impaired	2,325,351	414,210
Less than 1 month past due	92,534	—
Over 1 month past due	13,613	—
	2,431,498	414,210
Company	2010	2009
	US\$	US\$
Neither past due nor impaired	1,470,677	388,788
Less than 1 month past due	46,312	—
	1,516,989	388,788

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group	2010	2009
	US\$	US\$
Prepayments	74,555	20,449
Deposits and other receivables	68,375	57,386
	142,930	77,835
Portion classified as non-current deposits	(42,547)	(42,469)
	100,383	35,366
Company	2010	2009
	US\$	US\$
Prepayments	74,555	20,449
Deposits and other receivables	42,833	52,149
	117,388	72,598
Portion classified as non-current deposits	(41,749)	(41,749)
	75,639	30,849

15. DUE FROM DIRECTORS

Particulars of amounts due from directors, disclosed pursuant to Section 161B of the Hongkong Companies Ordinance, are as follows:

Name	31 March 2010	Maximum amount outstanding	
		31 March 2010	1 April 2009
Mr. Sebastian Felipe Berstein Jauregui	196,000	196,000	108,000
Mr. Yariv Guiloff Titleman	215,000	215,000	127,000
	411,000		235,000
Portion classified as non-current	(7,000)		(7,000)
	404,000		228,000

The amounts due from all directors are unsecured and interest-free, and have no fixed terms of repayment.

16. TRADE AND BILLS PAYABLES

All trade and bills payables of the Group and the Company are unsecured, interest-free and repayable on demand.

17. SHARE CAPITAL

Authorized, issued and fully paid:	2010	2009
	US\$	US\$
1,000,000 ordinary shares of US\$1 each - US\$1,000,000	1,000,000	1,000,000

On incorporation, the Company's authorized 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 2009, further 999,999 ordinary shares were issued at par for cash to the shareholders.

18. RESERVES

(a) Group		Accumulated
		Losses
		US\$
The amounts of the Group's reserves and the movements therein for the current year and the prior period are presented in the consolidated statement changes in equity on page 8 of the financial statements.		(867,000)
(b) Company		(867,000)
		(383,808)
Total comprehensive loss for the period		(867,000)
At 31 March 2009		(867,000)
Total comprehensive loss for the year		(383,808)
At 31 March 2010		(1,250,808)





Pearl GES Group Limited

19. OPERATING LEASE ARRANGEMENTS

The Group leases its office premises under operating lease agreements. Leases for these properties are negotiated for terms ranging from one to three years.

At 31 March 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010	2009
	US\$	US\$
Within one year	183,954	214,949
In the second to fifth years, inclusive	241,925	133,293
	<u>425,879</u>	<u>348,242</u>

20. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(a) A portion of the Group's business transactions represented transactions with certain group companies. The significant transactions are summarized below:

	Notes	2009	2008
		US\$	US\$
Sales to fellow subsidiaries	(i)	1,071,875	---
Commissions received from a fellow subsidiary	(ii)	29,733	---
Management fee income received from fellow subsidiaries	(iii)	33,800	---
Commissions paid to a fellow subsidiary	(iv)	31,122	---
Management expenses paid to the immediate Holding company	(v)	25,000	---
Interest paid to the immediate holding company	(vi)	54,640	---

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 Group.
- (ii) The commissions for the provision of non-exclusive sourcing service to a fellow subsidiary were charged according to terms stipulated by an agreement between the Group and the fellow subsidiary.
- (iii) The management fee income was charged at rates agreed between the Group and the fellow subsidiaries.
- (iv) Commissions paid to a fellow subsidiary for sourcing services were at rates agreed between the Group and a fellow subsidiary.
- (v) Management expenses were charged at rates agreed between the Group and the immediate holding company.
- (vi) The interest was charged at 4% per annum on the balance with the immediate holding company (note (b)(ii)).
- (b) Outstanding balance with related parties:
- (i) The amount due to a fellow subsidiary is unsecured, interest-free, and has no fixed terms of repayment.
- (ii) The amount due to the immediate holding company is unsecured, interest-bearing at 4% per annum and has no fixed terms of repayment.

21. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Group		
Financial assets – loans and receivables		
	2010	2009
	US\$	US\$
Trade and bills receivables	2,431,498	414,210
Deposits and other receivables	68,375	57,386
Due from directors	411,000	235,000
Cash and bank balances	81,131	96,008
	<u>2,992,004</u>	<u>802,604</u>
Financial liabilities – financial liabilities at amortised cost		
	2010	2009
	US\$	US\$
Trade and bills payables	576,923	151,344
Other payables and accruals	206,521	82,224
Due to the immediate holding company	2,467,140	400,000
Due a fellow subsidiary	678,128	559,287
	<u>3,928,712</u>	<u>1,192,855</u>

Company

Financial assets – loans and receivables

	2010	2009
	US\$	US\$
Trade and bills receivables	1,516,989	388,788
Deposits and other receivables	42,833	52,149
Due from a subsidiary	1,034,444	203,416
Due from directors	411,000	235,000
Cash and bank balances	39,751	53,886
	<u>3,045,017</u>	<u>933,239</u>

Financial liabilities – financial liabilities at amortised cost

	2010	2009
	US\$	US\$
Trade and bills payables	337,902	108,204
Other payables and accruals	166,129	49,812
Due to the immediate holding company	2,467,140	400,000
Due a fellow subsidiary	678,128	557,746
	<u>3,649,299</u>	<u>1,115,762</u>

22. 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 recognized 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 other receivables, amounts due from directors and cash 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 recognized 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 13 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 operation.

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 repayment terms of the Group's balances with group companies are disclosed in note 20(b). The Group's and the Company's other financial liabilities as at the end of the reporting period were due within one year or on demand and 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 Group'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 Group may return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2010 and 2009. The capital of the Group companies all components of shareholders' equity.

23. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair values of the Group's financial assets and liabilities at the end of the reporting period are not materially different from their carrying amounts.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 27 April 2010.





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 2010.

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 (2009: 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: 3 May 2010

INDEPENDENT AUDITORS' REPORT

The Stockholders and Directors

PT Norwest Industry

We have audited the balance sheets of PT Norwest Industry as of March 31, 2010 and 2009 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 audits 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 included 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, 2010 and 2009, and the results of its operations, changes in stockholders' 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.

Saptoto Agustomo

Public Accountant License Number: 98.1.0202

Jakarta, May 3, 2010

BALANCE SHEETS

As of March 31, 2010 and 2009
(in US Dollar)

ASSETS	Notes	March 31, 2010 USD	March 31, 2009 USD
Current Assets			
Cash and Cash Equivalent	2.d,3	164,527	462,607
Accounts Receivable			
Third parties	2.e,4	1,547,774	2,009,252
Related Parties	2.c,4	1,425,561	1,911,375
Other Receivables			
Third Parties	5	22,342	12,349
Related parties	2.c,5	23,981	10,451
Inventories	2.f,6	5,33,913	1,101,987
Advance to Suppliers	7	6,30,788	301,111
Prepaid Expenses	2.g,8	93,866	70,366
Prepaid Taxes	2.k,15.a	371,803	166,417
Other Current Assets	9	18,294	19,481
Total Current Assets		<u>4,832,849</u>	<u>6,065,396</u>
Non Current Assets			
Deferred Tax Assets	2.k,15.d	203,639	182,666
Fixed Assets			
(Net of accumulated depreciation Of USD 1,714,856 and USD 1,370,773 as Of March 31, 2010 and 2009)	2.h,10	1,321,806	1,525,145
Refundable Deposits	11	96,519	95,499
Total Non-Current Assets		<u>1,621,964</u>	<u>1,803,310</u>
TOTAL ASSETS		<u>6,454,813</u>	<u>7,868,706</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Bank Loan	12	1,875,406	3,475,494
Accounts Payable	13	293,763	853,119
Other Payables	14	111,104	171,615
Taxes Payable	2.k,15.b	11,409	7,774
Accrued Expenses	16	357,313	269,848
Total Current Liabilities		<u>2,648,995</u>	<u>4,577,850</u>
Non Current Liabilities			
Employee Benefits Obligation	2.i, 17	81,904	47,954
Total Non-Current Liabilities		<u>81,904</u>	<u>47,954</u>
Total Liabilities		<u>2,730,899</u>	<u>4,625,804</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, 2010 and 2009	18	1,501,980	1,501,980
Additional Paid-in-capital	18	1,980	1,980
Retained Earnings		2,219,954	1,738,942
Total Stockholders' Equity		<u>3,273,914</u>	<u>3,242,902</u>
Total Liabilities And Stockholders' Equity		<u>6,454,813</u>	<u>7,868,706</u>

STATEMENTS OF INCOME

For the year ended March 31, 2010 and 2010
(in US Dollar)

	Notes	March 31, 2010 USD	March 31, 2010 USD
SALES REVENUE	2.j,19	19,267,340	17,035,096
COST OF GOODS SOLD	2.j, 20	16,536,197	13,804,313
GROSS PROFIT		<u>2,731,143</u>	<u>3,230,783</u>
OPERATING EXPENSES			
Selling expenses	2.j,21	107,877	85,363
General and Administrative Expenses	2.j,21	2,087,317	2,108,484
Total operating Expenses		<u>2,195,194</u>	<u>2,193,847</u>
INCOME FROM OPERATIONS		<u>535,949</u>	<u>1,036,936</u>





PT Norwest Industry

	Notes	March 31, 2010 USD	March 31, 2010 USD
OTHER INCOME (EXPENSE)			
Gain(Losses) on Foreign Exchange-Net		236,115	(428,247)
Bank charges and Interest Expenses		(229,961)	(150,994)
Gain on Disposal of Fixed Assets		18,036	21,226
Claim from Buyers (to Suppliers) –Net		(86,303)	28,544
Miscellaneous Income – Net	22	242,694	263,870
Total Other Income (Expenses) – Net		180,581	(265,601)
INCOME BEFORE INCOME TAX		716,530	771,335
INCOME TAX BENEFIT (EXPENSES)			
Current Tax	2.k,15.c	(256,491)	(276,817)
Deferred tax	2.k15.d	20,973	16,662
Total Income Tax Expenses		(235,518)	(260,155)
NET INCOME		481,012	511,180

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended March 31, 2010 and 2009
(In Us Dollar)

	Notes	Capital Stock USD	Additional Paid-in-capital USD	Retained Earnings USD	Stockholders' Equity USD
Balances as of March 21, 2008		1,500,000	—	1,227,762	2,727,762
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
Net Income		—	—	481,012	481,012
Balance as of March 31, 2010		1,501,980	1,980	2,219,954	3,723,914

STATEMENTS OF CASH FLOWS

For the years ended March 31, 2010 and 2009
(In Us Dollar)

	March 31, 2010 USD	March 31, 2009 USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Income Before Income Tax and Interest Expenses	946,491	922,329
Adjustments for:		
Depreciation	368,503	327,607
Proceeds from Capital Subsidy	(25,795)	(40,778)
Gain on Disposals of Property and Equipment	(18,036)	(21,226)
Employee Benefits Obligation	33,950	8,157
Operating Income Before Changes in Working Capital	1,305,113	1,196,089
Changes in Assets and Liabilities:		
Account and Other Receivables	923,769	(2,458,022)
Inventories	568,074	(123,439)
Advance to Suppliers and Prepayments	(558,563)	(211,981)
Other Current Assets	1,187	(16,525)
Account and Other Payables	(419,867)	211,164
Accrued Expenses	87,465	102,363
Taxes Payables Other than Corporate Income Tax	2,349	(2,009)
Cash Generated from (Disbursed for) Operations	1,909,527	(1,302,360)
Interest Paid	(235,016)	(150,994)
Income Tax Paid	(256,534)	(341,485)
Net Cash Flows Provided by (Used in) Operating Activities	1,417,977	(1,794,839)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property and Equipment	(176,836)	(718,875)
Proceeds from Capital Subsidy	25,795	40,778
Proceeds from Sale of Property and Equipment	36,092	23,477

Addition at Refundable Deposits	(1,020)	(8,513)
Net Cash Flows Used in Investing Activities	(115,969)	(663,133)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (Repayment of) Bank Loan – Net	(1,600,088)	2,848,492
Additional Paid-in-Capital	—	3,960
Net Cash Flows Provided by (Used in) Financing Activities	(1,600,088)	2,852,452
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(298,080)	394,480
CASH AND CASH EQUIVALENTS – AT THE BEGINNING OF THE PERIOD	462,607	68,127
CASH AND CASH EQUIVALENTS – AT THE END OF THE PERIOD	164,527	462,607
Cash and Cash Equivalents consist of:		
Cash on Hand	17,157	9,030
Cash in Banks	147,370	21,612
Deposits	—	431,965
TOTAL	164,527	462,607

NOTES TO THE FINANCIAL STATEMENTS

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/I/PMA/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 Pople Savitri Martosuhardjo, SH., Notary in Jakarta, dated April 24, 2008 and has been approved by Minister of Justice and Human Rights of the Republic of Indonesia 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/I/PMA/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. 133/II/PMA/2008 dated April 3, 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, 2010 and 2009, the Company has a total of 1,943 and 1,985 employees.

1.b. The Company's Management

The Company's management as of March 31, 2010 and 2009 consists of the following:

Board of Commissioner :	
Commissioner :	Rajesh Vishnu Ajwani
Board of Directors:	
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 middle rates. Exchange rates used on March 31, 2010 were IDR 9.115, Euro 1.340, HKD 0.129, SGD 0.714, GBP 1.507 while on March 31, 2009 were IDR 11,575, Euro 1.324, HKD 0.129, SGD 0.658, GBP 1.431.





PT Norwest Industry

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 and 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 or 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.

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 the property and equipment.

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 Benefits

The Company calculates employee benefits in accordance with SFAS No. 24 (Revised 2004) concerning "Employee Benefits".

Short-term employee benefits are recognized at undiscounted amount when an employee has rendered service to the Company during an accounting period.

Post-employment benefits are recognized at a discounted amount when an employee has rendered service to the Company during an accounting period. Liabilities and expenses are measured using actuarial techniques which include constructive obligation that arises from the Company's informal practices. In calculating the liabilities, benefits should be discounted by using projected unit credit method.

Termination benefits are recognized when, and only when, the Company is demonstrably committed to either:

- Terminate an employee or group of employees before the normal retirement date; or
- Provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

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. Taxation

All temporary differences arising between tax bases of assets and liabilities and their carrying value are recognized as deferred tax using the liability method. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets relating to carry forward unused tax losses are recognized to the extent that it is probable the future taxable profit will be available against which the unused tax losses can be utilized. Amendments to tax obligations are recorded when an assessment is received or, if appealed against, when the results of the appeal are determined.

Current tax is recognized based on taxable income for the year, in accordance with current tax regulations.

2.1. 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.

3. Cash and Cash Equivalent

	March 31, 2010 USD	March 31, 2009 USD
Cash on Hand		
Rupiah	9,805	6,651
USD	6,886	2,094
Poundsterling	210	210
Euro	167	32
HKD	82	18
SGD	7	25
Sub Total	17,157	9,030
Cash in Banks		
Rupiah	129,979	11,980
USD	17,385	9,626
Euro	6	6
Sub Total	147,370	21,612
Deposits		
Rupiah	—	431,965
Sub Total	—	431,995
Total	164,527	462,607

As of March 31, 2009, deposits in Rupiah earned interest of 6.5 – 11% per annum.

4. Accounts Receivable

	March 31, 2010 USD	March 31, 2009 USD
Third Parties		
Mast Industries Ltd	857,782	647,050
TMS Fashion (HK) Ltd	567,667	679,613
S.Oliver Bernd Freier GMBH & Co. Kq	122,325	599,846
Li N Fung Trading Ltd	—	76,420
Others (below USD 5,000)	—	6,323
Sub Total	1,547,774	2,009,252
Related Parties		
Pearl Global Limited	1,425,561	1,911,375
Sub Total	1,425,561	1,911,375
Total	2,973,335	3,920,627

Management believes that all accounts receivable are collectible; accordingly the management does not provide allowance for doubtful accounts.

5. Other Receivables

	March 31, 2010 USD	March 31, 2009 USD
Third Parties		
PT Nirwana Paratrans	—	2,312
Others (below USD 2,000)	22,342	10,037
Sub Total	22,342	12,349
Related Parties		
Employees	23,981	10,451
Sub Total	23,981	10,451
Total	46,323	22,800

As of March 31, 2010 and 2009, 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.





PT Norwest Industry

6. Inventories

	March 31, 2010 USD	March 31, 2009 USD
Work in Process	<u>533,913</u>	<u>1,101,987</u>

Based on a review of inventories, 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 2,600,000 and USD 3,021,000 as of March 31, 2010 and 2009. 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, 2010 USD	March 31, 2009 USD
Anand Fashion Int. LLC	<u>497,898</u>	—
Room Textiles Co. Ltd	<u>63,472</u>	—
SGTex Global Co. Ltd	<u>31,565</u>	—
Winnitex Limited	<u>12,730</u>	—
Welchom World Limited	<u>6,262</u>	—
Union Knopf (HK)	<u>5,783</u>	—
GUYN Corporation	—	127,755
Victory City Company Ltd	—	115,240
KAM HING Piece Work	—	40,514
Paxar Far East Ltd	—	7,108
Others (below USD 5,000)	<u>13,078</u>	<u>10,494</u>
Total	<u>630,788</u>	<u>301,111</u>

8. Prepaid Expenses

	March 31, 2010 USD	March 31, 2009 USD
Factory Rent	<u>54,129</u>	53,415
Training	<u>19,338</u>	—
Office Rent	<u>11,916</u>	5,756
Work permit	<u>8,300</u>	6,500
Others (below USD 2,000)	<u>183</u>	4,695
Total	<u>93,866</u>	<u>70,366</u>

Factory rent represent factory premises on rent in Semarang, Central Java, from PT Lamicitra Nusantara Tbk, the third party. The Company uses these factories for its production activities (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, 2010 and 2009.

10. Fixed Assets

	2010				2009			
	Beginning Balance USD	Additions USD	Disposals USD	Ending Balance USD	Beginning Balance USD	Additions USD	Disposals USD	Ending Balance USD
Direct Ownership Cost								
Land titles	182,932	—	—	182,932	—	182,932	—	182,932
Infrastructures	271,372	484	—	271,856	172,738	98,634	—	271,372
Machineries	1,741,335	91,677	—	1,833,012	1,396,140	345,195	—	1,741,335
Furniture and fixtures	146,885	7,204	—	154,089	107,156	39,729	—	146,885
Vehicles	313,181	19,483	36,092	296,572	253,901	92,303	33,023	313,181
Tools and Equipment	240,213	33,988	—	274,201	213,399	26,814	—	240,213
Capital Work in Progress	—	24,000	—	24,000	66,732	(66,732)	—	—
	<u>2,895,918</u>	<u>176,836</u>	<u>36,092</u>	<u>3,036,662</u>	<u>2,210,066</u>	<u>718,875</u>	<u>33,023</u>	<u>2,895,918</u>
Accumulated Depreciation								
Infrastructures	127,693	36,872	—	164,565	90,220	37,473	—	127,693
Machineries	898,277	227,822	—	1,126,099	705,660	192,617	—	898,277
Furniture and Fixtures	65,810	21,846	—	87,656	46,406	19,404	—	65,810
Vehicles	87,138	60,447	24,420	123,165	58,112	59,798	30,772	87,138
Tools and Equipment	191,855	21,516	—	213,371	173,540	18,315	—	191,855
	<u>1,370,773</u>	<u>368,503</u>	<u>24,420</u>	<u>1,714,856</u>	<u>1,037,938</u>	<u>327,607</u>	<u>30,772</u>	<u>1,370,773</u>
Total	<u>1,525,145</u>			<u>1,321,806</u>	<u>1,136,128</u>			<u>1,525,145</u>

Direct Ownership Cost

	Beginning Balance USD	Additions USD	Disposals USD	Ending Balance USD
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

	Beginning Balance USD	Additions USD	Disposals USD	Ending Balance USD
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	87,138
Tools and Equipment	173,540	18,315	—	191,855
	<u>1,037,938</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>

Based on managements 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, 2010 and 2009.

Land titles represent usage rights of Taman Pasadenia Apartment at Jakarta ('HAK Milk 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 blanket policies amounting to RP 2,970,300,000 and USD 2,222,000 as of March 31, 2010 and Rp2,568,070,000 and USD 2,222,000 of March 31, 2009. Management is in opinion that sum of insured is adequate to cover possible losses from fire and other risks of related assets.

Additions of fixed assets in 2010 and 2009 mainly arise from purchasing of machineries for supporting activities and deductions of fixed assets represent sale of vehicle with gain on sales amounted to USD 18,035 as of March 31, 2010 and USD 21,226 as of March 31, 2009.

Depreciation was charged to:

	March 31, 2010 USD	March 31, 2009 USD
Cost of Goods Sold (Note 20)	<u>264,694</u>	230,090
General and Administrative Expenses (Note 21)	<u>103,809</u>	97,517
Total	<u>368,503</u>	<u>327,607</u>

11. Refundable Deposits

	March 31, 2010 USD	March 31, 2009 USD
Plant	<u>77,205</u>	77,205
Office	<u>9,559</u>	8,539
Electric	<u>7,595</u>	7,595
Warehouse	<u>2,160</u>	2,160
Total	<u>96,519</u>	<u>95,499</u>

12. Bank Loan

	March 31, 2010 USD	March 31, 2009 USD
HSBC Bank:		
Import	<u>1,672,623</u>	1,929,269
Export	<u>113,783</u>	1,336,225
Packing Credit Loan	<u>89,000</u>	210,000
Total	<u>1,875,406</u>	<u>3,475,494</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/09087/UJ/091009 dated October 20, 2009 with combined maximum limit amounting to USD 3,000,000. These facilities were





PT Norwest Industry

charged interest of 5.25% and 4.5% per annum below the banks prime lending rate for the year ended March 31, 2010 and 2009. The average interest rates for the period of March 31, 2010 and 2009 each 5.27% and 7% 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;
- 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, 2010 and 2009, the Company has fulfilled these covenants.

Packing Credit Loan represents loan against Letter of Credit (LC). As of March 31, 2010, the company using Packing Credit Loan which is part of Export Credit Facilities amounting to USD 89,000.

13. Accounts Payable

	March 31, 2010	March 31, 2009
	USD	USD
BSL International Trading Pte Ltd	32,977	10,871
CV Jati Karya Embroidery	26,644	17,123
PT YKK Zipper Indonesia	20,005	8,580
PT Birotika Semesta	18,682	25,273
PT Interlining Raphita	17,045	—
PT Coats Rejo Indonesia	12,552	16,422
PT Uni Air Indotama Cargo	11,393	—
Others (each below USD 10,000)	154,465	576,850
Total	293,763	653,119

14. Other Payables

	March 31, 2010	March 31, 2009
	USD	USD
Third Parties		
PT Lamicitra Nusantara Tbk	52,336	51,542
Ngai Shing Development Ltd	18,990	—
Pegasus	18,229	—
Brother Machinery	9,036	119,806
Others (below USD 1,000)	853	267
Sub total	99,444	171,615
Related Parties		
Global Textiles Group Limited	11,660	—
Sub total	11,660	—
Total	111,104	171,615

15. Taxation

a. Prepaid Taxes

	March 31, 2010	March 31, 2009
	USD	USD
Value Added Tax	371,803	163,696
Estimated Corporate Income Tax – Article -28	—	2,721
Total	371,803	166,417

b. Taxes Payable

	March 31, 2010	March 31, 2009
	USD	USD
Income Tax Article 21	5,147	4,663
Income Tax Article 23	3,482	3,068
Income Tax Article 29	1,451	—
Income Tax Article 4 (2)	1,329	43
Total	11,409	7,774

c. Income Tax Benefit (Expenses)

Reconciliation between income before estimated income tax as shown in the statements of income and estimated taxable income of the Company is as follows:

	March 31, 2010	March 31, 2009
	USD	USD
Income before Income Tax as per Statement of Income	716,530	771,335
Permanent Difference:		
Interest Income already subjected to Final Tax	(15,654)	(16,561)
Profit on Sales of Vehicles – Commercial	(18,036)	(21,226)
Profit on Sales of Vehicles – Fiscal	9,430	12,888
Non Deductible Expenses		
Depreciation	16,862	16,365
Expatriate House Expenses	11,250	11,170
Motor Vehicle Maintenance	6,149	3,945
Expatriate Work Permit	4,307	3,035
Traveling	3,735	3,334
Guest House	3,502	1,829
Mobile Phone	2,961	3,242
Entertainment	2,106	4,764
Tax Penalty	1,750	7,095
Donation	739	404
Import Export	—	3,995
CM Subcon	—	3,477
Office Phone and Facsimile	—	679
Legal and Professional Fees	—	353
Processing	—	346
	29,101	39,134
Timing Difference:		
Depreciation	136,456	99,051
Employee Benefits	33,951	18,258
	170,407	117,309
Taxable Income	916,038	927,778
Income Tax Expense at Applicable Tax Rate:		
10% x (2009:USD 4,333)	—	433
15% x (2009:USD 4,333)	—	650
30% x (2009:USD 919,112)	—	275,734
28% x (2010: USD 900,808)	256,491	—
Total Income Tax Expense	256,491	276,817
Credit Tax:		
Income Tax Article 25	249,344	270,819
Income Tax Article 22	5,696	4,158
Exit Permit Tax	—	4,171
Income Tax Article 23	—	390
Total Credit Tax	255,040	279,538
Corporate Income Tax (Over Payment)	1,451	(2,721)

On September 23, 2008, Government of Republic of Indonesia issued New Income Tax Regulation No. 36 year 2008 on which among others determining the graduated corporate income tax rate is changed from previous tax rate of 30% into 28% in 2009 and 25% in 2010 and thereafter. The new regulation superseded Income Tax Regulation No. 17 year 2000 and is effective on January 1, 2009.

d. Deferred Tax Assets

	March 31 2008	Statement of Income USD	March 31 2009	Statement of Income USD	March 31 2010	Statement of Income USD
Depreciation	154,065	15,174	169,239	13,924	183,163	
Provision for Employee Benefits	11,939	1,488	13,427	7,049	20,476	
Total	166,004	16,662	182,666	20,973	203,639	





PT Norwest Industry

A reconciliation between profit before income tax stated in the income statement and the estimated taxable income for the years ended March 31, 2010 and 2009 are as follows:

	March 31, 2010		March 31, 2009	
	%	USD	%	USD
Income before Income Tax Expenses				
As per Statements of Income	—	716,530	—	771,335
Applicable Tax Rate	28.00	200,628	29.80	229,884
Interest Income already subjected to final tax	-0.61	(4,383)	-0.64	(4,968)
Tax on differential Profit on Sales of asset	-0.34	(2,410)	-0.32	(2,501)
Tax Effect on Non-Deductible Expense	2.09	14,941	2.49	(19,210)
Effect on Changes of Tax Rate	3.40	24,384	0.00	13,250
Effect of Temporary Difference	0.33	2,358	0.68	5,280
Total Tax Expenses	32.87	235,518	33.73	260,155
Current Tax		(256,491)		(276,817)
Deferred Tax		(20,973)		(16,662)
Current Tax		256,491		276,817
Deferred Tax		(20,973)		(16,662)
Total Tax Expenses		235,518		260,155

16. Accrued Expenses

	March 31, 2010		March 31, 2009	
	USD	USD	USD	USD
Salaries and Wages	199,356	169,585		
Bonus	128,362	80,456		
Jamsostek Payable	19,304	12,333		
Legal & Professional Fee	5,760	5,851		
Interest	4,531	1,623		
Total	357,313	269,848		

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, 2010 and 2009, employee benefits obligation is calculated by an independent actuary (PT Bumi Dharma Aktuaria) using the "Projected Unit Card" method. The principal assumption used in determining employee benefits obligation as of March 31, 2010 and 2009 are as follows:

Financial Assumption:

	March 31, 2010	March 31, 2009
Discount Rate	11%	11%
Future Salary Increase	8%	10%

Other assumptions:

	March 31, 2010	March 31, 2009
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, 2010 and 2009 are as follows:

	March 31, 2010	March 31, 2009
	USD	USD
Present Value Obligation	78,942	46,793
Unrecognized Actuarial Losses	2,962	1,161
Liability in Balance Sheets	81,904	47,954
Unrecognized Service Cost :		
Current Service Cost	30,037	15,443
Interest Cost	3,913	3,315
Amortisation –net	—	(500)
Net Expense Charged in Statement of Income	33,950	18,258

Movements in liability recognized in balance sheets are as follows:

	March 31, 2010	March 31, 2009
	USD	USD
Beginning of the Year	47,954	39,797
Charged to Statement of income	33,950	18,258
Loss on Foreign Exchange	—	(10,101)
End of the Year	81,904	47,954

18. Capital Stock and Additional Paid in Capital

The compositions of stockholders as of March 31, 2010 and 2009 are as follows:

Stockholders	Shares Issued		Issued and fully Paid Capital
	Number of Shares	%	
Global Textiles Group Limited	149,998	99.866	1,499,980
Mr. Pallak Seth	100	0.067	1,000
Mr. Pulkit Seth	100	0.067	1,000
Total	150,198	100.00	1,501,980

Based on Circular Resolutions of the Stockholders of PT Norwest Industry as stipulated on nortal 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, 2010	March 31, 2009
	USD	USD
Export Sales – Net		
Third Parties	10,415,748	10,657,602
Related Parties	8,851,592	6,377,494
Total	19,267,340	17,035,096

This account represents export sales of 247,570 dozens amounted USD 19,266,166 for the year ended March 31, 2010 and 221,485 dozens amounted USD 16,122,742 and EUR 595,583 for the year ended March 31, 2009.

20. Cost of Goods Sold

	March 31, 2010	March 31, 2009
	USD	USD
Material		
Third Party	12,080,848	9,442,279
Related Party	50,621	843,778
Labor	3,396,232	2,554,516
Overhead Cost		
Depreciation (Note 10)	264,694	230,090
Factory Rent	196,827	185,434
Freight Cost	181,171	235,841
Power and Fuel	170,523	172,648
Spare Parts	154,598	125,564
Maintenance	40,683	14,163
Total	16,536,197	13,804,313

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.

21. Operating Expenses

	March 31, 2010	March 31, 2009
	USD	USD
Selling Expenses		
Marketing	96,322	61,454
Entertainment	11,555	23,909
Sub Total	107,877	85,363
General and Administrative Expenses		
Salary	896,053	726,176
Import and Export	311,426	271,100
Bonus and allowance	203,672	206,906





PT Norwest Industry

Telecommunication	105,952	140,747
Depreciation (Note 10)	103,809	97,517
Transportation	59,543	56,915
Management Fee	58,300	—
Travelling	48,364	64,604
Rent Office	37,257	31,082
Employee Benefit	33,951	18,258
Printing and Stationary	28,643	23,058
Cancellation Cost	28,480	276,487
Work Permit	24,102	21,602
Legal and Professional Fee	18,756	29,462
Office Consumable	16,811	12,047
Rent Machine	16,657	15,093
Water	14,725	8,955
Insurance	14,329	16,270
Office Maintenance	13,952	20,828
Freight Cost	13,530	23,299
Inspection Charges	10,590	10,396
Recruitment and Training	9,723	5,477
Employee Welfare	8,960	1,480
Others (below USD 5,000)	9,732	30,725
Sub Total	2,087,317	2,108,484
Total	2,195,194	2,193,847

22. Other Income (Expenses)

	March 31, 2010 USD	March 31, 2009 USD
Stock Sales and Others	143,876	104,887
Sample Sales	57,818	90,326
Subsidy From Government	25,795	40,778
Bank Interest	15,654	16,561
Income From Job Work	—	13,321
Others	(450)	(2,003)
Total	242,694	263,870

Based on letter of agreement between the Company and Indonesian Government No. 164/ILMTA.4/SPPB-N/11/2009, dated November 6, 2009 regarding Machineries and Production Equipment Restructuring Program for Textile and Textile Product Industry, the Company obtained a subsidy amounted to USD 25,795 or equivalent to Rp 243.636.364, after tax. The company has received such subsidy on December 16, 2009.

23. Subsequent Event

On April 15, 2010, the company has received a tax assessment letter for overpayment of value added tax (VAT) for fiscal period April to December 2007 amounted to USD 45,258.06 (equivalent to Rp. 413,070,283). Based on letters from the tax office, the Company has submitted request for refund (Surat Permohonan Pembayaran) payment requisition letters for such tax assessment of overpayment dated April 15, 2010. As of the date of this report, the Company has not received yet a response from the Tax Office.

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 Receivable 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

amortised 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.

Fixed Assets

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, 2010 and 2009 and to stockholders' equity as of March 31, 2010 and 2009 which would be required if IFRS had been applied instead of the Indonesian GAAP in the financial statements.

	March 31, 2010 USD	March 31, 2009 USD
Net income as reported in the Statements of income	481,012	511,180
Item increasing (decreasing) reported net income		
Fair value gain (loss) from other financial receivables	(9,550)	(2,715)
Net increase (decrease) in reported net income (loss)	(9,550)	(2,715)
Approximate net income in accordance with IFRS	471,462	508,465
Stockholder's equity reported in the balance sheets	3,723,914	3,242,902
Accumulated increasing (decreasing) reported in stockholder's equity fair value gain(loss) from other financial receivables	(18,245)	(8,695)
Net increase (decrease) in stockholder's equity	(18,245)	(8,695)
Approximate stockholder's equity in accordance to IFRS	3,705,669	3,234,207

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, 2010 and 2009 as determined under IFRS.

a. Balance Sheets

ASSETS	March 31, 2010 USD	March 31, 2009 USD
Current Assets		
Cash and Cash Equivalent	164,527	462,607
Account Receivables		
Third Parties	1,547,774	2,009,252
Related Parties	1,425,561	1,911,375
Other Receivables		
Third Parties	22,342	12,349
Related Parties	23,981	10,451
Inventories	533,913	1,101,987
Advance to Suppliers	630,788	301,111
Prepaid Expenses	93,866	70,366
Prepaid Taxes	371,803	166,417
Other Current Asset	18,294	19,481
Total Current Assets	4,832,849	6,065,396
Non Current Assets		
Deferred Tax Asset	203,639	182,666
Fixed Assets		
(Net of accumulated depreciation of USD 1,714,856 and USD 1,370,773 as of March 31, 2010 and 2009)	1,321,806	1,525,145
Refundable Deposits	78,274	86,804
Total Non Current Assets	1,603,719	1,794,615
TOTAL ASSETS	6,436,568	7,860,011





PT Norwest Industry

LIABILITIES AND STOCKHOLDERS' EQUITY		March 31, 2010 USD	March 31, 2009 USD	
Current Liabilities				
Bank Loan	1,875,406	3,475,494		
Account Payables	293,763	653,119		
Other Payables	111,104	171,615		
Taxes Payable	11,409	7,774		
Accrued Expenses	357,313	269,848		
Total Current Liabilities	<u>2,648,995</u>	<u>4,577,850</u>		
Non Current Liabilities				
Employee Benefits Obligation	81,904	47,954		
Total Non current Liabilities	<u>81,904</u>	<u>47,954</u>		
Total Liabilities	<u>2,730,899</u>	<u>4,625,804</u>		
Stockholders' Equity				
Capital Stock-par value USD 10 per share				
Authorized – 200,000 shares issued and fully paid -150,198 shares as of March 31, 2010 and 2009	1,501,980	1,501,980		
Additional Paid-in-Capital	1,980	1,980		
Retained Earnings	2,201,709	1,730,247		
Total Stockholders' Equity	<u>3,705,669</u>	<u>3,234,207</u>		
Total Liabilities and Stockholders' Equity	<u>6,436,568</u>	<u>7,860,011</u>		
b. Statements of Income				
	March 31, 2010 USD	March 31, 2009 USD		
SALES REVENUE	<u>19,267,340</u>	<u>17,035,096</u>		
COST OF GOODS SOLD	<u>16,536,197</u>	<u>13,804,313</u>		
GROSS PROFIT	<u>2,731,143</u>	<u>3,230,783</u>		
OPERATING EXPENSES				
Selling Expenses	107,877	85,363		
General and administrative Expenses	2,087,317	2,108,484		
Total Operating Expenses	<u>2,195,194</u>	<u>2,193,847</u>		
INCOME FROM OPERATIONS	<u>535,949</u>	<u>1,036,936</u>		
OTHER INCOME (EXPENSES)				
Gain (loss) on foreign Exchange Net	236,115	(428,247)		
Bank Charges and interest Expense	(229,961)	(150,994)		
Gain in Disposal of Fixed Assets	18,036	21,226		
Claim from Buyers (to Suppliers) – Net	(86,303)	28,544		
Miscellaneous Income-Net	233,144	261,155		
Total Other Expenses	<u>171,031</u>	<u>(268,316)</u>		
INCOME BEFORE TAX	<u>706,980</u>	<u>768,620</u>		
INCOME TAX BENEFIT (EXPENSES)				
Current Tax	(256,491)	(276,817)		
Deferred tax	20,973	16,662		
Total Income Tax Benefit (Expenses)	<u>(235,518)</u>	<u>(260,155)</u>		
NET (LOSS) INCOME	<u>471,462</u>	<u>508,465</u>		
Reconciliation between Indonesia GAAP and IFRS for above statements of income is as follows:				
	March 31, 2010 USD	March 31, 2009 USD		
Net Income as reported in the Statements of income	<u>481,012</u>	<u>511,180</u>		
Item decreasing reported net (loss) income:				
Fair value loss from other financial receivables	(9550)	(2,715)		
Net decrease in reported net (loss) income	<u>(9,550)</u>	<u>(2,715)</u>		
Approximate net income in accordance with IFRS	<u>471,462</u>	<u>508,465</u>		
c. Statements of Changes in Stockholders' Equity				
	Capital Stock USD	Additional Paid-in-capital USD	Retained Earnings USD	Stockholders' Equity USD
Balance as of March 31, 2008	<u>1,500,000</u>	<u>—</u>	<u>1,221,782</u>	<u>2,721,782</u>
Paid in Capital	1,980	1,980	—	3,960
Net Income	—	—	508,465	508,465
Balance as of March 31, 2009	<u>1,501,980</u>	<u>1,980</u>	<u>1,730,247</u>	<u>3,234,207</u>
Additional Paid-in-Capital	—	—	—	—
Net Income	—	—	471,462	471,462
Balance as of March 31, 2010	<u>1,501,980</u>	<u>1,980</u>	<u>2,201,709</u>	<u>3,705,669</u>
d. Statements of Cash Flows		March 31, 2010 USD	March 31, 2009 USD	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before Income Tax and Interest Expenses		928,246	913,634	
Adjustments for:				
Depreciation		368,503	327,607	
Proceeds from Capital Subsidy		(25,795)	(40,778)	
Gain on Disposals of Property and Equipment		(18,036)	(21,226)	
Employee Benefits Obligation		33,950	8,157	
Miscellaneous Expenses		18,245	9,695	
Operating Income before Changes in Working Capital		<u>1,305,113</u>	<u>1,196,089</u>	
Changes in Assets and Liabilities:				
Account and Other Receivables		923,769	(2,458,022)	
Inventories		568,074	(123,439)	
Advance to Suppliers and Prepayments		(558,563)	(211,981)	
Other Current Assets		1,187	(16,525)	
Account and Other Payables		(419,867)	211,164	
Accrued Expenses		87,465	102,363	
Taxes Payables Other than Corporate Income Tax		2,349	(2,009)	
Cash Generated from (Disbursed for) Operations		<u>1,909,527</u>	<u>(1,302,360)</u>	
Interest Paid		(235,016)	(150,994)	
Income Tax Paid		(256,534)	(341,485)	
Net Cash Flows Provided by (Used in) Operating Activities		<u>1,417,977</u>	<u>(1,794,839)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of Property and Equipment		(176,836)	(718,875)	
Proceeds from Capital Subsidy		25,795	40,778	
Proceeds from Sale of Property and Equipment		36,092	23,477	
Additional Refundable Deposits		(1,020)	(8,513)	
Net Cash Flows Used in Investing Activities		<u>(115,969)</u>	<u>(663,133)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from (Repayment of) Bank Loan – Net		(1,600,088)	2,848,492	
Additional Paid-in-Capital		—	3,960	
Net Cash Flows Provided by (Used in) Financing Activities		<u>(1,600,088)</u>	<u>2,852,452</u>	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(298,080)</u>	<u>394,480</u>	
CASH AND CASH EQUIVALENTS – AT THE BEGINNING OF THE PERIOD		<u>462,607</u>	<u>68,127</u>	
CASH AND CASH EQUIVALENTS – AT THE END OF THE PERIOD		<u>164,527</u>	<u>462,607</u>	
Cash and Cash Equivalents consist of:				
Cash on Hand		17,157	9,030	
Cash in Banks		147,370	21,612	
Deposits		—	431,965	
TOTAL		<u>164,527</u>	<u>462,607</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 minimize potential				





PT Norwest Industry

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 judgements 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 judgement is required in determining local provision for income tax, among other, non deductible expenses. The Company recognized 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, 2010	March 31, 2009
	USD	USD
Trade Receivables	2,973,335	3,920,627
Other Receivable – Third parties	22,342	12,349
Other Receivable – Related Parties	23,981	10,451
Other Financial Receivables–Refundable Deposits	78,274	86,804
TOTAL	3,097,932	4,030,231

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. Related Parties Transactions

Related Parties	Relation	Transaction
Pearl Global Limited	Affiliated Company	Sales of Product and Purchases Material

28. Revised Statement of Financial Accounting Standards

Here is an overview of revised Statement of Financial Accounting Standards (PSAK) issued by the Indonesian Institute of Accountants (IAI) and not be effective for financial statements for the year ended on March 31, 2010:

- a. PSAK No. 50 (Revised 2006), "Financial Instruments: Disclosure and Presentation", contains the terms of the presentation and measurement of financial instruments and identifying information must be disclosed. Terms of continuous classification is applied to financial instruments, from the perspective of publishers, in financial assets, financial liabilities and equity instruments; classification related to interest rates, dividends, profits and losses, and the circumstances in which financial assets and financial obligations will be removed each other. This statement requires disclosure, among others, information on the factors that affect the amount, time and level of certainty of future cash flows associated with financial instruments and the accounting policies applied to the instruments. PSAK No. 50 (Revised 2006) This replaces PSAK No. 50, "Accounting Specific Investment Securities" and applied for the prospective period that begins on or after January 1, 2009 (later revised to 1 January 2010). Early implementation of more and must be disclosed.
- b. PSAK No. 55 (Revised 2006), "Financial Instruments: Recognition and Measurement", set the basic principles of recognition and measurement of financial assets, financial obligations, and purchase and sales contract non-financial items. This statement, among others, to provide definitions and characteristics of the derivatives, a category of financial instruments, recognition and measurement, accounting hedging relationship and the determination of hedging. PSAK No. 55 (Revised 2006) This replaces PSAK No. 55 "Accounting and derivatives instruments Summary Protected Values", and applied for the prospective financial statements that include the period beginning on or after January 1, 2009 (later revised to 1 January 2010). Early implementation of more and must be disclosed.

On December 23, 2009, IAI released several new Statements of Financial Accounting Standards (PSAK), which will be effective on or after January 1, 2011, as follows:

- a. PSAK No.1 (Revised 2009), "Presentation of Financial Statements", Prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.
- b. PSAK No. 2 (Revised 2009), "Statement of Cash Flows", Requires the provision of information about the historical changes in cash and cash equivalent by means of a statement of cash flows which classifies cash flows during the period from operating, investing and financing activities.
- c. PSAK No. 48 (Revised 2009), "Impairment of Assets", Prescribes the procedures applied to ensure that asses are carried at no more than their recoverable amount and if the assets are impaired, an impairment loss should be recognized.
- d. PSAK No. 57 (Revised 2009), "Provisions, contingent Liabilities and contingent Assets", aims to provide that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and to ensure that sufficient information is disclosed in the notes to enable users to understand the nature, timing and amount related to the information.

The Company and its subsidiary are still evaluating any possible impact of these standards on the consolidated financial statements.

29. Responsibility on the financial Statements

The management of the Company is responsible for the preparation of the financial statements completed May 3, 2010.





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 2010.

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 (2009: 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: 11 May 2010

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholder of Depa International, Inc.

We have audited the accompanying balance sheet of Depa International, Inc. (the "Company") as of March 31, 2010, and the related statements of comprehensive 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, 2009, were audited by other auditors whose report dated May 15, 2009, 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 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 2010 financial statements referred to above present fairly, in all material respects, the financial position of Depa International, Inc. as of March 31, 2010, and the results of its operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards.

New York, NY
May 11, 2010

BALANCE SHEETS

March 31, 2010 and 2009

	Note	2010	2009
Assets			
Non-current assets			
Property and equipment, net	5	\$ 43,808	\$ 107,993
Other non-current assets	6	63,514	63,514
Deferred income tax assets	15	617,000	279,000
Total non-current assets		<u>724,322</u>	<u>450,507</u>
Current assets			
Inventory		83,771	430,695
Trade and other receivables	7,17,18,19	2,400,969	3,453,342
Other current assets	8,19	16,158	550,276
Cash		293,410	3,974
Total current assets		<u>2,794,308</u>	<u>4,436,287</u>
Total assets		\$3,518,630	\$ 4,886,794
Equity			
Share capital	9	\$ 250,000	\$ 250,000
Retained earnings		1,494,231	3,002,505
Total equity		1,744,231	3,252,505
Liabilities			
Non-current liabilities			
Loans	10,17,18	750,000	750,000
Total non-current liabilities		<u>750,000</u>	<u>750,000</u>
Current liabilities			
Trade and other payables	11,18	1,024,399	884,289
Total current liabilities		<u>1,024,399</u>	<u>884,289</u>
Total liabilities		1,774,399	1,634,289
Total equity and liabilities		\$ 3,518,630	\$ 4,886,794

The accompanying notes are an integral part of these financial statements.

Statements of Comprehensive Income

Years Ended March 31, 2010 and 2009

	Note	2010	2009
Net sales	17	\$ 7,438,672	\$ 10,918,331
Cost of sales	17,20	<u>5,272,165</u>	<u>7,790,470</u>
Gross profit		2,166,507	3,127,861
Distribution expenses	17,21	1,369,891	1,454,927
Administrative expenses	17,22	2,595,859	3,059,656
Other income	12, 17	(31,242)	(124,240)
Operating loss		(1,768,001)	(1,262,482)
Finance income	13,17	32,207	37,445
Finance expenses	14	(130,405)	(87,644)
Loss before income tax		(1,866,199)	(1,312,681)
Income tax benefit	15	(357,925)	(609,778)
Net loss		\$ (1,508,274)	\$ (702,903)

The accompanying notes are an integral part of these financial statements.





Depa International Inc.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Share Capital	Retained Earnings	Total
Balance - April 1, 2008	9	\$ 250,000	\$ 3,705,408	\$ 3,955,408
Net loss		-	(702,903)	(702,903)
Balance - March 31, 2009	9	250,000	3,002,505	3,252,505
Net loss			(1,508,274)	(1,508,274)
Balance - March 31, 2010	9	\$ 250,000	\$ 1,494,231	\$ 1,744,231

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

	Note	2010	2009
Cash flows from operating activities			
Loss before income tax		\$ (1,866,199)	\$(1,312,681)
Adjustments for non-cash items:			
Depreciation and amortization	5	68,460	76,705
Add finance expenses	14	130,405	87,644
Deduct finance income	13, 17	(32,207)	(37,445)
Working capital adjustments:			
Change in trade and other receivables	7, 17, 18, 19	1,650,814	2,250,450
Change in inventory		346,924	211,325
Change in other current assets	8	5,392	16,929
Change in non-current assets	6	—	18,507
Change in trade and other payables	11, 18	140,110	(1,242,790)
Cash generated from operations		443,699	68,644
Finance expenses paid	14	(130,405)	(87,644)
Finance income received	13, 17	32,207	37,445
Income tax refund received	15	550,211	
Income tax paid	15	(1,560)	(47,322)
Net cash flows provided by (used in) operating activities		894,152	(28,877)
Cash flows from investing activities			
Acquisition of equipment	5	(4,275)	(1,543)
Due from / to affiliates	7, 17	(600,441)	(306,940)
Net cash used in investing activities		(604,716)	(308,483)
Cash flows from financing activities			
Proceeds from bank overdraft	11	-	60,397
Proceeds from loans	11	-	4,000
Net cash provided by financing activities		-	64,397
Change in cash		289,436	(272,963)
Cash at beginning of year		3,974	276,937
Cash at end of year		\$ 293,410	\$ 3,974

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

1. General Information

Depa International, Inc. (the "Company") was incorporated in the State of New York in the United States of America on December 5, 1990. The address of its registered office is 300-2 Route 17 South, Unit E, Lodi, New Jersey 07644. The Company is a subsidiary of Global Textile Group Ltd. ("Global"). Global and its subsidiaries are all indirect subsidiaries of House of Pearl Fashions Ltd. These financial statements were approved for: issue by the board of directors on May 11, 2010.

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 Presentation

The financial statements of the Company have been prepared on the historical cost basis and are presented in U.S. dollars, which is the Company's functional and presentation currency under International Financial Reporting Standards (IFRS).

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These Standards comprise:

1. International Financial Reporting Standards (IFRS).
2. International Accounting Standards (IAS).
3. Interpretations issued by the IFRIC and by the SIC.

Changes in accounting policies in view of the adoption of new standards:

IAS 1 (Revised) - Presentation of Financial Statements:

Pursuant to a revision to IAS 1 (Revised) (effective for periods beginning on or after January 1, 2009), an additional separate statement, "statement of comprehensive income", may be presented and display net income taken from the statement of income and all items carried in the reported period to equity that do not result from transactions with the shareholders in their capacity as shareholders (other comprehensive income (loss)). Alternatively, the items of other comprehensive income may be displayed along with the items of the statement of income in a single statement entitled "statement of comprehensive income" which replaces the statement of income. Items carried to equity resulting from transactions with the shareholders in their capacity as shareholders (such as capital issues, dividend distribution etc.) will be disclosed in the statement of changes in shareholders' equity as will the summary line carried forward from the statement of comprehensive income. The revision was adopted on January 1, 2009 with a retrospective restatement of comparative figures.

Estimates

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of income and expenses. Actual results may differ from these estimates.

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 and 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.

Cash

The Company maintains cash balances at two banks which exceed federally-insured limits from time to time. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Replacement 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.

Inventory

Inventory, which consists of finished goods, is 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.

The Company writes down inventory to net realizable value, through the use of an allowance account, whenever the net realizable value of inventory becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount of inventory is expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the balance sheet date to the extent that such events confirm conditions existing at the balance sheet date. The allowance account is reviewed on a regular basis to reflect the accurate valuation in the financial records.

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.





Depa International Inc.

Other Receivables

Other 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.

Impairment

Management evaluates the carrying value of the Company's financial and non-financial assets for potential impairment at each balance sheet date or whenever 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 comprehensive income.

Loans

Loans are stated at their repayment amounts. Loans 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. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded.

For sale of goods, revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is normally upon delivery.

Leases

Payments made under operating leases are recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

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 taxes are recognized based on the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled.

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.

3. Financial Risk Management

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

- Credit risk
- Liquidity risk
- Market risk

Credit and Liquidity Risk

Financial instruments that potentially subject the Company to concentration of credit and liquidity risk consist of cash and trade and other 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.

The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments:

	March 31, 2010			Total
	On Demand	Less than 30 days	More than 30 days	
Trade payables	\$ 782,911	\$ 18,548	\$ 222,940	\$ 1,024,399
Loans from shareholders	-	-	750,000	750,000
	<u>\$ 782,911</u>	<u>\$ 18,548</u>	<u>\$ 972,940</u>	<u>\$ 1,774,399</u>
	March 31, 2009			Total
	On Demand	Less than 30 days	More than 30 days	
Trade payables	\$ 884,289	\$ -	\$ -	\$ 884,289
Loans from shareholders	-	-	750,000	750,000
	<u>\$ 884,289</u>	<u>\$ -</u>	<u>\$ 750,000</u>	<u>\$ 1,634,289</u>

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 and other receivables and trade payables approximate their fair values due to the short-term maturities of these instruments.

4. Capital Management

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

The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payments, pay-off existing debts, return capital to shareholders or issue new shares.

5. Property and Equipment

Property and equipment consist of the following at March 31,:

	Furniture and Fixtures	Equipment	Leasehold Improvements	Total
Cost				
April 1, 2009	\$ 112,741	\$ 160,643	\$ 458,201	\$ 731,585
Additions during the year	-	4,275	-	4,275
March 31, 2010	<u>\$ 112,741</u>	<u>\$ 164,918</u>	<u>\$ 458,201</u>	<u>\$ 735,860</u>
Accumulated Depreciation				
April 1, 2009	\$ 103,783	\$ 158,689	\$ 361,120	\$ 623,592
Depreciation for the year	5,807	1,470	61,183	68,460
March 31, 2010	<u>\$ 109,590</u>	<u>\$ 160,159</u>	<u>\$ 422,303</u>	<u>\$ 692,052</u>
Net Book Value				
April 1, 2009	\$ 8,958	\$ 1,954	\$ 97,081	\$ 107,993
March 31, 2010	\$ 3,151	\$ 4,759	\$ 35,898	\$ 43,808
Cost				
April 1, 2008	\$ 112,741	\$ 159,100	\$ 458,201	\$ 730,042
Additions 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	\$ 8,958	\$ 1,954	\$ 97,081	\$ 107,993

6. Other Non-Current Assets

Other non-current assets consisted of the following:

	March 31, 2010	March 31, 2009
Security deposits	\$ 63,514	\$ 63,514





Depa International Inc.

7. Trade and Other Receivables

Trade and other receivables consisted of the following:

	March 31,	
	2010	2009
Due from factor	\$ 1,132,204	\$ 2,783,018
Due from affiliates	1,268,765	668,324
	<u>\$ 2,400,969</u>	<u>\$ 3,451,342</u>

The Company has a factoring agreement wherein the factor purchases substantially all of the trade accounts receivable and assumes substantially all credit risks with respect to such accounts. At March 31, 2010, the Company did not assume any customer credit risk. To the extent the Company draws on funds prior to the average maturity date of accounts receivable sold to the factor, the Company pays interest on such funds at the prime lending rate per annum (prime lending rate was 3.25% at March 31, 2010). The Company is contingently liable to the factor for merchandise disputes, customer's claims, etc., on receivables sold to the factor. The factor has a security interest in all of the Company's accounts receivable and other property.

At March 31, 2010 and 2009, due from affiliates are due on a demand basis. Of the total amounts due, \$1,207,686 and \$550,766 bear interest at the prevailing market rate, as determined by management as of March 31, 2010 and 2009, respectively. For the years ended March 31, 2010 and 2009, interest on these amounts amounted to \$28,071 and \$13,664, respectively. The remaining amounts do not bear interest.

8. Other Current Assets

Other current assets consisted of the following:

	March 31,	
	2010	2009
Prepaid expenses	\$ 2,434	\$ 12,151
Prepaid taxes and income tax refund receivable	-	527,875
Other current assets	13,724	10,250
	<u>\$ 16,158</u>	<u>\$ 550,276</u>

9. Share Capital

Common shares consisted of the following:

	Par Value	Shares Authorized	Shares Issued	Amount
March 31, 2010	\$ -	200	100	\$ 250,000
March 31, 2009	\$ -	200	100	\$ 250,000

10. Loans

Loans consisted of the following:

	March 31,	
	2010	2009
Loans from shareholder	\$ 750,000	\$ 750,000

At March 31, 2010 and 2009, loans from shareholder are due in more than one year and do not bear interest. These loans have been subordinated to the factor.

11. Trade and Other Payables

Trade and other payables consisted of the following:

	March 31,	
	31.3.2010	31.3.2009
Trade payables	\$ 648,002	\$ 676,680
Advance payments from customers	-	4,388
Accrued expenses	326,277	138,824
Loan	-	4,000
Bank overdraft	-	60,397
Due to affiliates	50,120	-
	<u>\$ 1,024,399</u>	<u>\$ 884,289</u>

12. Other Income

Other income consisted of the following:

	March 31,	
	2010	2009
Commission income	\$ 31,238	\$ 114,890
Other income	4	9,350
	<u>\$ 31,242</u>	<u>\$ 124,240</u>

13. Finance Income

Finance income consisted of the following:

	March 31,	
	2010	2009
Interest income	\$ 32,207	\$ 37,445

14. Finance Expenses

Finance expenses consisted of the following:

	March 31,	
	2010	2009
Factor's interest, commissions and charges	\$ 130,405	\$ 87,644

15. Income Taxes

The major components of income tax benefit are as follows:

	March 31,	
	2010	2009
Current income tax benefit	\$ (19,925)	\$ (20,246)
Deferred income tax	(338,000)	(589,532)
Income tax benefit	<u>\$ (357,925)</u>	<u>\$ (609,778)</u>

For the years ended March 31, 2010 and 2009, the significant components of the net deferred tax assets of \$617,000 and \$279,000, respectively, were inventory capitalization, difference between the book and tax bases of property and equipment and net operating losses.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

At March 31, 2010, a valuation allowance amounting to approximately \$584,000 has been provided based on the likelihood of realization. The valuation allowance increased by \$ 584,000 during the year ended March 31, 2010.

At March 31, 2010, the Company had approximately \$1,816,000 of net operating losses available for income tax purposes. Management intends to carry back these losses for federal income tax purposes and carryforward these losses for state and local income tax purposes. The net operating losses for state and local income tax purposes are available to offset future taxable income and expire through March 31, 2030.

16. Commitments and Contingencies

Operating Lease Commitments

The Company has entered into two long-term operating lease agreements for the rental of showroom and warehouse premises, which expire on January 31, 2011 and April 14, 2011, respectively. For the years ended March 31, 2010 and 2009, rent expense amounted to \$ 508,239 and \$ 544,370, respectively.

At March 31, 2010 and 2009, the future minimum rental payments were as follows:

	March 31,	
	2010	2009
No later than 1 year	\$ 376,000	\$ 422,180
Later than 1 year and no later than 5 years	6,000	300,680
	<u>\$ 382,000</u>	<u>\$ 722,860</u>

Letters-of-Credit

The Company was contingently liable for the following outstanding letters-of-credit:

	March 31,	
	2010	2009
Letters-of-credit	\$ 1,059,653	\$ 1,213,287

17. Related Party Transactions and Balances

The Company had the following related party transactions and balances:

	Years Ended March 31,	
	2010	2009
Net sales	\$ -	\$ 41,814
Net purchases	(44,786)	-
Salaries	142,810	507,911
Sampling and designing	(87,804)	55,745
Reimbursement of expenses	331,030	675,983
Consulting fees	7,634	67,625
Commission income	-	114,890
Finance income	20,935	13,664
Rental income	112,412	-
	<u>March 31,</u>	<u>March 31,</u>
	2010	2009
Due from affiliates	\$ 1,268,765	\$ 668,324
Due to affiliates	50,120	-
Loans from shareholder	750,000	750,000





Depa International Inc.

18. Financial Instruments

Balance sheet amounts for financial instruments by category are as follows:

	March 31, 2010		Breakdown by category	
	Carrying value	Fair value	Loans and receivables	Financial liabilities at amortized cost
Assets				
Cash	\$ 293,410	\$ 293,410	\$ 293,410	\$ -
Trade and other receivables, net	2,400,969	2,400,969	2,400,969	-
Total	<u>\$ 2,694,379</u>	<u>\$ 2,694,379</u>	<u>\$ 2,694,379</u>	<u>\$ -</u>
Liabilities				
Trade and other payables	\$ 1,024,399	\$ 1,024,399	\$ -	\$ 1,024,399
Loans from shareholders	750,000	750,000	-	750,000
Total	<u>\$ 1,774,399</u>	<u>\$ 1,774,399</u>	<u>\$ -</u>	<u>\$ 1,774,399</u>

	March 31, 2009		Breakdown by category	
	Carrying value	Fair value	Loans and receivables	Financial liabilities at amortized cost
Assets				
Cash	\$ 3,974	\$ 3,974	\$ 3,974	\$ -
Trade and other receivables, net	3,451,342	3,451,342	3,451,342	-
Total	<u>\$ 3,455,316</u>	<u>\$ 3,455,316</u>	<u>\$ 3,455,316</u>	<u>\$ -</u>
Liabilities				
Trade and other payables	\$ 884,289	\$ 884,289	\$ -	\$ 884,289
Loans from shareholders	750,000	750,000	-	750,000
Total	<u>\$ 1,634,289</u>	<u>\$ 1,634,289</u>	<u>\$ -</u>	<u>\$ 1,634,289</u>

19. Credit Risk Exposure and Concentration

The table below shows the maximum exposure to credit risk of the company per counterparty as of :

	March 31, 2010		
	Banks and financial institutions	Related parties	Total
Cash	\$ 293,410	\$ -	\$ 293,410
Due from factor	1,132,204	-	1,132,204
Due from affiliates	-	1,268,765	1,268,765
Total	<u>\$ 1,425,614</u>	<u>\$ 1,268,765</u>	<u>\$ 2,694,379</u>

March 31, 2009

	Banks and financial institutions	Related parties	Total
Cash	\$ 3,974	\$ -	\$ 3,974
Due from factor	2,783,018	-	2,783,018
Due from affiliates	-	668,324	668,324
Total	<u>\$ 2,786,992</u>	<u>\$ 668,324</u>	<u>\$ 3,455,316</u>

Based on the above table, as of March 31, 2010, 53% and 47% of the Company's total financial assets are from banks and other financial institutions and related parties, respectively, which management considers having high quality credit ratings. As of March 31, 2009, 81 % and 19% of the Company's total financial assets are from banks and other financial institutions and related parties, respectively, which management considers having high quality credit ratings.

For the years ended March 31, 2010 and 2009, sales to two customers accounted for 39% and 44% of sales, respectively.

20. Cost of Sales

	March 31,	
	2010	2009
Beginning inventory	\$ 430,695	\$ 642,020
Purchases and other costs	4,925,241	7,579,145
Ending inventory	(83,771)	(430,695)
Cost of sales	<u>\$ 5,272,165</u>	<u>\$ 7,790,470</u>

21. Distribution Expenses

Distribution expenses predominantly consisting of showroom and warehouse rent, samples and packing expense, amounted to approximately \$810,000 and \$756,000 for the years ended March 31, 2010 and 2009, respectively.

22. Personnel Expenses and Numbers

The average number of personnel employed by the Company during the years ended March 31, 2010 and 2009 were 20 and 24, respectively. The following table presents personnel expenses included in administrative expenses:

	March 31,	
	2010	2009
Salaries	\$ 2,289,860	\$ 2,286,472
Payroll taxes	21,218	19,917
Hospitalization and major medical insurance	187,091	190,243
Total	<u>\$ 2,498,169</u>	<u>\$ 2,496,632</u>

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, 2010 and 2009, the Company's contributions to this plan amounted to \$8,529 and \$14,273, respectively.

23. Subsequent Event

Effective April 1, 2010, the Company merged with its affiliate, House of Pearl Fashions (US) Ltd which is owned 100% by House of Pearl Fashions (India) Ltd. The major reason for the merger is to generate greater operating efficiencies.





Poeticgem Limited

DIRECTRS' REPORT

For the year ended 31 March 2010.

The directors present their report and the audited financial statements for the year ended 31 March 2010.

Principal activities and financial review

The company's principal activity is the import and distribution of garments.

The results for the year and the financial position at the year end for the company 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, the performance of the company has improved; the gross margin as a percentage of turnover has increased to 36.72% (2009; 31.20%).

Other key financial performance indicators can be summarised as follows:

i) Improvement and efficiency of asset usage	2010	2009
a) Average credit period for trade receivables	28 days	54 days
b) Stock turnover days	35 days	38 days
ii) Financial stability of the company	2010	2009
Working capital ratio	1.19:1	1.21:1
Liquidity ratio	1.09:1	1.03:1

The above ratios show no major changes in the financial structure of the company and has continued to maintain a healthy liquidity position.

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 minimize any adverse effects. The company enters into forward foreign exchange contracts to manage its currency risks.

- Liquidity risk

Liquidity risk is the risk that the company may encounter in meeting its financial obligations as they fall due. 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 risk.

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 March	1 April
	2010	2009
Mr Anuj Banaik	—	—
Mrs Payel Seth	—	—
Charitable and political donations	2010	2009
	£	£

During the year the company made the following charitable donations:

The Savitri Waney charitable trust*	—	40,000
Charitable organisation for cancer research	1,500	500
Other-small charitable payments ^(a)	2,095	2,953
	3,595	43,453

*This charity establishes health and educational services in rural areas of India.

^(a)These payments were made to various charitable organisations such as Sport Relief, Asda Foundation and Norwood.

The company does not make donations to political parties.

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 Annual Report and the financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 period. In preparing these 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 applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are, sufficient to show and explain the company's transactions and, 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 2006. 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.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant information of which the Company's auditors are unaware; and
 - the director has taken all steps that he or she ought to have taken as director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are unaware of that information.
- This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Responsibility statement

Each of the persons who is a director at the date of approval of this report confirms that to the best of his or her knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the directors' report includes a fair view of the development and performance of the business and the provisions of the Company, together with a description of the principal risks and uncertainties that they face.

By order of the board

Sd/-

Mr. Anuj Banaik

Director

30 April 2010

INDEPENDENT AUDITORS REPORT

To the shareholders of Poeticgem Limited

for the year ended 31 March 2010

We have audited the financial statements of Poeticgem Limited for the year ended 31 March 2010 set out on pages 8 to 40 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Respective responsibilities of the directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statement in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's





Poeticgem Limited

members as a body in accordance with Sections 495 to 497 to the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and,
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by IASB

As explained in the accounting policies, the Company has prepared financial statements that comply with IFRSs as adopted by the EU, and with IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Howard Reuben FCA (Senior Statutory Auditor) 30 April 2010

For and on behalf of Auerbach Hope 58-60 Berners Street
Statutory Auditor London
Chartered Accountants WIT 3JS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 £	2009 £
Continuing operations			
Revenue	4	24,591,007	34,055,037
Cost of revenue		(15,561,576)	(23,430,679)
Gross profit		9,029,431	10,624,358
Other income	5	1,091,903	402,544
Disbursement costs		(2,658,092)	(2,774,430)
Administrative expenses		(8,408,305)	(6,848,030)
Operating (Loss)/profit before exceptional items	6	(945,063)	1,404,442
Exceptional items			
Profit on sale of property	7	1,616,245	—
Operating profit after exceptional items		671,182	1,404,442
Finance income	9	65,168	74,172
Finance costs	10	(198,956)	(329,993)
Profit for the year before taxation		537,394	1,148,621
Taxation	11	(96,632)	(390,632)
Profit for the financial year	27	440,762	757,989

None of the company's activities were discontinued in the year.

There are no other comprehensive income and expenses other than those passing through the statement of comprehensive income.

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2010

	Notes	2010 £	2009 £
Non current assets			
Property, plant and equipment	12	3,207,661	4,707,130
Investments in subsidiaries	13	575,520	575,821
Other investments	14	229,150	172,693
Trade and other receivables	17	2,035,447	310,857
		6,047,778	5,766,501
Current assets			
Inventories	16	1,473,296	2,410,221
Trade and other receivables	17	8,304	9,211,470
Short term investments	15	696,656	738,984
Cash and cash equivalents		7,873,207	280,312
		18,347,245	12,640,987
Total assets		24,395,023	18,407,488
Current liabilities			
Trade and other payables	18	(2,827,132)	(2,214,031)
Borrowings	19	912,187,750)	(7,143,174)
Hire purchase contracts and finance leases	20	(49,479)	(46,306)
Current tax liabilities		—	(207,802)
Other financial liabilities	21	(381,461)	(305,644)
		(15,445,822)	(9,916,957)
Net current assets		2,901,423	2,724,030
Non current liabilities			
Other payables		(28,510)	—
Borrowings	19	(2,321,046)	(2,583,543)
Hire purchase contracts and finance leases	20	(88,701)	(99,031)
Deferred tax liabilities	24	(339,045)	(1,003)
		(2,777,302)	(2,683,577)
Total liabilities		(18,223,124)	(12,600,534)
Net assets		6,171,899	5,806,954
Shareholders' equity			
Share capital	25	50,000	50,000
Other reserves	26	(381,461)	(305,644)
Retained earnings	27	6,503,360	6,062,598
Total equity		6,171,899	5,806,954

The financial statements were approved by the board of directors and authorised for issue on 30 April 2010 and were signed on its behalf by:

Mr. Anuj Banaik
Director
Company Registration No. 2608346

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2010

	Note	Share capital £	Other reserves £	Retained earnings £	Total £
Balance at 1 April 2008		50,000	(55,088)	5,304,609	5,299,511
Comprehensive income:					
Profit for the year		—	—	757,989	757,989
Cash flow hedges		—	(250,556)	—	(250,556)
Balance at 1 April 2009		50,000	(305,644)	6,062,598	5,806,954
Comprehensive income:					
Profit for the year	27	—	—	440,762	440,762
Cash flow hedges	26	—	(75,817)	—	(75,817)
Balance at 31 March 2010		50,000	(381,461)	6,503,360	6,171,899





Poeticgem Limited

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 £	2009 £
Cash flows from operating activities			
Cash generated from operations	31	439,592	1,071,944
Finance costs		(198,956)	(329,993)
Tax paid		(207,802)	(594,000)
Finance income		65,168	74,172
Net cash generated by operating activities		98,002	222,123
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		3,123,360	11,499
Payments to acquire property, plant and equipment		(238,472)	(364,463)
Acquisition of subsidiary, net of cash acquired		—	(100)
Purchases of available-for-sale financial assets		(56,457)	(172,693)
Net cash generated by/(used in) investing activities		2,828,431	(525,757)
Cash flows from financing activities			
New bank loans raised		42,878	1,100,629
New other loans raised		251,822	—
Repayments of borrowings		(1,288,048)	(337,332)
Repayment of advances from debt factoring		(1,809,601)	(113,564)
Capital element of hire purchase contracts repayments		(115,617)	(57,222)
Net cash (used in)/generated by financing activities		(2,918,566)	592,511
Net increase in cash and cash equivalents		7,867	288,877
Cash and cash equivalents at the start of the year		(180,470)	(469,347)
Cash and cash equivalents at the end of the year		(172,603)	(180,470)
Cash and cash equivalents comprise:			
Cash at bank and in hand		7,873,207	280,312
Bank Onerdrafts		(8,045,810)	(460,782)
		(172,603)	(180,470)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

1. General information

Poeticgem Limited is a company incorporated in England and Wales under the Companies Act 2006. 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. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRSs), and the Companies Act 2006 applicable to companies reporting under IFRSs.

2.1 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 401 of the Companies Act 2006 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.

2.2 (a) Changes in accounting policy and disclosures

The company has continued to apply the accounting policies used for the 2009 Annual Report and has adopted the following:

- IASI (revised), 'Presentation of financial statements', applicable for reporting periods commencing on or after 1 January 2009.
- The revised standard has resulted in the reformatting of the statement of recognised

gains and losses into a statement of comprehensive income and the addition of a statement of changes in equity. Comparative information has been re-presented so that it conforms with the revised standard. The change in accounting policy only impacts on presentation.

(b) Recent and future accounting developments

At the date of authorization of these financial statements certain new standards, amendments and interpretations to existing standards have been published but are not yet effective. The company has chosen not to adopt the pronouncements as they are not expected to have a material impact on the company's financial statements.

- IFRS7 (Financial instruments disclosures), amendments expand the disclosures required in respect of fair value measurements and liquidity risk. The following Adopted IFRSs were available for early adoption but have not been applied by the company in these financial statements:
- IFRS 3 (revised), 'Business combinations', (effective from 1 July 2009). The revised IFRS 3 will make many changes to how future business combinations will be accounted for. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt, subsequently re-measured through the statement of comprehensive income. There is a choice on acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs should be expensed.
- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in the statement of comprehensive income.
- IAS 28 (revised), 'Investments in associates', (effective from 1 July 2009). The principle adopted under IAS 27 (revised) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendment to IAS 28. Therefore, when significant influence is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in the statement of comprehensive income.
- IFRS9, "Financial instruments" (effective from 1 January 2013). IFRS 9 uses a single-approach to determine whether a financial asset is measured at amortised cost or fair value. This approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39.

2.3 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.	

2.4 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 statement of comprehensive income.

2.5 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 or 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





Poeticgem Limited

one of the subsidiaries. Rental income under operating leases is credited to the statement of comprehensive income 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.

2.6 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 capitalized 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 elements of the rental payment is charged to the statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.7 Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment.

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 conditions. Cost is measured using the FIFO method. Net realisable value represents the estimated selling price.

2.9. 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 statement of comprehensive income 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 period 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 period in which the timing differences are expected to reverse.

2.10 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 2.12 for details of the company's accounting policies in respect of such derivatives financial instruments).

2.11 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 operational decisions.

2.12 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 receivables are amount due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. 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 overleaf.

• Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired

in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payable 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 statement of comprehensive income 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 recognized and carried at original invoices 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 statement of comprehensive income using the effective interest rate method and are added to the carrying amount of the instruments 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 statement of comprehensive income. When the hedged item is recognised in the financial statements, the accumulated gains and losses are removed from equity and recognised in the statement of comprehensive income. 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 statement of comprehensive income for the year.

3. Significant judgments and estimates

The preparation of the company's financial statements in conforming with IFRSs require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgments 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 dates, 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 companies activity is in a single business segment, being the supply of ladies', men's and children garments.





Poeticgem Limited

b. Revenues by geographical market and customer Location

The company's operations are located primarily in the UK and the business activity is reportable as follows:

Analysis of revenue by category:	2010	2009
	£	£
Sale of garments	16,204,217	28,073,575
Commission receivable	8,386,790	5,981,462
	<u>21,591,001</u>	<u>34,055,037</u>

Analysis of revenues by, geographical market and customer location are as follows:

UK	15,999,108	27,081,919
Rest of the World	8,386,790	5,981,462
Europe	205,109	991,656
	<u>24,591,007</u>	<u>34,055,237</u>

5. Other income	2010	2009
Rent receivable	230,040	240,040
Exchange gain	172,660	107,047
Other in come	689,203	65,457
	<u>1,091,903</u>	<u>402,544</u>

6. Operating profit	2010	2009
Operating profit has been arrived at after charging/(crediting):		
Staff costs (see note 8)	5,781,681	4,784,609
Depreciation of property, plant and equipment	332,783	283,874
Loss, on disposal of property, plant and equipment	6,053	350
Operating lease rentals	205,580	114,895
Hire of equipment	10,021	3,180
Profit on foreign exchange transactions	(172,660)	(107,047)
Fees payable to auditors:		
Audit of annual financial statements	40,200	35,500
Other services-review of the interim financial statements	24,500	21,500
Other services relating to taxation	23,625	13,075
Other services	—	20,400
Services relating to corporate finance transactions	—	3,950

7. Exceptional item
During the year the company sold a property at market value for £3,000,000, recognising a profit of £1,616,245. No provision for current taxation has been made in the accounts in respect of this gain, however, a provision: for a deferred taxation charge has been recognised in the accounts (note 24).

8. Staff numbers and costs	2010	2009
The payroll costs (including directors) were as follows:	£	£
Staff wages and salaries	4,541,534	3,179,484
Directors' remuneration	651,629	1,090,933
Social security costs	588,518	514,192
	<u>5,781,681</u>	<u>4,784,609</u>

The average number of employees (including directors) during the year was:

	2010	2009
	£	£
Designers	33	16
Sales	53	40
Management and administration	19	18
Quality control	17	11
	<u>122</u>	<u>85</u>

Directors Emoluments	2010	2009
Emoluments for qualifying services	687,081	1,125,600

9. Finance income	2010	2009
Interest income on short term bank deposits	5,552	6,469
Interest income on short-term investments.	53,315	67,703
Interest income on loans to related Parties	6,301	—
	<u>65,168</u>	<u>74,172</u>

2010	2009
£	£

10. Finance costs	2010	2009
Interest on borrowings	183,895	306,687
Interest on overdue tax	1,488	3,658
Interest on obligation under hire purchase and lease contracts	13,573	19,648
	<u>198,956</u>	<u>329,993</u>

11. Taxation for the period	2010	2009
	£	£

Income tax expense		
Current tax expense:		
UK corporation tax	(241,410)	396,236
Total current tax (see below)	<u>(241,410)</u>	<u>396,236</u>

Deferred tax		
Origination and reversal of temporary differences	338,042	(5,604)
Total deferred tax (see note 24)	<u>338,042</u>	<u>(5,604)</u>
Income tax expenses	<u>96,632</u>	<u>390,632</u>

Reconciliation of current tax expense to accounting profit:		
Profit before taxation	537,394	1,148,621
Notional taxation charge at the UK corporation tax rate of 28% (2009: 28%)	150,470	321,614
Tax effects of:		
Expenses not deductible for tax purposes	67,607	49,382
Excess depreciation over capital allowances	30,747	36,383
Adjustments in respect of prior years	(220,405)	—
Temporary differences	339,044	—
Other tax adjustments	(608,873)	(11,143)
Total current tax	<u>241,410</u>	<u>396,236</u>
No liability to UK corporation tax arose during the year		

12. 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, 2009	2,436,537	2,029,673	378,961	878,122	300,165	6,023,458
Additions	—	48,438	110,074	69,960	118,460	346,932
Transfers	—	(25,580)	—	25,580	—	—
Disposals	—	(1,484,770)	—	(262,191)	(172,971)	(1,919,932)
At 31 March 2010	<u>2,436,537</u>	<u>567,761</u>	<u>489,035</u>	<u>711,471</u>	<u>245,654</u>	<u>4,450,458</u>

Accumulated depreciation						
At 1 April, 2009	56,245	257,518	276,910	602,189	123,466	1,316,328
Transfers	—	(7,829)	—	7,829	—	—
On disposals	—	(103,477)	—	(210,423)	(92,414)	(406,314)
Charge for the year	24,365	121,454	57,587	79,025	50,352	332,783
As 31 March 2010	<u>80,610</u>	<u>267,666</u>	<u>334,497</u>	<u>478,620</u>	<u>81,404</u>	<u>1,242,797</u>

Carrying amount						
At 31 March 2010	<u>2,355,927</u>	<u>300,095</u>	<u>154,538</u>	<u>232,851</u>	<u>164,250</u>	<u>3,207,661</u>
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>

Included in the above are assets held under finance leases and hire purchase contracts as follows:

	Motor vehicles
	2010
	£
Cost	226,060
Aggregate depreciation	(66,655)
Carrying amount	<u>159,405</u>

Security
Properties with a carrying value of £2,355,927 (2009: £3,764,296) are subject to a legal charge to secure bank loans (see note 19)





Poeticgem Limited

12. Property, plant and equipment (continued)

	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
As 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	2,380,292	1,772,155	102,051	275,933	176,699	4,707,130
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>

15. Short-term investments

	2010	2009
	£	£
• Available for sale:		
At start of the year	738,984	552,632
Net gain/(loss)-exchange difference	(42,328)	186,352
At the end of the year	<u>696,656</u>	<u>738,984</u>

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.

16. Inventories

Finished goods and goods for resale	<u>1,473,296</u>	<u>2,410,221</u>
-------------------------------------	------------------	------------------

17. Trade and other receivables

Current assets		
Trade receivables	1,235,873	4,118,171
Other receivables	3,446,070	2,694,162
Receivables from fellow group companies	1,608,837	1,490,847
Receivables from subsidiary companies	1,123,492	227,053
Prepaid expenses	88,014	57,898
Receivables from related parties	801,800	623,339
	<u>8,304,086</u>	<u>9,211,470</u>
Non-current assets		
Other receivables	1,498,255	—
Receivables from subsidiary company	537,192	310,857
	<u>2,035,447</u>	<u>310,857</u>

The average credit period given for trade receivables at the end of the year is 28 days (2009: 54 days)

At 31 March 2010, the ageing analysis of trade receivables is as follows:

	Overdue but not impaired		
	Total	<3 Months	>3 Months
	£	£	£
2010	1,235,873	1,224,597	11,276
2009	4,118,171	4,095,934	22,237

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 its customer base is large.

Other receivables include a bank security deposit of £ 1,892,994 (2009: £ 443,390) which is secured by a legal charge. £ 1,498,255 is included as non-current assets.

18. Trade and other payables

	2010	2009
	£	£
Trade payables	1,480,413	1,652,659
Payables to fellow group companies	1,011,376	48,684
Payables to subsidiary companies	84,997	133,320
Payable to related parties	8,325	11,464
Social security and other taxes	185,244	323,980
Other payables	16,967	100
Accrued expenses	39,810	43,824
	<u>2,827,132</u>	<u>2,214,031</u>

Trade payables and accrued expenses mainly comprise of amounts owed for trading purchases 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 is the same as the carrying value shown above.

19. Borrowings

	2010	2009
	£	£
Bank overdraft	8,045,810	460,782
Bank loans	5,005,572	6,250,742
Advances from factors	892,808	2,702,409
Loan from parent undertaking	564,606	312,784
	<u>14,508,796</u>	<u>9,726,717</u>

The borrowings are repayable as follows:

On demand or within one year	12,187,750	7,143,174
In the second year	257,719	285,424
In the third to fifth years inclusive	995,813	1,039,224
After five years	1,067,514	1,258,895
	<u>14,508,796</u>	<u>9,726,717</u>

Less: Amount due for settlement within 12 months (shown under current liabilities)

	(12,187,750)	(7,143,174)
--	--------------	-------------

Amount due for settlement after 12 months

	<u>2,321,046</u>	<u>2,583,543</u>
--	------------------	------------------

The weighted average of interest rates paid was as follows:

	2010	2009
	%	%
Bank overdrafts	2.50	4.30
Bank loans	2.31	3.98

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 2.5 per cent per annum and is determined based on 2 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 Poeticgem Limited and its subsidiary Pacific Logistics Limited. The average effective interest rate on bank overdrafts





Poetigem Limited

approximates to 2.31 percent per annum and is determined based on 1.9 percent plus base rate.

At 31 March 2010 the company had available £ 5,079,739 (2009: 2010 £ 2,596,051) 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 £ 564,606 (2009: £312,784) due to Global Textile Group Limited, the company's immediate parent company. The amount is unsecured and repayable after more than one year. Interest is chargeable at a rate of 9% per annum on an amount of £ 248,270.

The carrying value of all the company's long term borrowings approximate to their fair value as at the balance sheet date.

20. Hire purchase contracts and finance leases	2010	2009
	£	£
Amount payable are as follows:		
Within one year	63,180	56,300
In the second to fifth years	117,631	118,575
Less: Future interest charges	(42,631)	(29,538)
Present value of the obligations	138,180	145,337
Less: Amount due for settlement within 12 months (shown under current liabilities)	(49,479)	(46,306)
Amount due for settlement after 12 months	88,701	99,031

The fair value of the hire purchase contracts and finance leases is approximately equal to the carrying amount.

The company's obligations under hire purchase contracts and finance leases are secured by charges over the relevant assets.

21. Derivative financial instruments	2010	2009
	£	£
Forward foreign exchange (fair value)	381,461	305,644

The terms of the forward foreign exchange contracts have been negotiated to match the terms of the commitments as referred below. The cash flow hedges of the expected future purchases were assessed to be highly effective and as at 31 March 2010, an unrealised loss of £75,817 (2009: £250,556) was included in the hedging reserves in respect of these contracts.

The ineffective portion recognised in the statement of comprehensive income that arises from cash flow hedges amounts to a gain of £ 269,053 (2009: £151,635).

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

	2010	2009
	£	£
Forward foreign exchange contracts (cash flow hedges)	6,332,877	11,069,274

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.

22. Financial instruments

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

	2010	2010	2010	2010	2010
	Financial liabilities at fair value through profit or loss-held for trading	Available-for-sale financial assets	Loan and receivables	Financial liabilities at amortised cost	Total
	£	£	£	£	£
Financial assets					
Available-for-sale investmets	—	925,806	—	—	925,806
Other long-term receivables	—	—	1,498,255	—	1,498,255
Trade receivables	—	—	1,235,873	—	1,235,873
Other receivables	—	—	2,925,203	—	2,925,203
Receivables from fellow group	—	—	—	—	—

companies	—	—	1,608,837	—	1,608,837
Receivables from subsidiary companies	—	—	1,660,684	—	1,660,684
Receivables from related parties	—	—	801,800	—	801,800
Cash and cash equivalents	—	—	7,873,207	—	7,873,207
Total financial assets	—	925,806	17,603,859	—	18,529,665

Financial liabilities

Hire purchase contracts and finance leases	—	—	—	138,180	138,180
Trade payables, other payables and accruals-current	—	—	—	1,537,190	1,537,190
Other payables-not-current	—	—	—	28,510	28,510
Secured borrowings	—	—	—	13,944,190	13,944,190
Payable to immediate parent company	—	—	—	564,606	564,606
Payables to fellow group companies	—	—	—	1,011,376	1,011,376
Payables to subsidiary companies	—	—	—	84,997	84,997
Payables to related parties	—	—	—	8,325	8,325
Derivative financial liabilities	381,461	—	—	—	381,461
Total financial liabilities	381,461	—	—	17,317,374	17,698,835

	2009	2009	2009	2009	2009
	Financial liabilities at fair value through profit or loss-held for trading	Available-for-sale financial assets	Loan and receivables	Financial liabilities at amortised cost	Total
	£	£	£	£	£
Financial assets					
Available-for-sale investmets	—	911,677	—	—	911,677
Trade receivables	—	—	4,118,171	—	4,118,171
Other receivables	—	—	2,326,410	—	2,326,410
Receivables from fellow group companies	—	—	1,490,847	—	1,490,847
Receivables from subsidiary companies	—	—	537,910	—	537,910
Receivables from related parties	—	—	623,339	—	623,339
Cash and cash equivalents	—	—	280,312	—	280,312
Total financial assets	—	911,677	9,376,989	—	10,288,666

Financial liabilities

Hire purchase contracts and finance leases	—	—	—	145,337	145,337
Trade payables, other payables and accruals-current	—	—	—	1,696,583	1,696,583
Secured borrowings	—	—	—	9,413,933	9,413,933
Payable to immediate parent company	—	—	—	312,784	312,784
Payables to fellow group companies	—	—	—	48,684	48,684
Payables to subsidiary companies	—	—	—	133,320	133,320
Payables to related parties	—	—	—	11,464	11,464
Derivative financial liabilities	305,644	—	—	—	305,644
Total financial liabilities	305,644	—	—	11,762,105	12,067,749

Financial assets

Hire purchase contracts and finance leases	—	—	—	145,337	145,337
Trade payables, other payables and accruals-current	—	—	—	1,696,583	1,696,583
Secured borrowings	—	—	—	9,413,933	9,413,933
Payable to immediate parent company	—	—	—	312,784	312,784
Payables to fellow group companies	—	—	—	48,684	48,684
Payables to subsidiary companies	—	—	—	133,320	133,320
Payables to related parties	—	—	—	11,464	11,464
Derivative financial liabilities	305,644	—	—	—	305,644
Total financial liabilities	305,644	—	—	11,762,105	12,067,749

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:

a. 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





Poeticgem Limited

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.

Sensitivity analysis

The following table demonstrates the sensitivity to a possible change in interest rates (+/-0.25%), with all other variables held constant, on the company's profit or loss (through the impact on floating rate borrowings) and the company's equity.

	Increase/ (decrease) in profit before tax £	Increase/ (decrease) in equity £
2010		
Increase in basis points of 0.25%	(34,860)	(34,860)
Decrease in basis point of 0.25%	34,860	34,860
2009		
Increase in basis point of 0.25%	(23,535)	(23,535)
Decrease in basis point of 0.25%	23,535	23,535

b. Foreign currency risk

The company has transactional currency exposures. Such exposures arise mainly from purchases in currencies other than the company's functional currency. Approximately 83% (2009: 86%) of the company's purchases are denominated in currencies other than the functional currency of the company, whilst almost all of the company's sales are denominated in the company's functional currency.

The company uses forward currency contracts to eliminate the foreign currency exposures on its purchase transactions, for which the corresponding settlements are anticipated to take place more than one month after the company has entered to firm commitments for the purchases. 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 2010, the company had fully hedged its foreign currency purchases for which firm commitments existed at the balance sheet date, thus the company's exposure to foreign currency risk is minimal. These arrangements are designed to address significant exchange exposures and are renewed on a revolving basis as required.

At 31 March 2010, the company held 35 forward currency contracts (2009: 52) designated as hedges in respect of expected future purchases from suppliers in Asia for which the company has firm commitments.

(i) Currency exposures

The following table details the company's exposure (after taking account of derivative foreign currency contracts, which are not designated as hedging instruments for accounting) at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	US dollar £
At 31 March 2010	
Other receivables	3,713,087
Cash and cash equivalents	7,863,243
Trade payables	(1,099,402)
Other payables	(61,177)
Borrowings	(3,592,246)
Net exposure arising from recognised assets and liabilities	6,823,505
At 31 March 2009	
Other receivables	1,596,110
Trade payables	(478,943)
Other payables	(44,848)
Borrowings	(4,475,106)
Net exposure arising from recognised assets and liabilities	(3,402,787)

(ii) Sensitivity analysis

The company is exposed to a number of foreign currencies. The most significant

transactional currency exposures are US dollar with sterling.

The following table demonstrates the sensitivity to a possible change if the sterling weakened/strengthened by 10% against the US dollar, with all other variables held constant, on the company's profit or loss and the company's equity.

	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
2010		
10% weakened	(738,811)	(738,811)
10% strengthened	738,811	738,811
2009		
10% weakened	340,279	340,279
10% strengthened	(340,279)	(340,279)

c. Credit risk

The company is exposed to credit risk to the extent of non-payment by either its customers or the counterparties of its financial instruments.

The company trades on credit terms only with recognised and creditworthy third parties. If the wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Receivable balances are monitored on an ongoing basis and there is no significant concentration of credit risk within the company. The company's exposure to bad debts is also not significant as the company's trade receivables relate to diversified debtors and most of the trade receivables are factored.

Since the company trades only with recognised and creditworthy third parties, there is no requirement for collateral.

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 counter party with a maximum exposure equal to the carrying amounts of these instruments.

d. Liquidity risk

The company's policy is to hold financial instruments and financial assets (e.g. trade receivables) and maintain undrawn committed facilities at a level sufficient to ensure that the company has available funds to meet its medium-term capital and funding obligations and to meet any unforeseen obligations and opportunities. The company holds cash and short-term investments, which together with the undrawn committed facilities, enable the company to manage its liquidity risk.

The company's objective is to maintain a balance between continuity of funds 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 19. 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:

	2010			Total £
	Within 1 year or on 1 demand	More than 1 year but less than 2 years	More than 2 years	
Trade payables	1,480,413	—	—	1,480,413
Other payables	56,777	—	28,510	85,287
Borrowings	12,187,750	257,719	2,063,327	14,508,796
Hire purchase contracts and finance leases	49,479	88,701	—	138,180
Payables to fellow group companies	1,011,376	—	—	1,011,376
Payables to subsidiary companies	84,997	—	—	84,997
Payables to related parties	8,325	—	—	8,325
Derivative financial instruments	381,461	—	—	381,461
	<u>15,260,578</u>	<u>346,420</u>	<u>2,091,837</u>	<u>17,698,835</u>





Poetigem Limited

	2009			Total
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years	
	£	£	£	£
Trade payables	1,652,659	—	—	1,652,659
Other payables	43,924	—	—	43,924
Borrowings	7,143,174	285,424	2,298,119	9,726,717
Hire purchase contracts and finance leases	46,306	99,031	—	145,337
Payables to fellow group companies	48,684	—	—	48,684
Payables to subsidiary companies	133,320	—	—	133,320
Payables to related parties	11,464	—	—	11,464
Derivative financial instruments	305,644	—	—	305,644
	<u>9,385,175</u>	<u>384,455</u>	<u>2,298,119</u>	<u>12,067,749</u>

The maturity analysis applies to financial instruments only and therefore statutory liabilities are not included.

e. Capital Management

The company aims to manage its overall capital to ensure that it continues to operate as going concerns and maintains sufficient flexibility to undertake planned investments, whilst providing adequate return to shareholders.

The company's capital structure is reviewed on a quarterly basis to ensure that an appropriate level of gearing is being used.

The company calculates its gearing ratio as borrowings, including current and non-current borrowings, divided by total capital as represented by borrowings less cash and cash equivalents plus total equity.

24. Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2010	2009
	£	£
Deferred tax assets	—	—
Deferred tax liabilities	<u>339,045</u>	<u>1,003</u>
Deferred tax liabilities (net)	<u>339,045</u>	<u>1,003</u>
This gross movement on the deferred tax account tax account is as follows:		
At the start of the year	1,003	6,607
Charged/(credited) to statement of comprehensive income (note 11) during the year	<u>338,042</u>	<u>(5,604)</u>
At the end of the year	<u>339,045</u>	<u>1,003</u>

The movement in deferred tax assets and liabilities during the year is as follows:

Deferred tax assets

There are no deferred tax assets.

	2010	2009
	£	£
Deferred tax liabilities		
At the start of the year	1,003	6,607
(Credited)/charged to the statement of comprehensive income:		
Accelerated tax depreciation	<u>(1,003)</u>	<u>(5,604)</u>
Other temporary differences	<u>339,045</u>	<u>—</u>
At the end of the year	<u>339,045</u>	<u>1,003</u>

25. Share Capital

Authorised

	2010	2009
	£	£
50,000 Ordinary shares of £ 1 each	<u>50,000</u>	<u>50,000</u>
Issue and fully paid		
50,000 Ordinary shares of £ 1 each	<u>50,000</u>	<u>50,000</u>

26. Other reserves

Hedging reserve

Cash flow hedges		
Fair value at the start of the year	305,644	55,088
Increase in fair value of cash flow hedges (see note 21)	<u>75,817</u>	<u>250,556</u>
Fair value at the end of the year	<u>381,461</u>	<u>305,644</u>

27. Retained earnings

Balance at the start of the year	6,062,598	5,304,609
Profit for the financial year	<u>440,762</u>	<u>757,989</u>
Balance at the end of the year	<u>6,503,360</u>	<u>6,062,598</u>

28. Operating lease arrangements

Minimum lease payments under operating leases recognised in the statement of comprehensive income for the year	<u>192,929</u>	<u>108,950</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:

	Land and buildings		Other	
	2010	2009	2010	2009
	£	£	£	£
Within one year	194,932	116,232	18,188	4,410
Between two and five years	<u>247,319</u>	<u>271,208</u>	<u>6,663</u>	<u>5,176</u>
	<u>442,251</u>	<u>387,440</u>	<u>24,851</u>	<u>9,586</u>

Operating lease payments rentals payable by the Company.

29. Contingent liabilities

At 31 March 2010 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 letters of credit for £ 7,984,523 (2009: £ 5,715,500)

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 2010 is £57,960. The company has given an unlimited guarantee on the banking facilities of FX Import Company Limited. At the balance sheet date there was no contingent liability under this guarantee.

30. Capital commitments

Capital commitments contracted for at the balance sheet date but not yet incurred are as follows:

	2010		2009	
	£	£	£	£
Non current asset investments	<u>654,625</u>	<u>434,332*</u>	<u>754,625</u>	<u>531,101*</u>

*Amounts have been translated at the exchange rate prevailing at the balance sheet date.

31. Notes to the cash flow statement

	2010	2009
	£	£
Cash flows from operating activities		
Profit from operations	671,182	1,404,442
Adjustments for:		
Exception item-Profit on disposal of property	(1,616,245)	—
Depreciation of property, plant and equipment	332,783	283,874
Investment at cost written off	301	—
Loss on disposal of property, plant and equipment	<u>6,503</u>	<u>350</u>
Operating cash (outflows)/inflows before working capital	(605,476)	1,688,666
Decrease in inventories	936,925	233,936
Increase in receivables	<u>(533,468)</u>	<u>(652,840)</u>
Increase/(decrease) in payables	<u>641,611</u>	<u>(197,818)</u>
Cash generated by operations	<u>439,592</u>	<u>1,071,944</u>





Poeticgem Limited

32. Related party transactions

a. Translations with related companies

During the year, the company entered into the following transactions with related parties.

	Sales/management fee FOB transfers/rent/ commission interest received		Commission interest paid/ purchased/expenses		Amounts owed by related party		Amounts owed to related party	
	2010	2009	2010	2009	2010	2009	2010	2009
	£	£	£	£	£	£	£	£
Depa International Inc, USA	—	—	—	—	—	—	4,470	4,470
FX import Company Limited, UK	60,000	12,191	18,221	—	416,222*	116,191*	—	—
Global Textile Group Limited, Mauritius	—	—	231,590	—	—	—	686,919*	312,784*
House of Pearl Fashions Limited, India	37,500	—	52,949	—	136,178	75,517	—	—
House of Pearl Fashions Limited, USA	—	—	—	—	3,806	81,146	—	—
Nor Pearl Knitwear Limited, Bangladesh	—	—	—	—	—	—	40,118	40,087
Norp Knit Industries Limited, Bangladesh	—	—	—	171,992	119,158	119,158	—	—
Norwest Industries Limited, Hongkong	8,653,750	6,789,781	1,553,486	1,128,968	—	770,456	861,064	—
Pacific Logistics Limited, UK	230,040	230,040	1,489,226	1,935,545	675,351^	420,999^	—	—
Pacific Supply Chain Limited, UK	—	—	—	—	2,071	720	—	—
Pearl Global Limited, India	—	—	—	—	415,956	380,638	—	291
Poeticgem (Canada) Limited, Canada	18,207	3,773	—	—	—	—	84,997	133,220
Poetic Knitwear Limited, UK	103,552	—	—	—	567,039	—	—	100
Simple Approach Limited, Hongkong	75,709	28,866	1,207	—	295,521	57,729	—	—
Vastras, India	—	—	37,030	—	4,815	—	—	3,836
Zamira Fashion Limited, Hongkong	16,528	—	5,559	—	16,605	6,203	—	—
Zamira Fashions Europe Limited, UK	—	—	—	—	151,903	—	—	—
Magic Global Fashions Limited, UK	4,800	—	—	—	469,712	—	—	—
Pearl GES Group Limited, Hongkong	—	—	60,258	—	—	—	—	—

The above balances are interest free and repayable on demand.

* The amount owed by FX Import Company Limited includes an interest free long-term of £351,500 (2009: £104,000)

^ The amount owed by Pacific Logistics Limited includes an interest free long term loan of £ 185,692 (2009: £206,856).

* The amount payable to Global Textile Group Limited, Mauritius is unsecured and repayable after more than one year. Interest is chargeable at a rate of 9% per annum on an amount of £248,270.

The above companies are related as follows:

The ultimate parent company of Poeticgem Limited is House of Pearl Fashions Limited, India.

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.

Depa International Inc, USA is a subsidiary of the company's immediate parent company, Global Textile Group Limited, Mauritius.

Pearl Global Limited, India; Nor-Pearl Knitwear Limited, Bangladesh; Norp Knit Industries Limited, Bangladesh and House of Pearl Fashions (US) Limited are subsidiaries of the company's ultimate parent company, House of Pearl Fashions Limited, India.

Norwest Industries Limited, Hong Kong; Zamira Fashions Limited, Hong Kong; Simple Approach Limited, Hong Kong and Pearl GES Group Limited, Hong Kong are fellow subsidiaries of Global Textile Group Limited, Mauritius.

Zamira Fashions (Europe) Limited is a subsidiary of Zamira Fashions Limited, Hong Kong.

Magic Global Fashions Limited is a subsidiary of Magic Global Fashions Limited, Hong Kong.

Vastras is an associate of House of Pearl Fashions Limited, India.

b. Transactions with directors and family members

	2010	2009
	£	£
Loans to company directors and their close family members:		
At 1 April 2009	(11,464)	(45,896)
Loans advanced during the year	965,992	835,252
Loan repayments received	(955,103)	(800,820)
At 31 March 2010	(575)	(11,464)

Loans to companies in which the directors have a controlling interest:

At 1 April 2009	623,339	4,367
Loans advanced during the year	171,318	622,011
Loan repayments received	—	(3,039)
At 31 March 2010	794,657	623,339
Total loans to related parties:		
At 1 April 2009	611,875	(41,529)
Loans advanced during the year	1,137,310	1,457,263
Loan repayments received	(955,103)	(803,859)
At 31 March 2010	794,082	611,875

These balances are interest free and repayable on demand

c. Directors' emoluments

	Salaries/ Bonus	Benefits	2010	2009
	£	£	£	£
Mr Pallak Seth	569,867	26,211	596,078	1,125,600
Mr Anuj Banaik	31,762	6,481	38,243	—
Mrs Payel Seth	50,000	2,760	52,760	—

d. 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 the directors' close family members. At the balance sheet date the investment was £696,656 (2009: £738,984) and there was accrued interest receivable amounting to £121,018 due to the company (2009: £67,703).

During the year a property owned by the company was sold at the market value of £3,000,000 to a close family member of one of the company's directors. The transaction was made at arms length.

33. 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

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2010.

Principal activity

The principal activities of the Company are the trading of home and garment products, and investing holding. Details of the principal activity of the Company's 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 year.

Results

The Group's loss for the year ended 31 March 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 5 to 33.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 10 to the financial statements.

Directors

The directors of the Company during the year were:

Deepak Seth	
Pallak Seth	
Mahesh Seth	
Berstein Jauregui Sebastian Felipe	
Guiloff Titelman Yariv	
Vial Cerda Vicente	
Pulkit Seth	(resigned on 19 May 2010)
Payell Seth	(appointed on 19 May 2010)

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 year 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 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
Hongkong
27 April 2010

INDEPENDENT AUDITORS' REPORT

To the shareholders of Pearl GES Home Group Limited
(Incorporated in Hongkong with limited liability)

We have audited the financial statements of Pearl GES Home Group Limited set out on pages 5 to 33, which comprise the consolidated and company statements of financial position as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 Hongkong Financial Reporting Standards issued by the Hongkong Institute of Certified Public Accountants and the

Hongkong 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 Hongkong 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 Hongkong Standards on Auditing issued by the Hongkong 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 as at 31 March 2010 and the Group's loss and cash flows for the year then ended in accordance with Hongkong Financial Reporting Standards and have been properly prepared in accordance with the Hongkong Companies Ordinance.

Certified Public Accountants
Hongkong
27 April 2010

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2010

		Year ended 31 March 2010 US\$	Period from 13 May 2008 (date of incorporation) to 31 March 2009 US\$
	Notes		
REVENUE	5	3,530,288	617,718
Cost of Sales		(2,866,421)	(498,210)
Gross Profit		663,867	119,508
Other income	5	2,540	—
Foreign exchange differences, net		43,698	18,176
Administrative expenses		(844,890)	(456,117)
Other operating expenses		(22,150)	(8,469)
LOSS BEFORE TAX	6	(156,935)	(326,902)
Tax	8	(4,063)	—
LOSS FOR THE YEAR / PERIOD		(160,998)	(326,902)
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of Foreign operations		(26,421)	(5,870)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR / PERIOD		(187,419)	(332,772)





Pearl GES Home Group Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 March 2010	Notes	2010 US\$	2009 US\$
NON-CURRENT ASSETS			
Property, plant and equipment	10	66,298	124,956
Deposits		798	720
Total non-current assets		67,096	125,676
CURRENT ASSETS			
Trade and bills receivables	12	914,509	25,422
Deposits		24,711	4,517
Cash and bank balances		41,380	42,122
Total current assets		980,633	72,061
CURRENT LIABILITIES			
Trade and bills payable	13	239,021	43,140
Tax payable		4,063	---
Other payables and accruals		40,392	32,412
Due to the immediate holding company	17	1,034,444	203,416
Due to a fellow subsidiary	17	---	1,541
Total current liabilities		1,317,920	280,509
NET CURRENT LIABILITIES		(337,287)	(208,448)
Net liabilities		(270,191)	(82,772)
EQUITY			
Issued capital	14	250,000	250,000
Reserves		(520,191)	(332,772)
Net deficiency in assets		(270,191)	(82,772)
		Director	Director

STATEMENT OF FINANCIAL POSITION

Year ended 31 March 2010	Notes	2010 US\$	2009 US\$
NON-CURRENT ASSETS			
Investment in a subsidiary	11	5,967	5,967
CURRENT ASSETS			
Trade and bills receivables	12	914,509	23,725
Deposits		16,155	4,517
Due from a subsidiary	11	261,552	488,685
Cash and bank balances		15,495	11,751
Total current assets		1,207,711	528,678
CURRENT LIABILITIES			
Trade and bills payable	13	239,021	36,222
Tax payables		4,063	---
Other payables and accruals		16,507	18,803
Due to the immediate holding company	17	1,034,444	203,416
Due to a fellow subsidiary	17	---	1,541
Total current liabilities		1,294,035	259,982
NET CURRENT ASSETS/(LIABILITIES)		(86,324)	268,696
Net assets /(liabilities)		(80,357)	274,663
EQUITY			
Issued capital	14	250,000	250,000
Retained profits		(330,357)	24,663
Total equity / (net deficiency in assets)		(80,357)	274,663
		Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2010	Issued Capital US\$	Exchange reserve US\$	Accumulated losses US\$	Net deficiency in assets US\$
Issue of shares (note 14)	250,000	---	---	250,000
Total comprehensive				
Loss for the period	---	(5,870)	(326,902)	(332,772)
At 31 March 2009 and 1 April 2009	250,000	(5,870)	(326,902)	(82,772)
Total comprehensive				
Loss for the year	---	(26,421)	(160,998)	(187,419)
At 31 March 2010	250,000	(32,291)	(487,900)	(270,191)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2010	Notes	Year ended 31 March 2010 US\$	Period from 13 May 2008 (date of incorporation) to 31 March 2009 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(156,935)	(326,902)
Adjustments for Depreciation	6	73,266	21,465
		(83,669)	(305,437)
Increase in trade and bills receivables		(889,945)	(25,422)
Increase in deposits		(20,057)	(5,237)
Increase/decrease in an amount due to the immediate Holding company		785,861	203,416
Increase in an amount due to a fellow subsidiary		(1,541)	1,541
Increase in trade and bills payables		196,301	43,140
Increase in other payables and accruals		6,363	32,412
Net cash flows from (used in) operating activities		(6,687)	(55,587)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	10	(2,919)	(148,769)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		---	250,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		(9,606)	45,644
Cash and cash equivalents at beginning of the year		42,122	---
Effect of foreign exchange rate changes, net		8,864	(3,522)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		41,380	42,122
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		41,380	42,122

NOTES TO FINANCIAL STATEMENTS**31 March 2010****1. CORPORATE INFORMATION**

Pearl GES Home Group Limited is a limited company incorporated in Hongkong. The registered office of the Company is located at Level 28, Three Pacific Place, 1 Queen's Road East, Hongkong.

During the year, the Group was primarily involved in the trading of home and garment products.

The Company is subsidiary of Pearl GES Home Group Limited, a company incorporated in Hongkong. 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 net liabilities at the end of the reporting period, as the Company's ultimate holding company has agreed to provide adequate funds for the Group and the Company to meet their liabilities as and when they fall due.

3.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hongkong Financial Reporting Standards ("HKFRSs") (which includes all Hongkong Financial Reporting Standards, Hongkong Accounting Standards ("HKASs") and Interpretations) issued by the Hongkong Institute of Certified Public Accountants, accounting principles generally accepted in Hongkong and the Hongkong 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 year ended 31 March 2010. The results of subsidiaries are consolidated from the date of incorporation, 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 unrealized gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

3.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.





Pearl GES Home Group Limited

HKFRS 1 and HKAS 27 Amendments	<i>Amendments to HKFRS 1 First time Adoption of HKFRSs and HKAS 27</i> <i>27 Consolidated and Separate financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	HKAS 39 Amendment	<i>Amendment to HKAS 39 financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> ¹
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations	HK (IFRIC) – Int 14 Amendment	<i>Amendment to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement</i> ⁵
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments	HK (IFRIC)- Int 17 HK (IFRIC) – Int 19	<i>Distributions of Non-cash Assets to Owners</i> ¹ <i>Extinguishing Financial Liabilities with Equity Instruments</i> ⁴
HKAS 1 (Revised) HKAs 18 Amendment*	<i>Presentation of Financial Statements</i> <i>Amendment to Appendix to HKAS 18 Revenue – Determining whether an entity is acting as a principal or as an agent</i>	Amendments to HKFRS 5 Included in Improvements to	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i> ¹
HKAS 23 (Revised) HKAS 32 and HKAS 1 Amendments	<i>Borrowing Costs</i> Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	HKFRSs issued in October 2008 HK Interpretation 4 Amendments (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hongkong Land Leases</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>		
HK(IFRIC) – Int 13	<i>Customer Loyalty Programmes</i>		
HK(IFRIC) – Int 15	<i>Agreements for the Construction of Real Estate</i>		
HK(IFRIC) – Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>		
HK(IFRIC) – Int 18	<i>Transfers of Assets from Customers (adopted from 1 July 2009)</i>		
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs		
* Included in Improvements to HKFRSs 2009 (as issued in May 2009)			
** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendment to HKFRS 5 Non-current Assets held for Sale and Discontinued Operations – Plan to sell the Controlling Interest in a Subsidiary, which is effective for annual periods beginning on or after 1 July 2009.			
Other than as further explained below regarding the impact of HKAS 1 (Revised), the adoption of these new and revised HKFRSs has had no financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.			
HKAS 1 (Revised) Presentation of Financial Statements			
HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognized in profit or loss, together with all other items of recognized income and expense recognized directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.			
3.3 ISSUED BUT NOT YET EFFECTIVE HONGKONG 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 (Revised)	<i>First-time Adoption of Hongkong Financial Reporting Standards</i> ¹		
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hongkong Financial Reporting Standards – Additional Exemptions for First time Adopters</i> ²		
HKFRS 1 Amendment	<i>Amendment to HKFRS 1 First-time Adoption of Hongkong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> ⁴		
HKFRS 2 Amendments	<i>Amendments to HKFRS² Share-based Payment – Group Cash-settled Share-based Payment Transactions</i> ²		
HKFRS 3 (Revised)	<i>Business Combinations</i> ¹		
HKFRS 9	<i>Financial Instruments</i> ⁶		
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ⁵		
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ¹		
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i> ³		

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK (IFRIC)- Int 9 and HK (IFRIC)- Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFR 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transactional provisions for each standard or interpretation.

- 1 Effective for annual periods beginning on or after 1 July 2009
- 2 Effective for annual periods beginning on or after 1 January 2010
- 3 Effective for annual periods beginning on or after 1 February 2010
- 4 Effective for annual periods beginning on or after 1 July 2010
- 5 Effective for annual periods beginning on or after 1 January 2011
- 6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the company'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 Company 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 recognized 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 year in which it arises in those expenses categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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 / amortization) had no impairment loss been recognized 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.





Pearl GES Home Group Limited

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 the recognition criteria are satisfied, the expenditure for major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation.

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 located 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 financial year end.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the income statement in the period the asset is derecognized 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**Initial recognition and measurement**

Financial assets of the Group within the scope of HKAS 39 are classified as loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group 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 market place.

The Group's financial assets include cash and bank balances, trade and bill receivables, deposit and other receivables.

Subsequent measurement – loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets

are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income statement. The loss arising from impairment is recognized in the income statement in other operating expenses.

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 derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an even occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income





Pearl GES Home Group Limited

statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities of the Group within the scope of HKAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, and amounts due to affiliates.

Subsequent measurement – loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, 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 statement of financial position, 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 recognized 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 recognized for a provision is the present value at the end of the reporting period 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 relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized 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 the end of each reporting period 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 utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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 recognized when it is probable that the economic benefits will flow to the Group and when 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 exactly 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 Group operates a mandatory provident fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance for its employees in Hongkong 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 Group in an independently administered fund. The Group'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 recorded by the entities of the Group are initially recorded using their respective 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 reporting period. 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 is a currency other than the US\$. As at the end of the reporting period, the assets and liabilities of the subsidiary are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and its income statement is translated into US\$ at the weighted average exchange rates for the year. The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

For the purpose of the consolidated statement of cash flows, 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 year are translated into US\$ at the weighted average exchange rates for the year.





Pearl GES Home Group Limited

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 end of the reporting period. 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 end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are summarized 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 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 receivables 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 revised 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.

Other income represents the compensation from a supplier for the late shipment.

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging (crediting):

	Notes	Year ended 31 March 2010 US\$	Period from 13 May 2008 (date of incorporation) to 31 March 2009 US\$
Cost of inventories sold		2,866,421	498,210
Depreciation	10	73,266	21,465
Employee benefits expense, excluding Directors' remuneration (note 7):			
Salaries		169,956	47,842
Pension scheme contributions		4,278	1,488
		<u>174,234</u>	<u>49,330</u>
Auditors' remuneration		<u>11,632</u>	<u>5,141</u>

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to Section 161 of the Hongkong Companies Ordinance is as follows:

	Notes	Year ended 31 March 2010 US\$	Group Period from 13 May 2008 (date of incorporation) to 31 March 2009 US\$
Fees			
Other emoluments:			
Salaries, allowances and benefits in kind		149,075	28,858
		<u>149,075</u>	<u>28,858</u>

8. INCOME TAX

Hongkong profits tax has been provided at the rate of 16.5% (Period ended 31 March 2009: 16.5%) on the estimated profits arising in Hongkong during the year.

Notes	Year ended 31 March 2010 US\$	Period from 13 May 2008 (date of incorporation) to 31 March 2009 US\$
Current – Hongkong		
Charge for the year	—	—
Underprovision in prior year	4,063	—
Tax charge for the year / period	<u>4,063</u>	—

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, and a reconciliation of the applicable rate to the effective rate are as follows:

	31 March 2010 US\$	Year ended to 31 March 2009 %	US\$	Period from 13 May 2008 (date of ncorporation) %
Loss before tax	(156,935)		(326,902)	
Tax credit at the Hongkong Statutory tax rate of 16.5%	(25,894)	(16.5)	(53,939)	(16.5)
Income not subject to tax	(35,668)	(22.7)	(104,923)	(32.1)
Expenses not deductible for tax	3,655	2.3	158,862	48.6
Adjustments in respect of current tax of Previous periods	4,063	2.6	---	--
Tax loss not recognized	57,907	36.9	---	--
Tax change for the year/period	4,063	2.6	--	--

At the end of the reporting period, the Company had tax losses arising from Hongkong of approximately US\$350,952 (2009: Nil), subject to the agreement of Hongkong Inland Department, that are available indefinitely for offsetting against future taxable profits of the Company arising in Hongkong.

Deferred tax assets of USD 57,907 have not been recognized in respect of the unused tax losses as the directors consider that the availability of future taxable profits of the Company against which the above items can be utilized is unpredictable.

9. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year ended 31 March 2010 includes a loss of US\$350,997 (Period ended 31 March 2009: US\$24,663), which has been dealt with in the financial statements of the company (note 15(b)).

10. PROPERTY, PLANT AND EQUIPMENT

GROUP	Leasehold Improvement US\$	Furniture and Fixtures US\$	Office equipment US\$	Total US\$
31 March 2010				
At 31 March 2009 and 1 April 2009:				
Cost	134,034	1,996	10,704	146,734
Accumulated depreciation	(21,278)	(74)	(426)	(21,778)
Net carrying amount	<u>112,756</u>	<u>1,922</u>	<u>10,278</u>	<u>124,956</u>
At 31 March 2009, net of accumulated				
Depreciation	112,756	1,922	10,278	124,956
Additions	---	567	2,352	2,919
Depreciation provided during the period	(70,864)	(388)	(2,014)	(73,266)
Exchange realignment	10,446	196	1,047	11,689
At 31 March 2010, net of accumulated				
Depreciation	<u>52,338</u>	<u>2,297</u>	<u>11,663</u>	<u>66,298</u>
At 31 March 2010: Cost	134,034	2,563	13,056	149,653





Pearl GES Home Group Limited

Accumulated depreciation	(81,696)	(266)	(1,393)	(83,355)
Net carrying amount	<u>52,338</u>	<u>2,297</u>	<u>11,663</u>	<u>66,298</u>
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	<u>112,756</u>	<u>1,922</u>	<u>10,278</u>	<u>124,956</u>
At 31 March 2009:				
Cost	134,034	1,996	10,704	146,734
Accumulated depreciation	(21,278)	(74)	(426)	(21,778)
Net carrying amount	<u>112,756</u>	<u>1,922</u>	<u>10,278</u>	<u>124,956</u>

11. INVESTMENT IN A SUBSIDIARY

Company

	2010	2009
	US\$	US\$
Untitled shares, at cost	<u>5,967</u>	<u>5,967</u>

The amount due from a subsidiary is unsecured, interest-free, and has no fixed terms of repayment.

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation 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 Hongkong 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 2010 and 2009, on trade and bills receivables of the Group were impaired. The Group does not hold any collateral or other credit enhancements over these balances.

An aged analysis of the trade and bills receivables at the end of the reporting period, based on payment due date, which are not considered to be impaired is as follows:

Group	2010	2009
	US\$	US\$
Neither past due nor impaired	<u>854,674</u>	25,422
Less than 1 month past due	<u>46,222</u>	—
Over 1 month past due	<u>13,613</u>	—
	<u>914,509</u>	<u>25,422</u>

Company

	2010	2009
	US\$	US\$
Neither past due nor impaired	<u>854,674</u>	23,725
Less than 1 month past due	<u>46,222</u>	—
Over 1 months past due	<u>13,613</u>	—
	<u>914,509</u>	<u>23,725</u>

Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

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

	2010	2009
	US\$	US\$
Authorized issued and fully paid:		
250,000 ordinary shares of US\$1 each - US\$250,000	<u>250,000</u>	<u>250,000</u>

On incorporation, the Company's authorized share capital was US\$250,000 divided into 250,000 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 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 year and the prior period are presented in the consolidated statement changes in equity on page 8 of the financial statements.

(b) Company

	Accumulated
	Losses
	US\$
Total comprehensive loss for the period	<u>24,663</u>
At 31 March 2009	24,663
Total comprehensive loss for the year	<u>(350,957)</u>
At 31 March 2010	<u>(326,294)</u>

16. OPERATING LEASE ARRANGEMENTS

The Group leases its office premises under operating lease agreements. The lease for this property is negotiated for term of two years.

At 31 March 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010	2009
	US\$	US\$
Within one year	<u>21,194</u>	48,780
In the second to fifth years, inclusive	<u>—</u>	16,260
	<u>21,194</u>	<u>65,040</u>

17. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group paid commissions to the immediate holding company of US\$143,321 (period ended 31 March 2009: US\$24,910) for the year, 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 end of the reporting period are as follows:

Group

Financial assets – loans and receivables	2010	2009
	US\$	US\$
Trade and bills receivables	<u>914,509</u>	25,422
Deposits	<u>25,542</u>	5,237
Cash and bank balances	<u>41,380</u>	42,122
	<u>981,431</u>	<u>72,781</u>

Financial liabilities – financial liabilities at amortised cost

	2010	2009
	US\$	US\$
Trade and bills payables	<u>239,021</u>	43,140
Other payables and accruals	<u>40,392</u>	32,412
Due to the immediate holding company	<u>1,034,444</u>	203,416
Due a fellow subsidiary	<u>---</u>	1,541
	<u>1,313,857</u>	<u>280,509</u>





Pearl GES Home Group Limited

Company		
Financial assets – loans and receivables		
	2010	2009
	US\$	US\$
Trade and bills receivables	914,509	23,725
Deposits	16,155	4,517
Due from a subsidiary	261,552	488,685
Cash and bank balances	15,495	11,751
	1,207,711	528,678
Financial liabilities – financial liabilities at amortised cost		
	2010	2009
	US\$	US\$
Trade and bills payables	239,021	36,222
Other payables and accruals	16,507	18,803
Due to the immediate holding company	1,034,444	203,416
Due to a fellow subsidiary	—	1,541
	1,289,972	259,982

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 recognized 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 cash 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 recognized 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 operation.

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 repayment terms of the Group's balances with group companies are disclosed in note 17. The Group's and the Company's other financial liabilities as at the end of the reporting period were due within one year or on demand and 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 for managing capital during the years ended 31 March 2010 and 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 Group's and Company's financial assets and liabilities at the end of the reporting period are not materially different from their carrying amounts.

21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 27 April 2010.





Pacific Logistics Limited

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2010.

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.

The directors do not recommend the payment of a dividend for the year.

Directors

The following directors have held office since 1 April 2009:

Mrs Payel Seth (Appointed 17 December 2009)

Mr Pallak Seth (Resigned 17 December 2009)

Mr Anuj Banaik

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 March 2010	1 April 2009
Mr. Anuj Banak	-	-
Mrs Payel Seth	-	-
Charitable donations	2010	2009
During the year the company made the following payments:	£	£
Charitable donations	<u>245</u>	<u>281</u>

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 Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 period. In preparing these 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 applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant information of which the Company's auditors are unaware; and
- the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Responsibility statement

Each of the persons who is a director at the date of approval of this report confirms that to the best of his or her knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the directors' report includes a fair view of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

By order of the board

Sd/-

Mr Anuj Banaik

Secretary

30 April 2010

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PACIFIC LOGISTICS LIMITED FOR THE YEAR ENDED 31 MARCH 2010

We have audited the financial statements of Pacific Logistics Limited for the year ended 31 March 2010 set out on pages 6 to 21 which comprise the income statement, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Respective responsibilities of the directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 to 497 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in the accounting policies, the Company has prepared financial statements that comply with IFRSs as adopted by the EU, and with IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Howard Reuben FCA (Senior Statutory Auditor)

30 April 2010

For and on behalf of Auerbach Hope

58-60 Berners Street

Sd/-

Statutory Auditor

London

Chartered Accountants

WIT3JS

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Notes	Year ended	Year ended
		31 March 2010	31 March 2009
		£	£
Continuing operations			
Revenue	4	1,975,881	2,808,617
Cost of revenue		(1,497,645)	(2,162,239)
Gross profit		478,236	646,378
Operating expenses			
Administrative expenses		(596,941)	(755,867)
Other operating income		5,671	2,583
Operating loss	5	(113,034)	(106,906)
Finance income	7	4	215
Finance costs	8	(1,622)	(2,405)
Loss for the year before taxation		(114,652)	(109,096)
Taxation	9	22,328	31,172
Loss for the financial year		(92,324)	(77,924)

None of the company's activities were discontinued in the year.

There are no other comprehensive income and expenses other than that passing through the income statement.





Pacific Logistics Limited

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2010

	Notes	2010 £	2009 £		2010 £	2009 £
Non current assets				Cash flow from financing activities		
Property, plant and equipment	10	220,430	272,093	Payment of finance lease liabilities	(10,051)	(7,620)
Deferred tax assets	16	6,044	-	Repayments of loan from parent undertaking	(21,164)	(44,770)
		<u>226,474</u>	<u>272,093</u>	Net cash used in financing activities	(31,215)	(52,390)
Current assets				Net increase in cash and cash equivalents	6,171	70,899
Trade and other receivables	11	895,403	726,294	Cash and cash equivalents at the start of the year	(62,633)	(133,532)
Cash and cash equivalents		1,498	519	Cash and cash equivalents at the end of the year	56,462	(62,633)
		<u>896,901</u>	<u>726,813</u>	Cash and cash equivalents comprise:		
Total assets		<u>1,123,375</u>	<u>998,906</u>	Cash at bank and in hand	1,498	519
Current liabilities				Bank overdrafts	(57,960)	(63,152)
Trade and other payables	12	(683,986)	(455,399)		<u>56,462</u>	<u>(62,633)</u>
Bank overdrafts	13	(57,960)	(63,152)			
Obligations under hire purchase contracts	14	(3,087)	(4,750)			
		<u>(745,033)</u>	<u>(523,301)</u>			
Net current assets		<u>151,868</u>	<u>203,512</u>			
Non current liabilities						
Borrowings	15	(185,692)	(206,856)			
Obligations under hire purchase contracts	14	(17,510)	-			
Deferred tax liabilities	16	(9,055)	(10,340)			
		<u>(212,257)</u>	<u>(217,196)</u>			
Total liabilities		<u>(957,290)</u>	<u>(740,497)</u>			
Net assets		<u>166,085</u>	<u>258,409</u>			
Shareholders' equity						
Share capital	17	10,000	10,000			
Retained earnings	18	156,085	248,409			
Total equity		<u>166,085</u>	<u>258,409</u>			

The financial statements were approved by the board of directors and authorised for issue on 30 April 2010 and were signed on its behalf by;

Sd/-
Mr Anuj Banaik
Director
Company registration no. 4944346

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2010

	Share capital £	Retained earnings £	Total £
Balance at 1 April 2008	10,000	326,333	336,333
Comprehensive income			
Loss for the year	-	(77,924)	(77,924)
Balance at 1 April 2009	10,000	248,409	258,409
Comprehensive income			
Loss for the year	-	(92,324)	(92,324)
Balance at 31 March 2010	<u>10,000</u>	<u>156,085</u>	<u>166,085</u>

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 £	2009 £
Cash flows from operating activities			
Cash generated by operations	20	40,417	171,953
Finance costs		(1,622)	(2,405)
Finance income		4	215
Income taxes paid		-	(32,146)
Net cash generated by operating activities		<u>38,799</u>	<u>137,617</u>
Cash flows from investing activities			
Payments to acquire tangible assets		(4,913)	(14,328)
Receipts from sale of tangible assets		3,500	-
Net cash used in investing activities		<u>(1,413)</u>	<u>(14,328)</u>

	Note	2010 £	2009 £
Cash flow from financing activities			
Payment of finance lease liabilities		(10,051)	(7,620)
Repayments of loan from parent undertaking		(21,164)	(44,770)
Net cash used in financing activities		<u>(31,215)</u>	<u>(52,390)</u>
Net increase in cash and cash equivalents		6,171	70,899
Cash and cash equivalents at the start of the year		(62,633)	(133,532)
Cash and cash equivalents at the end of the year		<u>56,462</u>	<u>(62,633)</u>
Cash and cash equivalents comprise:			
Cash at bank and in hand		1,498	519
Bank overdrafts		(57,960)	(63,152)
		<u>56,462</u>	<u>(62,633)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

1. General Information

Pacific Logistics Limited is a company incorporated in England and Wales under the Companies Act 2006. 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.

The 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:

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRSs), and the Companies Act 2006 applicable to companies reporting under IFRSs.

2.1 (a) Changes in accounting policy and disclosures

The company has continued to apply the accounting policies used for the 2009 Annual Report and has adopted the following: IAS1 (revised), 'Presentation of financial statements', applicable for reporting periods commencing on or after 1 January 2009.

The revised standard has resulted in the reformatting of the statement of recognised gains and losses into a statement of comprehensive income and the addition of a statement of changes in equity. Comparative information has been re-presented so that it conforms with the revised standards. The change in accounting policy only impacts on presentation.

(b) Recent and future accounting developments

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 chosen not to adopt the pronouncement as they 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 building 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.





Pacific Logistics Limited

2. Significant accounting policies (continued)

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.

- Rendering of logistic services

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.

- Rental income

Rental income is earned at market value on part of the leasehold property which is occupied by entity no released to the company. Rental income under operating leases is credited to the income statement on a straight line basis over the term of the lease.

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.

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 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.

2.9 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 receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in

one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

• **Trade and other payables**

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. 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 amortized 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 judgments and estimates

The preparation of the company's financial statements in conforming with IFRSs require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances. Information about such judgments and estimation is contained in either the accounting policies in the notes to the financial statements. There are no significant estimates in the current year.

4. Revenue

The total revenue of the company for the year has been derived from its principal activity of the company excluding value added tax and is reportable as follows:

	2010	2009
	£	£
Analysis of revenues by geographical market and customer allocation are as follows:		
United Kingdom	1,925,881	2,458,617
Rest of the World	50,000	350,000
	<u>1,975,881</u>	<u>2,808,617</u>

5. Operating loss

Operating loss has been arrived at after charging:

Staff costs (see note 6 below)	437,665	737,684
Depreciation of property, plant and equipment	77,525	96,506
Loss on disposal of tangible fixed assets	1,448	
Profit on foreign currency	(163)	

Auditor remuneration

During the year the company obtained the following services from the company's auditor and its associates:

Fees payable to the company's auditor:		
Audit of annual financial statements	11,150	15,250
Fees payable to the company's auditor and its associates for other services:		
Review of the interim financial statements	7,600	5,450
Taxation and other services	2,190	2,825

6. Staff numbers and costs

Employee costs include:

Staff wages and salaries including restructuring costs	385,408	637,743
Directors' emoluments	-	18,750
Social security costs	52,257	81,191
	<u>437,665</u>	<u>737,684</u>

The average number of employees (including directors) during the year was:

	2010	2009
	Number	Number
Management and administration	14	20
Warehouse staff	11	11
	<u>25</u>	<u>31</u>





Pacific Logistics Limited

	2010	2009			
	£	£			
7. Finance income					
Interest on bank deposits	<u>4</u>	<u>215</u>			
	2010	2009			
8. Finance costs					
Interest on bank overdrafts	256	851			
Interest on obligations under hire purchase contracts	1,366	1,403			
Other interest	-	151			
	<u>1,622</u>	<u>2,405</u>			
9. Taxation for the period					
Income tax expense					
Current tax expense:					
UK corporation tax	<u>(14,999)</u>	<u>(18,880)</u>			
Total current tax	<u>(14,999)</u>	<u>(18,880)</u>			
Deferred tax:					
Origination and reversal of temporary differences	<u>(7,329)</u>	<u>(12,292)</u>			
Total deferred tax (note 16)	<u>(7,329)</u>	<u>(12,292)</u>			
Income tax expenses	<u>22,328</u>	<u>(31,172)</u>			
Reconciliation of current tax expense to accounting loss:					
Loss before taxation	<u>(114,652)</u>	<u>(109,096)</u>			
Notional taxation charge at the UK corporation tax rate of 28% (2009: 28%)	<u>(32,103)</u>	<u>(30,547)</u>			
Tax effects of:					
Expenses not deductible for tax purposes	1,062	1,499			
Depreciation in excess of capital allowances	9,393	11,385			
Other tax adjustments	(999)	(1,217)			
Tax losses surrendered to group companies	1,604	-			
Losses available to be carried forward	6,044	-			
Total current tax	<u>(14,999)</u>	<u>(18,880)</u>			
No liability to UK corporation tax arose during the year.					
The company had losses, as computed for taxation purposes of £21,584 at 31 March 2010 available to be carried forward against future profit from the same trading activity. Deferred tax asset on those losses has been recognised during the period (see note 16).					
10. Property plant and equipment					
	Land and buildings leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2009	29,442	457,463	115,467	49,379	651,751
Additions	-	3,200	1,713	25,898	30,811
Disposals	-	-	-	(12,450)	(12,450)
At 31 March 2010	<u>29,442</u>	<u>460,663</u>	<u>117,180</u>	<u>62,827</u>	<u>670,112</u>
Accumulated depreciation					
At 1 April 2009	17,664	268,518	70,813	22,663	379,658
Charge for the year	5,888	47,548	14,534	9,556	77,526
Eliminated on disposal	-	-	-	(7,502)	(7,502)
At 31 March 2010	<u>23,552</u>	<u>316,066</u>	<u>85,347</u>	<u>24,717</u>	<u>449,682</u>
Carrying amount					
At 31 March 2010	<u>5,890</u>	<u>144,597</u>	<u>31,833</u>	<u>38,110</u>	<u>220,430</u>
At 31 March 2009	<u>11,778</u>	<u>188,945</u>	<u>44,654</u>	<u>26,716</u>	<u>272,093</u>
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	11,756	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>

Assets held under hire purchase contracts have the following carrying amount:

	2010	2009
	£	£
Motor vehicles		
Cost	25,898	28,445
Accumulated depreciation	(3,777)	(14,388)
Carrying amount	<u>22,121</u>	<u>14,057</u>
11. Trade and other receivables		
Trade receivables	590,725	544,764
Receivables from related parties (note 22)	75,971	111,830
Other receivables	50,889	45,888
Prepayments	177,818	23,812
	<u>895,403</u>	<u>726,294</u>

The average credit period given for trade receivables at the end of the year is 109 days (2009: 71 days).

At 31 March 2010, the ageing analysis of trade receivables is as follows:

	Overdue but not impaired		
	Total	<3 Months	>3 Months
	£	£	£
2010	590,725	57,792	532,933
2009	544,764	47,674	497,090

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.

	2010	2009
	£	£
12. Trade and other payables		
Trade payables	146,333	189,642
Other payables	-	2,830
Amount due to related parties (note 22)	489,659	214,143
Social security and other taxes	12,840	23,284
Accrued expenses	35,154	25,500
	<u>683,986</u>	<u>455,399</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.

	2010	2009
	£	£
13. Bank overdrafts and borrowings		
Bank overdrafts	51,960	63,152
The borrowings are repayable as follows:		
On demand or within one year	57,960	63,152
The weighted average of interest rates paid was as follows:		
Bank overdraft	2.5%	4%
The other principal features of the company's borrowings are as follows:		
Bank overdrafts are repayable on demand. Overdrafts of £57,960 (2009: £63,152) 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		
Amounts payable under hire purchase contracts:		
Within one year	3,957	5,609
In the second to fifth years	19,612	-
	<u>23,569</u>	<u>5,609</u>
Less: Future finance charges	(2,972)	(859)
Present value of hire purchase obligations	20,597	4,750
Less: Amount due for settlement within 12 months (shown under current liabilities)	(3,087)	(4,750)
Amount due for settlement after 12 months	<u>17,510</u>	<u>-</u>





Pacific Logistics Limited

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	2010	2009
	£	£
Loan from related party (note 22)	<u>185,692</u>	<u>206,856</u>

This represents an unpaid interest free loan from Poeticgem 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

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2010	2009
	£	£
Deferred tax assets	(6,044)	-
Deferred tax liabilities	<u>9,055</u>	<u>10,340</u>
Deferred tax liabilities (net)	<u>3,011</u>	<u>10,340</u>

The gross movement on the deferred tax account is as follows:

	2010	2009
At the start of the year	10,340	22,632
Credited to income statement during the year	(7,329)	(12,292)
At the end of the year	3,011	10,340

The movement in deferred income tax assets and liabilities during the year are as follows:

	2010	2009
	£	£
Deferred tax assets		
At the start of the year		
Tax losses credited to the income statement during the year	(6,044)	-
At the end of the year	<u>(6,044)</u>	<u>-</u>
Deferred tax liabilities		
At the start of the year	10,340	22,632
Accelerated tax depreciation credited to the income statement during the year	(1,285)	(12,292)
At the end of the year	<u>9,055</u>	<u>10,340</u>

17. Share capital

Authorised	2010	2009
	£	£
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

22. 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	
	2010	2009	2010	2009	2010	2009	2010	2009
	£	£	£	£	£	£	£	£
Poeticgem Limited, UK	1,489,226	1,935,545	230,040	230,040	-	-	675,351*	420,999*
Pacific Supply Chain Limited, UK	-	-	-	-	4,905*	1,455*	-	-
House of Pearl Fashions Limited, India	-	-	4,730	21,389	61,609	66,339	-	-
FX Import Company Limited, UK	29,884	78,369	-	-	9,457	34,229	-	-
Simple Approach Limited, Hong Kong	17,230	20,309	-	-	-	-	-	-
Norwest Industries Limited, Hong Kong	80,403	29,565	-	-	-	9,807	-	-

The immediate parent company of Pacific Logistics Limited, Pacific Supply Chain Limited and FX Import Company Limited is Poeticgem Limited.

The ultimate parent company of Poetic gem Limited is House of Pearl Fashions Limited.

Norwest Industries Limited, Hong Kong and Simple Approach Limited, Hong Kong are fellow subsidiaries of Global Textile Group Limited, parent company of Poeticgem Limited.

* These loans are interest free and repayable on demand .

• This includes £185,692 (2009: £206,856) interest free loan and is repayable on demand.

23. 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 122016 (Haryana), India. House of Pearl Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

	2010	2009
	£	£
Issued and fully paid		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

18. Retained earnings

	2010	2009
Balance at the start of the year	248,409	326,333
Net loss for the year	(92,324)	(77,924)
Balance at the end of the year	<u>156,085</u>	<u>248,409</u>

19. Operating lease arrangements

	2010	2009
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:

	2010	2009
Within one year	230,040	230,040
In the second to fifth years inclusive	690,120	690,120
	<u>920,160</u>	<u>920,160</u>

Operating lease payments represent rentals payable by the company.

20. Notes to the cash flow statement

	2010	2009
	£	£
Cash flows from operating activities		
(Loss)/profit from operations	(113,034)	(106,906)
Adjustments for:		
Depreciation of property, plant and equipment	77,525	96,506
Loss on disposal of tangible assets	1,448	-
Operating cash outflow before working capital	(34,061)	(10,400)
(Increase)/decrease in receivables	(154,110)	42,969
Increase in payables	228,588	139,384
Cash generated from operations	40,417	171,953

21. Contingent liabilities

At the balance sheet date, the company's bankers, Royal Bank of Scotland plc, have provided a guarantee on behalf of the company to H M Revenue and Customs amounting to £75,000. The company's maximum contingent liability under this guarantee as at 31 March, 2010 is £75,000.

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 2010 is £4,208,085.





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 2010.

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 (2009: 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

Sd/-

Director

Date: April 26, 2010

AUDITORS' REPORT

To the Shareholder of **POETICGEM (CANADA) LTD.**

I have audited the statement of financial position of Poeticgem (Canada) Ltd. as at march 31,2010 and the statements of comprehensive income , change 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 presents fairly ,in all material respects, the financial position of the company as at march 31, 2010 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

April 26, 2010

BALANCE SHEET AS AT MARCH 31,2010

	2010	2009
	\$	\$
ASSETS		
NON CURRENT:		
Equipment - Notes 1(c),(e) and 2	11,366	13,248
Advances receivable -Notes 1(d),(g) and 3	130,895	240,089
	142,261	253,337
CURRENT:		
Cash -Notes 1 (f)	63,309	71,959
Income taxes recoverable	74,634	-
Prepaid and employee advance -Notes 4	8,840	19,138
	146,783	91,097
DEFICIT	289,044	344,434
Net (Deficit)/ Equity -Page 4		
LIABILITIES	(90,932)	118,439

	2010	2009
	\$	\$
NON CURRENT:		
Advances payable -Notes 1 (d),(g) and 3	367,484	197,861
CURRENT:- Notes 1(e) and (f)		
Accounts payable and accrued liabilities	12,492	9,813
Income taxes payable	-	18,321
	12,492	28,134
	289,044	344,434

APPROVED ON BEHALF OF THE BOARD:

Director

To be read in conjunction with the attached Notes and Auditor's Report dated April 26, 2010

STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31, 2010

	2010	2009
	\$	\$
REVENUE:- Notes 1(a),(b),(g),3 and 6	268,488	667,264
SELLING AND ADMINISTRATIVE EXPENSES:		
Wages and benefits	243,042	233,705
Freight non recoverable	68,370	-
Travel and entertainment	48,320	65,708
Rent - Notes 5	40,092	37,325
Market development	35,096	11,560
Head Office expenses - Notes 3	31,141	-
General and office	26,347	19,306
Samples and alterations	24,175	15,289
Chargeback and discounts	17,543	90,580
Advertising and promotion	12,044	14,991
Professional fees	9,600	8,540
Telephone	8,633	8,835
Bank charges	34	-
Amortzation -Notes 1(c)	3,612	3,704
	568,049	509,543
(LOSS)/PROFIT , from operations for the year	(299,561)	157,721
Less: Exchanges loss-Notes 1(g)(i)	15,895	(96,430)
(LOSS)/PROFIT , before income taxes for the period	(283,666)	61,291
Less: income tax recovery / (expense) -Notes 7	74,295	(21,663)
(LOSS)/ PROFIT ,for the period -page 4 and 5	(209,371)	39,628

To be read in conjunction with the attached Notes and Auditor's Report dated April 26, 2010

STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2010

	Issued and paid-up share (100common) (Authorized - Unlimited)	Retained Earnings	Total
	\$	\$	\$
BALANCE, AT APRIL 1, 2008	100	78,170	78,810
TOTAL COMPREHENSIVE INCOME for the period April 1,2008 to June 30, 2008	-	7,626	7,626
BALANCE, AT JUNE 30, 2008	100	86,336	86,436
TOTAL COMPREHENSIVE INCOME for the period July 1, 2008 to September 30, 2008	-	23,084	23,084
BALANCE AS AT SEPTEMBER 30, 2008	100	109,420	109,520





Poeticgem (Canada) Limited

	Issued and paid-up share (100 common) (Authorized - Unlimited)	Retained Earnings	Total
	\$	\$	\$
TOTAL COMPREHENSIVE INCOME			
for the period -October 1,2008 to December 31,2008	-	26,666	26,666
BALANCE, AS AT DECEMBER 31,2008	100	136,086	136,186
TOTAL COMPREHENSIVE (LOSS),			
for the period -January 1,2009 to March 31,2009	-	(17,747)	(17,747)
BALANCE, AS AT MARCH 31,2009	100	118,339	118,439
TOTAL COMPREHENSIVE (LOSS),			
for the period - April 1,2009 to June 30,2009	-	(31,302)	(31,302)
BALANCE, AS AT JUNE 30,2009	100	87,037	87,137
TOTAL COMPREHENSIVE (LOSS),			
for the period - July 1,2009 to September 30,2009	-	(44,179)	(44,179)
BALANCE, AS AT SEPTEMBER 30,2009	100	42,858	42,958
TOTAL COMPREHENSIVE (LOSS),			
for the period - October 1,2009 to December 31,2009	-	(94,645)	(94,645)
BALANCE, AS AT DECEMBER 31,2009	100	(51,787)	(51,687)
TOTAL COMPREHENSIVE (LOSS),			
for the period January 01 to March 31, 2010	-	(39,245)	(39,245)
BALANCE, AS AT MARCH 31,2010	100	(91,032)	(90,932)

STATEMENT OF CASH FLOWS

For the year Ended March 31, 2010

	2010	2009
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit - page 3	(209,371)	39,628
Cash flows provided by or used in:		
- Amortization	3,612	3,704
- Income tax expense	(74,295)	21,663
	(280,054)	64,995
Change in:		
- prepaid and employee advance	10,298	12,548
trade payable	2,679	(6,040)
	(267,077)	71,503
Income tax refunded (paid)	(18,661)	2,400
Net Cash from / (used in) Operating Activities	(285,738)	73,903
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(1,730)	(5,198)
Net Cash used in Investing Activities	(1,730)	(5,198)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances receivable	109,195	84,650
Advances payable	169,623	(119,961)
Net Cash from / (used in) financing Activities	278,818	(35,311)
CHANGE IN CASH AND EQUIVALENTS		
during the period	(8,650)	33,394
CASH AND EQUIVALENTS beginning of period	71,959	38,565
CASH AND EQUIVALENTS , end of period	63,309	71,959

To be read in conjunction with the attached Notes and Auditor's Report dated April 26, 2010

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2010

1. Accounting Policies:

(a) Operation

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 period.

(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 is provided on the diminishing balance basis using the following annual rates:

	Rate
Furniture and fixtures	- 20%
Computers	-30%
Shapely Shadow – Model	-10%

(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 principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of 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 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 results 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 receivable 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, 2009	13,117	18,705	31,822
Additions	-	1,730	1,730
At March 31, 2010	13,117	20,435	33,552





Poeticgem (Canada) Limited

	Furniture and Equipment	Computers	Total
	\$	\$	\$
Accumulated Amortization:			
At April 1, 2009	6,897	11,677	18,574
Additions	1,244	2,368	3,612
At March 31, 2010	8,141	14,045	22,186
Carrying Amount			
At March 31, 2010	4,976	6,390	11,366
At March 31, 2009	6,220	7,028	13,248
Cost:			
At April 01, 2008	10,047	16,577	26,624
Additions	3,070	2,128	5,198
At March 31, 2009	13,117	18,705	31,822
Accumulated Amortization			
At April 01, 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	7,028	13,248
At March 31, 2008	4,322	7,432	11,754

3. Related Party Transactions:

During the year the related Party Transactions were as follows:

	Commission Earned	Expenses paid	Amounts owed by Related parties	Amounts owed to related parties
	\$	\$	\$	\$
Norwest Industries Limited, HK				
March 31, 2010	268,488	-	-	367,484
March 31, 2009	667,264	-	-	197,861
Poeticgem Limited, UK				
March 31, 2010	-	31,141	130,895	-
March 31, 2009	-	-	240,089	-

The above corporations are related as follows:

Poeticgem Limited is the immediate parent company of this company. Norwest Industries Limited and Poeticgem Limited are both subsidiaries of Global Textile Limited, a foreign corporation. 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 \$4,600 made to an employee for purchase of a vehicle. The loan is unsecured, bears no interest and is repayable in installments of \$700.

5. Contingent liabilities:

Lease Contingency:

The company is lessee of its premises under a contract expiring December 2010. The minimum aggregate rent payable during the remainder of the contract is \$30,069.

6. Economic Dependence:

All of the revenue was earned from procuring sales orders for the foreign related corporation.

7. Income taxes:

	2010		2009
	\$		\$
Net (loss)/ income for the year	(209,371)		39,628
Income tax recovery/(expense)	74,295		(21,663)
(Loss)/ income before taxes	(283,666)		61,291
Income tax using domestic tax rate	35.51%	(100,725)	33.38%
Non deductible meals and adjustments	1.44%	4,071	2.47%
Losses available for carry forward	33.38%	22,802	-
Difference between tax and Book amortization	0.16%	(447)	(0.50)%
Total effective tax	37.11%	(74,295)	35.35%

The unused non-capital losses available for carry forward to future years is \$68,322.





Pacific Supply Chain Limited

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2010

The directors present their report and the audited financial statements for the year ended 31 March 2010.

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 2009.

Mrs. Payel Seth (Appointed 17 December 2009)
Mr. Pallak Seth (Resigned 17 December 2009)
Mr. Anuj Banaik

Directors' interests

The directors' interests in the share of the company were as stated below:

	Ordinary share of £ 1 each	31 March 2010	1 April 2009
Mrs. Payel Seth	-	-	-
Mr. Anuj Banaik	-	-	-

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 Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under Company law the directors must not approve the financial statements unless they are satisfied that they 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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the Company and hence for taking responsible 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.

Disclosure of information to auditors

- Each of the persons who is a directors at the date of approval of this report confirms that:
- so far as the director is aware, there is no relevant information of which the company's auditors are unaware; and
 - the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This information is given and Should be interpreted in accordance with the provisions of Section 418 of the companies Act 2006.

Responsibility statement

Each of the persons who is a director at the date of approval of this report confirms that to the best of this or her knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the directors' report includes a fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

By order of the board

Sd/-
Mr. Anuj Banaik
Director
30 April 2010

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PACIFIC SUPPLY CHAIN LIMITED FOR THE YEAR ENDED 31 MARCH 2010

We have audited the financial statements of PACIFIC SUPPLY CHAIN LIMITED for the year ended 31 March 2010 set out on pages 6 to 13 which comprise the income statement, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Respective responsibilities of the directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 to 497 to the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true fair view of the state of the company's affairs as at 31 March 2010 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in the accounting policies, the Company has prepared financial statements that comply with IFRSs as adopted by the EU, and with IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sd/-

Howard Reuben FCA (Senior Statutory Auditor)
For and on behalf of Auerbach Hope
Statutory Auditor
Chartered Accountants

30 April 2010
58-60 Burners Street
London
W1T 3JS





Pacific Supply Chain Limited

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Notes	2010 £	2009 £
Continuing operations			
Operating expenses			
Administrative expenses		(5,317)	(4,586)
Operating loss		(5,317)	(4,586)
Finance income	5	-	362
Loss for the year before taxation		(5,317)	(4,224)
Taxation	6	-	-
Loss for the financial year	10	(5,317)	(4,224)

None of the company's activities discontinued in the year.

There are no other comprehensive income and expenses other than those passing through the income statement.

STATEMENT OF FINANCIAL POSITION

	Notes	2010 £	2009 £
Current assets			
Other receivables	7	201	-
Cash and cash equivalents		234	676
		435	676
Total assets		435	676
Current liabilities			
Trade and other payable	8	(8,976)	(3,900)
		(8,976)	(3,900)
Net liabilities		(8,541)	(3,224)
Shareholders' equity			
Share capital	9	1,000	1,000
Retained earnings	10	(9,541)	(4,224)
Total equity		(8,541)	(3,224)

The financial statements were approved by the board of directors and authorized for issue on 30 April 2010 and were signed on its behalf by:

Sd/-

Mr. Anuj Banaik
Company Registration No. 6214417

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2010

	Share Capital £	Retained earnings £	Total £
Balance at 1 April 2008	1,000	-	1,000
Comprehensive income			
Loss for the year	-	(4,224)	(4,224)
Balance at 1 April 2009	1,000	(4,224)	(3,224)
Comprehensive income			
Loss for the year	-	(5,317)	(5,317)
Balance at 31 March 2010	1,000	(9,541)	(8,541)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2010

	2010 £	2009 £
Cash flows from operating activities		
Loss for the year	(5,317)	(4,224)
(Increase)/decrease in receivables	(201)	1,000
Increase/(decrease) in payables	5,076	(12,500)
Cash used in operations	(442)	(15,724)
Interest receivable	-	362
Net cash used in operating activities	(442)	(16,086)
Cash flows from investing activities		
Interest received	-	362
Net cash (used in) / generated by investing activities	(442)	362
Net decrease in cash and cash equivalents	(442)	(15,724)
Cash and cash equivalents at the start of period	676	16,400
Cash and cash equivalents at end of period	234	676
Cash and cash equivalents comprise:		
Cash at bank and in hand	234	676

The notes on pages 10 to 13 from part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2010

1. General information

Pacific Supply Chain Limited is a company incorporated in England and Wales. The address of the registered office and principal activity of the company is given on pages 1 and 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. Summary of significant accounting policies:

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRSs), and the Companies Act 2006 applicable to companies reporting under IFRSs.

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 £ 8,541 and it made a loss for the year of £ 5,317.

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 be provide for any further liabilities which might arise.

2.2 (a) Changes in accounting policy and disclosures

The company has continued to apply the accounting policies used for the 2009 Annual Report and has adopted the following:

IAS1 (revised), 'Presentation of financial statements', applicable for reporting periods commencing on or after 1 January 2009.

The revised standard has resulted in the reformatting of the statement of recognised gains and losses into a statement of comprehensive income and the addition of a statement of changes in equity. Comparative information has





Pacific Supply Chain Limited

been re-presented so that it conforms with the revised standard. The change in accounting policy only impacts on presentation.

(b) Recent and future accounting developments

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 chosen not to adopt the pronouncements as they 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 started at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

2.4 Trade and other payables

Trade and other payable 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 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 balances are not discounted.

3. Operating loss

Operating loss is stated after charging:

Auditor remuneration

During the year the company obtained the following services from the company's auditor and its associates:

	2010	2009
	£	£
Fees payable to the company's auditor:		
Audit of annual financial statements	2,125	1,725
Fees payable to the company's auditor and its associates for other services:		
Review of the interim financial statements	2,750	1,779
Tax services	300	587
Other services	75	75
	<u>5,250</u>	<u>4,166</u>

4. Employees

There were no employees during the year apart from the directors.

5. Finance income

Bank interest receivable 362

6. 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 current tax expense to accounting loss:		
Loss before taxation	(5,317)	(4,224)
National taxation charge at the UK corporation tax rate of 28% (2009-28%)	(1,489)	(1,183)
Tax effects of:		
Unutilised tax losses not recognised as a deferred tax asset	(1,489)	1,183
Total tax in income statement	-	-

The company has estimated losses of £ 9,541 (2009 - £ 4,224) available for carry forward against future trading profits. On the basis of these financial statements no provision has been made for corporation tax.

7. Other receivables	2010	2009
	£	£
Value Added Tax receivable	201	-
8. Other payables	2010	2009
Other Payables	2,000	1,725
Payables to parent company	2,071	720
Payables to fellow subsidiary company	4,905	1,455
	<u>8,976</u>	<u>3,900</u>
9. Share capital		
Authorised		
5,000 Ordinary share of £ 1 each	5,000	5,000
Issued and fully paid		
1,000 Ordinary share of £ 1 each	1,000	1,000
10. Retained earnings	2010	2009
Balance at the start of the year	(4,224)	-
Loss for the year	(5,317)	(4,224)
Balance at the end of the year	(9,541)	(4,224)
11. Related party transactions		
At the balance sheet date, the company owed £2,071 (2009 - £720) to Poeticgem Limited, the immediate parent company. This amount is interest free and repayable on demand.		
At the balance sheet date, the company owed £4,905 (2009 - £1,455) to Pacific Logistics Limited, a fellow subsidiary company. This amount is interest free and repayable on demand.		
12. 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 – 122016 (Haryana), India.		
House of Pearl Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.		





Pearl GES Home Group SPA

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 31 March 2009.

Principal activities

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 are shown in the accounts.

The directors do not recommend the payment of a dividend for the year under review (2009: 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 judgement 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 : 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, 2010 and 2009 and the related statements of income, changes in Equity and cash flow for the period between April 1st 2009 to March 31st 2010 and 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 audits.

We conducted our audits 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 audits provide 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 31st 2010 and 2009 and income of its operations, the changes in Equity and its cash flows for the period between for the period between April 1st 2009 to March 31st 2010 and July 31st, 2008 to March 31st 2009, in conformity with and International Financial Reporting Standards.

LAROS Auditores Consultores Ltda.
Santiago de Chile
April 10, 2010.

**BALANCE SHEETS
AS OF MARCH 31ST:**

Assets	2010	2009
Non current	Ch\$	Ch\$
Fixed Assets		
Premises refitting	76,177,733	76,177,733
Equipment and computers	7,468,301	6,230,595
Office furniture	1,459,595	1,162,095
Accumulated depreciation	(52,056,991)	(12,677,094)
Total fixed assets	33,048,638	70,893,329
Other assets		
Deferred taxes	14,558,252	34,729,595
Brands	1,843,300	1,843,300
Other long term assets	419,768	429,051
Total other assets	16,821,320	37,001,946
Current		
Cash and Banks	13,623,162	17,678,613
Sundry debtors	2,853,254	987,745
Prepaid income tax	1,667,091	—
Total Current Assets	18,143,507	18,666,358
Total Assets	68,013,465	126,561,633
Liabilities and Equity		
Equity		
Capital	3,000,000	3,000,000
Accumulated losses previous period	(169,559,552)	—
Profit (loss) for the period	95,586,672	(169,559,552)
Total Equity	(70,972,880)	(166,559,552)
Current Liabilities		
Suppliers	4,756,525	4,026,802
Accounts payable to related companies	126,415,838	281,162,764
Sundry credits	3,866,629	14,969
Withholdings	3,947,353	3,461,979
Provisions	—	4,454,671
Total current Liabilities	138,986,345	293,121,185
Total Liabilities and Equity	68,013,465	126,561,633

See accompanying notes to financial statements.

STATEMENTS OF INCOME

FOR THE PERIOD BETWEEN APRIL 1ST 2009 TO MARCH 31ST, 2010 AND FOR THE PERIOD BETWEEN JULY 31ST 2008 TO MARCH 31ST, 2009

Income	2010	2009
Operational Income:	Ch\$	Ch\$
Advisories	166,708,996	----
Administrative expenses reimbursements	204,434,167	----
Non-operational income:		
Exchange rate difference	21,528,717	10,735,211
Total Income	392,671,880	10,735,211
Expenses		
Cost of goods sold	—	—
Administrative expenses	(276,483,780)	(213,371,321)
Other expenses	(430,085)	(1,653,037)
Total Expenses	(276,913,865)	(215,024,358)
Net result before income tax	115,758,015	(204,289,147)
Deferred taxes	(20,171,343)	34,729,595
Profit (loss) for the period	95,586,672	(169,559,552)

See accompanying notes to financial statements.





Pearl GES Home Group SPA

STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD BETWEEN APRIL 1ST 2009 TO MARCH 31ST, 2010 AND FOR THE PERIOD BETWEEN JULY 31ST 2008 TO MARCH 31ST, 2009

	2010	2009
	Ch\$	Ch\$
Capital		
Paid-in-capital at the beginning of period	3,000,000	3,000,000
Capital increase during the period	—	—
Total capital at the end of the period	3,000,000	3,000,000
Accumulated losses at the beginning of period		
Loss for the previous period	(169,559,552)	—
Profit (loss) for the current period	95,586,672	(169,559,552)
Total accumulated losses	(73,972,880)	(169,559,552)
Total Equity at the end of period	(70,972,880)	(166,559,552)

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOW (INDIRECT METHOD)
FOR THE PERIOD BETWEEN APRIL 1ST 2009 TO MARCH 31ST, 2010 AND FOR THE PERIOD BETWEEN JULY 31ST 2008 TO MARCH 31ST, 2009

	2010	2009
	Ch\$	Ch\$
Cash flow from operating activities		
Profit (loss) for the period	95,586,672	(169,559,552)
Debits (credits) that do not represent cash flow		
Depreciation	39,379,897	12,677,094
Income tax	20,171,343	(34,729,595)
Exchange rate difference	(21,528,717)	(10,735,211)
Provisions	—	4,445,327
Assets variations (increase) – decrease		
Sundry debtors and others	(7,322,370)	2,070,120
Liabilities variations (decrease) – increase		
Suppliers and others	5,095,191	(16,947,220)
Total operational cash flow	131,382,016	(212,779,037)
Cash flow from investing activities		
Investments in fixed assets	(1,535,206)	(85,413,723)
Total Cash flow from investing activities	(1,535,206)	(85,413,723)
Flow from Financing Activities		
Loan from related parties	273,883,785	—
Payment to related parties	(407,786,046)	312,871,373
Payment of capital contributions	—	3,000,000
Total flow from financing activities	(133,902,261)	315,871,373
Net cash flow for the period	(4,055,451)	17,678,613
Cash flow at beginning of period	17,678,613	—
Cash flow at the end of period	13,623,162	17,678,613

See accompanying notes to financial statements.

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. Its main operations are: developing advisory activities, related with market and design professional advisory services.

2. Summary of Significant Accounting Policies

a) **General:**

The Financial Statements have been prepared in conformity International Financial Reporting Standards. The accounting periods comprise April 1st 2009 to March 31st 2010 and 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. In both periods, 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:**

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 the instructions from the parent company, 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 sundry credits item.

g) **Functional Currency:**

These financial statements are 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. Since 2009 the Company is developing advisory activities, related with market and design professional advisory services, to its parent company. These incomes are accounted in accordance to the previously explained criteria.

i) **Administrative expenses reimbursements:**

Since November 2009, the company has subscribed an agreement with its parent company in order to obtain the reimbursement of certain administrative expenses, paid during this year. The refund of those expenses obtained for this concept is shown as a part of the operational income.

j) **Compensation to personnel for years of service**

This provision was made for this concept due the Company has agreed this benefit with its main staff.

3. Accounting Changes

There were no accounting changes in both periods.

4. Income Taxes and Deferred Taxes

a) **Period 2008 to 2009**

In the period between July 31st, 2008 to March 31st, 2009 the company determined a loss of Ch\$ 204,291,735- 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.

b) **Period 2009 to 2010**

In the period April 1st, 2009 to March 31st 2010, the company determined an accumulated taxable loss of Ch\$ 111,339,257 – Due to that decreasing in the taxable loss, and other variations in the deferred taxes, in this period the company has accrued a net debit to results for an amount of Ch\$ 20,171,343.

c) **The accumulated assets and liabilities due to deferred taxes are the following in both periods:**

	2010	2009
	Ch\$	Ch\$
Assets		
Accumulated taxable loss	18,927,674	34,729,595
Total assets	18,927,674	34,729,595
Less:		
Liabilities		
Accelerated depreciation		
Premises refitting	4,369,422	—
Total liabilities	4,369,422	—
Net asset shown in		
Balance Sheet	14,558,252	—

d) **Reconciliation between the nominal tax rate and the effective tax**

	Ch\$
1) For the period between April 1st 2009 to March 31st 2010	
Net income before income tax	115,758,015
Income tax rate	17%
Income tax expense for the period	(19,678,862)
Explained by:	
Decrease in deferred taxes for the period	(20,171,343)





Pearl GES Home Group SPA

Effective tax rate	17.42%
2) For the period between July 31 st 2008 to March 31 st 2009	
Net loss before income tax, for the period	204,291,735
Income tax rate	17%
Income tax profit for the period	34,729,595
Effective tax rate	17%

a) The accumulated tax losses in both periods are the following:

2010	2009
Ch\$	Ch\$
111,339,257	204,291,735

5 Intercompany balances

a) Balances

2010	Initial Balance	Administrative expenses reimbursements	Transfer of funds	Exchange Rate Conversion	Final Balance
	Ch\$	Ch\$	Ch\$	Ch\$	Ch\$
Accounts payable					
Pearl Ges Home Group Limited	281,162,764	(410,371,834)	273,883,785	(18,258,877)	126,415,838
TOTAL	281,162,764	(410,371,834)	273,883,785	(18,258,877)	126,415,838

2009	Balance	Transactions	Concept
	Ch\$	Ch\$	
Accounts payable			
Pearl Ges Home Group Limited	281,162,764	281,162,764	Transfer of funds
TOTAL	281,162,764	281,162,764	

b) Design professional advisory agreement

On 1st day of November 2009 the parent company PEARL GES HOME GROUP LIMITED and Pearl Ges Home Group S.P.A. have subscribed a market and design professional advisory agreement. This document establishes the following:

- To assist the performance of each transaction that is made or could probably be made by PGHGL within the Chilean and South American market, in particular with respect to the determination of home décor products pursuant consumer's requirements.
- To provide specialized advisory services to implement and develop a local strategic planning for the relevant market.
- To provide assistance in furnishing and designing of catalogues for collections of home décor products to serve the regional market.
- To provide assistance with respect to sampling, publicity, promotion and introduction and marketing of new products in the market.
- To provide advisory services in the development and implementation of introduction and stay of new home décor products within the market.
- To provide advisory services relating to purchase techniques and procedures as well as the development of suppliers, inventory keeping, among others, taking into account for these purposes the production methods and techniques used by other companies within the same industry.

Furthermore, in accordance with that agreement PEARL GES HOME GROUP LIMITED, shall solely bear and reimburse to Pearl Ges Home Group S.P.A. the following costs:

- Employee costs
- Expenses relating to Travel
- Sampling and courier costs

On a monthly basis, Pearl Ges Home Group S.P.A. Chile shall deliver to its Parent Company a written statement itemizing above cost and expenses.

Parties agree to fix the service fees as the resulting sum of costs and expenses (excluding costs referred above) incurred by PGHG Chile to support services provided herein with a 2% accrued margin.

6. Equity changes

The changes in the Equity occurred in both periods are the following:
For the period July 31st 2008 to March 31st 2010

	Capital	Accumulated Losses	Profit (loss)	Total
	Ch\$	Ch\$	Ch\$	Ch\$
Balance at the beginning of Period	3,000,000	—	(169,559,552)	(166,559,552)
Reclassification of result				
Previous period	—	(169,559,552)	169,559,552	—
Profit for the period	—	—	95,586,672	95,586,672
Balance at the end of period	3,000,000	(169,559,552)	95,586,672	(70,972,880)

For the period between July 31st 2008 to March 31st 2009

	Capital	(Loss) for the period	Total
	Ch\$	Ch\$	Ch\$
Payment of capital (loss) for the period	3,000,000	—	3,000,000
	—	(169,559,552)	(169,559,552)
Balance at the end of period Balance	3,000,000	(169,559,552)	(166,559,552)

The capital is comprised by 1,000 shares, fully paid.

There were not share transactions during both periods.

7. Administrative Expenses

The details of the administrative expenses item for the periods April 1st 2009 to March 31st 2010, and July 31st 2008 to March 31st 2009 are the following:

April 1 st 2009 to March 31 st 2010	Ch\$
Salaries	114,837,298
Gratifications	4,436,304
Pension Plan	2,541,458
Bonus	7,815,632
Fees	2,661,153
Vacations	4,595,391
Mobilization	1,083,048
Notarials expenses	39,100
Courier	51,988
Attention consumptions	687,254
Photocopies	4,200
Trips	13,105,601
Hotel	2,061,412
Travel allowance	2,425,776
Rent office	33,485,395
Rent parking	1,937,700
Other rent	61,808
Office community spending	1,144,890
License county	78,790
Depreciation Expenses	1,291,029
Amortization refitting premises refitting	38,088,869
Advertising and promotions	980,679
Repair offices	277,218
Repair Equipments	236,012
Water	147,032
Electric Power	2,822,173
Telephone-Internet	2,083,952
Subscriptions	15,000
Insurance	165,268
Freights	6,728,644
Professional advisings	3,128,320
Office Maintenance	3,891,337
Security	299,102
Community expenses (office)	3,331,408
Accounting Fees	12,163,318
Legal fees	5,768,861
Sample expenses	1,073,149
Others	743,184
Commissions	195,027
Total	276,483,780





Pearl GES Home Group SPA

July 31 st 2008 to March 31 st 2009:	Ch\$
Advisers fees	77,285,411
Remunerations	45,300,332
Office lease	24,488,121
Professional advisories	21,410,532
Depreciation	12,677,433
Airfares	7,870,120
Vacations	4,250,211
Accounting fees	3,268,321
Legal fees	3,050,125
Common expenses building	2,507,231
Toiletries and office expenses	2,406,322
Gratification	1,577,235
Credit taxes	1,290,221
Rent parking	1,106,897
Bonus	1,100,654
Social laws	879,453
Spending samples	868,223
Other fees	750,170
Telephone/fax	545,290
Freights	264,533
Equipments repair	172,321
Other fees	91,000
Other expenses	311,165
Total	213,371,321

8. Commitments and Contingencies

There are not judgements, contingencies or commitments, which could affect the company.

9. Lease Contracts

The main lease contract subscribed by the Company corresponds to the office where the commercial activities are performed. The summary of main clauses of that contract is the following:

- Location of premise: Avenida del Valle N°869, Huechuraba, Santiago de Chile
- Name of Lessor: Grupo Extremo Sur S.A. In this case is a sub lease, considering that the premise is leased by "Grupo Extremo Sur S.A." to other company.
- Monthly Rent: UF -111.98 plus V.A.T. Approximately Th Ch\$ 2,401 plus V.A.T. (This tax rate is 19%). The "unidades de fomento" is a local currency which value changes every day in accordance to the inflation rate. The annual inflation rate in 2008 was 8.9% consequently Chile is a non inflationary economy.
- Rent free period: None. The rent must be period in the first 15 days of each month.
- Break clauses.
- Not paying the monthly rent on time.
- Using the property to a use other than that set out in the lease.
- Do not keep the property in good condition.
- Late or not payment of the costs of property use (electricity, etc)
- Make changes or improvements in the physical property without the permission of the landlord.

The lease contract also establishes that improvements or changes in the physical structure of the property made by the lessee will be owned by the landlord.

Based in this contract, there are not significant effects to the Company due to the earthquake occurred on February.

10. Compensation to personnel for years of service

Due the Company has agreed this benefit with its main staff, it has been accounted a provision for this concept, which is classified as a long term liability, for an amount of Ch\$ 54,720,000.

11. 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.





Zamira Fashions (Europe) Limited

DIRECTOR'S REPORT

The director presents his first report and the audited financial statements for the period ended 31 March 2010.

Principal activities and review of the business

The company was incorporated on 25 March 2009 and commenced trading on 1 April 2009. The principal activity of the company is that of import and distribution of ladies clothing.

Results and dividends

The results for the period are set out on page 6.

Directors

The following directors have held office since 25 March 2009:

Mr Pallak Seth (Appointed 25 March 2009)

Mr Vineet Mathur (Appointed 13 May 2009 and Resigned 7 July 2009)

Director's interest

The director's interest in the shares of the company was as stated below:

	Ordinary shares of £ 1 each	
	31 March 2010	25 March 2009
Mr Pallak 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 director's responsibilities

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the director must not approve the financial statements unless he is satisfied that they 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 period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. He is 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 director is 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.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant information of which the Company's auditors are unaware; and
- the director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Responsibility statement

Each of the persons who is a director at the date of approval of this report confirms that to the best of his or her knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the director's report includes a fair view of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

By order of the board

Sd/-
Mr Pallak Seth
Director
30 April 2010

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ZAMIRA FASHIONS (EUROPE) LIMITED FOR THE PERIOD ENDED 31 MARCH 2010

We have audited the financial statements of Zamira Fashions (Europe) Limited for the period ended 31 March 2010 set out on pages 6 to 18 which comprise the income statement, the statement of financial position, the statement of changes in equity, the statement of cash flow, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Respective responsibilities of the director and auditors

As explained more fully in the Director's Responsibilities Statement set out on page 2, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 to 497 to the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This included an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the director; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in the accounting policies, the Company has prepared financial statements that comply with IFRSs as adopted by the EU, and with IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Howard Reuben FCA (Senior Statutory Auditor) 30 April 2010

Sd/-

For and on behalf of Auerbach Hope 58-60 Berners Street
Statutory Auditor London
Chartered Accountants WIT 3JS





Zamira Fashions (Europe) Limited

INCOME STATEMENT FOR THE PERIOD ENDED 31 MARCH 2010

	Notes	Period ended 31 March 2010 £
Continuing operations		
Revenue	2	176,420
Cost of revenue		(95,829)
Gross Profit		80,591
Other operating income		4,000
Distribution costs		(109,109)
Administrative expenses		(72,402)
Loss for the period before taxation	5	(96,920)
Taxation	7	23,267
Loss for the financial period	14	(73,653)

None of the company's activities were discontinued in the period.
There are no other comprehensive income and expenses other than those passing through the income statement.

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2010

	Notes	2010 £
Non-current assets		
Property, plant and equipment	8	53,704
Intangible assets	9	54,972
Deferred tax assets	12	24,159
		132,835
Current assets		
Trade and other receivables	10	55,837
Cash and cash equivalents		516
		56,353
Total assets		189,188
Current liabilities		
Trade and other payables	11	(261,849)
		(261,849)
Net current liabilities		(205,496)
Non current liabilities		
Deferred tax liabilities	12	(892)
		(262,741)
Total liabilities		(262,741)
Net liabilities		(73,553)
Shareholders' equity		
Share capital	13	100
Retained earnings	14	(73,653)
		(73,553)
Total equity		(73,553)

The interim financial statements were approved by the board of directors and authorized for issue on 30 April 2010 and were signed on its behalf by:

Sd/-
Mr Pallak Seth
Director
Company registration no. 6858839

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2010

	Share Capital £	Retained earnings £	Total £
Balance at 1 April 2008	-	-	-
Issue of shares (25 March 2009)	100	-	100
Balance at 1 April 2009	100	-	100
Comprehensive income	-	(73,653)	(73,653)
Loss for the period	-	(73,653)	(73,653)
Balance at 31 March 2010	100	(73,653)	(73,553)

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2010

	2010 £
Cash flows from operating activities	
Loss for the period	(96,920)
Adjustments for:	
Depreciation of property, plant and equipment	17,046
Impairment of intangible assets	27,486
Operating cash flows before movements in working capital	(52,388)
Increase in receivables	(55,837)
Increase in payables	261,849
Net cash generated by operating activities	153,624
Cash flows from investing activities	
Payments to acquire property, plant and equipment	(82,458)
Payments to acquire intangible assets	(70,750)
Net cash used in investing activities	(153,208)
Cash flows from financing activities	
Proceeds from issue of ordinary shares	100
Net cash generated by financing activities	100
Net increase in cash and cash equivalents	516
Cash and cash equivalents at the start of the period	-
Cash and cash equivalents at the end of the period	516
Cash and cash equivalents comprise:	
Cash at bank and in hand	516

STATEMENT OF FINANCIAL STATEMENTS

1. General information

Zamira Fashions (Europe) Limited is a company incorporated in England and Wales. The address of the registered office and principal activity of the company is given on pages 1 and 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. Summary of significant accounting policies:

The principal accounting policies applied in the preparation of the financial statements are set out below.

Basis of preparation

The financial statements have been prepared for the first time in accordance with International financial Reporting standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRSs), and the Companies Act 2006 applicable to companies reporting under IFRSs.

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 £205,496 and it made a loss for the period of £73,653.

The Director considers the going concern basis to be appropriate because, in his 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 director believes 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 realizable amount and to provide for any further liabilities which might arise.

2.2 Recent and future accounting developments

At the date of authorization of these financial statements certain new standards, amendments and interpretations to existing standards have been published but are not yet effective. The company has chosen not to adopt the pronouncements as they are not expected to have a material impact on the company's financial statements.

The following Adopted IFRSs were available for early adoption but have not been applied by the company in these financial statements:

- IFRS 3 (revised), 'Business combinations', (effective from 1 July 2009). The revised IFRS 3 will make many changes to how future business combinations will be accounted for. For example, all payments to purchase a business are to be recorded at fair value at acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on acquisition-by acquisition basis to





Zamira Fashions (Europe) Limited

measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

2.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the distribution of ladies clothing net of discounts and value added tax is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue is classified as sales of goods (wholesale) and commission receivables based on the type of transaction and the specifics of each arrangement.

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	- over lease term for short lease
Computer equipment	- 33.33% reducing balance
Fixtures, fittings and equipment	- 25% reducing balance

All tangible fixed assets are reviewed for impairment in accordance with IAS 36 'Impairment of Assets' when there are indications that the carrying value may not be recoverable.

2.5 Goodwill

Goodwill arising on acquisition represents the excess of the cost of the acquisition over the company's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction.

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least annually by assessing the recoverable amount of each cash-generating unit to which the goodwill relates. The recoverable amount is the higher of fair value less costs to sell, and value in use. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized.

Any impairment is recognized immediately in the company's income statement and is not subsequently reversed.

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 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 profile 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 recognized in the financial statements. Deferred tax assets are only recognized to the extent it is probable that the future taxable profits will be available against which deductible temporary differences can be utilized. 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 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.

2.9 Financial instruments

The company does not use or trade derivative financial instruments. Financial instruments that the company uses are non-derivative and are recognized initially at fair value. Subject to initial recognition non-derivative financial instruments are measured as described as follows:

- Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

- Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payables are state at their nominal value.

- Cash and cash equivalents

Cash for the purposes of the statement of cash flows, 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 statement of cash flows are shown under current liabilities.

3. Significant judgements and estimates

The preparation of the company's financial statements in conforming to IFRSs required 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. There are no significant estimates in the current period.

4. Revenue**a. Company activities**

The company's activity is in a single business segment, being the supply of ladies' garments.

b. Revenues by geographical market and customer location

The company's operations are located primarily in the UK and the business activity is reportable as follows:

Analysis of revenue by category:	2010
	£
Sale of garments	121,118
Commission receivable	55,302
	<u>176,420</u>
Analysis of revenues by geographical market and customer location are as follows:	
Europe	121,118
Rest of the World	55,302
	<u>176,420</u>

5. Operating loss

Operating loss is stated after charging /(crediting)	£
Impairment of intangible assets	27,486
Depreciation of property, plant and equipment	17,046
Profit on foreign currency	(10,399)

Auditor remuneration

During the period the company obtained the following services from the company's auditor and its associates:

Fees payable to the company's auditor:	
Audit of annual financial statements	4,000
Fees payable to the company's auditor and its associates for other services:	
Review of the interim financial statements	3,850
Tax and other services	<u>382</u>

6. Employees

There were no employees during the period apart from the director.

7. Taxation or the period

	2010
Income tax expense	£
Current tax expense:	
UK corporation tax	-
Total current tax	-
Deferred tax:	
Origination and reversal of temporary differences	(23,267)
Total deferred tax (note 12)	<u>(23,267)</u>
Income tax expense	<u>(23,267)</u>
Reconciliation of current tax expense to accounting loss:	
Loss before taxation	(96,920)
Notional taxation charge at the UK corporation tax Rate of 28%	(27,138)
Tax effects of:	
Expenses not deductible for tax purposes	1,612
Excess of depreciation over capital allowances	1,367
Losses available to be carried forward	24,159
	<u>27,138</u>
Total current tax	<u>-</u>





Zamira Fashions (Europe) Limited

No liability to UK corporation tax arose during the period.

The company had losses as computed for taxation purposes, of £86,283 at 31 March 2010 available to be carried forward against future profit from the same trading activity.

Deferred tax asset on those losses has been recognized during the period (see note 12).

8. Property, plant and equipment

	Land and Buildings Freehold £	Fixtures, fittings & equipment £	Computer equipment £	Total £
Cost				
At the start of the period	—	—	—	—
Additions	40,334	13,909	16,507	70,750
At 31 March 2010	40,334	13,909	16,507	70,750
Accumulated depreciation				
At the start of the period	—	—	—	—
Charge for the period	8,067	3,477	5,502	17,046
At 31 March 2010	8,067	3,477	5,502	17,046
Net Book value				
At 31 March 2010	32,267	10,432	11,005	53,704

9. Intangible assets

Goodwill	2010
Cost	£
At the start of the period	—
Additions	82,458
At 31 March 2010	82,458
Accumulated impairment losses	
At the start of the period	—
Impairment losses recognized in the period	27,486
At 31 March 2010	27,486
Net book value	
At 31 March 2010	54,972

At the end of the reporting period, the company assessed the recoverable amount of goodwill, and determined that the goodwill was impaired by £27,486, which is a third of its original costs.

The main factor contributing to the impairment of the cash-generating unit is that having established the "Per Una Account" for the company, the director does not anticipate investing further funds for wider developments and therefore wishes to take a prudent view on limited development with customers which may not see further growth beyond that period.

The impairment loss has been included in "administrative expenses" in the income statement.

10. Trade and other receivables

	2010
	£
Other receivables	535
Receivables from fellow group company	55,302
	55,837

All amounts are due to be recovered within 12 months of the balance sheet date. The fair value of other receivables is the same as the carrying value shown above.

11. Trade and other payables

Payables to fellow group company	151,903
Payables to parent company	105,946
Accrued expenses	4,000
	261,849

Other payables and accrued expenses comprise of amounts owed for trading purchases and associated costs.

Other payables are due to be paid within 12 months of the balance sheet date. The fair value of other payables is the same as the carrying value shown above.

12. Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2010
	£
Deferred tax assets	(24,159)
Deferred tax liabilities	892
	(23,267)
Deferred tax assets (net)	(23,267)
This gross movement on the deferred tax account is as follows:	
At start of the period	—
Credited to income statement (note 7) during the period	(23,267)
	(23,267)
At the end of period	(23,267)
The movement in deferred income tax assets and liabilities during the period is as follows:	
Deferred tax assets	
At start of the period	—
Tax losses credited to the income statement during the period	(24,159)
At the end of the period	(24,159)
Deferred tax liabilities	
At start of the period	—
Accelerated tax depreciation charged to the income statement during the period	892
At the end of the period	892

13. Share capital

Authorized	
1,000 Ordinary shares of £1 each	1,000
Issued and fully paid	
100 Ordinary shares of £1 each	100
During the period 100 ordinary shares of £1 each were allotted and fully paid at par.	

14. Retained earnings

Balance at the start of the period	—
Net loss for the period	(73,653)
Balance at the end of the period	(73,653)

15. Related party transactions

During the period, the company entered into the following transactions with related parties.

	Sales FOB transfers/ Rent/commission Received 2010 £	Commission paid purchases/ expenses 2010 £	Amounts owed to / (by) related party 2010 £
Poeticgem Limited, UK	—	—	151,903
Norwest Industries Limited, Hongkong	55,302	—	(55,302)
Zamira Fashions Limited Hongkong	—	31,636	105,946

The above companies are related as follows:

Poeticgem Limited is a wholly owned subsidiary of Global Textile Group Limited.

Zamira Fashion Limited owns 100% of Zamira Fashions (Europe) Limited.

Norwest Industries Limited, Zamira Fashion Limited, Hongkong and Global Textile Group Limited are fellow subsidiaries of Multinational Textile Group Limited, a company registered in Mauritius.

The above balances are interest free and repayable on demand.

16. Control

The immediate parent company is Zamira Fashion Limited, a company registered in Hongkong.

The ultimate parent company of Zamira Fashion Limited, Hongkong 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 National Stock Exchange in India.





FX Import Hongkong Limited

REPORT OF THE DIRECTORS

The directors present their first report and the audited financial statements of the Company for the period from 4 May 2009 (date of incorporation) to 31 March 2010.

Principal activity

The principal activity of the Company is the trading of garment.

Results

The Company's profit for the period from 4 May 2009 (date of incorporation) to 31 March 2010 and the state of affairs of the Company at 31 March 2010 are set out in the financial statements on page 4 to 19.

Directors

The directors of the Company during the period were:

Christopher Francis Fox	(appointed on 4 May 2009)
Christopher Robert Severs	(appointed on 4 May 2009)
Deepak Kumar Seth	(appointed on 4 May 2009)
Pallak Seth	(appointed on 4 May 2009)
Pulkit Seth	(appointed on 4 May 2009)

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 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 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
Hongkong
27 April 2010

INDEPENDENT AUDITORS' REPORT

To the shareholders of FX Import Hongkong Limited
(Incorporated in Hongkong with limited liability)

We have audited the financial statements of FX Import Hongkong Limited set out on pages 4 to 19, which comprise the statement of financial position as at 31 March 2010, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 4 May 2009 (date of incorporation) to 31 March 2010, 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 Hongkong Financial Reporting Standards issued by the Hongkong Institute of Certified Public accountants and the Hongkong 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 Hongkong Companies Ordinance, and for no other purposes. 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 Hongkong Standards on Auditing issued by the Hongkong 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 as at 31 March 2010 and of its profit and cash flows for the period from 4 May 2009 (date of incorporation) to 31 March 2010 in accordance with Hongkong Financial Reporting Standards and have been properly prepared in accordance with the Hongkong Companies Ordinance.

Certified Public Accountants
Hongkong
27 April 2010

STATEMENT OF COMPREHENSIVE INCOME

Period from 4 May 2009 (date of incorporation) to 31 March 2010

	Notes	HK\$
REVENUE	3	2,332,993
Cost of sales	4	(1,575,725)
Gross profit		757,268
Selling and distribution costs		(642,437)
Administrative expenses		(33,661)
PROFIT BEFORE TAX	4	81,170
Tax	6	(13,569)
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		67,601
CURRENT ASSETS		
Trade receivables	7	678,108
Cash and bank balances		1,060,174
Total current assets		1,738,282
CURRENT LIABILITIES		
Trade payables	8	417,013
Accrual		30,000
Due to the immediate holding company	10	13,340
Due to a fellow subsidiary	10	1,186,759
Tax payable		13,569
Total current liabilities		1,660,681
Net assets		77,601
EQUITY		
Issued capital	9	10,000
Retained profits		67,601
Total equity		77,601

Director

Director





FX Import Hongkong Limited

STATEMENT OF CHANGES IN EQUITY

Period from 4 May 2009 (date of incorporation) to 31 March 2010

	Note	Issued Share Capital HK\$	Retained profits HK\$	Total equity HK\$
Issue of shares	9	10,000	–	10,000
Total comprehensive income for the period		67,601	–	67,601
At 31 March 2010		10,000	67,601	77,601

STATEMENT OF CASH FLOWS

Period from 4 May 2009 (date of incorporation) to 31 March 2010

	Notes	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	4	81,170
Increase in trade receivables		(678,108)
Increase in trade payables		417,013
Increase in an accrual		30,000
Increase in an amount due to a fellow subsidiary		1,186,759
Increase in an amount due to the immediate holding company		13,340
Net cash flows used in operating activities		1,050,174
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	9	10,000
NET INCREASE IN CASH AND CASH EQUIVALENTS, AND CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,060,174
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances		1,060,174

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

FX Import Hongkong Limited is a limited liability company incorporated in Hongkong. The registered office of the Company is located at 7/F, Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan.

During the period, the Company was involved in the trading of garment.

The Company is wholly-owned subsidiary of FX Import Co. Ltd, a company incorporated in the United Kingdom. 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.

2.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hongkong Financial Reporting Standards ("HKFRSs") (which includes all Hongkong Financial Reporting Standards, Hongkong Accounting Standards ("HKFRSs") and Interpretations) issued by the Hongkong Institute of Certified Public Accountants, accounting principles generally accepted in Hongkong and the Hongkong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hongkong Dollars ("HK\$"), which is the Company's functional and presentation currency.

2.2 ISSUED BUT NOT YET EFFECTIVE HONGKONG FINANCIAL REPORTING STANDARDS

The company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	<i>First time Adoption of Hongkong Financial Reporting Standards¹</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hongkong Financial Reporting Standards –Additional Exemptions for First Time Adopters²</i>
HKFRS 1 Amendment	<i>Amendments to HKFRS 1 First-time Adoption of Hongkong Financial Reporting Standards–Limited Exemption from Comparative HKFRS 7 Disclosures for First Time Adopters⁴</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment –Group Cash settled Share-based Payment Transactions³</i>
HKFRS 3 (Revised)	<i>Business combinations¹</i>
HKFRS 9	<i>Financial Instruments⁶</i>
HKAS 24 (Revised)	<i>Related Party Disclosures⁵</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements¹</i>

HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – classification of Rights Issues³</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – eligible Hedged Items¹</i>
HK (IFRIC)- Int 14	<i>Amendment to HK (IFRIC) – Int 14 Prepayments of a Minimum Funding Requirements⁵</i>
HK (IFRIC)- Int 17	<i>Distributions of Non-cash Assets to Owners¹</i>
HK (IFRIC)- Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments⁴</i>
Amendments to HKFRS 5 Included in <i>Improvements to HKFRSs Issued in October 2008</i>	<i>Amendments to HKFRS 5 Non-current Assets held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary¹</i>
HK Interpretation ⁴ Amendments (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hongkong Land Leases²</i>

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK (IFRIC)- Int 9 and HK (IFRIC)- Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFR 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transactional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after 1 January 2010

3 Effective for annual periods beginning on or after 1 February 2010

4 Effective for annual periods beginning on or after 1 July 2010

5 Effective for annual periods beginning on or after 1 January 2011

6 Effective for annual periods beginning on or after 1 January 2013

The Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the company's results of operations and financial position.

2.3 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 recognized 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 profit or loss in the period in which it arises in those expenses categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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 / amortization) had no impairment loss been recognized for the asset in prior periods. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

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 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 (b);
- 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 (b) or (c); or





FX Import Hongkong Limited

(e) The party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

Financial assets

Initial recognition and measurement

Financial assets of the Company within the scope of HKAS 39 are classified as loans and receivables. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognized initially, they are measured at fair value.

All regular way purchases and sales of financial assets are recognized 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.

Subsequent measurement - loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income in profit or loss. The loss arising from impairment is recognized in profit or loss as other operating expenses.

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 derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it included the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount if the asset is reduced either directly or through the use of an

allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities of the Company within the scope of HKAS 39 are classified as loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value, plus directly attributable transaction costs.

The Company's financial liabilities include trade payables, an accrual and amounts due to affiliates.

Subsequent measurement - loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statement of cash flows, 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 statement of financial position, cash and cash equivalents 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 recognized when a present obligation (legal or constructive) has arisen as a result of a past event and its 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 recognized for a provision is the present value at the end of the reporting period 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 profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the





FX Import Hongkong Limited

end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized 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 the end of each reporting period 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 utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

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 recognized when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably. From the sale of goods, revenue is recognized 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.

Foreign Currencies

These financial statements are presented in Hongkong dollars, which is the Company's functional and presentation currency. Foreign currency transactions recorded by the Company are initially recorded using their respective 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 reporting period. All differences are taken to profit or loss. 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. REVENUE

Revenue, which is also the Company's turnover, represents the net invoiced value of goods sold, net of discounts and returns.

4. PROFIT BEFORE TAX

The company's profit before tax for the period is arrived at after charging:

	HK\$
Cost of inventories sold	1,575,725
Auditors' remuneration	30,000
Foreign exchange losses	<u>1,066</u>

5. DIRECTORS' REMUNERATION

No director received any fee or emoluments in respect of their services rendered to the Company during the period.

6. INCOME TAX

Hongkong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hongkong during the period. Current Hongkong tax charged for the period was HK\$ 13,569.

A reconciliation of the tax expense applicable to the profit before tax for the period using the statutory rate to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective rate are as follows:

	HK\$	%
Profit before tax	81,170	
Tax at the statutory tax rate	13,393	16.5
Expenses not deductible for tax	176	0.2
Taxes at the effective tax rate	13,569	16.7

7. TRADE RECEIVABLES

The company's trading terms with its customers are mainly on credit. Trade receivables are non-interest-bearing and are on terms of up to 60 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 2010, no trade receivables of the Company were impaired. The company does not hold any collateral or other credit enhancements over these balances.

All of the Company's trade receivables as at 31 March 2010 were neither past due nor considered impaired. Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

8. TRADE PAYABLES

Trade payables are unsecured, interest-free and repayable within one month or on demand. The carrying amounts of trade payables approximate to their fair values.

9. SHARE CAPITAL

HK\$

Authorised, issued and fully paid:

10,000 ordinary shares of HK\$1 each 10,000

On incorporation, the Company's authorized share capital was HK\$ 10,000 divided into 10,000 ordinary shares of HK\$1 each and was fully issued at par for cash.

10. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Company paid commissions to a fellow subsidiary and the immediate holding company for the period of HK\$137,558 and HK\$441,959, respectively, in relation to sourcing services rendered by these group companies. These commissions were charged at rates agreed between the Company and the fellow subsidiary or 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.

11. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade receivables and cash and bank balances which are categorized as loans and receivables. The carrying amounts of these financial assets as at the end of the reporting period are the same amounts as shown on the statement of financial position.

The financial liabilities of the Company comprise trade payables, an accrual, as amount due to the immediate holding company and an amount due to a fellow subsidiary which are categorized as financial liabilities at amortised cost. The carrying amounts of these financial liabilities as at the end of the reporting period are the same amounts as shown on the statement of financial position.

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to 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:

Credit risk

The company trades on credit terms only with recognized 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 cash and bank balances, arises from default of the counterparty with a maximum exposure equal to the carrying amounts of these instruments.

Since the Company trades only with recognized 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 7 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 and financial support from the ultimate holding company.

The Company's financial liabilities as at the end of the reporting period 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 for managing capital during the period from 4 May 2009 (date of incorporation) to 31 March 2010. The capital of the Company comprises all components of shareholders' equity.

13. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 27 April 2010.





Poetic Knitwear Limited

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 MARCH 2010

The director present their first report and the audited financial statements for the period ended 31 March 2010.

Principal activities and review of the business

The company was incorporated on 31 March 2009 and commenced trading on 1 April 2009. The principal activity of the company is that of import and distribution of knitwear clothing.

Results and dividends

The results for the period are set out on page 6.

Directors

The following directors have held office since 31 March 2009:

Mr Gary M Isaacs
Mr Pallak Seth
Dr Mahesh K Seth

Directors' interests

The directors' interests in the shares of the company were as stated below:

	31 March 2010	31 March 2009
Mr Gary M Isaacs	33	33
Mr Pallak Seth	—	—
Dr Mahesh K 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 annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 period. In preparing these 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 applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and hence for taking responsible 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.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant information of which the Company's auditors are unaware; and
- The director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Responsibility statement

Each of the persons who is a director at the date of approval of this report confirms that to the best of his or her knowledge and belief;

- The financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- The directors' report includes a fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

By order of the board

Mr Pallak Seth
Director
30 April 2010.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF POETIC KNITWEAR LIMITED FOR THE PERIOD ENDED 31 MARCH 2010

We have audited the financial statements of Poetic Knitwear Limited for the period ended 31 March 2010 set out on pages 6 to 17 which comprise the income statement, balance sheet, the cash flow statement, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Respective responsibilities of the directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 to 497 to the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its loss for the period then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the EU; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in the accounting policies, the company has prepared financial statements that comply with IFRSs as adopted by the EU, and with IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanation we require for our audit.

Howard Reuben FCA (Senior Statutory Auditor) 30 April 2010
For and on behalf of Auerbach Hope 58-60 Berners Street
Statutory Auditor London
Chartered Accountants WIT 3JS





Poetic Knitwear Limited

**INCOME STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2010**

	Notes	Period ended 31 March 2010 £
Continuing operations		
Revenue	4	—
Cost of revenue		(300)
Gross loss		(300)
Operating expenses		
Distribution costs		(40,829)
Administrative expenses		(542,907)
Loss for the period before taxation	5	(584,036)
Taxation	7	163,530
Loss for the financial period		(420,506)

None of the company's activities were discontinued in the period.

There are no other comprehensive income and expenses other than those passing through the income statement.

The notes on pages 10 to 17 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2010

Notes	2010 £
Non-current assets	
Property, plant and equipment	8 19,439
Deferred tax asset	9 164,758
	184,197
Current assets	
Trade and other receivables	10 2,542
Cash and cash equivalents	206
	2,748
Total assets	186,945
Current liabilities	
Trade and other payables	11 (606,123)
Net current liabilities	(603,375)
Non current liabilities	
Deferred tax liabilities	9 (1,228)
Total liabilities	(607,351)
Net assets	(420,406)
Shareholders' equity	
Share capital	12 100
Retained earnings	13 (420,506)
Total equity	(420,406)

The financial statements were approved by the board of directors and authorized for issue on 30 April 2010 and were signed on its behalf by:

Mr Pallak Seth
Director

Company registration no. 6863593

The notes on pages 10 to 17 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2010**

	Share Capital £	Retained earnings £	Total £
Balance at 1 April 2008	—	—	—
Issue of shares (31 March 2009)	100	—	100
Balance at 1 April 2009	100	—	100
Comprehensive income			
Loss for the period	—	(420,506)	(420,506)
Balance at 31 March 2010	100	(420,506)	(420,406)

The notes on pages 10 to 17 form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2010**

	2010 £
Cash flows from operating activities	
Loss for the period	(584,036)
Adjustment for	
Depreciation of property, plant and equipment	5,648
Operating cash flows before movements in working capital	(578,388)
Increase in receivables	(2,542)
Increase in payables	606,123
Net cash generated by operating activities	25,193
Cash flows from operating activities	25,193
Cash flows from investing activities	
Payments to acquire plant and equipment	(25,087)
Net cash used in investing activities	(25,087)
Cash flows from financing activities	
Issue of ordinary share capital	100
Net cash generated in financing activities	100
Net increase in cash and cash equivalents	206
Cash and cash equivalents at the start of the period	—
Cash and cash equivalents at the end of the period	206
Cash and cash equivalents comprise:	
Cash at bank and in hand	206

The notes on pages 10 to 17 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH, 2010**

1. General Information

Poetic Knitwear Limited is a company incorporated in England and Wales. The address of the registered office and principal activity of the company is given on pages 1 and 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operate.

2. Summary of significant accounting policies:

The principal accounting policies applied in the preparation of the financial statements are set out below.

Basis of preparation

The financial statements have been prepared for the first time in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRSs), and the Companies Act 2006 applicable to companies reporting under IFRSs.

2.1 Going concern

The financial statements have been prepared on a going concern basis even through at the Balance Sheet date the company's current liabilities exceeded its current assets by £603,375 and it made a loss for the period of £420,506.

The Director considers the going concern basis to be appropriate because, in his 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 director believes 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 Recent and future accounting developments

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 chosen not to adopt the pronouncements as they are not expected to have a material impact on the company's financial statements.

2.3 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:





Poetic Knitwear Limited

Land and buildings leasehold - over lease term for short lease

Fixtures, fittings and equipment - 25% reducing balance

All tangible fixed assets are reviewed for impairment in accordance with IAS 36 'Impairment of Assets' when there are indications that the carrying value may not be recoverable.

2.4 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.

2.5 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.

2.6 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.

2.7 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:

— Other receivables

Other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

— Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payables are stated at their nominal value.

— Cash and cash equivalents

Cash for the purposes of the statement of cash flows, 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 the cash and cash equivalents for the purpose of the statement of cash flows are shown under current liabilities.

3. Significant judgements and estimates

The preparation of the company's financial statements in conforming to IFRSs required 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. There are no significant estimates in the current period.

4. Revenue

The company commenced trading on 1 April 2009, but did not generated any revenue income during the current period.

Company activities

The company's activity is in a single business segment, being the import and distribution of knitwear clothing.

5. Operating loss

Operating loss is stated after charging/(crediting):

	2010
	£
Depreciation of property, plant and equipment	<u>5,648</u>

Auditor remuneration

During the period the company obtained the following services from the company's auditor and its associates:

Fee payable to the company's auditor:

Audit of annual financial statements	4,000
--------------------------------------	-------

Fees payable to the company's auditor and its associates for other services:

Review of the interim financial statements	3,725
--	-------

Tax and other services	233
------------------------	-----

	<u>7,958</u>
--	--------------

6. Staff numbers and costs

Employees costs include:

Staff wages and salaries	154,449
--------------------------	---------

Directors' remuneration	175,000
-------------------------	---------

Social security costs	38,636
-----------------------	--------

	<u>368,085</u>
--	----------------

The average number of employees (including directors) during the period was:

Designers	2
-----------	---

Sales	2
-------	---

Technicians	1
-------------	---

Management and administration	3
-------------------------------	---

	<u>8</u>
--	----------

7. Taxation for the period

Income tax expense

Current tax expense

UK corporation tax	—
--------------------	---

Total current tax (see below)	<u>—</u>
--------------------------------------	----------

Deferred tax:

Orifination and reversal of temporary differences	163,530
---	---------

Total deferred tax (note 12)	<u>163,530</u>
-------------------------------------	----------------

Income tax expense

Reconciliation of current tax expense to accounting loss

Loss before taxation	(584,036)
----------------------	-----------

Notional taxation charge at the UK corporation tax rate of 28%	(163,530)
--	-----------

Tax effects of:

Excess of capital allowances over depreciation	(1,228)
--	---------

Losses available to be carried forward	<u>164,758</u>
--	----------------

Total current tax	<u>—</u>
--------------------------	----------

No liability to UK corporation tax arose during the period.

The company had losses as computed for taxation purposes, of £588,423 at 31 March 2010 available to be carried forward against future profit from the same trading activity.

A deferred tax asset on those losses has been recognised during the period (see note 9).

8. Property, plant and equipment

	Land and buildings leasehold £	Fixtures, fittings & equipment £	Total £
Cost			
At the start of the period	—	—	—
Additions	12,485	12,602	25,087
At 31 March 2010	<u>12,485</u>	<u>12,602</u>	<u>25,087</u>
Accumulated depreciation			
At the start of the period	—	—	—
Charge for the period	2,497	3,151	5,648
At 31 March 2010	<u>2,497</u>	<u>3,151</u>	<u>5,648</u>
Net book value			
At 31 March 2010	<u>9,988</u>	<u>9,451</u>	<u>19,439</u>





Poetic Knitwear Limited

9. Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2010
	£
Deferred tax assets	(164,758)
Deferred tax liabilities	<u>1,228</u>
Deferred liabilities (net)	<u>(163,530)</u>

The gross movement on the deferred tax account is as follows:

At the start of the period	—
Credited to income statement during the period	<u>163,530</u>
At the end of the period	<u>163,530</u>
Deferred tax assets	
At the start of the period	—
Tax losses credited to the income statement during the period	(164,758)
At the end of the period	(164,758)
Deferred tax liability	
At the start of the period	—
Accelerated tax depreciation charged in the income statement during the period	<u>1,228</u>
At the end of the period	<u>1,228</u>

10. Trade and other receivables

Other receivables	<u>2,542</u>
	<u>2,542</u>

All amounts are due to be recovered within 12 months of the balance sheet date. The fair value of other receivables is the same as the carrying value shown above.

11. Trade and other payables

Amount due to group undertakings	21,213
Amount due to parent company	567,039
Other payables	13,871
Accrued expenses	<u>4,000</u>
	<u>606,123</u>

Other payables and accrued expenses comprise amounts owed for trading purchases and associated costs.

Other payables are due to be paid within 12 months of the balance sheet date. The fair value of other payables is the same as the carrying value shown above.

12. Share capital

	2010
	£
Authorised	
1,000 Ordinary shares of £1 each	<u>1,000</u>
Issued and fully paid	
100 Ordinary shares of £1 each	<u>100</u>

During the period 100 ordinary shares of £1 each were allotted and fully paid at par.

13. Retained earnings

Balance at the start of the period	—
Net loss for the period	<u>(420,506)</u>
Balance at the end of the period	<u>(420,506)</u>

14. Related party transactions

During the period, the company entered into the following transactions with related parties:		
	Corporate and management expenses	Amounts owned to related party
	2010	2010
	£	£
Poeticgem Limited, UK	103,552	567,039
FX Import Company Limited	21,213	21,213

The above companies are related as follows:

Poetic Knitwear Limited is 67% owned by Poeticgem Limited
 FX Import Company Limited is 50% owned and controlled by Poeticgem Limited
 During the period the company advanced £2,083 to a director of the company which remained outstanding at the period end.
 The above balances are interest free and repayable on demand.

15. Control

The immediate parent company is Poeticgem Limited, a wholly owned subsidiary of Global Textile Group Limited, a company registered in Mauritius.

The ultimate parent company of Global Textile Group 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-122016 (Haryana), India.

House of Pearl Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.





Magic Global Fashions Limited
(England and Wales)

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 MARCH 2010

The directors present his first report and the audited financial statements for the period ended 31 March 2010.

Principal activities and review of the business

The company was incorporated on 23 January 2009 and commenced trading on 1 February 2009. The principal activity of the company is that of import and distribution of denim clothing.

Results and dividends

The results for the period are set out on page 6.

Directors

The following directors have held office since 23 January 2009:

Mr Pallak Seth (appointed 23 January 2009)

Mr. Vineet Mathur (appointed 23 January 2009 and resigned 24 February 2009)

Directors' interests

The director's interests in the shares of the company was as stated below:

	Ordinary shares of £1 each	
	31 March 2010	31 March 2009
Mr Pallak 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 Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the director must not approve the financial statements unless he is satisfied that they 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 period. In preparing these financial statements, the director is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and hence for taking responsible steps for the prevention and detection of fraud and other irregularities.

The director is 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.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant information of which the Company's auditors are unaware; and
- The director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Responsibility statement

Each of the persons who is a director at the date of approval of this report confirms that to the best of his or her knowledge and belief;

- The financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- The director's report includes a fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

By order of the board

Sd/-

Mr Pallak Seth

Director

30 April 2010

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MAGIC GLOBAL FASHIONS LIMITED FOR THE PERIOD ENDED 31 MARCH 2010

We have audited the financial statements of Magic Global Fashions Limited for the period ended 31 March 2010 set out on pages 6 to 15 which comprise the income statement, statement of financial position, the statement of changes in equity, the statement of cash flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Respective responsibilities of the director and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 to 497 to the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its loss for the period then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the EU; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in the accounting policies, the company has prepared financial statements that comply with IFRSs as adopted by the EU, and with IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanation we require for our audit.

Sd/-

Howard Reuben FCA (Senior Statutory Auditor) 30 April 2010

For and on behalf of Auerbach Hope 58-60 Berners Street

Statutory Auditor London

Chartered Accountants WIT 3JS





Magic Global Fashions Limited
(England and Wales)

INCOME STATEMENT FOR THE PERIOD ENDED 31 MARCH 2010

	Notes	Period ended 31 March 2010 £
Continuing operations		
Revenue	4	472,754
Cost of revenue		(435,060)
Gross profit		37,694
Distribution costs		(21,678)
Administrative expenses		(45,847)
Loss for the period before taxation	5	(29,831)
Taxation	7	—
Loss for the financial period	11	(29,831)

None of the company's activities were discontinued in the period.

There are no other comprehensive income and expenses other than those passing through the income statement.

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2010

	Notes	2010 £
Current assets		
Trade and other receivables	8	551,470
Total assets		551,470
Current liabilities		
Trade and other payables	9	(581,201)
Net liabilities		(29,731)
Shareholders' equity		
Share capital	10	100
Retained earnings	11	(29,831)
Total equity		(29,731)

The interim financial statements were approved by the board of directors and authorized for issue on 30 April 2010 and were signed on its behalf by:

Sd/-

Mr Pallak Seth
Director

Company registration no. 6799997

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2010**

	Share Capital £	Retained earnings £	Total £
Balance at 1 April 2008	—	—	—
Issue of shares (23 January 2009)	(100)	—	100
Balance at 1 April 2009	(100)	—	100
Comprehensive income			
Loss for the period	—	(29,831)	(29,831)
Balance at 31 March 2010	100	(29,831)	(29,731)

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2010**

	Notes	2010 £
Cash flows from operating activities		
Loss for the period		(29,831)
Increase in receivables		(551,470)
Increase in payables		581,201
Net cash used in operating activities		(100)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	10	100
Net cash generated by financing activities		100
Net decrease in cash and cash equivalents		—
Cash and cash equivalents at the start of the period		—
Cash and cash equivalents at the end of the period		—
Cash and cash equivalents comprise:		
Cash at bank and in hand		—

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2010

1. General information

Magic Global Fashions Limited is a company incorporated in England and Wales. The address of the registered office and principal activity of the company is given on pages 1 and 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. Summary of significant accounting policies:

The principal accounting policies applied in the preparation of the financial statements are set out below:

Basis of preparation

The financial statements have been prepared for the first time in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRSs), and the Companies Act 2006 applicable to companies reporting under IFRSs

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 £29,731 and it made a loss for the period of £29,831.

The Director considers the going concern basis to be appropriate because, in his 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 director believes 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 realizable amount and to provide for any further liabilities which might arise.

2.2 Recent and future accounting developments

At the date of authorization of these financial statements certain new standards, amendments and interpretation to existing standards have been published but are not yet effective. The company has chosen not to adopt the pronouncements as they are not expected to have a material impact on the company's financial statements.

2.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from distribution of denim garments net of discounts and value added tax is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

2.4 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 recognizes 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 recognized in the financial statements. Deferred tax assets are only recognized to the extent it is probable that the future taxable profits will be available against which deductible temporary differences can be utilized. 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.

2.5 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.

2.6 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.

2.7 Financial instruments

The company does not use or trade derivative financial statements. Financial instruments that the company uses are non-derivative and are recognized initially at fair value. Subject to initial recognition non-derivative financial instruments are measured as described as follows:





Magic Global Fashions Limited
(England and Wales)

• **Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

• **Trade and other Payables**

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payable are stated at their nominal value.

• **Cash and cash equivalents**

Cash for the purposes of the statement of cash flows, 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 required 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 or in the notes to the financial statements. There are no significant judgements and estimates in the current period.

4. **Revenue**

The total revenue of the company for the period has been derived from its principal activity of the company excluding value added tax and is reportable as follows:

	2010
	£
Analysis of revenue by geographical market:	
Europe	472,754

5. **Operating loss**

Operating loss is stated at after charging:

Auditor remuneration

During the period the company obtained the following services from the company's auditor and its associates:

Fees payable to the company's auditor:

Audit of the annual financial statements 3,000

Fees payable to the company's auditor and its associates for other services:

Tax services 1,400

Other services 90

4,490

6. **Employees**

There were no employees during the period apart from the director.

7. **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 current tax expense to accounting loss:

Loss before taxation (29,831)

National taxation charge at the UK Corporation tax

Rate of 28% (8,353)

Tax effects of:

Expenses not deductible for tax purposes 9,957

Tax losses surrendered from group company (1,604)

Total tax in income statement

No liability to UK corporation tax arose during the period

No deferred tax provision has been recognized during the period.

8. **Trade and other receivables**

Trade receivables	551,147
Other receivables	223
Receivables from parent company	100
	<u>551,470</u>

The average credit period given for trade receivables at the end of the year is 90 days. 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.

9. **Trade and other payables**

	2010
	£
Trade payables	1,713
Payables to group companies (note 12)	491,032
Accrued expenses	88,456
	<u>581,201</u>

Trade payables and accrued expenses mainly comprise of amounts owed for trading purchases 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.

10. **Share capital**

2010

£

Authorised

1,000 Ordinary shares of £1 each 1,000

Issued and fully paid

100 Ordinary shares of £1 each 100

During the period 100 ordinary shares of £1 each were allotted and fully paid at par.

11. **Retained earnings**

Balance at the start of the period —

Net loss for the period (29,831)

Balance at the end of the period (29,831)

12. **Related party transactions**

During the period, the company entered into the following transactions with related parties:

	Sales/ FOB transfers/ Rent/ commission received	Commission paid/ purchases/ expenses	Amounts owed to (by) related party
	2010	2010	2010
	£	£	£
Poeticgem Limited, UK	----	4,800	469,712
FX Import Company Limited, UK	----	3,177	3,177
Norwest Industries Limited, Hongkong	----	18,143	18,143
Magic Global Fashions Limited, Hongkong	-----	-----	(100)

The above companies are related as follows:

Poeticgem Limited owns a 50% share in FX Import Company Limited.

Poeticgem Limited is a wholly owned subsidiary of Global Textile Group Limited, a company registered in Mauritius.

Norwest Industries Limited, Magic Global Fashions Limited, Hongkong and Global Textile Group Limited are fellow subsidiaries of Multinational Textile Group Limited, a company registered in Mauritius.

The above balances are interest free and repayable on demand.

13. **Control**

The immediate parent company is Magic Global Fashions Limited, a company registered in Hongkong.

The ultimate parent company of Magic Global Fashions Limited, Hongkong 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 National Stock Exchange in India.





Pearl Global Fareast Ltd.

REPORT OF THE DIRECTORS

The directors present their first report and the audited financial statements of the Company for the period from 16 March 2009 (date of incorporation) to 31 March 2010.

Principal activity

The principal activity of the Company is the trading of garment.

Results

The Company's Loss for the period from 16 March 2009 (date of incorporation) to 31 March 2010 and state of affairs of the Company at 31 March 2010 are set out in the financial statements on pages 4 to 20.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Company during the period are set out in note 7 to the financial statements.

Directors

The directors of the Company during the period were:

Deepak Kumar Seth (Appointed on 16 March 2009)
Pulkit Seth (Appointed on 16 March 2009)

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 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 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
Sd/-
Chairman
Hong Kong
27 April 2010

INDEPENDENT AUDITORS' REPORT

To the shareholders of Pearl Global Fareast Limited
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Pearl Global Fareast Limited set out on pages 4 to 20, which comprise the statement of financial position as at 31 March 2010, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 16 March 2009 (date of incorporation) to 31 March 2010, 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 purposes. 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' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 as at 31 March 2010 and of its loss and cash flows for the period from 16 March 2009 (date of incorporation) to 31 March 2010 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
27 April 2010

STATEMENT OF COMPREHENSIVE INCOME

Period from 16 March 2009 (date of incorporation) to 31 March 2010

	Notes	HK.\$
REVENUE	3	613,576
COST OF SALES		(480,444)
GROSS PROFIT		133,132
Other income	3	27,230
Administrative expenses		(1,558,496)
LOSS BEFORE TAX	4	(1,398,134)
Tax	6	
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(1,398,134)

STATEMENT OF FINANCIAL POSITION

31 March 2010

	Notes	HK\$
NON-CURRENT ASSETS		
Property, plant and equipment	7	144,731
CURRENT ASSETS		
Trade receivables	8	81,612
Deposits		41,069
Due from the immediate holding company	11	1,359,270
Due from fellow subsidiaries	11	421,200
Cash and bank balances		81,832
Total current assets		1,984,983
CURRENT LIABILITIES		
Other payables and accruals	9	112,826
Due to fellow subsidiaries	11	201,882
Total current liabilities		314,708
NET CURRENT ASSETS		1,670,275
Net assets		1,815,006
EQUITY		
Issued capital	10	3,213,140
Accumulated loss		(1,398,134)
Total equity		1,815,006

Director

Director





Pearl Global Fareast Ltd.

STATEMENT OF CHANGES IN EQUITY

Period from 16 March 2009 (date of incorporation) to 31 March 2010

	Note	Issued share capital HK\$	Accumulated loss HK\$	Total equity HK\$
Issue of shares	10	3,213,140	—	3,213,140
Total comprehensive loss for the period		—	(1,398,134)	(1,398,134)
At 31 March 2010		<u>3,213,140</u>	<u>(1,398,134)</u>	<u>1,815,006</u>

STATEMENT OF CASH FLOWS

Period from 16 March 2009 (date of incorporation) to 31 March 2010

	Notes	HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		(1,398,134)
Adjustment for depreciation	4	31,641
		(1,366,493)
Increase in trade receivables		(81,612)
Increase in deposits		(41,069)
Increase in an amount due from the immediate holding company		(1,359,270)
Increase in amounts due from fellow subsidiaries		(421,200)
Increase in amounts due to fellow subsidiaries		201,882
Increase in other payables and accruals		112,826
Net cash flows used in operating activities		<u>(2,954,936)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	7	(176,372)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	10	3,213,140
NET INCREASE IN CASH AND CASH EQUIVALENTS, AND CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>81,832</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances		<u>81,832</u>

NOTES TO FINANCIAL STATEMENTS

31 March 2010

1. CORPORATE INFORMATION

Pearl Global Fareast Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 10/F, Room B, Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan.

During the period, the Company was involved in the trading of garment.

The Company is a wholly-owned subsidiary of Pearl Global Limited, a company incorporated in India. 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.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which includes 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. These financial statements are presented in Hong Kong Dollars ("HK\$"), which is the Company's functional and presentation currency.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> ¹
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards - Additional Exemptions for First Time Adopters</i> ²
HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards - Limited Exemption from</i>

HKFRS 2 Amendments	<i>Comparative HKFRS 7 Disclosures for First-time Adopters</i> ⁴ Amendments to HKFRS 2 <i>Share-based Payment - Group Cash-settled Share-based Payment Transactions</i> ²
HKFRS 3 (Revised)	<i>Business Combinations</i> ¹
HKFRS 9	<i>Financial Instruments</i> ⁶
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ⁵
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ¹
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation - Classification of Rights Issues</i> ³
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement - Eligible Hedged Items</i> ¹
HK(IFRIC)-Int 14 Amendment	Amendment to HK (IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> ⁵
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> ¹
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ⁴
Amendments to HKFRS 5 included in Improvements to HKFRSs issued in October 2008	Amendments to HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations - Plan to Sell the Controlling Interest in a Subsidiary</i> ¹
HK Interpretation 4	<i>Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i> ²
Amendments (Revised) in December 2009)	

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2010

³ Effective for annual periods beginning on or after 1 February 2010

⁴ Effective for annual periods beginning on or after 1 July 2010

⁵ Effective for annual periods beginning on or after 1 January 2011

⁶ Effective for annual periods beginning on or after 1 January 2013

The Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Company's results of operations and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Impenitent 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 profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period 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/amortisation) had no impairment loss been recognised for the asset in prior periods. A reversal of such an impairment loss is credited to profit or loss 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





Pearl Global Fareast Ltd.

- 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 a member of the key management personnel of the Company or its parent;
- (c) the party is a close member of the family of any individual referred to in (a) or (b);
- (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 (b) or (c); or
- (e) the party is a post-employment benefit plan for the benefit of 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 profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation.

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:

Furniture and fixtures	25%
Office equipment	33-1/3%
Computer equipment	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 financial year end.

An item of property, plant and equipment and any significant part initially recognised 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 profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Financial assets

Initial recognition and measurement

Financial assets of the Company within the scope of HKAS 39 are classified as loans and receivables. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value.

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.

The Company's financial assets include trade receivables, deposits, amounts due from affiliates and cash and bank balances.

Subsequent measurement-loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment is recognised in profit or loss in other operating expenses.

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 when:

- the rights to receive cash flows from the asset have expired; or

- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. 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 estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities of the Company within the scope of HKAS 39 are classified as loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus directly attributable transaction costs.

The Company's financial liabilities include other payables and accruals, and amounts due





Pearl Global Fareast Ltd.

to fellow subsidiaries.

Subsequent measurement - loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the effective interest rate' method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognising 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 profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the statement of cash flows, 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 fu-e repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provision

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 end of the reporting period 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 profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period 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 the end of each reporting period 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the

extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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 that have been enacted or substantively enacted by the end of the reporting period.

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 when it is probable that the economic benefits will flow to the Company and when 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 Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- from the provision of service, when the service is rendered; and
- interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

3. REVENUE AND OTHER INCOME

Revenue, which is also the Company's turnover, represents the net invoiced value of goods sold, net of discounts and returns. Other income represents fees for management services provided to a third party.

4. LOSS BEFORE TAX

The Company's loss before tax for the period is arrived at after charging (crediting):

	HK\$
Auditors' remuneration	90,000
Depreciation (note 7)	31,641
Employee benefits expense, excluding directors' remuneration (note 5):	
Wages and salaries	628,474
Pension scheme contributions	46,847
	<u>675,321</u>
Foreign exchange differences, net	<u>13,061</u>

5. DIRECTORS' REMUNERATION

No director received any fees or emoluments in respect of their services rendered to the Company during the period.

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong during the period.

A reconciliation of the tax credit applicable to the loss before tax for the period using the statutory rate to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	HK.\$	%
Loss before tax	(1,398,134)	—
Tax at the statutory tax rate	(230,692)	(16.5)
Temporary differences not recognised	(17,079)	(1.2)
Tax loss not recognised	247,771	17.7
Tax at the effective tax rate	—	—

At the end of the reporting period, the Company had tax losses arising in Hong Kong of approximately HK\$1,501,641, subject to the agreement by the Hong Kong Island Revenue Department, that are available indefinitely for offsetting against future taxable profits of the Company arising in Hong Kong.

At the end of the reporting period, net deferred tax assets in respect of tax losses and other temporary differences not recognised were as follows:

	HK.\$
Tax losses	247,771
Depreciation allowance in excess of related depreciation	(17,079)
	<u>230,692</u>

Net deferred tax assets have not been recognised in respect of the above items as the directors consider that the availability of future taxable profits of the Company against which the above items can be utilised is unpredictable.





Pearl Global Fareast Ltd.

7. PROPERTY, PLANT AND EQUIPMENT
31 March 2010

	Furniture and fixtures	Office equipment	Computer equipment	Total
	HK\$	HK\$	HK\$	HK\$
Additions	95,661	23,311	57,400	176,372
Depreciation	(15,071)	(5,141)	(11,429)	(31,641)
At 31 March 2010, net of accumulated depreciation	<u>80,590</u>	<u>18,170</u>	<u>45,971</u>	<u>144,731</u>
At 31 March 2010: Cost	95,661	23,311	57,400	176,372
Accumulated depreciation	(15,071)	(5,141)	(11,429)	(31,641)
Net carrying amount	<u>80,590</u>	<u>18,170</u>	<u>45,971</u>	<u>144,731</u>

8. TRADE RECEIVABLES

The Company's trading terms with its customers are mainly on credit. Trade receivables are non-interest-bearing and are on terms ranging from 25 to 35 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 2010, no trade and bills receivables of the Company were impaired. The Company does not hold any collateral or other credit enhancements over these balances.

All of the Company's trade receivables as at 31 March 2010 were neither past due nor considered impaired. Receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

9. OTHER PAYABLES AND ACCRUALS

Accruals	HK\$	46,270
Other payables		66,556
		<u>112,826</u>

10. SHARE CAPITAL

Authorised:	HK\$	
500,000 ordinary shares of US\$1 each		3,890,000
Issued and fully paid:		
413,000 ordinary shares of US\$1 each		3,213,140

During the period, the movements in share capital were as follows:

(a) On incorporation, the Company had authorised share capital of US\$250,000 divided into 250,000 ordinary shares of US\$1 each and 10,000 ordinary shares of US\$1 each were issued at par for cash to the subscriber.

(b) Pursuant to a resolution passed on 15 March 2010, the authorised share capital of the Company was increased from US\$250,000 to US\$500,000 by the creation of 250,000 additional shares of US\$1 each, ranking pari passu in all respects with the existing share capital of the Company.

On the same date, 403,000 ordinary shares of US\$1 each were allotted to Pearl Global Limited, the immediate holding company.

11. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Company paid rental expenses to a fellow subsidiary of HK\$163,380 for the period which were based on a rate agreed between the Company and the fellow subsidiary and the office space occupied by the Company.

The balances with fellow subsidiaries and the immediate holding company are unsecured, interest-free, and have no fixed terms of repayment.

12. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade receivables, deposits, an amount due from the immediate holding company, amounts due from fellow subsidiaries and cash and bank balances which are categorised as loans and receivables. The carrying amounts of these financial assets as at the end of the reporting period are the same amounts as shown on the statement of financial position.

The financial liabilities of the Company comprise other payables and accruals, and amounts due to fellow subsidiaries which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities as at the end of the reporting period are the same amounts as shown on the statement of financial position.

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to 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:

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, an amount due from the immediate holding company, amounts due from fellow subsidiaries, and cash and bank balances arise 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 8 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 and financial support from group companies.

The Company's financial liabilities as at the end of the reporting period 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 for managing capital during the period from 16 March 2009 (date of incorporation) to 31 March 2010. The capital of the Company comprises all components of shareholders' equity.

14. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 April 2010.





Pearl Global (Australia) Pty. Ltd.

REPORT OF THE DIRECTORS

The directors present their first report and the audited financial statements of the Company for the period from 19 June 2009 to 31 March 2010.

The principal activity

The principal activity of the company is booking orders for garments and accessories.

Results

The Company's loss for the period from 19 June 2009 (date of incorporation) to 31 March 2010 and state of affairs of the Company at 31 March 2010 are set out in the financial statements on pages 4-21.

Property, Plant and equipment

Details of the movement in the property, plant and equipment of the Company during the period set out in note 15 of the financial statements.

Directors

The directors of the Company during the period were:

Mr. Rajeev Anand (appointed 19 June 2009)

In accordance with the Company's constitution, 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 or fellow subsidiaries a party to any arrangement to enable Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Director's 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 period.

Auditors

NS & Associates retire and a resolution for their re appointment as auditors of the Company will be proposed at the forthcoming meeting.

ON BEHALF OF THE BOARD

Chairman
MELBOURNE
3rd May 2010

AUDITORS' REPORT

To the members of Pearl Global (Australia) Pty Ltd.

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report, of Pearl Global (Australia) Pty Ltd, which comprises the balance sheet as at 31 March 2010 and the income statement, for the period 19 June 2009 (being of incorporation) to 31 March 2010.

The Responsibility of directors for the Financial Report

The directors of the entity are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial report are appropriate to meet the financial reporting requirements of the constitution and are appropriate to meet the needs of the members. The directors responsibility also includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is 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 the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers

internal control relevant to the entity's preparation and fair presentation of the financial report 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 directors, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors financial reporting under the constitution. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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

Auditor's Opinion

In our opinion, the financial report presents fairly, in all material respects, (or "gives a true and fair view of") the financial position of Pearl Global (Australia) Pty Ltd as of 31 March 2010 and of its financial performance for the period then ended in accordance with the accounting policies described in Note 1 to the financial statements.

NS & Associates Pty Ltd
Navnit Singh

3rd May 2010
Suite 715, 1, Queens Road
MELBOURNE VIC 3004

INCOME STATEMENT FOR THE PERIOD 19 JUNE 2009 (DATE OF INCORPORATION) TO 31 MARCH 2010

	Note	2010 AUD	2009 AUD
Revenue	2	40,011	—
Cost of goods sold/services provided		—	—
Depreciation and amortization expenses	3(a)	(1,358)	—
Finance costs	3(a)	(197)	—
Employee benefits expenses		(100,861)	—
Other expenses	3(a)	(72,881)	—
Net (loss) before income tax expense		(135,286)	—
Income tax expense	4	—	—
Net (loss) from continuing operations		(135,286)	—
Profit attributable to minority equity interest		—	—
Net (loss) attributable to members of the Economic entity		(135,286)	—
Basic (loss) per share (cents per share)	7	(0.77)	—
Diluted (loss) per share (cents per share)	7	(0.77)	—

The accompanying notes form part of the financial Statements

BALANCE SHEET AS AT 31 MARCH 2010

	Note	2010 AUD	2009 AUD
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	7,687	—
Trade and other receivables	9	40,908	—
Inventories	11	—	—
Other current assets	14	1,500	—
TOTAL CURRENT ASSETS		50,095	—
NON-CURRENT ASSETS			
Trade and other receivables	9	—	—
Investments	10	—	—
Financial assets	13	—	—
Property plant & equipment	15	4,434	—
Intangible assets	16	1,056	—
Other non-current assets	17	3,000	—
TOTAL NON-CURRENT ASSETS		8,490	—
TOTAL ASSETS		58,585	—





Pearl Global (Australia) Pty. Ltd.

	Note	2010 AUD	2009 AUD
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	18,871	—
TOTAL CURRENT LIABILITIES		18,871	—
NON-CURRENT LIABILITIES			
Other liabilities	19	—	—
TOTAL NON-CURRENT LIABILITIES		—	—
TOTAL LIABILITIES		18,871	—
NET ASSETS		39,714	—
EQUITY			
Issued capital	21	175,000	—
Accumulated losses		(135,286)	—
Reserves		—	—
TOTAL EQUITY		39,714	—

The accompanying notes form part of the financial Statements

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2010

	Issued Capital AUD	Retained Earnings AUD	Total Equity AUD
Balance at 19 June 2009 (Date of incorporation)			
Transaction with equity holders:			
-issue of shares (cash)	175,000	—	175,000
- issue of shares (Non Cash)	—	—	—
- Share raising cost	—	—	—
Profit / (loss) attributable to members	—	(135,286)	(135,286)
	—	—	—
Balance at 31 March 2010	175,000	(135,286)	39,714

The accompanying notes form part of this financial report.

CASH FLOW STATEMENT FOR THE PERIOD 19 JUNE 2009 (DATE OF INCORPORATION) TO 31 MARCH 2010

	Note	2010 AUD	2009 AUD
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers & Others		—	—
Payments to suppliers and employees		(160,276)	—
Dividends received		—	—
Interest received		9	—
Finance costs		(197)	—
Net cash provided by (used in) operating activities	25(a)	(160,464)	—
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from the sale of securities		—	—
Purchase of securities		—	—
Purchase of plant & equipment		(5,529)	—
Payment for company formation expenses		(1,320)	—
Net cash provided by (used in) investing activities		(6,849)	—
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		175,000	—
Transaction costs from issue of shares		—	—
Loans from (to) related party		—	—
Loans from (to) shareholders		—	—
Net cash provided by (used in) financing activities		175,000	—
Net increase in cash and cash equivalents		7,687	—
Cash and cash equivalents at beginning of financial year		—	—
Cash and cash equivalents at end of financial year	8	7,687	—

The accompanying notes form part of the financial Statements

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

Note 1: statement of significant accounting policies

The financial report is a special purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the Corporations Act 2001.

The financial report covers the economic entity of Pearl Global (Australia) Pty Ltd. Pearl Global (Australia) Pty Ltd is an unlisted proprietary company, incorporated and domiciled in Australia and is the fully owned subsidiary of Pearl Global Limited, a company incorporated in India. The presentation currency in the financial report is Australian dollars, which is Company's functional and presentation currency.

The financial report of Pearl Global (Australia) Pty Ltd complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Compliance with AIFRS ensures that the financial report comprising financial statements and notes of Pearl Global (Australia) Pty Ltd companies with IFRS.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial report was authorized for issue by the Board of Directors of Pearl Global (Australia) Pty Ltd on the date shown on the Declaration by the Board of Directors attached to the financial statements.

Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Going concern basis

The financial reports of the economic entity reflect a positive net assets position.

The operating business is forecast to require limited cash support in the next year before achieving cash break-even and then contributing to group cash flows. Capital expenditure for the businesses is modest.

The requirement for working capital and capital expenditure support is expected to be satisfied by issuing more shares to the parent entity and realizing Trade debtors. The contribution of the operating businesses and then access to funding sources form the basis for the financial statements having been prepared on the going concern basis.

Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

(b) Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognized from the initial recognition of an asset of liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognized to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilized. The amount of benefits brought to account or which may be realized in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realized and comply with the conditions of deductibility imposed by the law.

(c) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of





Pearl Global (Australia) Pty. Ltd.

selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurements of Financial Instruments.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to Maturity-Investments

These investments have fixed maturities and it is the economic entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial instruments

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealized gains and losses arising from changes in the fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognized at amortised cost, comprising original debt less principal payments and amortization.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, references to similar instruments and option pricing models.

Impairment

At each reporting date, the economic entity assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognized in the income statement.

Derecognition

Financial assets are derecognized where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognized where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognized in profit or loss.

(d) Transactions Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognized directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(e) Intangibles

Formation Costs

Formation costs have been capitalized and will be amortised over a period of 5 years.

(f) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(h) Revenue

Revenue from the rendering of a service is recognized upon the delivery of the service to the customers. The commission receivable is recognized in the month the orders are shipped from the manufacturing units.

Interest revenue is recognized on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognized when the right to receive a dividend has been established

All revenue is stated net of the amount of goods and services tax(GST)

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in income statement in the period in which they are incurred.

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognized net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognized as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(k) Comparative figures

As required by the Accounting Standards, comparative figures have been provided but as the company was only incorporated in current year all comparative figures are nil.

(l) Trade and Other Receivables

Trade receivables and other receivables represent the principal amounts due at balance date less, where applicable, any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Debts which are known to be uncollectible are written off. All trade receivables and other receivables are recognized at the amounts receivables as they are due for settlement within 60 days. Trade receivables in foreign currency are converted into AUD on reporting date and any gain/loss due to change in Foreign currency rates is recognized in income statement.

(m) Trade and Other payables

Payables represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest. Liabilities for payables and other amounts are carried at cost which approximates fair value of the consideration to be paid in the future for goods and services received, whether or not billed. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(o) Impairment testing

Impairment of Assets

At each reporting date, the economic entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the economic entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(p) Foreign Currency Transactions and Balances
Functional and presentation currency

The financial statements are presented in Australian dollars which is the economic entity's functional and presentation currency.





Pearl Global (Australia) Pty. Ltd.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

(q) Plant and equipment

Plant and equipment is carried at cost less any accumulated depreciation and impairment losses, where applicable.

The carrying amount of plant and equipment is reviewed at each reporting date by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Repairs and maintenance to plant and equipment is charged to the income statement during the financial period in which it is incurred.

The depreciable amount of plant and equipment is depreciated on the basis of written down method over their useful lives to the economic entity commencing from the time the asset is held ready for use. The depreciation rate used is as appropriate for individual assets.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

Critical Accounting Estimates and Judgements

The directors evaluable estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates – Impairment

The economic entity assesses impairment at each reporting date by evaluating conditions specific to it that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

	Note	2010 AUD	2009 AUD
NOTE 2: REVENUE			
Operating activities			
Dividends received	2(a)	—	—
Interest received	2(b)	9	—
Commissions		40,606	—
FX Transaction Gain/ (loss)		(604)	—
		<u>40,011</u>	—
Non-operating activities			
Other income		—	—
		<u>—</u>	—
Total revenue		<u>40,011</u>	—
(a) Dividend revenue from:			
Other corporations		—	—
Total dividend revenue		<u>—</u>	—
(b) Interest revenue from:			
Other persons		9	—
Related entities		—	—
Total interest revenue		<u>9</u>	—

NOTE 3: LOSS FOR THE YEAR

Loss before income tax

Has been determined after

(a) Expenses

Depreciation and amortisation of non-current assets			
Plant and equipment		1,094	—
Formation costs		264	—
Total depreciation and amortization		<u>1,358</u>	—

Finance & borrowing costs

External		197	—
Related parties	3(b)	—	—
Total finance & borrowing costs		<u>197</u>	—
Other expenses:			
Accountancy and audit fees		6,824	—
Entertainment		649	—
Motor vehicle expenses		1,473	—
Travel and accommodation		9,407	—
Office supplies		1,524	—
Low cost assets		988	—
Parking		223	—
Taxi expenses		877	—
Allowances		215	—
Tolls		40	—
Samples		1,348	—
Sampling expenses (PGL Fareast)		415	—
Bank charges		339	—
Couriers		368	—
Sundry expenses		412	—
Consultancy fees		24,500	—
Electricity		361	—
Insurance		66	—
Advertising		60	—
Postage		1,209	—
Rent		12,000	—
Telephone		2,270	—
Printing and stationary		591	—
Repairs and maintenance		482	—
Recruitment expenses		6,240	—
		<u>72,881</u>	—
Bad and doubtful debts		—	—
Trade receivables		—	—
Other		—	—
Provision for impairment of receivables		—	—
		<u>—</u>	—
Total other expenses from ordinary activities		<u>72,881</u>	—

NOTE 4: INCOME TAX EXPENSES

(a) The components of the expense comprise:

Current tax	—	—
Deferred tax	—	—
	<u>—</u>	—

(b) The prima facie tax on loss from continuing activities

Before income tax is reconciled to the income tax			
As follows:			
Prima facie tax payable on loss from continuing activities			
Before income tax at 30% (2009:30%)		(40,586)	—
Add:			
Tax effect of:			
Non-deductible depreciation and amortization		—	—
Other non allowance items		—	—
		<u>(40,586)</u>	—
Tax effect of:			
Future income tax benefit nor brought to account		40,586	—
Income tax expense attributable to loss from ordinary activities before income tax		<u>—</u>	—

Deferred tax assets, relating to deductible temporary differences and accumulated tax losses, amounting to \$40,856 (2009:Nil) have not been recognized at 31 March 2010.

In the directors opinion, there is a possibility of sufficient future profitability so as to realize the value of deferred tax assets.

However, it is considered conservative and prudential not to recognize deferred tax assets.

The amount of deferred tax assets which may be realized in the future is dependent on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realized and comply with the conditions





Pearl Global (Australia) Pty. Ltd.

of deductibility imposed by the law.

Franking account balance for Pearl Global (Australia) Pty Ltd is \$Nil for year ended 31 March 2010.

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Names and position held of economic entity's Key Management Personnel at any time during the reporting period / financial year were and unless indicated were so for the entire period:

2010

Executive Directors

Mr. Rajeev Anand

(i) Appointed 19 June 2009

(b) Key Management Personnel Compensation

2010

Key Management Person	Short-term employee entitlements		Post-employment benefits	Superannuation	Other long term Benefits	Total
	Director Fees	Consulting Fees				
	AUD	AUD	AUD	AUD	AUD	AUD
Mr. Rajeev	---	---	83,333	7,500 (i)	---	90,833
Anand	---	---	83,333	7,500	---	90,833

(i) Superannuation entitlements include 9% Super Guarantee payments on salary. 2009

Key Management Person	Short-term employee entitlements		Post-employment benefits	Superannuation	Other long term Benefits	Total
	Director Fees	Consulting Fees				
	AUD	AUD	AUD	AUD	AUD	AUD
Not applicable as company was incorporated in June 2009	---	---	---	---	---	---

(c) Compensation Practices

The Remuneration of the directors is determined by the parent company and reviewed on an Annual basis.

(d) Shareholdings of Key Management Personnel

Key Management Person	Balance 1 April 2009	Traded	Other incentives	Share purchase plan	Appointment (Resignation)	Balance 31 March 2010
	Mr. Rajeev	---	---	---	---	---
Anand	---	---	---	---	---	---

(i) The directors of the company do not hold any shares in Pearl Global (Australia) Pty Ltd.

NOTE 7: EARNING PER SHARE

	2010 AUD	2009 AUD
(a) Reconciliation of Earnings to Net Profit or Loss		
Net Profit (loss) after income tax expense	(135,286)	---
Net Profit/ (loss) attributable to outside equity interest	---	---
Earnings used in the calculation of basis EPS and diluted EPS	(135,286)	---
(b) Weighted average number of ordinary shares		
Outstanding during the year used in calculation		
Of basis EPS	175,000	---
Weighted average number of options outstanding	---	---
Weighted average number of converting preference Shares on issue	---	---
Weighted average number of ordinary shares outstanding During the year used in the calculation of basic EPS and Diluted EPS	175,000	---
(c) Classification of securities		
Diluted earnings per share has not varied from basic EPS		
As the market conditions at balance date would not have Caused the options (potential ordinary shares) on issue To be exercised.		

NOTE 8: CASH AND CASH EQUIVALENTS

Cash at Bank	7,687	---
	<u>7,687</u>	---

NOTE 9: TRADE AND OTHER RECEIVABLES

CURRENT	
Trade receivables	40,195
Provision for impairment of receivables	---
	<u>40,195</u>
Other debtors	713
Provision for impairment of receivables	---
	<u>40,908</u>

NON-CURRENT

Amounts receivable from:	
Trade and other receivables	---
Provision for impairment of receivables	---
The ageing of trade receivables at 31 March 2010 is detailed below:	
Not past due	2,123
Past due 0-30days	38,072
Past due 31-60days	---
Past due 61-90 days	---
Past due 91-120 days	---
Past 120 days	---
	<u>40,195</u>

Our policy requires customers to pay us in accordance with agreed payment terms. Depending on the customer segment, our settlement terms are generally 14 to 30 days from date of invoice.

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

At this stage the main portion of the trade receivable is represented by Amount owed by related entities and is considered fully recoverable.

Total Trade Receivables include \$38,072 receivable from related entities.

NOTE 10: INVESTMENTS

As at 31 March 2010 there are no investments held by Pearl Global (Australia) Pty Ltd.

NOTE 11: INVENTORIES**CURRENT**

As at 31 March 2010 Pearl Global (Australia) does not hold any inventories.

NOTE 12: ASSOCIATED COMPANIES

As at 31 March 2010 Pearl Global (Australia) Pty Ltd does not hold any investment in associates.

NOTE 13: FINANCIAL ASSETS**NON-CURRENT**

Available for sale financial assets	
Unlisted investments at recoverable amount	---
Shares in other corporations	---
Shares in related parties	---

NOTE 14: OTHER ASSETS**CURRENT**

Prepayments	1,500
	<u>1,500</u>

NOTE 15: PROPERTY, PLANT & EQUIPMENT**PLANT AND EQUIPMENT**

Plant and equipment		
- At cost	5,529	
Accumulated depreciation	(1,094)	
Total plant and equipment	4,434	
(a) Movements in carrying amounts		
	Plant & Equipment	Total
	AUD	AUD
Balance at 31 March 2008	---	---
Additions	---	---
Additions through acquisition of entity	---	---
Disposals	---	---





Pearl Global (Australia) Pty. Ltd.

Depreciation expense	—	—
Balance at 31 March 2009	—	—
Balance at March 2009	—	—
Additions	5,529	5,529
Disposals	—	—
Additions through acquisition of entity	—	—
Depreciation expense	(1,094)	(1,094)
Balance at 31 March 2010	4,434	4,434

Pearl Global (Australia) Pty Ltd A.C.N. 137 777 336

Notes to the Financial Statements for the year ended 31 March 2010

NOTE 16: INTANGIBLE ASSETS

Formation costs		
Cost	1,320	—
Accumulated impaired losses	(264)	—
Net carrying value	1,056	—
Total intangibles	1,056	—

(a) Movements in carrying amounts

	Formation Costs	Other	Total
	AUD	AUD	AUD
Balance at March 2008	—	—	—
Additions	—	—	—
Disposals	—	—	—
Amortization charges	—	—	—
Balance at 31 March 2009	—	—	—
Balance at 31 March 2009	—	—	—
Additions	1,320	—	1,320
Disposals	—	—	—
Amortization charge	(264)	—	(264)
Balance at 31 March 2010	1,056	—	1,056

NOTE 17: OTHER NON CURRENT ASSETS

	2010	2009
	AUD	AUD
Deposits	3,000	—
	3,000	—
Deposits include rental deposits	—	—

NOTE 18: TRADE AND OTHER PAYABLES

CURRENT			
Unsecured liabilities:			
Trade creditors	(i) 5,753	—	—
Allowance payable	237	—	—
Credit cards	2,434	—	—
PAYG Withholding tax payable	8,695	—	—
GST Liability	(1,741)	—	—
Superannuation payable	3,078	—	—
Related entities (PGL Fareast)	415	—	—
	18,871	—	—

(i) The Economic entity has financial risk management policies in place To ensure that all payable obligations are satisfied within generally Accepted credit timeframes.

NOTE 19: INTEREST BEARING LIABILITIES

NON-CURRENT

As at 31 March 2010 Pearl Global (Australia) Pty Ltd does not have any interest bearing liabilities.

NOTE 20: PROVISIONS

CURRENT			
Employee Entitlements	20 (a)	—	—
		No.	No.
(a) Number of employees at year end		2	—

NOTE 21: ISSUED CAPITAL

	2010	2009	
	AUD	AUD	
ISSUED CAPITAL			
175,000 (2009.Nii)			
Fully paid ordinary shares – no par value	22(a) 175,000	—	
(a) Ordinary shares			
At the beginning of the reporting period	—	—	
Shares issued during the year	175,000	—	
Shares cancelled during the year	—	—	

Transaction costs relating to share issues	—	—
At reporting date	175,000	—
	No.	No.
At the beginning of the reporting period	—	—
Shares issued during the year:		
19/06/2009 – New shares issued for cash	100	—
08/01/2010 -- New shares issued for cash	90,000	—
15/01/2010 -- New shares issued for cash	29,900	—
03/02/2010 -- New shares issued for cash	25,000	—
10/03/2010 -- New shares issued for cash	20,000	—
29/03/2010 -- New shares issued for cash	10,000	—
At reporting date	175,000	—

(b) Terms and conditions of contributed equity

Ordinary shares
Ordinary shares have the right to receive dividends as declared and, in the Event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

NOTE 22: CAPITAL AND LEASING COMMITMENTS

	2010	2009
	AUD	AUD
(a) Lease commitments payable by the consolidated group or parent entity		
(i) Operating issuing commitments payable		
Not later than 1 year	4,950	—
Later than 1 year but not later than 5 years	—	—
	4,950	—

NOTE 23: CONTINGENT LIABILITIES

There are no commitments or contingent liabilities not provided for in this financial report.

NOTE 24: CHANGES IN COMPOSITION OF ENTITY

Pearl Goba (Australia) was incorporated on 19 June 2009 as a fully owned subsidiary of Pearl Global Limited. During the year 175,000 shares of \$1.00 each were issued to the parent entity for cash.

	2010	2009
	AUD	AUD

NOTE 25: CASH FLOW INFORMATION

(a) Reconciliation of Cash flow from Operations		
With Profit from ordinary activities after income tax		
Profit (loss) from ordinary activities after income tax	(135,286)	—
Non-cash flows in profit from ordinary activities:		
Amortization and depreciation	1,358	—
Other	—	—
Changes in assets and liabilities		
(Increase) decrease in stock	—	—
(Increase) decrease in debtors	(40,908)	—
(Increase) decrease in deposits	(3,000)	—
(Increase)decrease in prepayments	(1,500)	—
Increase (decrease) in trade creditors and accruals	18,871	—
Cash Flows from / (used in) operations	(160,464)	—

NOTE 26: EVENTS SUBSEQUENT TO REPORTING DATE

On 30 April 2010 the economic entity issued 15,000 ordinary fully paid Shares to the parent entity. Funds related are to be used to fund the operating expenses.

NOTE 27: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with Related Parties:

Income Statement
Revenue includes commission receivable from Pearl Global Limited AUD 38,072 (USD 35,006.79) Expenses include AUD 415 payable to Pearl Global Fareast in respect of sampling expenses.
Trade Debtors include AUD 38,072 (USD 35,006.79) due from related entities
Trade Payables include AUD 415 payable to Pearl Global Fareast in respect of sampling expenses

NOTE 28: COMPANY DETAILS

Registered office and Principle Place of Business:
Pearl Global (Australia) Pty Ltd
307/434 St. Kilda Road
Melbourne Vic 3004.





FX Import Company Limited

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2010

The directors present their annual report and the audited financial statements for the year ended 31 March 2010.

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 2009:

Mr. Christopher R. Severs Mr. Pallak Seth
Mr. Christopher Fox Mr Pulkit Seth
Mr Deepak Seth

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 March 2010	1 April 2009
Mr. Christopher R. Severs	6,300	6,300
Mr. Christopher Fox	6,300	6,300
Mr. Deepak Seth	—	—
Mr. Pallak Seth	—	—
Mr. Pulkit Seth	—	—

	Ordinary 'B' shares of £1 each	
	31 March 2010	1 April 2009
Mr. Christopher R. Severs	—	—
Mr. Christopher Fox	—	—
Mr. Deepak Seth	—	—
Mr. Pallak Seth	—	—
Mr. Pulkit Seth	—	—

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 Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 period. In preparing these 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 applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible for safeguarding the assets of the company and hence for taking responsible 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.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- So far as the director is aware, there is no relevant information of which the Company's auditors are unaware; and
- The director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of

Section 418 of the Companies Act 2006.

Responsibility statement

Each of the persons who is a director at the date of approval of this report confirms that to the best of his or her knowledge and belief;

- The financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- The director's report includes a fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face.

By order of the board

Mr Christopher Fox
Secretary

30 April 2010

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FX IMPORT COMPANY LIMITED FOR THE PERIOD ENDED 31 MARCH 2010

We have audited the financial statements of FX Import Company Limited for the period ended 31 March 2010 set out on pages 6 to 24 which comprise the income statement, the statement of financial position, the statement of changes in equity, the statement of cash flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Respective responsibilities of the directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 to 497 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its loss for the period then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the EU; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in the accounting policies, the company has prepared financial statements that comply with IFRSs as adopted by the EU, and with IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanation we require for our audit.

Howard Reuben FCA (Senior Statutory Auditor) 30 April 2010

For and on behalf of Auerbach Hope 58-60 Berners Street
Statutory Auditor London
Chartered Accountants WIT 3JS





FX Import Company Limited

**INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010**

	Notes	2010 £	2009 £
Continuing operations			
Revenue	4	4,757,014	7,234,201
Cost of revenue		(3,430,477)	(6,457,018)
Gross profit		1,326,537	777,183
Operating expenses		(198,479)	—
Distribution costs			
Administrative expenses		(1,230,813)	(1,357,193)
Operating loss	5	(102,755)	(580,010)
Finance costs	7	(12,196)	(31,345)
Loss for the year before taxation		(114,951)	(611,355)
Taxation	8	—	9,500
Loss for the financial year	18	(114,951)	(601,855)

None of the company's activities were discontinued in the period.

There are no other comprehensive income and expenses other than those passing through the income statement.

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2010

	Notes	2010 £	2009 £
Non current assets			
Property, plant and equipment	9	55,706	64,331
Intangible assets	10	680	1,160
Investment in subsidiary	11	865	—
		57,251	65,491
Current assets			
Inventories	12	64,510	204,051
Trade and other receivables	13	654,485	772,749
Cash and cash equivalents		261,380	48,589
		980,375	1,025,389
Total assets		1,037,626	1,090,880
Current liabilities			
Trade and other payables	14	(1,253,424)	(1,469,227)
Net current liabilities		(273,049)	(443,838)
Non current liabilities			
Borrowings	15	(505,500)	(228,000)
Total liabilities		(1,758,924)	(1,697,227)
Net liabilities		(721,298)	(606,347)
Shareholders' equity			
Share capital	17	25,200	25,200
Retained earnings	18	(746,498)	(631,547)
Total equity		(721,298)	(606,347)

The financial statements were approved by the board of directors and authorized for issue on 30 April 2010 and were signed on its behalf by:

Mr Christopher Fox
Director
Company registration no. 3170332

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2010**

	Share Capital £	Retained earnings £	Total £
Balance at 1 April 2008	25,200	(29,692)	(4,492)
Comprehensive income			
Loss for the year	—	(601,855)	(601,855)
Balance at 1 April 2009	25,200	(631,547)	(606,347)
Comprehensive income			
Loss for the year	—	(114,951)	(114,951)
Balance at 31 March 2010	25,200	(746,498)	(721,298)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2010**

	Notes	2010 £	2009 £
Cash flows from operating activities			
Cash used in operations	20	(31,552)	(117,392)
Interest paid		(12,196)	(31,345)
Net cash used in operating activities		(43,748)	(148,737)
Cash flows from investing activities			
Payments to acquire property, plant and equipment		(20,096)	(39,862)
Acquisition of subsidiary, net of cash acquired		(865)	—
Net cash used in investing activities		(20,961)	(39,862)
Cash flows from financing activities			
Proceeds of loan from parent undertaking		247,500	104,000
Proceeds of loans from related parties		30,000	124,000
Net cash generated in financing activities		277,500	228,000
Net increase in cash and cash equivalents		212,791	39,401
Cash and cash equivalents at the start of the year		48,589	9,188
Cash and cash equivalents at the end of the year		261,380	48,589
Cash and cash equivalents comprise:			
Cash at bank and in hand		261,380	48,589

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

1. General information

FX Import Company Limited is a company incorporated in England and Wales under the Companies Act 2006. 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. Summary of significant accounting policies:

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared for the first time in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRSs), and the Companies Act 2006 applicable to companies reporting under IFRSs.

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 £273,049 and it made a loss for the period of £114,951.

The Director considers 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 realizable amount and to provide for any further liabilities which might arise.

2.2 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by Section 399 of the Companies Act 2006 not to prepare group accounts.

2.3 (a) Changes in accounting policy and disclosures

The company has continued to apply the accounting policies used for the 2009 Annual Report and has adopted the following:

- IAS1 (revised), 'Presentation of financial statements', applicable for reporting periods commencing on or after 1 January 2009.





FX Import Company Limited

The revised standard has resulted in the reformatting of the statement of recognized gains and losses into a statement of comprehensive income and the addition of a statement of changes in equity. Comparative information has been re-presented so that it conforms with the revised standard. The change in accounting policy only impacts on presentation.

(b) Recent and future accounting developments

At the date of authorization of these financial statements certain new standards, amendments and interpretation to existing standards have been published but are not yet effective. The company has chosen not to adopt the pronouncements as they are not expected to have a material impact on the company's financial statements.

The following Adopted IFRSs were available for early adoption but have not been applied by the company in these financial statements:

- IFRS 3 (revised), 'Business combinations', (effective from 1 July 2009). The revised IFRS3 will make many changes to how future business combinations will be accounted for. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs should be expensed.
- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in the statement of comprehensive income.
- IAS 28 (revised), 'Investments in Associates', (effective from 1 July 2009). The principle adopted under IAS 27 (revised (see above) that a loss of control is recognized as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendment to IAS 28, therefore, when significant influence is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognized in the statement of comprehensive income.

2.4 Intangible assets

Trademarks are stated at cost less accumulated amortization 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.

2.5 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

2.6 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 recognized whenever the carrying value of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

2.7 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 recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Revenue from commission receivable is recognized 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.

2.8 Leasing

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term.

2.9 Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment.

2.10 Inventories

Inventories are stated at the lower of cost and net realizable 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 realizable value represents the estimated selling price.

2.11 Employee benefits

Obligations for contributions to the defined contribution pension scheme are charged to the income statement in the period to which they relate.

2.12 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 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 recognizes 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 recognized in the financial statements. Deferred tax assets are only recognized to the extent it is probable that the future taxable profits will be available against which deductible temporary differences can be utilized. 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.

2.13 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.

2.14 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 recognized in the income statement during the period to which they relate using the effective interest method.

2.15 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.

2.16 Financial instruments

The company does not use or trade derivative financial statements. Financial instruments that the company uses are non-derivative and are recognized initially at fair value. Subject to initial recognition non-derivative financial instruments are measured as described as follows:

• **Trade and other receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. 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 2.13.

• **Trade and other Payables**

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payable are stated at their nominal value.

• **Cash and cash equivalents**

Cash for the purposes of the statement of cash flows, 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.





FX Import Company Limited

3. Significant judgements and estimates

The preparation of the company's financial statements in conforming with IFRSs required 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:

No deferred tax liability has been recognized 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 recognized in respect of unutilized losses, because in the directors' opinion there is no certainty that the losses will be fully utilized in the near future.

4. Revenue

a. Company activities

The company's activity is in a single business segment, being the importing and distribution of garments.

b. Revenues by geographical market customer location

The company's operations are located primarily in UK and the business activity is reportable as follows:

	2010	2009
	£	£
Analysis of revenue by category:		
Sales of garments	3,842,564	6,997,490
Commission receivable	914,450	236,711
	<u>4,757,014</u>	<u>7,234,201</u>

Analysis of revenues by geographical market and customer location are as follows:

	2010	2009
	£	£
UK	4,418,249	7,227,247
Rest of the World	338,765	6,954
	<u>4,757,014</u>	<u>7,234,201</u>

5. Operating loss

	2010	2009
	£	£
Operating loss is stated after charging:		
Amortisation of intangible assets	480	480
Depreciation of property, plant and equipment	16,312	17,483
Loss on disposal of property, plant and equipment	3,009	—
Staff costs (see note 6 below)	504,886	637,350
Directors' emoluments (excluding pension costs)	171,200	220,974
Pension costs (see note 6 below)	2,840	2,835

Auditor remuneration

During the year the company obtained the following services from the company's auditor and its associates:

	2010	2009
	£	£
Fees payable to the company's auditor:		
Audit of the annual financial statements	15,125	9,399
Fees payable to the company's auditor and its associates for other services:		
Review of the interim financial statements	12,500	10,375
Tax services	550	700
Other services	—	2,500

6. Staff numbers and costs

	2010	2009
	£	£
Employee costs include:		
Staff wages and salaries including restructuring costs	434,752	557,491
Social security costs	70,134	79,859
Staff pension costs – defined contribution plans	1,200	1,251
Directors' pension costs – defined contribution plans	1,640	1,584
	<u>507,726</u>	<u>640,185</u>

The average number of employees (including directors) during the year was:

	2010	2009
	Number	Number
Management and administration	<u>16</u>	<u>20</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

	2010	2009
	£	£
Bank and factoring interest paid	<u>12,196</u>	<u>31,345</u>

8. Taxation for the year

	2010	2009
	£	£
Income tax expense		
Current tax expense:		
UK Corporation tax	—	(9,500)
Total current tax	<u>—</u>	<u>(9,500)</u>
Deferred tax:		
Origination and reversal of temporary differences	—	—
Total deferred tax	<u>—</u>	<u>—</u>
Income tax expense	<u>—</u>	<u>(9,500)</u>

Reconciliation of current tax expense to accounting loss:

Loss before taxation:	(114,951)	(611,355)
Notional taxation charge at the UK corporation tax Rate of 28% (2009:28%)	(32,186)	(171,179)
Tax effects of:		
Expenses not deductible for tax purposes	2,688	856
Capital allowances in excess of depreciation	(208)	1,650
Adjustments to previous periods	—	(9,500)
Unutilized tax losses not recognized as a deferred tax asset	29,706	154,673
Other tax adjustments	—	14,000
Total current tax	<u>—</u>	<u>(9,500)</u>

No liability to UK corporation tax arose during the year.

The company had losses, as computed for taxation purposes, of £765,964 at 31 March 2010 (31 March 2009: £659,869) available to be carried forward against future profits from the same trading activity.

No deferred tax provision has been recognized during the year.

9. Property, plant and equipment

	Land and Buildings Leasehold	Fixtures fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost:				
At 1 April 2009	11,095	68,447	40,999	120,541
Additions	—	10,696	9,400	20,096
Disposals	—	—	(20,399)	(20,399)
At 31 March 2010	<u>11,095</u>	<u>79,143</u>	<u>30,000</u>	<u>120,238</u>
Accumulated depreciation				
At 1 April 2009	902	42,387	12,921	56,210
Charge for the year	555	7,562	8,195	16,312
Disposals	—	—	(7,990)	(7,990)
At 31 March 2010	<u>1,457</u>	<u>49,949</u>	<u>13,126</u>	<u>64,532</u>
Net book value				
At 31 March 2010	<u>9,638</u>	<u>29,194</u>	<u>16,874</u>	<u>55,706</u>
At 31 March 2009	<u>10,193</u>	<u>26,060</u>	<u>28,078</u>	<u>64,331</u>
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>





FX Import Company Limited

Net book value				
At 31 March 2009	10,193	26,060	28,078	64,331
At 31 March 2008	<u>6,460</u>	<u>28,054</u>	<u>7,438</u>	<u>41,952</u>
10. Intangible assets	Trademarks			
			2010	2009
			£	£
Cost				
At the start of the year			<u>3,300</u>	<u>3,300</u>
Amortisation				
At the start of the year			<u>2,140</u>	1,660
Charge for the year			<u>480</u>	480
At the end of the year			<u>2,620</u>	<u>2,140</u>
Net book value				
At the end of the year			<u>680</u>	<u>1,160</u>
At the start of the year			<u>1,160</u>	<u>1,640</u>
11. Investment in Subsidiary				
			Share in Subsidiary undertaking	
At 1 April 2009			—	—
Additions during the year			<u>865</u>	—
At 31 March 2010			<u>865</u>	—
Investment in group undertakings are recorded at cost, which is the fair value of the consideration paid.				
The company holds more than 20% of the share capital of FX Import Hongkong Limited, a company registered in Hongkong. The principal activity of the company is the trading of garments.				
At 31 March 2010, the aggregate amount of capital and reserves of FX Import Hongkong Limited were £6,601 and £5,736 respectively.				
12. Inventories			2010	2009
			£	£
Finished goods and goods for resale			<u>64,510</u>	<u>204,051</u>
13. Trade and other receivables				
Trade receivables			519,114	721,657
Other receivables			11,610	18,900
Prepayments			88,499	32,192
Receivables from fellow group companies			34,058	—
Receivables from subsidiary companies			<u>1,204</u>	—
			<u>654,485</u>	<u>772,749</u>
The average credit period given for trade receivables at the end of the year is 40 days (2009:36 days).				
The total charge in the year in respect of irrecoverable receivables was £nil (2009:£18,917).				
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.				
14. Trade and other payables			2010	2009
			£	£
Trade payables			944,894	1,138,800
Amount due to parent undertaking (note 21)			64,721	12,191
Amount due to fellow subsidiary undertakings (note 21)			9,457	76,405
Amount due to related parties (note 21)			29,451	48,697
Social security and other taxes			48,493	80,282
Accrued expenses			<u>156,408</u>	<u>112,852</u>
			<u>1,253,424</u>	<u>1,469,227</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 £221,242 (2009:£373,514). Included in trade payables				

is an amount of £131,235 (2009:£377,734) 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.

15. Borrowings				
Loan from parent undertaking (note 21)			351,500	104,000
Loan from related parties (note 21)			<u>154,000</u>	<u>124,000</u>
			<u>505,500</u>	<u>228,000</u>

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				
Unrecognised deferred tax assets and liabilities				
Deferred tax assets have not been recognized in respect of the following items:				
Tax losses			<u>214,469</u>	<u>184,763</u>

Deferred tax liabilities have not been recognized in respect of the following items:

Original and reversal of temporary differences			<u>1,161</u>	<u>1,640</u>
--	--	--	--------------	--------------

The net deferred tax assets have not been recognized in respect of the losses due to uncertainty of full and immediate utilization of these losses.

17. Share capital				
Authorised				
25,200 Ordinary shares of £1 each			25,200	25,200
24,800 Ordinary 'B' shares of £1 each			<u>24,800</u>	<u>24,800</u>
Issued and fully paid				
25,200 Ordinary shares of £1 each			<u>25,200</u>	<u>25,200</u>

18. Retained earnings				
Balance at the start of the year			(631,547)	(29,692)
Net loss for the year			<u>(114,951)</u>	<u>(601,855)</u>
Balance at the end of the year			<u>(746,498)</u>	<u>(631,547)</u>

19. Operating lease agreements				
Minimum lease payments under operating leases recognized in income for the year			<u>50,000</u>	<u>50,000</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			50,000	50,000
In the second to fifth years inclusive			<u>200,000</u>	<u>200,000</u>
			<u>250,000</u>	<u>250,000</u>

Operating lease payments represent rentals payable by the company.

20. Notes to the cash flow statement				
Cash flows from operating activities				
Loan from operations			(102,755)	(580,010)
Adjustments for:				
Depreciation of property, plant and equipment			6,312	17,483
Amortization of intangible assets			480	480
Loss on disposal of property, plant and equipment			3,009	—
Operating cash flows before working capital			<u>(82,954)</u>	<u>(562,047)</u>
Movements in working capital:				
Decrease in stock			139,541	217,732
Decrease / (increase) in receivables			127,664	(310,189)
(Decrease)/increase in payables			<u>(215,803)</u>	<u>537,112</u>
Cash used in operations			<u>(31,552)</u>	<u>(117,392)</u>

21. Related party transactions				
During the year the following transactions were carried out with Mr C.R. Severs and Mr. C. Fox:				
• Services provided to the company			2010	2009
			£	£
Rent of building			<u>50,000</u>	<u>50,000</u>
All transactions were at arms length and on normal commercial terms.				
• Year end balances arising from services provided				
Payable to Chris Design (note 14)			<u>26,125</u>	<u>18,433</u>
Chris Design is a partnership in which the above directors are partners.				





FX Import Company Limited

• Loans from directors		
Short term loan (note 14)	3,326	30,264
Long term loan (note 15)	154,000	124,000
	157,326	154,264

The above directors have given personal guarantees:

- In respect of the charge described in note 14 for the maximum amount of:	131,235	377,734
- In respect of bank facilities	200,000	200,000

During the year, the company entered into the following transactions with related parties:

	Sales/ FOB transfers		Management charges /		Amount owed	
	2010	2009	2010	2009	2010	2009
	£	£	£	£	£	£
Poeticgem Limited, UK	18,221	—	60,000	12,191	416,222*	116,191
Pacific Logistics Limited UK	—	—	29,884	78,369	9,457	34,229
Norwest Industries Limited, Hongkong	338,765	6,954	44,198	59,645	(9,668)	34,264
Zamira Fashion Limited Hongkong	—	—	—	373,363	—	7,912
Poetic Knitwear Limited UK	21,213	—	—	—	(21,213)	—
Magic Global Fashions Limited, UK	3,177	—	—	—	(3,177)	—
FX Import Company Limited, Hongkong	39,177	—	—	—	(1,204)	—

The above companies are related as follows:

Poeticgem Limited is the parent company of FX Import Company Limited.

Pacific Logistics Limited and Poetic Knitwear Limited are fellow subsidiary companies.

Norwest Industries Limited, Hongkong, Zamira Fashions Limited, Hongkong and Magic Global Fashions Limited, UK are fellow subsidiaries of Global Textile Group Limited, parent company of Poeticgem Limited.

FX Import Hongkong Limited is a wholly owned subsidiary of FX Import Company 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 £351,500.

22. Capital commitments.

The company has no significant capital commitments at 31 March 2010.

23. Contingent liabilities

At the balance sheet date, the company's bankers, Royal Bank of Scotland plc, have provided a guarantee on behalf of the company to H M Revenue and Customs amounting to £150,000. The company's maximum contingent liability under this guarantee as at 31 March 2010 is £150,000.

24. 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 – 122016 (Haryana), India.

House of Pearl Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.







NOTICE

Notice is hereby given that the 21st Annual General Meeting of the Members of the House of Pearl Fashions Limited, will be held on Saturday, 25th September, 2010 at 4.00 p.m. at Air Force Auditorium, Subroto Park, New Delhi-110 010, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010 and the Profit & Loss Account of the Company for the year ended on that date together with the reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Pallak Seth, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Sanjay Pershad, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s S. R. Dinodia & Co., Chartered Accountants, (Regn. No. 001478N), New Delhi, the retiring Auditors of the Company, as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as an ordinary resolution:

“RESOLVED THAT in supersession of the resolution passed at the Annual General Meeting of the Company held on 26th August, 2006 and pursuant to the provisions of Section 293(1)(d) and all other applicable provisions of the Companies Act, 1956 and Memorandum and Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow in foreign currency and/or Indian Rupees from time to time at their discretion either from Bank(s), All Indian Financial Institution(s) or any other lending institution(s) or persons (including monies that may be borrowed by issue of debentures or other securities) on such terms and conditions, as may be considered suitable by the Board of Directors, notwithstanding, that the moneys to be borrowed together with the monies already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company’s Bankers in the ordinary course of business), may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purposes provided that the maximum amount of moneys so borrowed by the Board, apart from temporary loans obtained or to be obtained from the Company’s Bankers in the ordinary course of business shall not at any time exceed Rs.500 Crores.”

By order of the Board of Directors
for **HOUSE OF PEARL FASHIONS LIMITED**

Place : Gurgaon.
Date : 29.05.2010

(Sandeep Sabharwal)
Company Secretary

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM DULY COMPLETED MUST REACH THE COMPANY’S REGISTERED OFFICE ATLEAST 48 HOURS BEFORE THE TIME OF THE MEETING.**
2. The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 18th September, 2010 to Saturday, 25th September 2010 (both days inclusive).
3. The relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 and Clause 49 of the Listing Agreement in respect of re-appointment(s) of Directors is mentioned below.
4. Members/Proxies are requested to bring their copy of Annual Report at the Meeting and are requested not to bring any article, briefcase, hand bag, carry bag etc., as the same will not be allowed to be taken inside the Auditorium for security reasons. Further, the Company or any of its officials shall not be responsible for their articles, bags etc., being misplaced, stolen or damaged at the Meeting place.
5. Members/Proxies should fill the attendance slip for attending the meeting. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID numbers and those hold shares in Physical forms are requested to write their Folio Number in the attendance slip for attending the meeting.
6. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. Corporate members intending to send their authorised representative are requested to send a duly certified copy of the Board resolution authorizing their representatives to attend and vote at the Annual General Meeting.
8. Pursuant to Section 205A of the Companies Act, 1956, dividends for the financial year ended 31st March, 1996 and thereafter, which remain unpaid or unclaimed/un-encashed for a period of 7 years will be accordingly transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government.

Information in respect of such unclaimed dividend including when due for transfer to the said Fund is given below:

Financial year ended	Rate of Dividend Declared on the paid-up equity share capital	Date of declaration of Dividend	Last date for claiming un-paid Dividend	Due date for transfer to IEP Fund
31.03.2008	15%	29.08.2008	27.09.2015	26.10.2015

Members who have not encashed the dividend warrant(s) so far, for the financial year ended 31st March 2008, are requested to make their claim to the Company or to the Registrar and Share Transfer Agent of the Company at Link Intime India Pvt. Limited, A-40, 2nd Floor, Naraina Industrial Area, Phase - I, New Delhi-110028.

9. Members are requested to send their queries, if any, on the accounts and operations of the Company to the Compliance Officer (email address is Sandeep.sabharwal@houseofpearl.com) at least 7 days before the Annual General Meeting.
10. **NO GIFT(S) SHALL BE DISTRIBUTED AT THE ENSUING 21ST ANNUAL GENERAL MEETING OF YOUR COMPANY.**





EXPLANATORY STATEMENT

(Pursuant to Section 173 (2) of the Companies Act, 1956 and Clause 49 of the Listing Agreement)

A brief Resume of the Director(s) offering themselves for re-election is given below:

Item No. 2

Mr. Pallak Seth, born on August 13, 1977, completed his Graduation from Northwestern University, USA, in the year 1988. After Graduation, Mr. Pallak Seth joined the family business and established sourcing platform from Hong Kong, China and Bangladesh. He established Norwest Industries Ltd., in Hong Kong in 1998. After having established sourcing base in Hong Kong, he joined Poeticgem Ltd., UK, as Managing Director and played a major role in turning around the Company and made it one of the fastest growing readymade garments brand in UK.

Details of other directorship/committee membership held by him in other Companies are as follows:

Directorship

(i) Pearl Global Limited (ii) Pearl Academy of Fashion India Limited (iii) Nim International Commerce Pvt. Limited (iv) Pearl Retail Solutions Pvt. Limited (v) PS Arts Pvt. Limited (vi) Casa Forma Limited (vii) Depa International Inc, USA (viii) FX Imports Company Limited, UK (ix) FX Imports Hongkong Company Limited HK (x) Grand Pearl Trading Ltd, China (xi) House of Pearl Fashions (US) Limited (xii) Lerros Moden GmbH, Germany (xiii) Magic Global Fashions Limited, HK (xiv) Magic Global Fashions Limited, UK (xv) Pallas Holding Limited (xvi) SACB Holding Limited (xvii) Transnational Textile Group Limited (xviii) NAFS Limited (ixx) Multinational Textile Group Limited (xx) PAF International Limited (xxi) Poeticgem Limited (xxii) Pacific Logistics Limited (xxiii) Norp Knit Industries Limited (xxiv) Global Textile Group Limited (xxv) Tamarind Holdings Limited (xxvi) Zamira Fashion Limited, HK (xxvii) Zamira Fashions Europe Limited, UK (xxviii) Pearl GES Group Limited, HK (ixx) Pearl GES Home Group Limited HK (xxx) Pearl GES Home Group SPA, Chile (xxxi) Simple Approach Limited, HK (xxxii) Poetic Hongkong Limited, HK (xxxiii) Poeticgem (Canada) Limited (xxxiv) Poetic Knitwear Limited, UK (xxxv) Nor Pearl Knitwear Limited (xxxvi) Pacific Supply Chain Limited, UK

Committee Membership

He is a member of Audit Committee of Pearl Global Ltd.

No remuneration except sitting fee for attending each meeting of the Board of Directors is proposed to be paid to Mr. Pallak Seth. Mr. Pallak Seth holds 6.70% equity shares in the Company.

Mr. Pallak Seth, the retiring Director, being eligible, offers himself for re-appointment.

Directors of your Company propose to re-appoint Mr. Pallak Seth as Director, liable to retire by rotation and therefore this Resolution is recommended for approval of the Shareholders of the Company.

None of the Directors, except Mr. Pallak Seth, himself, Mr. Deepak Seth and Mr. Pulkit Seth, being relatives, are interested, whether directly or indirectly, in this Resolution.

Item No. 3

Mr. Sanjay Pershad, born on 15th December, 1965, completed his Graduation from Delhi University in the year 1985. He is associated with the Readymade Garment Industry for over 19 years and is well versed with all the facets of Garment Trade and the International Scenario.

Details of other directorship/committee membership held by him in other Companies are as follows:

Directorship

i) Pearl Global Ltd. ii) Repute Land & Leasing Private Ltd. iii) Vastras Exports Pvt. Limited

Committee Membership

He is a member -director of Audit Committee and Remuneration committee of your Company. He is a member -director of Shareholder's Grievance and Transfer committee of Pearl Global Limited.

No remuneration except sitting fee for attending each meeting of the Board of Directors is proposed to be paid to Mr. Sanjay Pershad. Mr. Pershad does not hold any shares in the Company.

Mr. Sanjay Pershad, the retiring Director, being eligible, offers himself for re-appointment.

Directors of your Company propose to appoint Mr. Sanjay Pershad as a Director, liable to retire by rotation and therefore this Resolution is recommended for approval of the Shareholders of the Company.

None of the Directors, except Mr. Sanjay Pershad is interested, whether directly or indirectly, in this Resolution.

Item No.5

In terms of the provisions of Section 293(1)(d) of the Companies Act,1956, the Board of Directors of public Company shall not except with the consent of members in general meeting, borrow monies in excess of aggregate of the paid-up capital of the Company and its free reserves.

Keeping in view the various plans for diversification/expansion which may necessitate borrowings by your Company in excess of the limit as above mentioned, it is proposed at item no.5 to authorize the Board of Directors to borrow monies which may exceed limits of Section 293(1)(d) of the Companies Act, 1956, but not exceeding Rs.500 crores

None of the Director is any way concerned or interested in this resolution.

By order of the Board of Directors
for HOUSE OF PEARL FASHIONS LIMITED

Place : Gurgaon.

Date : 29.05.2010

(Sandeep Sabharwal)

Company Secretary





HOUSE OF PEARL FASHIONS LIMITED

Registered Office: 'Pearl House', A-3, Community Centre, Naraina Industrial Area, Phsase-II, New Delhi-110028

ATTENDANCE SLIP

Folio No.	
DP ID	
Account ID / Client ID	
No. of Shares	

I hereby record my presence at the 21st ANNUAL GENERAL MEETING of the Company held on Saturday, 25th September, 2010 at 4.00 p.m. at Air Force Auditorium, Subroto Park, New Delhi-110 010.

Signature of the attending Member/Proxy	
---	--

- Note :
- 1) A Shareholder/Proxy holder wishing to attend the meeting must bring the Attendance Slip at the meeting and hand it over at the entrance duly signed.
 - 2) A Shareholder/Proxy holder wishing to attend the meeting should bring his copy of the Annual Report for reference at the meeting.



HOUSE OF PEARL FASHIONS LIMITED

Registered Office: 'Pearl House', A-3, Community Centre, Naraina Industrial Area, Phsase-II, New Delhi-110028

PROXY

I/Weof

in the district of being a Member/Members of the above named Company,

hereby appoint.....of

in the district ofof falling him/her

of.....in the district of

as my/our Proxy to attend and vote for me/us and on my/our behalf at 21st Annual General Meeting to be held on Saturday, 25th September, 2010 at 4.00 p.m. at Air Force Auditorium, Subroto Park, New Delhi-110 010 and at any adjournment thereof.

Signedday of.....2010.

Folio No.	
DP ID	
Account ID / Client ID	
No. of Shares	

Signature _____

Affix
 Re. 1.00
 Revenue
 Stamp

- Note:**
- 1) The Proxy must be returned so as to reach the Registered Office at 'Pearl House', A-3, Community Centre, Naraina Industrial Area, Phsase-II, New Delhi-110028 not less than FORTY EIGHT HOURS before the time for holding the aforesaid meeting.
 - 2) A Proxy need not to be a Member of the Company.



House of Pearl

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)