HOUSE OF **PEARL**

HOUSE OF PEARL FASHIONS LIMITED

Annual Report 2006-2007

Board of Directors

Mr. Deepak Seth	-	Chairman
Mr. Pallak Seth	-	Vice-Chairman
Mr. Pulkit Seth	-	Managing Director
Mr. Sanjay Pershad	-	Non-executive Director
Mr. Tom Tar Singh	-	Non-executive Independent 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 Kumar Aneja	-	Non-executive Independent Director

General Manager and Company Secretary

Mr. Jyant Sood

Audit Committee

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

Remuneration Committee

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

Shareholders Grievance & Transfer Committee

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

Auditors

M/s. S. R. Dinodia & Co.
Chartered Accountants
K-39, Cannaught Place
New Delhi-110 001

Bankers

UTI Bank Ltd.
Citibank
The Hongkong and Shanghai Banking Corporation Ltd.

Registered Office

"Pearl House"
A-3, Community Centre,
Naraina Industrial Area, Phase II,
New Delhi-110 028.

Investors complaint email id : investorshopfl@pearlglobal.com

Corporate Office

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

We are Multinational, Multioperation, ready to wear apparel company.
We are truly Global.

Financial Highlights

Financial Highlights for the year 2006-07 Vs 2005-06

Consolidated Revenues at Rs. 952.48 crores, EBITDA at Rs. 99.38 crores and consolidated Net Profit at Rs. 52.65 crores.

Basic and diluted EPS at Rs. 27/-, and on weighted average basis Rs. 32.23.

(Due to group restructuring, previous year's figures are not comparable).

On combined pro-forma basis (Comparisons of FY-07 with FY-06)

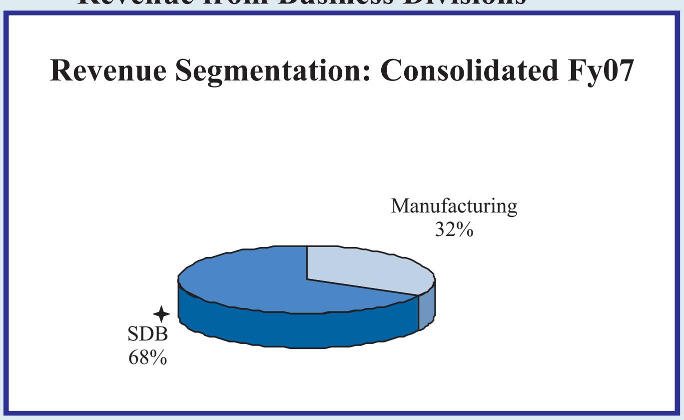
Consolidated Revenues at Rs. 1025.23 crores, up 32.56% from Rs. 773.38 crores.

Consolidated EBITDA at Rs. 103.89 crores, up by 80.68% from Rs. 57.50 crores.

Consolidated Net Profit at Rs. 55.88 crores, up by 122.63% from Rs. 25.07 crores.

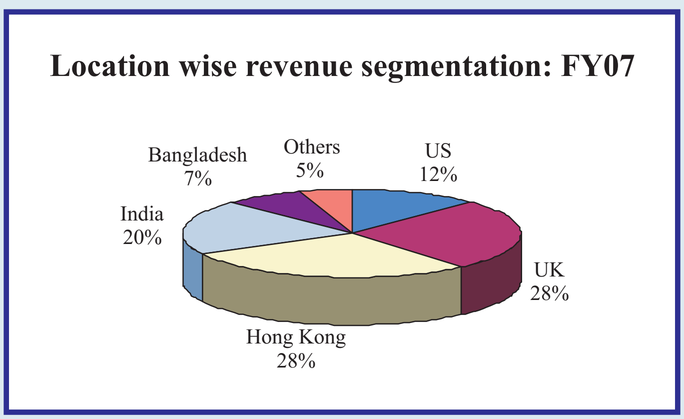
Revenue Segmentation

Revenue from Business Divisions



✦ Selling & Distribution Business

Revenue from Geographical locations



Performance Overview

International Operations

Own manufacturing facilities in Bangladesh and Indonesia with a total capacity of 8 million pieces per annum.

Own retailing brands 'DCC' and 'Kool Hearts' in US.

Marketing and Distribution offices in US, UK, Hong Kong, Spain and Canada. Merchandising and Design teams in constant touch with them.

Own warehousing and processing facilities in US and UK which can offer goods on FOB and LDP basis.

Sourcing teams in China and Bangladesh (apart from India) accessing 150 third party, compliant manufacturing units which offer a capacity of approximately 120 million pieces per annum.

80% of the company's revenues are from overseas operations.

Domestic Operations

Domestic operations carried out by Pearl Global Limited.

- House of Pearl Fashions Limited owns 60.49% stake in Pearl Global and has six factories in Gurgaon with a combined capacity of 9 million pieces per annum.
- Pearl Global Limited has also set up a new state-of-the-art bottom manufacturing facility in MEPZ Chennai and acquired an existing knits & woven facility in Gurgaon with a capacity of 3 million pieces each per annum.

House of Pearl Fashions Limited also has plans to enter the retail sector in India and also launch its own brand.

Leading Customers

Currently servicing 89 retailers across the globe with a healthy spread between USA, Latin America & Europe.

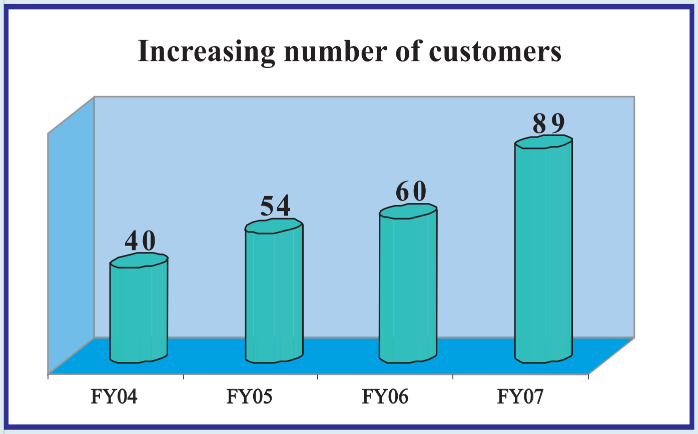
Some leading customers include GAP, Banana Republic, ASDA-Wal-Mart, Kohl's, Esprit, Next, etc.

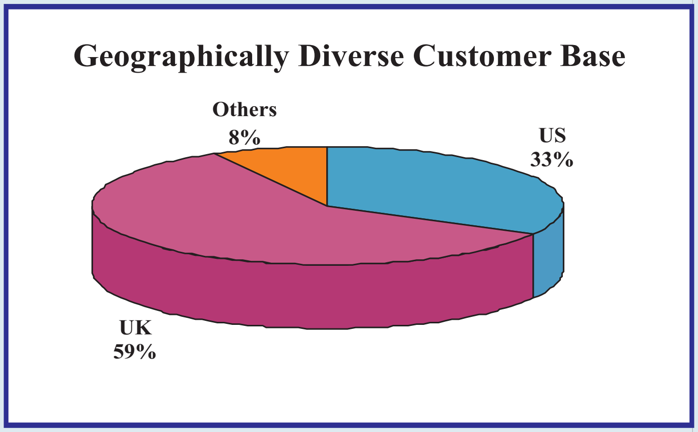
House of Pearl Fashions Limited has added 29 new clients in FY07, some significant among these are TESCO, K Mart, Hudson, H&M, Value City, Auchan, etc.

House of Pearl Fashions Limited is a strategic vendor for retailers like ASDA Walmart and JC Penney.

Performance Overview

Leading Customers





Highlights of the year

House of Pearl Fashions Limited has doubled its production capacity to 20 million pieces per annum from 10 million pieces per annum.

Started operations at a new facility in Chennai for bottoms manufacturing with a capacity of 3 million pieces per year.

Acquired a knits manufacturing facility with a capacity of 3 million pieces in Gurgaon.

Acquired a new warehouse in Milton Keynes, UK. Capacity increased to handle 2 million pieces per annum.

Added 29 new clients during the year.

Bought a new office space in Norwest, Hong Kong.

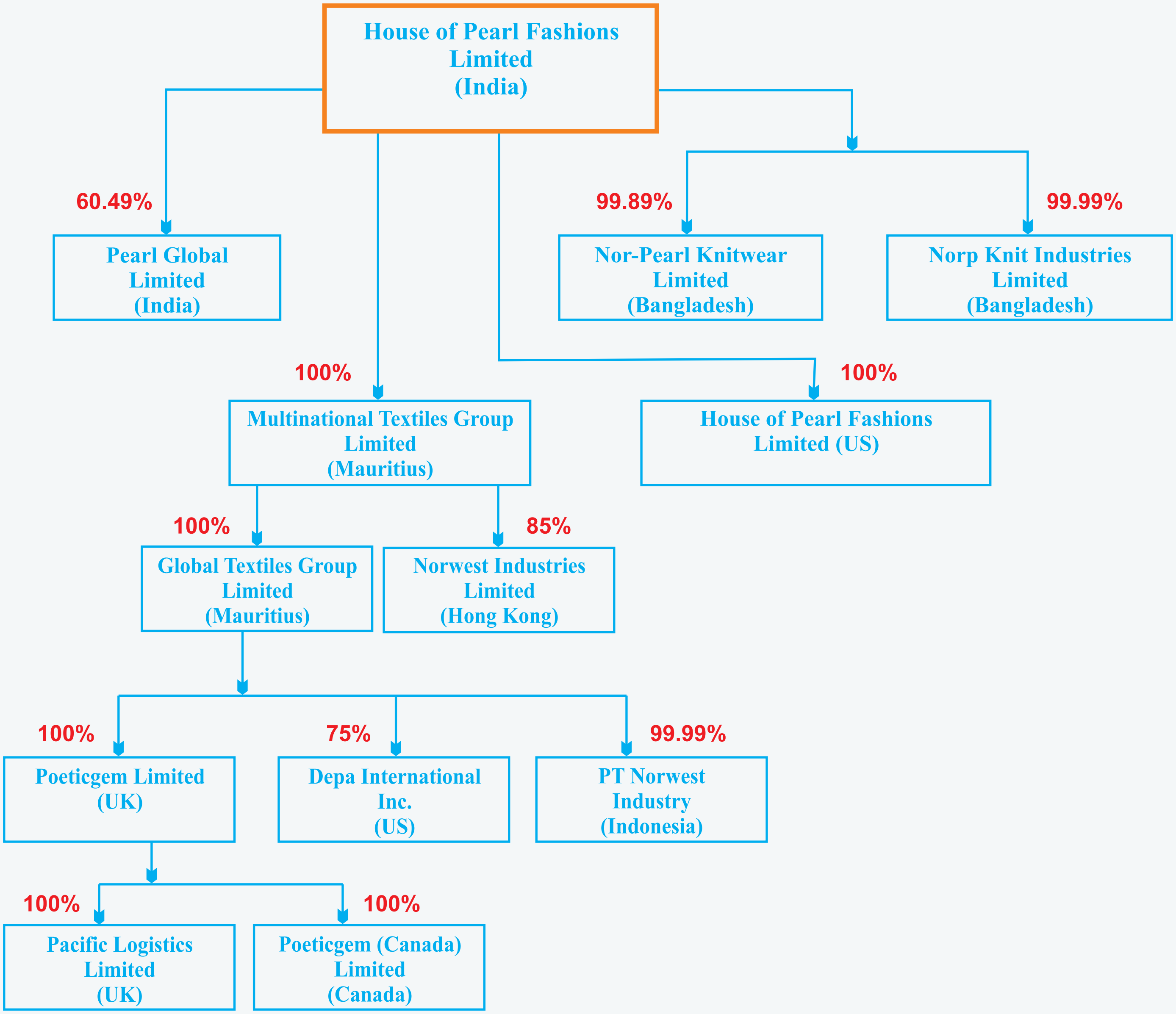
Mr. Tom Singh one of the UK's leading entrepreneur-investor and founder of New Look Plc joined the board of House of Pearl Fashions Limited as an Independent Director.

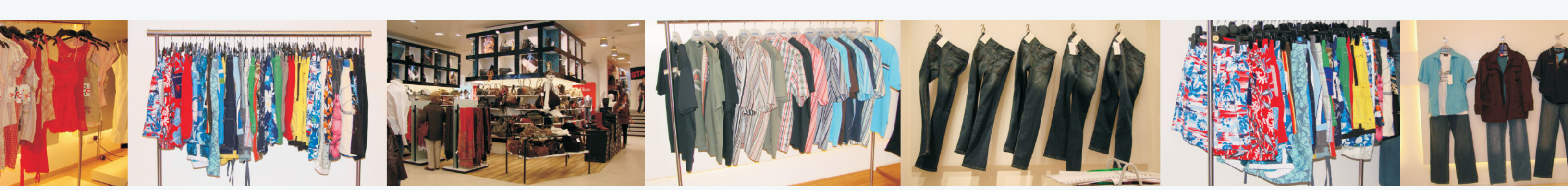
Parameter	FY07	FY06
Factories	10	9
Production Capacity (million pieces)	20	10
Customers	89	60
Employees	10,133	9,250

Forward Looking Statement

Certain statements in this document with words or phrases such as "will", "should", etc., and similar expressions or variation of these expressions or those concerning our future prospects are forward looking statements. Actual results may differ materially from those suggested by the forward-looking statements due to a number of risks or uncertainties associated with the expectations. These risks and uncertainties include, but are not limited to, our ability to successfully implement our strategy and changes in government policies. The company may, from time to time, make additional written and oral forward looking statements, including statements contained in the company's filings with the stock exchanges and our reports to shareholders. The company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the company.

Integrating Businesses under House of Pearl Fashions Limited





NOTICE

NOTICE is hereby given that the 18th Annual General Meeting of the Members of the **House of Pearl Fashions Limited**, will be held at Air Force Auditorium, Subroto Park, New Delhi-110 010, on Monday, the 27th August 2007, at 2.30 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2007 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, 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 at the remuneration to be decided by the Board of Directors.

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 Mr. Rajendra Kumar Aneja, who was appointed as an Additional Director of the Company by the Board of Directors w.e.f. 12th September, 2006 and who hold office upto the date of this Annual General Meeting and is eligible for appointment as Director and in respect of whom the company has received a notice in writing from a member pursuant to section 257 of the Companies Act, 1956, proposing his candidature for the office of director, be and is hereby appointed as a director of the Company liable to retire by rotation."

6. To consider and, if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT Mr. Chittranjan Dua, who was appointed as an Additional Director of the Company by the Board of Directors w.e.f. 12th September, 2006 and who hold office upto the date of this Annual General Meeting and is eligible for appointment as Director and in respect of whom the company has received a notice in writing from a member pursuant to section 257 of the Companies Act, 1956, proposing his candidature for the office of director, be and is hereby appointed as a director of the Company liable to retire by rotation."

7. To consider and, if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution:

   "RESOLVED THAT Mr. Tom Tar Singh, who was appointed as an Additional Director of the Company by the Board of Directors w.e.f. 26th September, 2006 and who holds office upto the date of this Annual General Meeting and is eligible for appointment as Director and in respect of whom the company has received a notice in writing from a member pursuant to section 257 of the Companies Act, 1956, proposing his candidature for the office of director, be and is hereby appointed as a director of the Company liable to retire by rotation."

8. To consider and, if thought fit to pass with or without modification(s), the following resolution as a Special Resolution:

   "RESOLVED THAT pursuant to Sections 292, 372A of the Companies Act, 1956 and other applicable provisions of the Act, if any, Objects of the IPO of the Company as mentioned in the Prospectus dated 29th January 2007 and Listing Agreements with the stock exchanges, SEBI (DIP) Guidelines, 2000 and subject to such approvals as may be required, consent of the Company be and is hereby accorded to loan of Rs. 27.50 Crores (Rupees Twenty Seven Crores Fifty Lacs Only) made to Pearl Global Limited, subsidiary Company of the Company, for a period of one year at an interest rate of 10.50% p.a., interest payable on quarterly basis to enable Pearl Global Ltd., to repay its high interest bearing working capital loan availed from Centurian Bank of Punjab Limited, Yes Bank and Chinatrust Commercial Bank."

   "RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable and to take all necessary steps to give effect to the above Resolution."

9. To consider and, if thought fit to pass with or without modification(s), the following resolution as a Special Resolution:

   "RESOLVED THAT pursuant to section 31 of the Companies Act, 1956 and other applicable provisions of the Act, if any, consent of the Company is hereby accorded for the alteration of sub-article 2 of Article 88 of the Articles of Association of the Company by substituting the following sub-article 2:

   Article 88

   sub-article 2. Each Director may be paid out of funds of the Company by way of remuneration for his services a sum not exceeding such sum of money as may be decided by the Board from time to time subject to the limits as may be prescribed by the Central Government from time to time, for each meeting of the Board or of a Committee thereof which he will attend.

   "RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to take all necessary steps to give effect to the above Resolution."

By order of the Board of Directors
for HOUSE OF PEARL FASHIONS LIMITED

Sd/-
(Jyant Sood)
General Manager and Company Secretary

Place : Gurgaon
Date : 31st July, 2007

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM DULY COMPLETED, MUST REACH THE REGISTERED OFFICE OF THE COMPANY ATLEAST 48 HOURS BEFORE THE TIME OF THE MEETING.**
2. Explanatory Statement as required under Section 173 (2) of the Companies Act, 1956 is enclosed.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday the 20th August 2007 to Monday the 27th August 2007 (both days inclusive).
4. Members/Proxies are requested to bring their copy of Annual Report to the Meeting as extra copies will not be distributed.
5. 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.
6. 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.
7. Members 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 articles, bags etc., being misplaced, stolen or damaged at the Meeting place.
8. Members are requested to send their queries, if any, on the accounts and operations of the Company to the compliance officer (email address is jayants@pearlglobal.com) at least 7 days before the Annual general Meeting.
9. **No Gifts shall be distributed at the ensuing 18th Annual General Meeting of your Company.**

EXPLANATORY STATEMENT AS REQUIRED UNDER CLAUSE 49 OF THE LISTING AGREEMENT READ WITH SECTION 173(2) OF THE COMPANIES ACT, 1956.

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. Mr. Pallak Seth established Norwest Industries Ltd., in Hong Kong in 1998. After having established sourcing base in Hong Kong, Mr. Pallak Seth 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 Ltd. ii) Nim International Commerce Pvt. Ltd. iii) Images Pearl Retail Solutions Pvt. Ltd. iv) Pallas Holding Limited v) SACB Holding Limited vi) Transnational Textile Group Limited vi) NAFS Limited vii) Multinational Textiles Group Limited viii) PAF International Limited ix) Poeticgem Limited x) Pacific Logistics Limited xi) Norp Knit Industries Limited xii) Global Textile Group Limited xiii) House of Pearl Fashions (U.S.) Limited xiv) Lerros Modem GMBH

He is not a member of any committees of the Company.

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, 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. Deepak Seth, Mr. Pulkit Seth being related and Mr. Pallak Seth, self is 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 Pvt. Ltd.

He is a member director of Audit Committee and Remuneration Committee of your Company.

No remuneration except sitting fee for attending each meeting of the Board of Directors is proposed to be paid to Mr. Sanjay Pershad.

Mr. Sanjay Pershad, the retiring Director, being eligible, offers himself for re-appointment.

Directors of your Company propose to appoint Mr. Sanjay Pershad 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. Sanjay Pershad is interested, whether directly or indirectly, in this Resolution.

ITEM NO. 5

Mr. Rajendra Kumar Aneja was appointed by the Board of Directors as an Additional Director on the Board with effect from 12th September 2006. In terms of Article 86 of the Articles of Association of your Company readwith section 260 of the Companies Act, 1956, Mr. Rajendra Kumar Aneja ceases to hold the Office at the ensuing Annual General Meeting of your Company.

Mr. Rajendra Kumar Aneja, born on 9th December, 1949, has a Bachelor Degree in Commerce from Bombay University and Masters Degree in Management. Mr. Aneja was a Sir Dorab Tata Scholar and Government Merit Scholar. He also received the Rotary Award for being the Best Student.

He has over 30 years of experience in marketing, management and corporate affairs. He has worked with Unilever Tanzania, Africa Business Group and

Hindustan Lever Limited, India. For last two years, he has been the CEO of a large Retail Business in Middle East handling about 75 large retail outlets in fashion, cosmetics, electronics goods, in the Middle East, Far East in high fashion happening Malls. He led the establishment of the largest electronic retail store in the Middle East.

Details of other directorship/committee membership held by him in other Companies are as follows:

Directorship:

Mr. Rajendra Kumar Aneja is not a director in any other Company.

He is not a member of any committees of the Company.

No remuneration except sitting fee for attending each meeting of the Board of Directors is proposed to be paid to Mr. Rajendra Kumar Aneja.

The Company has received a notice under section 257 of the Companies Act, 1956, for his appointment. Directors of your Company consider that his appointment as a Director on the Board of your Company will be in the interest of your Company.

Taking into consideration the vast experience and practical knowledge of Mr. Rajendra Aneja, the Directors of your Company propose to appoint Mr. Rajendra Kumar Aneja as Director, liable to retire by rotation, and therefore this Resolution is recommended for approval of the Shareholders and/or Members of the Company.

None of the Directors, except Mr. Rajendra Kumar Aneja is interested, whether directly or indirectly, in this Resolution.

ITEM NO. 6

Mr. Chittranjan Dua was appointed by the Board of Directors as an Additional Director on the Board with effect from 12th September, 2006. In terms of Article 86 of the Articles of Association of your Company readwith Section 260 of the Companies Act, 1956, Mr. Chittranjan Dua ceases to hold the Office at the ensuing Annual General Meeting of your Company.

Mr. Chittranjan Dua, born on 3rd November 1951, has a Bachelor Degree in Arts from Delhi University, Masters Degree in Economics from Delhi School of Economics and Bachelors Degree in Law from Delhi University. He has been a practicing advocate for over 30 years. Mr. Chittranjan Dua has vast experience in Corporate Laws, Merger & Amalgamation, Public Issues, Corporate Structuring, infrastructure projects, International trade & taxation.

Details of other directorship/committee membership held by him in other Companies are as follows:

Directorship

(i) Cabot India Ltd (ii) Gillette India Ltd (iii) Hutchison Essar Limited (iv) Timex Watches Limited (v) TVS Motor Company Limited (vi) Wimco Limited (vii) Alcoa India Private Ltd (viii) Amit Investments Pvt Ltd (ix) Associated Corporate Consultants (India) Pvt. Ltd (x) Baxter (India) Pvt. Ltd (xi) Becton Dickinson India Pvt.Ltd (xii) Cadmus Packaging Pvt. Ltd (xiii) CCRI Exploration Pvt. Ltd (xiv) Connaught Plaza Restaurants Pvt.Ltd (xv) ELCA Cosmetics Pvt. Ltd (xvi) Emerson Process Management Power & Water Solutions India Pvt. Limited (xvii) Fila Sport India Pvt. Ltd (xviii) Inapex Pvt. Ltd (xix) Land Minerals Exploration Pvt. Ltd (xx) Lex Sphere Pvt. Ltd (xxi) Linde Process Techonologies India Pvt. Ltd (xxii) McCann-Erickson (India) Pvt. Ltd (xxiii) McDonald's India Pvt. Ltd (xxiv) Newfound Exploration Pvt. Ltd (xxv) Noske-Kaeser India Pvt. Ltd (xxvi) Polaroid India Pvt. Ltd. (xxvii) Result Services Pvt. Ltd (xxviii) Stanley Works (India) Pvt. Ltd (xxix) STMicroelectronics Pvt. Ltd (xxx) Tupperware India Pvt. Ltd (xxxi) UL India Pvt. Ltd (xxxii) Universal Weather & Aviation India Pvt. Ltd (xxxiii) Van Softech Solutions One Pvt. Ltd (xxxiv) Van Films Remake one India Pvt. Ltd (xxxv) Van Films Remake Three India Pvt. Ltd.

He is not a member of any committee of the Company.

No remuneration except sitting fee for attending each meeting of the Board of Directors is proposed to be paid to Mr. Chittranjan Dua.

The Company has received a notice under section 257 of the Companies Act, 1956, for his appointment. Directors of your Company consider that his appointment as a Director on the Board of your Company will be in the interest of your Company.

Taking into consideration the vast experience and practical knowledge of Mr. Chittranjan Dua, the Directors of your Company propose to appoint Mr. Chittranjan Dua as Director, liable to retire by rotation, and therefore this Resolution is recommended for approval of the Shareholders and/or Members of the Company.

None of the Directors, except Mr. Chittranjan Dua is interested, whether directly or indirectly, in this Resolution.

ITEM NO. 7

Mr. Tom Tar Singh was appointed by the Board of Directors as an Additional Director on the Board with effect from 26th September, 2006. In terms of Article 86 of the Articles of Association of your Company readwith Section 260 of the Companies Act, 1956, Mr. Tom Tar Singh ceases to hold the Office at the ensuing Annual General Meeting of your Company.

Mr. Tom Tar Singh born on 29th August 1949, has a bachelor degree in International Politics and Geography from University of Wales. He has established the "New Look" – one of the UK's largest ladies fashion retailers in 1969 and has over 38 years of experience in retail sector.

Details of other directorship/committee membership held by him in other Companies are as follows:

Directorship:

(i) NL Company No. 1 Limited (ii) NL Company No. 2 Limited (iii) NL Company No. 3 Limited (iv) Trinitybrook Plc (v) Vallsar (Trustees) Ltd. (vi) New Look Group Limited (vii)The Indus Entrepreneurs U.K. Limited (viii) Pedalgreen Limited (ix) Markerpost Ltd (x) Guernsey 4 Ltd.

He is not a member of any committees of the Company.

No remuneration except sitting fee for attending each meeting of the Board of Directors is proposed to be paid to Mr. Tom Tar Singh.

The Company has received a notice under section 257 of the Companies Act, 1956, for his appointment. Directors of your Company consider that his appointment as a Director on the Board of your Company will be in the interest of your Company.

Taking into consideration the vast experience and practical knowledge of Mr. Tom Tar Singh, the Directors of your Company propose to appoint Mr. Tom Tar Singh as Director, liable to retire by rotation, and therefore this Resolution is recommended for approval of the Shareholders and/or Members of the Company.

None of the Directors, except Mr. Tom Tar Singh is interested, whether directly or indirectly, in this Resolution.

ITEM NO. 8

Your Company came with its Initial Public Offer (IPO) on 16th January 2007. The purpose of IPO was to raise funds for the objects as specified in its Prospectus dated 29th January 2007. The funds raised by the Company through IPO are to be utilized over a period of three years as per schedule of utilization given in the Prospectus.

As per Interim use of proceeds Clause "The Company's management, in accordance with the policies established by the Board, will have flexibility in deploying the Net Proceeds. Pending utilization of the Net Proceeds for the purposes described above, the Company intends to temporarily invest the funds in high quality interest bearing liquid instruments including deposits with banks or temporarily deploy the funds in working capital loan accounts. Such investments would be in accordance with the investment policies or investment approvals approved by the Board from time to time," as per the Prospectus of the Company.

In this backdrop, the Company is having surplus funds which will be utilized as per the objects of the issue of the Company, the Company advanced a loan of Rs. 27.50 Crores (Rupees Twenty Seven Crores Fifty Lacs Only) at the rate of interest of 10.50% p.a. for a period of one year, out of these funds to its Subsidiary, Pearl Global Limited, which is also a listed company to enable the subsidiary to repay the high interest bearing working capital loan availed from Centurion Bank of Punjab Limited, Yes Bank and Chinatrust Commercial Bank. The repayment of ECB of Chinatrust Commercial Bank of Rs. 7.50 Crores equivalent to USD 1.8 million is as per object of issue as stated in the Prospectus of the Company and the Balance repayment of working capital loans of Centurion Bank of Punjab and Yes Bank amounting to Rs 20 Crores only is interim use of funds.

Further, it is pertinent to mention that interest being charged by the Company on the loan to Pearl Global Ltd., is what it is earning on the IPO funds invested in various instruments pending deployment on projects as per prospectus. Pearl Global Ltd will be repaying working capital loans which have higher cost, thereby resulting in net saving to the House of Pearl group.

The Directors recommend this resolution for approval of the Shareholders of the Company.

None of the Directors are interested, whether directly or indirectly, in this Resolution except to the extent of their shareholding, if any.

ITEM NO. 9

Article 88 sub-article 2 of the Article of Association of the Company provides for payment of sitting fees of Rs. 2000/- to each director for attending each Board Meeting. Your Board comprises nine directors of which five are Independent Directors. All the Independent Directors are well qualified, vastly knowledgeable, experienced, men of repute and standing at both national and international level and provide valuable inputs on various issues/agendas during the meeting of the Board. Keeping in view market trends, qualification and experiences of Board of Directors and to make the sitting fees commensurate with the industry standards, your Board propose to alter the sub-article 2 of Article 88 to enable it to fix the payment of the sitting fees as it may think fit from time to time within the limits prescribed by the Central Government from time to time.

This Resolution is recommended for approval of the Shareholders of the Company.

None of the Directors is interested, whether directly or indirectly, in this Resolution.

By order of the Board of Directors
for HOUSE OF PEARL FASHIONS LIMITED

Sd/-
(Jyant Sood)
General Manager and Company Secretary

Place : Gurgaon
Date : 31st July, 2007

HOUSE OF **PEARL**

Table of Contents

DIRECTOR'S REPORT

To the Shareholders,

The Directors of your Company have pleasure in presenting the 18th Annual Report and Audited Accounts for the year ended 31st March 2007, together with the Auditors' Report thereon.

CONSOLIDATED WORKING RESULTS OF THE COMPANY UNDER INDIAN GAAP

During the year under review, the consolidated Income of your Company are Rs. 95,247 lacs. Your Company has achieved a Net Profit after Tax of Rs. 5,264.90 lacs.

(Rs. in Lacs)

Particulars	2006-2007	2005-2006
Income	**95,247.86**	16,961.12
Profit before Tax	**7,364.96**	1,301.24
Provision for Current Tax	**2,100.06**	741.43
Profit After Tax	**5,264.90**	559.81
Profit brought forward	**1111.59**	799.95
Profit Available for Appropriations	**5,883.90**	1288.48

Due to recent Group restructuring previous year figures are not comparable.

WORKING RESULTS OF THE COMPANY(Standalone basis)

(Rs. in Lacs)

Particulars	2006-2007	2005-2006
Income	**1,100.45**	106.17
Profit before Tax	**430.78**	67.48
Provision for Current Tax	**5.67**	(1.10)
Profit After Tax	**436.45**	66.37
Profit brought forward	**424.13**	357.75
Profit Available for Appropriations	**860.58**	424.13

OPERATIONS

The global economy expanded vigorously in 2006, growing by 5.4%. In the United States, the expansion slowed in the face of headwinds from a sharp downturn in the housing market, but oil prices decline since August 2006 helped the US economy as it helped to sustain consumer spending. In the Euro area, growth accelerated to its fastest pace in 6 years as domestic demand strengthened. Among emerging market and developing countries, rapid growth was led by China and India, while momentum was sustained across other regions as Countries benefited from high commodity prices and supportive financial conditions. Against the background of strong growth and reduced concerns about inflation, global financial market conditions have generally been buoyant. In foreign exchange markets, the US dollar has weakened, mainly against the Euro, Pond Sterling and Rupee. Emerging markets like China, India saw tightened monetary policy and consequent increase in interest rates.

Overall the economic environment has been stable and in the right direction with continued thrust on indusive growth.

In 2005, trade quotas were abolished, thus ending decades of control and incentives for inefficiencies. This was the beginning of the flattening of textile world. Although the overall growth rate of textile production was secular, there were significant developments on the trade frontiers. Vietnam got entry into the WTO group of countries in 2006. Giants like India and China which ramped up their exports in 2005, witnessed the steep growth tapering away in 2006. While China's exuberance was limited by barriers of USA and EU beginning 2006, India on the hand, along with China, was losing to fresh wave of competition from smaller players like Bangladesh, Vietnam, Cambodia and Indonesia in USA's apparel market.

India, Indonesia and Pakistan were major trade gainers in 2005, of course with China on the top. These countries saw their rank in world trade move up the ladder. However, 2006 saw emergence of small players in global textile trade.

In, 2007, the readymade garments industry would continue to expand further in Asian region in terms of investments and supplies. Trade competition will hot up further as smaller countries will be catching up with low cost production levels of India and China. Middle East will be thriving on supplies of raw material to textile industry in Asia. There could be a likely slow down in USA economy in 2007, which will impose bigger challenges to its exporters. China will have to wait for 2007 to end to reap the benefits of open and frictionless trade. India will be preparing to go up the value chain to capture niche markets worldwide.

In spite of all evens and odds in the Global and Indian economy and strong competition from small players, for the year under review, your Company witnessed an improved performance on all accounts as company's current year financials show improvement as compared to the previous year.

Your Company recorded consolidated income of Rs. 95,247.86 lacs, while consolidated net profits at Rs. 5264.90 Lacs. The key contributors to this improved performance were careful and focused restructuring of the group to workout synergies in operations and this resulting in control over costs. The Company has started the policy of procurement / utilization of services at worldwide level which helps the Company in negotiating best prices for goods to be produced / services to be utilized world over. Your Company continued to consolidate its position with improvement in the market share.

Your Company is stable and healthy, with strong fundamentals, is focused on long term sustainable growth. This stability and health lies in our business model and relationship of trust and confidence build over the years with our customers. The Company remains stead fast in following the four strategic pillars of sustainable growth – low cost, highly efficient operations, design and development, and customers / buyers satisfaction. It also follows the economic model that comprises the value drivers that synergies sales, growth, profit margins and capital efficiency.

The highlights of the year include :(Consolidated Figures)

1. Operating profit (PBDIT) stood at Rs.9,938.29 Lacs in 2006-07.
2. Earnings per Share (EPS) for the financial year ended 2006-07 are Rs.32.23.

The Company added twenty nine new customers and existing buyers have increased their business volumes resulting in higher turnover.

DIVIDEND

Your Directors feel in order to conserve resources to face future challenges and further expansion plans, do not recommend any Dividend for the year under Report.

CHANGE IN DIRECTORSHIP

The Board of Directors in their meeting held on 15th July, 2006 appointed Mr. Pulkit Seth, Director as Managing Director of the Company for a period of 3 years, commencing from 15th July, 2006 without any remuneration. The members accorded their consent for the appointment in the meeting held on 25th August 2006. Mr. Pulkit Seth, have substantial powers to manage the day-to-day affairs and operations of your Company, under the superintendence and control of the Board of Directors of your Company.

The Board of Directors in their meeting held on 3rd October 2006, has appointed Mr. Rajendra Kumar Aneja and Mr. Chittranjan Dua as additional directors of your Company w.e.f. 12th September 2006. The Board in their meeting held on 3rd October 2006, has also appointed Mr. Tom Tar Singh as an additional director of your Company w.e.f. 26th September 2006.

Keeping in view the vast experience and knowledge of Mr. Rajendra Kumar Aneja, Mr. Chittranjan Dua and Mr. Tom Tar Singh, it will be in the interest of your Company to appoint them as Directors of your Company.

Accordingly, Resolutions for their appointments are being proposed in the ensuing Annual General Meeting.

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 Company(s) is annexed herewith and forms an integral part of this Annual Report.

AUDITORS

The Auditor M/s S. R. Dinodia & Co., Chartered Accountants, New Delhi, retire at the conclusion of the ensuing Annual General Meeting and is 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:

i) That in the preparation of the accounts for the financial year ended 31st March 2007, 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 2007 as a 'going concern' and on accrual basis.

INITIAL PUBLIC OFFERING

During the year, your Company came out with its public issue of 59,84,994 equity shares of Rs. 10/- each for cash at a price of Rs. 550/- per equity share comprising a fresh issue of 47,59,794 equity shares of Rs. 10/- each by the Company and an offer for sale of 12,25,200 equity shares of Rs.10/- each through its Prospectus dated 29th January 2007 under 100% Book Building Process. The Company allotted equity shares (on pari-passu basis) pursuant to Prospectus dated 29th January 2007 as summerised below:

6th February 2007 : 47,59,794

23rd March 2007* : 4,29,906

(* under Green Shoe option)

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 2007-08 have been paid.

REGISTRAR AND SHARE TRANSFER AGENT

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

CORPORATE GOVERNANCE

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

The information required in terms of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is not required to be given, as there is no employee drawing remuneration exceeding the prescribed limits.

STATUTORY DISCLOSURES

Details of 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 as the Company does not have any manufacturing activity.

Foreign Exchange Earnings and Outgo

(Amount in Rs.)

Particulars	Current Year	Previous Year
Earnings:		
Export of Goods – FOB basis	**5,49,21,207.16**	-
Total	**5,49,21,207.16**	-
Outgo:		-
Foreign Traveling	**19,65,478.06**	-
Public Issue Expenses	**70,81,334.00**	-
Total	**90,46,812.06**	-

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.

On Behalf of the Board

Sd/-

Place: Gurgaon **(Deepak Seth)**

Date : 31st July, 2007 Chairman

CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY

Your Company has an unwavering commitment to upholding sound corporate governance standards and highest business conduct. Being a value driven organization, House of Pearl Fashions has always worked towards building trust with shareholders, employees, customers, suppliers and other stakeholders based on the principles of corporate governance – integrity, equity, transparency, fairness, disclosure, accountability and commitment to values.

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. The Company has established systems to ensure that the board of directors of the Company are well – informed and well equipped to fulfill its overall responsibilities and to provide the management strategic directions it needs to create long- term shareholders value.

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 endeavour towards the best Corporate Governance and to provide transparency initiated various measures.

This Chapter along with the chapter on Management Discussion and Analysis, reports your Company's, compliance with Clause 49 of the Listing Agreement.

2. BOARD OF DIRECTORS

As on 31st March 2007, the company's board of directors consists of 9 (Nine) members. The Chairman of the Board is non-executive director. The Board comprises of one executive director and Eight non executive directors, of whom five are Independent Directors. The composition of the Board is in conformity with the requirements of Clause 49 of the listing agreement, which stipulates that fifty percent of the board should comprise of non executive directors if the Chairman is executive director and one - third of the board should be independent, if the Chairman is non-executive director. All non-executive independent directors are persons of eminence and bring a wide range of expertise and experience to the board.

Director's attendance record and directorship held for the year 2006-2007 is given as per table hereunder:

S. No.	Name of Director	Category	Number of Meetings attended (Total meeting held 23)	Whether attended last AGM	No. of outside directorships	No. of Committee	
						Member	Chairman
1	Mr. Deepak Seth	Chairman	15	Yes	1	-	-
2	Mr. Pallak Seth	Vice-Chairman	1	No	1	-	-
3	Mr. Pulkit Seth	Managing Director	19	Yes	1	1	-
4	Mr. Sanjay Pershad	Non-Executive Director	23	No	2	1	-
5	Mrs. Payel Seth *	Non-Executive Director	5	Yes	-	-	-
6	Mr. Sunil Seth *	Non-Executive Director	4	Yes	-	-	-
7	Mr. Tom Tar Singh	Non-Executive, Independent Director	-	No	-	-	-
8	Dr. Ashutosh P. Bhupatkar	Non-Executive, Independent Director	11	No	-	-	2
9	Mr. Samar Ballav Mohapatra	Non-Executive, Independent Director	11	No	-	2	-
10	Mr. Chittranjan Dua	Non-Executive, Independent Director	-	No	6	-	-
11	Mr. Rajendra Aneja	Non-Executive, Independent Director	-	No	-	-	-

Notes:

1. The committees considered for the purpose are Audit Committee and Shareholder Grievance & Transfer Committee.
2. Foreign Companies, bodies corporate, private companies and companies under section 25 of the Companies are excluded for the above purpose.

The Board of Directors in their meeting held on 15th July, 2006 appointed Mr. Pulkit Seth as Managing Director of the Company for a period of three years.

The Board of Directors in their meeting held on 1st August, 2006 have appointed Dr. A. P. Bhupatkar and Mr. S. B. Mohapatra as Directors, liable to retire by rotation.

Mr. Chittranjan Dua and Mr. Rajendra Aneja were appointed as additional director w.e.f. 12th September 2006 by the Board of Directors in their meeting held on 3rd October 2006, liable to retire by rotation.

Mr. Tom Tar Singh, was appointed as additional director w.e.f. 26th September 2006 by the Board of Directors in their meeting held on 3rd October 2006, liable to retire by rotation.

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

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

* Mrs. Payel Seth and Mr. Sunil Seth resigned from the directorship of the company with effect from 8th July 2006.

Number of Board Meetings held and the dates on which held

23 (Twenty Three) Board Meetings were held during the year. The dates on which the meetings were held are as follows:

10th April 2006, 20th April 2006, 6th May 2006, 9th May 2006, 17th May 2006, 29th May 2006, 17th June 2006, 20th June 2006, 30th June 2006, 7th July 2006, 15th July 2006, 17th July 2006, 1st August 2006, 3rd October 2006, 9th October 2006, 10th October 2006, 16th December 2006, 26th December 2006, 3rd January 2007, 24th January 2007, 29th January 2007, 6th February 2007 and 19th February 2007.

Information supplied to the Board

The board has complete access to all information with the company. *Inter alia*, the following information is provided to the board.

- 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 during the year 2006-07.

3. AUDIT COMMITTEE

Your Company constituted an Audit Committee on 1st August, 2006 in accordance with Section 292A of the Companies Act, 1956. The terms of reference include:-

* 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 and removal of external auditor, fixation of audit fee and approval of payment for other services.
* 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.

The members of the Audit Committee and attendance of members in Audit Committee is given as hereunder:

S.No.	Name	Category	No. of Meetings held	No. of Meetings attended
1.	Dr. A. P. Bhupatkar	Chairman	3	3
2.	Mr. Sanjay Pershad	Member Director	3	3
3.	Mr. S. B. Mohapatra	Member Director	3	3

All the members of an Audit Committee are Non- Executive Directors and the Chairman of the Committee is Non- Executive and Independent Director.

The dates on which the meetings were held are 01st August 2006, 28th October 2006 and 31st January 2007 in the financial year 2006-07. The maximum gap between any two meetings was less than four months.
Mr. Jyant Sood, General Manager & Company Secretary, acts as the Secretary to the Committee.

4. REMUNERATION COMMITTEE

Your Company constituted Remuneration Committee on 1st August, 2006 in accordance with provisions of the Companies Act, 1956.

Your Company's remuneration policy is based on three tenets, pay for responsibility, pay for performance and potential, and pay for growth. The Remuneration Committee is vested with all the necessary powers and authority to ensure appropriate disclosure on the remuneration of Executive Directors and to deal with all elements of remuneration package of all such Directors. This include details of fixed components and performance linked incentives. Since, the appointments of the Executive Directors are by virtue of their employment with the Company as management employees, their service contract, notice period and severance fee, if any, is governed by the management remuneration policy of the Company.

As for the appointment of Independent Directors, your Company benefits from the professional expertise in their individual capacity as Independent Professionals/Business Executives and through their invaluable experience in achieving corporate excellence. Accordingly, the service contract, notice period and severence fee, if any, of the Company are not applicable to such Independent Directors.

The members of the Remuneration Committee and attendance of members in remuneration committee is given as hereunder:

S.No.	Name	Category	No. of Meetings held	No. of Meetings attended
1.	Mr. S. B. Mohapatra	Chairman	1	1
2.	Mr. Sanjay Pershad	Member Director	1	1
3.	Dr. A. P. Bhupatkar	Member Director	1	1

All the members of the Remuneration Committee are Non Executive Directors and the Chairman of the committee is Non- Executive and Independent Director.

During the year under review, the Remuneration Committee has met once on 1st August 2006.

Remuneration of Directors for 2006-2007:

Mr. Pulkit Seth has been appointed as Managing Director of the Company without remuneration.

The Company pays Rs.20,000/- as Sitting Fee to all the Non-Executive Directors for each Board Meeting attended. However, no sitting fee has been paid to any Directors during the year 2006-07.

None of the Non-Executive Directors holds any equity shares in the Company. The Company does not have any stock option scheme.

As required, a brief profile and other particulars of the Director seeking re-appointment is given in the Notice of the 18th Annual General Meeting and forms part of the corporate governance report.

5. SHAREHOLDER GRIEVANCE & TRANSFER COMMITTEE

Your Company constituted the Shareholder Grievance & Transfer Committee on 1st August, 2006 in accordance with provisions of the Companies Act, 1956. The Shareholders Grievance and Transfer Committee specifically looks into redressing of shareholders and Investors Complaints, such as transfer of shares, non-reciept of shares, non - reciept of declared dividends and to ensure expeditious share transfer process. The members of the Shareholders Grievance and Transfer Committee are:

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

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

Mr. Jyant Sood, General Manager and Company Secretary, acts as Secretary of the Committee.

Status of Shareholders Complaints during the year

Complaints at the beginning of the year. 1st April 2006	Complaints received during the year. 1st April 2006-31st March 2007	Complaints settled during the year. 1st April 2006-31st March 2007	Complaints pending at the ending of the year. 31st March 2007
NIL	280	280	NIL

6. 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 2007.

7. GENERAL BODY MEETINGS

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

Year	AGM	Location	Date	Time
2003-04	15th	A-3, Community Centre, Naraina Industrial Area, Phase-II, New Delhi-110028	30-09-2004	12:00 P.M.
2004-05	16th	A-3, Community Centre, Naraina Industrial Area, Phase-II, New Delhi-110028	30-09-2005	1:30 P.M.
2005-06	17th	A-3, Community Centre, Phase-II, Naraina Industrial Area, New Delhi-110028	25-08-2006	11:30 A.M.

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

Sl. No.	Particulars of Special Resolution	Financial Year
1	Appointment of Mr. Pulkit Seth as Managing Director for a period of three years w.e.f. 15.07.2006, without remuneration	2005-06
2	Issue of equity shares under IPO of the Company	2005-06
3	No Special Resolution passed	2004-05
4	No Special Resolution passed	2003-04

No special resolution was passed through Postal Ballot during the last financial year 2006-07. There is no special resolution proposed to be passed through Postal ballot at the ensuing Annual General Meeting.

The Company has passed following special resolutions in the Extra-ordinary General Meetings (EGM) during the financial year 2006-2007:

Sl. No.	Special Resolution	Date of EGM
1	Change of Name of the Company from Mina Estates Pvt. Ltd. to House of Pearl Fashions Pvt. Ltd.	09.05.2006
2	Alteration of Object Clauses of the Company	15.05.2006
3	Issue of Bonus Shares	15.06.2006
4	Conversion of Company from House of Pearl Fashions Pvt. Ltd. to House of Pearl Fashions Ltd.	28.06.2006

8. 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. 15 of Schedule 19 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.

Particulars	Clause of Listing Agreement	Compliance Status Yes/ No	Remarks
I. Board of Directors	49 (I)		
(a) Composition of Board	49 (I A)	Yes	Complied
(b) Non-Executive Directors compensation & disclosures	49 (I B)	Yes	Complied
(c) Other provisions as to Board and Committees	49 (I C)	Yes	Complied
(d) Code of Conduct	49 (I D)	Yes	Complied
II. Audit Committee	49 (II)		
(a) Qualified & Independent Audit Committee	49 (II A)	Yes	Complied
(b) Meeting of Audit Committee	49 (II B)	Yes	Complied
(c) Powers of Audit Committee	49 (II C)	Yes	Complied
(d) Role of Audit Committee	49 (II D)	Yes	Complied
(e) Review of Information by Audit Committee	49 (II E)	Yes	Complied
III. Subsidiary Companies	49 (III)	Yes	Complied
IV. Disclosures	49 (IV)		
(a) Basis of related party transactions	49 (IV A)	N. A.	N. A.
(b) Disclosure of Accounting Treatment	49 (IV B)	Yes	Complied
(c) Board Disclosures	49 (IV C)	Yes	Complied
(d) Proceeds from Public Issues, Right Issues, Preferential Issues, etc.	49 (IV D)	Yes	Complied
(e) Remuneration of Directors	49 (IV E)	N. A	N. A.
(f) Management	49 (IV F)	Yes	Complied
(g) Shareholders	49 (IV G)	Yes	Complied
V. CEO / CFO Certification	49 (V)	Yes	Complied
VI. Report on Corporate Governance	49 (VI)	Yes	Complied
VII.Compliance	49 (VII)	Yes	Complied

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

9. MEANS OF COMMUNICATION

The financial results of the Company are released in Financial Express/ Business Standard in English and Jansatta / Veer Arjun in Hindi.

The Company's Financial Results, Shareholding Pattern and official news releases are displayed on the Company's website **www.houseofpearl.com**.

10.GENERAL SHAREHOLDER INFORMATION

(i) Annual General Meeting

18th Annual General Meeting is scheduled as under:-

Day : Monday   Date : 27th August 2007   Time : 2:30 P.M.   Venue : Air Force Auditorium, Subroto Park, New Delhi-10

(ii) Financial Calender, 2007-08

First Quarter Results	:	Last week of July 2007
Second Quarter & Half Yearly Results	:	Last week of October 2007
Third Quarter Results	:	Last week of January 2008
Fourth Quarter & Annual Results	:	Last week of June 2008

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

(iv) Date of Book Closure : 20th August 2007 to 27th August 2007 (both days inclusive)

(v) Dividend Payment Date : No dividend has been declared by the Company

(vi) 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 2007-2008 has been paid to the Stock Exchanges within stipulated time.

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

(vii) Market Price Data: High, Low during each month in financial year 2006-07:

MONTH(S)	BOMBAY STOCK EXCHANGE Company Code: 532808		NATIONAL STOCK EXCHANGE Company Code: HOPFL	
	HIGH	LOW	HIGH	LOW
April 2006	N.A.	N.A.	N.A.	N.A.
May 2006	N.A.	N.A.	N.A.	N.A.
June 2006	N.A.	N.A.	N.A.	N.A.
July 2006	N.A.	N.A.	N.A.	N.A.
August 2006	N.A.	N.A.	N.A.	N.A.
September 2006	N.A.	N.A.	N.A.	N.A.
October 2006	N.A.	N.A.	N.A.	N.A.
November 2006	N.A.	N.A.	N.A.	N.A.
December 2006	N.A.	N.A.	N.A.	N.A.
January 2007	N.A.	N.A.	N.A.	N.A.
February 2007	580.25	375.00	550.00	338.20
March 2007	407.90	319.10	408.85	319.00

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

Stock Exchange(s)	Sensex / Nifty and Share Price as on		% increase / (decrease)
	31st March 2006	31st March 2007	
NSE Nifty	3402.55	3821.55	12.31
NSE	N.A.	336.90	N.A.
BSE Sensex	11279.96	13072.10	15.88
BSE	N.A.	336.85	N.A.

The share price of your Company is directly proportionate to the movement of NSE Nifty and BSE Sensex.

(ix) Registrar and Share Transfer Agent

Intime Spectrum Registry Limited
A-31, 3rd Floor, Naraina Industrial Area,
Phase-I, New Delhi - 110 028.
Tel. No. : 011 - 41410592 - 94
Fax No. : 011 - 41410591
E-mail : delhi@intimespectrum.com

(x) 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 Sharehiolders' Greivances and Transfer Committee. Share transfer process is reviewed by the Board.

(xi) Distribution Schedule

(a) **Distribution of Equity Shareholding of the Company as on 31st March 2007**

Number of Equity Shares # held	Shareholders		Equity shares held	
	Numbers	% to total	Numbers	% to total
Upto 2500	33697	98.454	1,794,694	9.411
2501 - 5000	290	0.847	103,799	0.544
5001 - 10000	100	0.292	76,860	0.403
10001 - 20000	45	0.131	66,740	0.350
20001 - 30000	20	0.058	50,767	0.266
30001 - 40000	10	0.029	36,789	0.193
40001 - 50000	15	0.044	71,742	0.376
50001 - 100000	11	0.032	89,495	0.469
100001 and above	38	0.111	16,779,551	87.987
Total	**34226**	**100%**	**19,070,437***	**100%**

* Excludes 4,29,906 equity shares allotted to J M Morgan Stanley Pvt. Ltd. on 21.03.2007 under Green Shoe option as per Company's Prospectus dated 29th January 2007; for transfer to Green Shoe Lender, Mr. Pulkit Seth. These shares are not reflected in the above schedule as the Corporate Action for these shares was pending as on 31st March 2007. Total Equity Capital of the Company is 1,95,00,343 as a result of allotment of 4,29,906 equity shares to JM Morgan Stanley Pvt. Ltd. for transfer to Mr Pulkit Seth, Green Shoe Lender.

(b) Categories of Shareholders as on 31st March 2007

	No. of Folio's	% to total Folios	No. of Shares held	% to total Shares
PROMOTERS				
NRI	3	0.008	11,470,287	60.1469
Indian	4	0.012	844,644	4.4291
TOTAL (A)	7	0.020	12,314,931	64.5760
NON PROMOTERS				
Institutional Investors (Mutual Funds/UTI /Banks/FI's etc.)	19	0.055	1,870,587	9.8088
FII's	11	0.032	2,120,209	11.1178
NRI's / OCB's	116	0.339	333,807	1.7504
Other Bodies Corporate	417	1.218	395,826	2.0757
Others (Clearing Members)	80	0.234	18,157	0.0952
Others (Individual)	32135	93.891	1,873,100	9.8220
Others (HUF)	1440	4.208	143,660	0.7533
Others (Trusts)	1	0.003	160	0.0008
TOTAL (B)	34219	100.000	6,755,506	35.4240
TOTAL { (A) + (B) } = (C)	**34226**	**100%**	**19,070,437***	**100%**

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

* Excludes 4,29,906 equity shares allotted to J M Morgan Stanley Pvt. Ltd. on 21.03.2007 under Green Shoe option as per Company's Prospectus dated 29th January 2007; for transfer to Green Shoe Lender, Mr. Pulkit Seth. These shares are not reflected in the above schedule as the Corporate Action for these shares was pending as on 31st March 2007. Total Equity Shares of the Company is 1,95,00,343 as a result of allotment of 4,29,906 equity shares to JM Morgan Stanley Pvt. Ltd. for transfer to Mr Pulkit Seth, Green Shoe Lender.

(xii) 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 2007, 18,729,741 equity shares of the Company forming 98.213 % of the Share Capital of the Company stand dematerialized.

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

The Company had not issued any GDRs/ADRs/Warrants etc.

(xiv) Plant locations:

The Company through its Subsidiary Companies has plants at various locations in India, Bangladesh and Indonesia:

i) 446, Udyog Vihar, Phase-V, Gurgaon - 122 016 (Haryana)
ii) 870, Udyog Vihar, Phase-V, Gurgaon - 122 016 (Haryana)
iii) 138, Udyog Vihar, Phase- I, Gurgaon - 122 016 (Haryana)
iv) 222, Udyog Vihar, Phase- I, Gurgaon - 122 016 (Haryana)
v) 751, Pace City II, Sector 37, Khandsa, Gurgaon - 122 004 (Haryana)
vi) 16-17, Udyog Vihar, Phase VI, Khandsa, Gurgaon - 122 004 (Haryana)
vii) D-6/II, Phase II, Zone B, MEPZ-SEZ, Tambaram, Chennai - 600 045 (Tamil Nadu)
viii) Nor-Pearl Knitwear Ltd., Plot # 61-72+85, Comila EPZ, Comilla, Bangladesh.
ix) Norp Knit Industries Ltd., North Khilkar, P.O. National University, Gazipur, Bangladesh.
x) P.T. Norwest Industry, Tanjung Emas Export, Processing Zone, Blok A-15-15a, JL Coaster No. 8, Semarang, 50174, Indonesia.

(xv) 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. Jyant Sood
General Manager & Company Secretary.
House of Pearl Fashions Limited
446, Phase V, Udyog Vihar
Gurgaon - 122 016, Haryana (India)
Tel. No. : 91 - 124 - 3010000
Fax No. : 91 - 124 - 3010511
E mail : jayants@pearlglobal.com

Non-Mandatory Requirements

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

1. (a) Maintenance of Non-Executive Chairman's Office
   Presently, the Company is not maintaining office of the Non-Executive Chairman.
   (b) Independent Directors may have tenure, not exceeding, in the aggregate, a period of nine years, on the Board of the Company.
   As on date, there are no Independent Directors having a term of office exceeding nine years.
2. Remuneration Committee.
   Already constituted. Details given in the preceding paragraphs.
3. Half-yearly financial performance and summary of significant events to be sent to each household of shareholders.
   The Company came out with its IPO during the last quarter of the financial year 2006-2007 and its shares are listed on the Stock Exchanges w.e.f. 15.02.2007. Before Listing, information on financial results including any significant events, if any, were not published in any News papers. After Listing, the Company's Financial Results, Shareholding Pattern and official news releases are displayed on the Company's website www.houseofpearl.com and released in one English language Newspaper and one Hindi language Newspaper.
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 : investors@cdslindia.com
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 : info@nsdl.co.in
Website : www.cdslindia.com

Nomination Facility

Shareholders holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to submit to the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

The House of Pearl conducts its business through various subsidiaries in India as well as overseas. This fiscal, the company integrated its international operations with the Indian arm in a phased manner,as a result, the previous year figures may not be comparable. This discussion, covers the financial results and other developments in respect of House of Pearl Fashions consolidated together with its subsidiaries Pearl Global Limited, Poeticgem Limited, Poeticgem (Canada) Limited, Pacific Logistics Limited, Norwest Industries Limited, Depa International Inc., PT Norwest Industry, Nor-Pearl Knitwear Ltd., Norp Knit Industries Ltd., House of Pearl Fashions (US) Limited, Global Textiles Group Ltd., Multinational Textile Group Ltd. The consolidated entity has been referred to as "The Company" or "Group" in this discussion.

Some statement in this discussion describing projections, estimates, expectations or outlook may be forward looking. Actual results may, however, differ materially from those stated on account of various factors such as changes in government regulations, tax regimes, economic developments within India and the countries within which the Group conducts its business, exchange rate and interest rate movements, impact of competing products and their pricing, product demand and supply constraints.

INDUSTRY STRUCTURE & DEVELOPMENT

Removal of Quotas

Under World Trade Organization (WTO) agreements, quota restrictions and tariff barriers, including those for Indian textile companies, were removed in January 2005. China, India, Hong Kong, Bangladesh and Indonesia have emerged as among the key countries in the Asia-Pacific region exporting to the United States and the European Union.

Global Apparel Sector

The apparel manufacturing industry has on a global scale, shifted its base several times over the last 50 years and has been concentrated in those countries which offer the most competitive labour costs. Beginning in the 1950s, the manufacture of apparel began shifting away from the western countries to eastern countries with lower labour costs, such as Korea and Taiwan. In the 1980s and 1990s, production began to shift to other countries in South-East Asia. In 2004, 55% of the U.S. textile imports and 17% of the EU textile imports came from Asia.

The American Textile Manufacturing Institute estimates that more than US$40 billion in customer orders will be outsourced to lower-cost countries. China is considered as one of the biggest beneficiaries of the outsourcing trend.

Indian Apparel Exports Industry

India is the world's second-largest textiles and apparel producer after China. The textile, apparels and made-ups sector is one of the most important sectors in the Indian economy. Textile exports accounted for 16% of India's exports in 2005-06. 4% of India's GDP and 14% of India's industrial production. It provides direct employment to about 35 million workers. It is the second largest provider of employment after agriculture.

Huge Investment had been made by the Industry during the last three years. Last three years itself, over Rs 15000 crores were invested in expanding, modernization and upgrading textile units. During the current fiscal year investments to the tune of Rs 35000/- crores is expected to be invested. (Source: Textile Times, April 2007, Article Mr. J N Singh, Textile Commissioner)

COMPANY PERFORMANCE

On proforma basis Company's consolidated revenue grew up by 33.29% to Rs.1030.90 crores. The Company's operating profit on consolidated proforma basis grew by 81.73% to Rs.104.50 crores. The consolidated net profit is up by 125.89% to Rs.56.70 crores. The key drivers for the growth are:-

i) **Acquisition of new customers:-**
The Company has added 29 new customers in this fiscal.

ii) **Capacity Expansions:-**
The Company embarked upon major capacity expansion plan and nearly doubled its in-house production capacity from 10 million Pcs p.a. to 20 million Pcs p.a.

iii) **Leverage design strength:-**
The Company leveraged its major strengths in product design and huge worldwide infrastructure in design and development. This has resulted in better operating margin.

iv) **Driving Economies of Scale:-**
The Company has integrated its international operations with the Indian arm brought in synergies together. We strongly feel that integration will help us in achieving cost efficiency in various functions and will give us major bargaining power with our large vendors.

OPPORTUNITIES

The dismantling of quotas in January 2005 and the ongoing liberalization of global trade is expected to gradually lead to lowering of margins on one hand and opening avenues for new markets and customers on the other. The mantra of success in above lines, lies on how one is able to bring down costs and increase productivity and resultant turnover.

We feel the Company is uniquely positioned with a strong presence in the entire Asia Pacific for providing total solutions to its valued clients in US and Europe. The Company offers total supply chain solutions from design and development, sourcing of garments, manufacturing of garments, pre-retailing services till distribution at the door steps of our customers. The business model helps us in leveraging strengths of each country be it in terms of the product or be it in terms of any other economic benefit that are available to various countries in Asia Pacific.

The opportunity in domestic branding and retailing is tremendous. In India organized sector accounts for only 5% of the total domestic readymade garment industry. The retailing growth is expected to zoom after the recent changes in the policies of the Government of India. The rising disposable Income of the strong Indian Middle class, the changing profile of Indian population and the changing aspirational levels towards fashions and life style are like to trigger consumption of readymade garments.

RISKS & CONCERNS

Foreign Currency Risk

The Company's revenue are largely dominated in foreign currencies predominantly in US$, GBP, Euro and HK$. This exposes the Company to the risk of loss due to fluctuation in any of these currencies. To mitigate the risk the Company follows a proactive hedging policy. Of late Indian Rupee has seen sharp appreciation of more than 9% as a result there could be adverse impact on the Indian operation, which is about 20% of the consolidated business.

Shortage of Skilled Labour force.

There is always scarcity of skilled labour force, although unskilled labour is always available in plenty, but the readymade garment industry require skilled labour. Availability of labour force play an important role in modernization and expansion programs of the Company.

Increase in Minimum Wage

The garment industry is highly labour intensive. Any increase in minimum wages can diversely affect the operations of the Company in the manufacturing side of the business. The manufacturing business contributes approximately 30% of the consolidated business.

Infrastructure Bottlenecks

Power costs in India have been increasing steadily for industrial undertakings, port congestion has been on the rise and vehicles per kilometer of road have also increased causing congestion.

However, poor road and shipping infrastructure also contributed to lengthening turn around times. Currently the average lead time for exports to the USA is 6-12 weeks for Indian products compared with 2-3 weeks for Chinese products.

Dependence on external suppliers for fabric, which constitutes the largest component of our material costs

We are dependent on external suppliers for many of our inputs, specially fabric which constitutes the largest component of our raw material cost.

Fabric procurement constitutes a significant part of our total lead time.

Any delays or non conformance to quality requirements by our suppliers can impact our ability to meet our customer's requirements and thus impact our business continuity in the long term.

Further, non availability of required raw material, textile or any other item of production in appropriate quantity and right quality at the right time may lead to cancellation of orders from buyers.

OUTLOOK

We will continue to follow our existing business strategy as it is yielding good results.

New Customer/New Territories:-

At present Company has a relationship with more than 89 customers across the global and also enjoys strategic partnership with some top retailers of the world. We will continue to add more customers and reduce our reliance on a few customers. We will also explore opportunities in other low cost destinations to create a value proposition for our customers.

Selective Acquisition:-

We would like to pursue a selective acquisition for moving up the value chain by acquiring either a brand or existing retail chain overseas.

Drive efficiencies:-

The Company has production manufacturing facilities in various countries, we would like to embark upon an internal bench-marking for driving up productivity and bringing in cost efficiencies.

Enterprise Resource Planning:-

The Company has signed up with SAP for integrating all its process worldwide and will bring them on a single platform. This will further strengthen our management information systems.

Retailing foray in India:-

The Company is also looking at entering retailing in India to capture burgeoning demand. At the moment we are evaluating various entry options.

INTERNAL .CONTROL SYSTEM

The Company has adequate systems of internal controls to ensure that transactions are properly recorded, authorized and reported apart from safeguarding its assets. The internal control system is supplemented by well documented policies, guidelines and procedures and review carried out by the Company's internal audit function, which submits reports periodically to the Management and the Audit Committee of the Board.

Further, the Company has independent Internal Audit Department, which carries out extensive audit round the year covering each and every aspect of business activities so as to ensure accuracy, reliability and consistency of records, systems and procedures. The recommendations and observations of the Internal Audit Department are reviewed regularly by the Audit Committee constituted by the Board of Directors.

HUMAN RESOURCE MANAGEMENT

Human resources management is a key area for the Company and there has been a constant endeavor to attract and retain the best talent. The Company invests in the training and development needs of its employees through tailor made programs and extensive workshops.

The ability to recruit, train and retain quality employees & workers is vital for our business growth especially in light of the paucity of talented professionals in the market.

Your Company firmly believes that a dedicated workforce constitute the primary source of sustainable competitive advantage. Accordingly, human resource development continue to receive focused attention. Your Directors wish to place on record their appreciation for the dedicated and commendable services rendered by the staff and workforce of the Company.

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

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 2007, as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchange.

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

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

We state in respect of the investor grievances received during the year ended 31st March 2007, that two hundred eighty complaints were received and all the two hundred eighty were resolved as per records maintained by the company and presented to the Shareholders Grievance Committee of the Company.

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

Sd/-
(Sandeep Dinodia)
Partner
M. No. 083689

Place : New Delhi
Dated : 9th July 2007

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

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

a. We have reviewed the financial statements and cash flow statement for the year ended 31st March 2007 and to the best of our knowledge and belief:
   i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
   ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b. We also certify that to the best of our knowledge and belief, there are no transactions entered into by House of Pearl Fashions Ltd., during the year, which are fraudulent, illegal or violative of the Company's Code of Conduct.

c. We are responsible for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

d. We have indicated to the auditors and the Audit Committee:
   i. Significant Changes, if any, in Internal controls during the year.
   ii. Significant changes, if any, in accounting policies during the year and that the same have been disclosed in the Notes to the financial statements; and
   iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

e. We affirm that we have not denied any personnel, access to the Audit Committee of the Company (in respect of matters involving misconduct, if any)

f. We further declare that all Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct for the current year.

	Sd/-	Sd/-
Place : Gurgaon.	**(Pulkit Seth)**	**(Rishi Vig)**
Date : 31st July, 2007	Managing Director	Chief Finance Officer

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

We have examined the attached Consolidated Balance Sheet of House of Pearl Fashions Limited and its subsidiaries, as at March 31st 2007, 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 (net) of Rs.2,373,044,993 as at March 31st, 2007 and total revenues of Rs. 7,884,021,007 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 requirement of Accounting Standard (AS) 21-Consolidated Financial Statements, Issued by the Institute of Chartered Accountants of India and on the basis of separate audited statements of House of Pearl Fashions Limited and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of House of Pearl Fashions Limited and its subsidiaries, we are of the opinion that the said consolidated financial statements give true and fair view in conformity with the accounting principles generally accepted in India:

(a) In case of the Consolidated Balance Sheet, of the consolidated state of affairs House of Pearl Fashions Limited and its subsidiary as at March 31st 2007;

(b) 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

(c) 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,

Sd/-
(Pradeep Dinodia)
Partner
M. No : 080617
Place : New Delhi
Dated: 22nd June, 2007

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

PARTICULARS	SCHEDULE	(Amount in Rs.) AS AT 31ST MARCH 2007		(Amount in Rs.) AS AT 31ST MARCH 2006	
SOURCES OF FUNDS					
Shareholder's Funds					
Share Capital	1	195,003,430		46,566,790	
Reserves & Surplus	2	3,712,293,018	3,907,296,448	657,430,216	703,997,006
Minority Interest			380,168,907		322,032,946
Loan Funds					
Secured Loans	3		1,605,077,489		834,619,626
Unsecured Loans	4		118,704,037		488,704,290
Deferred Tax Liability (Net)			30,787,631		-
(Refer Note No. 14 of Schedule 18)					
			6,042,034,512		2,349,353,868
APPLICATION OF FUNDS					
Fixed Assets	5				
Gross Block		2,398,002,596		1,513,551,681	
Less: Depreciation		444,305,138		318,613,484	
Net Block		1,953,697,458		1,194,938,197	
Capital Work in Progress		52,302,420	2,005,999,878	242,828,481	1,437,766,678
Investments	6		1,681,025,493		9,852,340
Deferred Tax Asset (Net)			-		920,773
Current Assets, Loans & Advances					
Inventories	7	1,041,926,919		764,111,760	
Sundry Debtors	8	1,358,605,130		877,950,547	
Cash & Bank Balances	9	740,455,197		168,329,271	
Other Current Assets	10	2,636,120		771,451	
Loans & Advances	11	712,387,870		128,152,886	
		3,856,011,236		1,939,315,915	
Less :Current Liabilities & Provisions					
Current Liabilities	12	1,383,313,948		990,702,187	
Provisions	13	117,688,147		64,914,590	
		1,501,002,095		1,055,616,777	
Net Current Assets			2,355,009,141		883,699,138
Miscellaneous Expenditure					
(To the extent not written off or adjusted)			-		17,114,939
			6,042,034,512		2,349,353,868
Significant Accounting Policies	17				
Notes to Account	18				

As per our report of even date attached.

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

Sd/-
(Pradeep Dinodia)
Partner
M. No. 080617

Place : New Delhi
Date : 22nd June, 2007

On behalf of the Board of Directors

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Rishi Vig)
Chief Finance Officer

Sd/-
(Jyant Sood)
General Manager & Company Secretary

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

PARTICULARS	SCHEDULE	(Amount in Rs.) CURRENT YEAR		(Amount in Rs.) PREVIOUS YEAR	
INCOME					
Turnover					
Sales		9,154,004,010		1,592,517,517	
Export Incentives		83,091,336		62,680,734	
			9,237,095,346		1,655,198,251
Job Work Receipts			2,360,140		4,308,480
Other Income	14		285,330,822		36,606,005
			9,524,786,308		1,696,112,736
EXPENDITURE					
Purchase of Trading Goods			4,990,419,873		98,860,808
Manufacturing, Administrative,Selling & Other Expenses	15		3,540,537,732		1,413,187,196
Finance Cost	16		139,669,662		26,250,199
Depreciation			117,662,722		27,690,160
			8,788,289,989		1,565,988,363
PROFIT					
Profit before Taxation and Adjustments			736,496,318		130,124,373
Provision for - Current Tax			(185,316,958)		(11,016,000)
Provision for - Wealth Tax			(225,000)		(191,000)
Provision for - Deferred Tax			(29,996,607)		(49,796,203)
Provision for - Fringe Benefit Tax			(3,386,247)		(2,494,598)
Tax Adjustments for Earlier Years			8,773,881		(10,500,000)
Provision For Doubtful Debts			145,230		(145,230)
Profit Before Minorities Interest			526,490,617		55,981,342
Minorities Share in Profits			(48,777,340)		(7,218,916)
Transferred To Capital Reserve on Consolidation			(482,359)		-
Profit/(Loss) of subsidiaries disposed off			-		90,730
Profit Brought Forward			111,159,347		79,994,747
Amount Available For Appropriation			588,390,265		128,847,903
Appropriations:					
Dividend Paid for the year 2005-06			5,929,311		-
Proposed Dividend-Equity Shares			6,490,784		9,378,071
Tax on Dividend			3,623,862		3,329,301
Transfer to General Reserve			4,513,739		4,981,184
Utilisation against Bonus shares issued			33,518,468		-
Adjustment for earlier years			(548,504)		-
Balance carried to Balance Sheet			534,862,605		111,159,347
			588,390,265		128,847,903
Earning per share (Rs.)					
Basic/Diluted Earning Per Share			32.23		4.10
(Refer note 12 of schedule-18)					
Significant Accounting Policies	17				
Notes to Account	18				

As per our report of even date attached.

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

Sd/-
(Pradeep Dinodia)
Partner
M. No. 080617

Place : New Delhi
Date : 22nd June, 2007

On behalf of the Board of Directors

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Rishi Vig)
Chief Finance Officer

Sd/-
(Jyant Sood)
General Manager & Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

		(Amount in Rs.) YEAR ENDED 31ST MARCH 2007	(Amount in Rs.) YEAR ENDED 31ST MARCH 2006
A.	**Net Profit Before Tax and Extraordinary Items**	736,496,318	130,124,373
	Adjustments :		
	Depreciation	117,662,722	27,690,160
	Sundry Balance Written Off	987,660	993,386
	Sundry Balance Written Back	(5,849,639)	-
	Bad Debts Written Off	145,230	-
	Loss/ (Profit) on sale of Investment	2,875,000	(2,499,893)
	Misc Exp Written Off	17,633,574	183,050
	Loss/ (Profit) on sale of Assets	(12,422,627)	(1,721,438)
	Dead Stock Written Off	-	212,726
	Finance Cost	139,669,662	26,250,199
	Non operating Incomes	(28,549,323)	(6,022,787)
	Operating Profit /(loss) before working capital changes	968,648,577	175,209,776
	Adjustment for :		
	Trade and Other Receivables	(338,941,067)	14,738,877
	Inventories	(239,996,903)	(5,659,457)
	Trade Payables	(157,627,847)	(51,490,430)
	Cash Generated from operations	232,082,760	132,798,766
	Direct Taxes (Paid)/ Refunds	(116,550,967)	(14,033,444)
	Net Cash Generated / (used) in operating Activities	115,531,793	118,765,323
B.	**Cash Flow from Investing Activities**		
	Purchase of Fixed Assets	(702,181,633)	(329,953,494)
	Sale of Fixed Assets	57,225,675	25,054,392
	Investment made during the year	(1,676,437,153)	(3,389,000)
	Investment made In Subsidiaries	(241,609,731)	(427,515,097)
	Outstanding Purchase consideration for investments acquired	-	162,104,103
	Sale Of Investment	2,389,000	4,026,178
	Increase In Deposits	173,544,320	-
	Interest Income	9,292,202	1,404,915
	Dividend Received	15,407,669	125,897
	Rent Received	3,849,452	4,491,975
	Cash from investing activities	(2,358,520,199)	(563,650,131)
C.	**Cash Flow from Financing Activities**		
	Proceeds from Issue of Share Capital	2,787,618,730	-
	Consideration for acquisition	-	3,022,360
	Interest Expense	(139,669,662)	(26,250,199)
	Dividend Tax Paid	(4,160,891)	-
	Dividend Paid	(14,335,556)	(316,526)
	Loan Taken/(Repayment) Net	185,661,710	228,677,979
	Share Application Money Received	-	317,248,200
	Share Application Money Repaid	-	(1,000)
	Net cash used in financing activities	2,815,114,331	522,380,814
	Net Increase/(Decrease) in Cash/Cash equivalents(A+B+C)	572,125,926	77,496,006
	Foreign Exchange Fluctuation	-	-
	Cash / Cash equivalents at the beginning of the year	168,329,271	90,833,265
	Cash / Cash equivalents at the close of the year	740,455,197	168,329,271
	Components of Cash and Cash equivalents		
	Cash in hand	148,231,556	3,644,595.00
	Cheques/Demand Drafts in hand	1,306,557	19,673,655.68
	Balance with Banks		
	i) In Current Accounts	41,285,467	54,608,669
	ii) In Fixed Deposits *	196,993,185	63,411,157
	iii) In Margin Account	52,578,588	26,958,598
	iv) Exchange retention Quota with United Comm Bank	59,844	32,596.08
	v) Fixed Deposit (Unutilised money of IPO Proceeds)	300,000,000	-
	Cash / Cash equivalents at the close of the year	740,455,197	168,329,271

As per our report of even date attached.

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

Sd/-
(Pradeep Dinodia)
Partner
M. No. 080617

Place : New Delhi
Date : 22nd June, 2007

On behalf of the Board of Directors

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Rishi Vig)
Chief Finance Officer

Sd/-
(Jyant Sood)
General Manager & Company Secretary

(Amount in Rupees)

	AS AT 31ST MARCH, 2007	AS AT 31ST MARCH, 2006
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 Shares of Rs. 10/- each	**100,000**	100,000
	250,000,000	250,000,000
ISSUED, SUBSCRIBED & PAID UP		
19,500,343 (Previous Year 46,56,679) Equity Shares of Rs.10/- each Fully Paid Up *	**195,003,430**	46,566,790
	195,003,430	46,566,790
Notes:		
* Out of which 9,329,338 (Previous Year 15,980) equity shares were alloted 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
Amalgamation Reserve	**3,715,106**	3,714,906
Share Premium	**2,714,855,707**	1,609,577
General Reserve	**19,887,741**	76,510,086
Revaluation Reserve	**23,772,230**	23,772,230
Capital Reserve on Consolidation	**440,202,983**	438,433,438
(Refer Note 6 of Schedule18)		
Hedging Reserve	**(18,601,963)**	-
Transfer from minority to group on change in shareholding	**(835,438)**	-
Foreign Exchange translation reserve	**(7,799,290)**	(2,705)
Profit & Loss Account	**534,862,605**	111,159,347
	3,712,293,018	657,430,216
SCHEDULE-3		
SECURED LOANS		
FROM BANKS		
a) Term Loan		
- Loan in local currency	**412,053,192**	301,097,575
- Foreign currency Loan	**78,894,000**	80,766,000
b) Working Capital Loan		
- Loan in local currency	**993,739,345**	295,276,379
- Foreign currency Loan	**120,390,952**	154,423,782
FROM OTHERS	-	3,055,890
	1,605,077,489	834,619,626
(Refer note 3 of the schedule 18)		
SCHEDULE-4		
UNSECURED LOANS		
Loan from Minority Share holders	-	8,366,250
Loan from related parties	-	372,515,209
Loan from others	**118,704,037**	107,822,831
	118,704,037	488,704,290

SCHEDULE-5

FIXED ASSETS

(Amount in Rupees)

PARTICULARS	GROSS BLOCK					DEPRECIATION / AMORTISATION					NET BLOCK AS ON	
	AS ON 01.04.2006	ADDITIONS	DEDUCTIONS	Diff. in Foreign Exchange	TOTAL 31.03.2007	AS ON 01.04.2006	ADDITIONS	DEDUCTIONS/ ADJUSTMENTS	Diff. in Foreign Exchange	UPTO 31.03.2007	31.03.2007	31.03.2006
Intangible Assets (Goodwill)	203,207,414	18,486,130	-	-	221,693,544	-	-	-		-	221,693,544	203,207,414
Land Freehold	140,595,506	24,559,000	22,054,573	-	143,099,933	-	-	-	-	-	143,099,933	140,595,506
Land Leasehold	4,862,027	11,780,000	-	-	16,642,027	-	694,697	-	-	694,697	15,947,330	4,862,027
Builiding	432,019,096	479,107,317	9,414,793	18,569,778	920,281,398	65,969,540	30,705,764	5,158,821	(628,659)	90,887,824	829,393,574	366,049,556
Plant & Machinery	508,977,731	279,333,009	9,202,446	1,627,492	780,735,786	141,616,056	59,003,753	4,421,620	(163,440)	196,034,749	584,701,037	367,361,675
Vehicles	61,810,975	17,895,533	8,011,871	699,522	72,394,159	28,637,198	12,318,216	5,426,828	42,951	35,571,536	36,822,623	33,173,777
Furniture & Fixtures	159,839,692	89,028,409	12,269,296	4,317,704	240,916,509	82,390,690	39,807,884	1,142,662	60,420	121,116,332	119,800,177	77,449,002
Assets held for Disposal - Land and Building	2,239,240	-	-	-	2,239,240	-	-	-	-	-	2,239,240	2,239,240
Total	**1,513,551,681**	**920,189,398**	**60,952,979**	**25,214,496**	**2,398,002,596**	**318,613,484**	**142,530,314**	**16,149,931**	**(688,728)**	**444,305,138**	**1,953,697,458**	**1,194,938,197**
Capital Work-in-progress	242,828,481	72,765,954	247,993,446	(15,298,569)	52,302,420	-	-	-	-	-	52,302,420	242,828,481
Grand Total	**1,756,380,162**	**992,955,352**	**308,946,425**	**9,915,927**	**2,450,305,016**	**318,613,484**	**142,530,314**	**16,149,931**	**(688,728)**	**444,305,138**	**2,005,999,878**	**1,437,766,678**
Previous Year	**702,077,642**	**1,091,033,953**	**33,587,286**	**(3,144,148)**	**1,756,380,162**	**187,007,573**	**134,703,687**	**3,361,713**	**263,937**	**318,613,484**	**1,437,766,678**	**515,070,069**

1. Capital WIP includes Capital Advance Rs. 17,098,615.20 (Previous year Rs. 20,822,381) 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. 6,523,692 (Previous year : 22,510,838).
3. In the last year, the company had intiated 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.

(Amount in Rupees)

	AS AT 31ST MARCH, 2007	AS AT 31ST MARCH, 2006
SCHEDULE-6		
INVESTMENTS		
Long Term - At cost		
Investment in Government Securities		
Kisan Vikas Patra	**2,500**	2,500
National Saving Certificate	**4,000**	4,000
(Pledged With Sales Tax Authorities)		
Investment in Equity Shares- Quoted (Trade)		
(Refer Note No. 1 below)		
Pearl Engineering Polymers Limited		
500,000 Equity Shares (Previous Year 500,000) of Rs 10/- each fully paid up	-	5,000,000
GIVO Ltd		
49,800 Equity Shares (Previous year 49,800) of Rs. 10/- each fully paid up	**498,000**	498,000
Investment in Equity Shares- Quoted (Non Trade)		
(Refer Note No. 1 below)		
Bhagheeratha Engineering Ltd		
5,000 Equity Shares (Previous year 5,000) of Rs. 10/- each fully paid up.	**35,000**	35,000
PNB Gilts Ltd		
18,398 Equity Shares (Previous year 18,398) of Rs. 10/- each fully paid up.	**551,940**	551,940
Punjab National Bank		
3,000 Equity Shares (Previous year 3000) of Rs. 10/- each fully paid up.	**93,000**	93,000
UCO Bank		
3,900 Equity Shares (Previous year 3,900) of Rs. 10/- each fully paid up.	**46,800**	46,800
Chennai Petroleum Ltd		
1,000 Equity Shares (Previous year 1000) of Rs. 10/- each fully paid up.	**70,000**	70,000
ICICI Bank Ltd.		
1,000 Equity Shares (Previous year 1,000) of Rs. 10/- each fully paid up.	**525,000**	525,000
Gem Spinners		
10,800 Equity Shares (Previous year 10,800) of Rs. 10/- each fully paid up.	**162,000**	162,000
Unquoted (Trade)		
(Refer Note No. 2 below)		
Vau Apparels Pvt. Ltd		
10 Equity Shares (Previous year 10) of Rs. 10/- each fully paid up.	**100**	100
Unquoted (Non Trade)		
(Refer Note No. 2 below)		
4,000 Shares (Previous year 4,000 shares) of PAF International Limited at Tk 100 each	**260,000**	264,000
Investment in Mutual Funds Unquoted (Non-Trade)		
(Refer Note No. 2 below)		
SBI Mutual Fund		
1,00,000 Units (Previous Year 1,00,000 Units) of Rs. 10/- each	**1,000,000**	1,000,000
Principal Infrastructure & Service Ind. Fund		
98,899.756 Units (Previous Year 48,899.756) of Rs. 10/- each .	**1,000,000**	500,000
Principal Junior Cap Fund		
48,899.756 Units (Previous Year 48,899.756) of Rs. 10/- each.	**500,000**	500,000
Principal Large Cap Fund		
50,000 Units (Previous Year 50000) of Rs. 10/- each.	**500,000**	500,000
Reliance Mutual Funds		
10,000 Units (Previous year 10,000) of Rs. 10/- each.	**100,000**	100,000
Tata Equity Management Fund		
50,000 Units (Previous Year Nil) of Rs. 10/-each.	**500,000**	-
Birla Fixed Term Plan QS-9		
10,000,000 (Previous Year NIL) units of Rs. 10 each	**100,000,000**	-
Birla Fixed Term Plan QS-7		
20,000,000 (Previous Year Nil) units of Rs. 10 each	**200,000,000**	-
DWS Fixed Term Fund Series-27		
5,000,000 (Previous Year Nil) units of Rs. 10 each	**50,000,000**	-
DSP Fixed Term Series-II		
100,505.690 (Previous Year Nil) units of Rs. 1000 each	**100,506,371**	-
HSBC Fixed Term Series - 26		

5,000,000 (Previous Year Nil) units of Rs. 10 each	**50,000,000**	
Reliance Fixed Horizon Fund Series - III		
30,000,000 (Previous Year Nil) units of Rs. 10 each.	**300,000,000**	-
Reliance Fixed Horizon Fund Series - V		
10,000,000 (Previous Year Nil) units of Rs. 10 each	**100,000,000**	-
Standard Chartered Fixed Maturity Plan QS-7		
10,057,800 (Previous Year Nil) units of Rs. 10 each	**100,578,000**	-
Standard Chartered Fixed Maturity Plan QS-5		
23,194,810 (Previous Year Nil) units of Rs. 10 each	**231,948,100**	-
UTI Fixed maturity Plan QS QFMP/0307/I		
5,022,868.35 (Previous Year Nil) units of Rs. 10 each	**50,228,684**	-
UTI Fixed maturity Plan QS QFMP/0207/II		
10,059,866.100 (Previous Year Nil) units of Rs. 10 each	**100,598,661**	-
HDFC Fixed Term 90 days March 2007		
5,000,000 (Previous Year Nil) units of Rs. 10 each	**50,000,000**	-
LIC Fixed Maturity Plan Series-13		
10,012,414.240 (Previous Year Nil) units of Rs. 10 each	**100,124,142**	-
Reliance Interval Fund		
10,000,000 (Previous Year Nil) units of Rs. 10 each	**100,000,000**	-
Prudential ICICI Liquid Plan		
3,006,017.523 (Previous Year Nil) Units of Rs. 10 each	**30,060,175**	-
Investments in Unit Trusts 26,000 units @ USD 10 each	**11,133,020**	-
	1,681,025,493	9,852,340

Note

No. 1: Aggregate cost of quoted investment is Rs. 1,981,740 (P.Y. Rs. 6,981,740)
Aggregate market value of quoted investment is Rs. 3,477,782 (P.Y. Rs. 8,651,658)

No. 2: Aggregate cost of Unquoted investment is Rs. 1,679,037,253 (P.Y. Rs. 2,864,100)

SCHEDULE-7

INVENTORIES

(As taken,Valued and certified by the management)

Stores and Spares	**1,434,048**	1,672,274
Finished Goods	**594,311,447**	435,483,179
Work in Progress	**91,514,406**	58,767,464
Raw Material	**351,746,964**	261,544,734
Goods in Transit (Raw Material)	**2,920,054**	6,644,109
	1,041,926,919	764,111,760

SCHEDULE-8

SUNDRY DEBTORS

(Unsecured - Considered Good)				
Over Six Months		**26,756**		247,382
Others		**1,358,578,374**		877,703,165
(Unsecured - Considered Doubtful)				
Over Six Months		-	145,230	
			145,230	
Less: Provision For Doubtfull Debts		-	145,230	-
		1,358,605,130		877,950,547

SCHEDULE-9

CASH AND BANK BALANCES

Cash in hand		**148,231,556**		3,644,595
Cheques/Demand Drafts in hand		**1,306,557**		19,673,656
Balance with Banks				
I) In Current Accounts	**41,285,467**		54,608,669	
ii) In Fixed Deposits *	**196,993,185**		63,411,157	
iii) In Margin Account	**52,578,588**		26,958,598	
iv) Exchange retention Quota with United Comm Bank	**59,844**		32,596	
v) Fixed Deposit (Unutilised money of IPO Proceeds)	**300,000,000**	**590,917,084**	-	145,011,020
		740,455,197		168,329,271

* Under lien with authorities Rs. 185,104,071 (pr. yr Rs. 38,967,360.00)

SCHEDULE-10

OTHER CURRENT ASSETS

Interest accrued but not due	**2,636,120**	771,451
	2,636,120	771,451

(Amount in Rupees)

	AS AT 31ST MARCH, 2007	AS AT 31ST MARCH, 2006
SCHEDULE-11		
LOANS & ADVANCES		
(Unsecured - Considered Good)		
Loans	47,852,172	4,026,000
Advances Recoverable in cash or in kind or for value to be received	396,410,788	41,835,470
Balance with Excise authorities	-	775,314
Security Deposit	32,395,376	-
Export Incentive Receivables	28,264,857	23,009,757
Other Receivables	207,464,677	58,506,345
	712,387,870	128,152,886
SCHEDULE-12		
CURRENT LIABILITIES		
Sundry Creditors		
- Due to SSI	4,415,612	4,142,415
- Due to Others	905,020,244	420,914,256
Other Liabilities	472,832,637	565,023,383
Unpaid Dividend *	1,045,455	622,133
	1,383,313,948	990,702,187
* It does not include any amount which is due to Investor Education and Protection Fund.		
SCHEDULE-13		
PROVISION		
Leave Encashment	3,799,568	5,018,486
Proposed Dividend	6,490,784	9,378,071
Dividend Tax	2,792,272	3,329,301
Employee Benefit	1,183,219	767,687
Provision for Taxation (Net of Adavnce tax)	103,422,304	46,421,045
	117,688,147	64,914,590
SCHEDULE - 14		
OTHER INCOME		
Rent	3,849,452	4,491,975
Interest on Loans & others	6,578,497	111,131
Interest on Fixed Deposit with Bank	2,713,705	1,293,784
Other Operating Income	173,232,543	19,785,531
Dividend From Non Trade Investments	15,407,669	125,897
Profit on sale of Non-Trade Investments	-	2,499,893
Profit on sale of assets	15,885,464	1,721,438
Sundry Balances Written Back	1,261,625	-
Excess Provision written back (LIC Group Gratuity)	4,588,014	-
Foreign Exchange	10,435,589	5,042,953
Miscellaneous Income	51,378,264	1,533,403
	285,330,822	36,606,005

SCHEDULE - 15 **(Amount in Rupees)**

		AS AT 31ST MARCH, 2007		AS AT 31ST MARCH, 2006
MANUFACTURING, ADMINSTRATIVE, SELLING & OTHER EXPENSES				
Raw Material Consumed				
Opening Stock	245,536,346		232,034,370	
Purchases	1,312,955,797		714,548,548	
Less:				
Cost of Goods Sold	47,973,914		13,562,857	
Dead Stock Written off	-		212,726	
Sale of Fabric	3,850,491			
Closing Stock	352,550,231	1,154,117,507	238,058,881	694,748,454
(Increase) / Decrease in Stock				
Work in Progress				
Opening Stock	28,666,667		15,234,302	
Closing Stock	(94,593,843)	(65,927,176)	(19,506,911)	(4,272,609)
Finished Goods		-		
Opening Stock	257,443,897		241,233,979	
Closing Stock	(605,919,954)	(348,476,056)	(226,216,301)	15,017,678
Manufacturing Expenses		535,681,339		332,315,716
Stores and Spares Consumed		39,398,070		7,902,816
Power & Fuel		73,096,042		37,322,102
Salaries, Wages & Bonus		1,005,110,425		156,016,577
Contribution to Provident Fund & Other Funds		20,395,494		22,356,071
Staff Welfare Expenses		28,520,050		5,116,322
Legal & Professional Charges		52,162,868		12,044,921
Travelling & Conveyance		109,329,605		11,210,403
Rent		105,130,659		1,313,929
Rates & Taxes		15,419,386		2,565,581
Repair & Maintenance				
- Building	3,073,056		286,371	
- Plant & Machinery	2,243,045		1,110,976	
- Others	18,531,157	23,847,258	4,086,785	5,484,132
Printing & Stationary		13,642,563		6,626,961
Auditor's Remuneration		13,699,043		952,330
Communication Expenses		56,358,488		4,338,057
Freight Outward		112,373,065		33,142,307
Insurance		21,749,127		4,267,022
Packing, Clearing & Forwarding Charges etc.		273,728,936		24,070,058
Loss on sale of shares		2,875,000		-
Loss on Sale of Fixed Assets		3,462,837		-
Sundry Balances written off (Net)		987,660		993,386
Bank Charges		58,717,268		19,271,959
Miscellaneous Expenditure written off		17,633,574		183,050
(Refer Note No. 16 of Schedule 18)				
Factoring Charges		17,808,228		-
Selling & Marketing Exp.		84,958,653		-
Bad Debts written off		145,230		-
Miscellaneous Expenses		114,592,589		20,199,973
		3,540,537,732		1,413,187,196

SCHEDULE - 16

FINANCE COST

Interest :		
- Fixed Loans	90,787,122	6,961,517
- Leasing Charges	3,851,363	-
- Others (Net)	45,031,177	19,288,682
	139,669,662	26,250,199

SCHEDULE ANNEXED TO AND FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2007.

SCHEDULE -17

BACKGROUND

The name of the company has been changed from M/s House of Pearl Fashion Private Limited to House of Pearl Fashion Limited vide letter dated 31st July, 2006 issued by Registrar of Companies, National Capital Territory of Delhi and Haryana, under section 23(1) of The Companies Act, 1956.Earlier the name of the company has been changed from M/s Mina Estates Pvt. Ltd. to House of Pearl Fashions Pvt. Limited vide SRN A00677617 dated 19th June 2006, under section 21 of The Companies Act, 1956.

SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

The consolidated financial statements '(CFS)' of the company together with it's subsidiaries are prepared and presented under historical cost convention on accrual basis of Accounting in accordance with the accounting policies of the parent company unless otherwise stated and comply with the requirement of the Accounting Standard 'AS- 21' on "Consolidated Financial Statement" issued by the Institute of Chartered Accountants of India and the relevant provision of the Companies Act, 1956 for the parent and Indian subsidiaries.

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

2. Use Of Estimates

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

3. Principles Of Consolidation

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

- The financial statements of the company and its subsidiary companies have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.
- As far as possible, the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements. Inconsistency, if any, between the accounting policies of the subsidiary, have been disclosed in the notes to accounts.
- The difference of the cost to the company of its investment in subsidiaries over its share in the equity of the investee company as at the date of acquisition of stake is recognized in financial statements as Goodwill or Capital Reserve, as the case may be.
- Minority interest in the Equity & Results of the entities that are controlled by the company is shown as a separate item in the Consolidated Financial Statement.
- The Financial statements of the entities used for the purpose of consolidation as drawn upto the same reporting period as the company i.e. Financial year ended March 31,2007 and March 31, 2006.
- The CFS are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statement.

4. The effect of Changes in Foreign Exchange Rates.

a) Translation of Financial Statements of Foreign Operations

In view of Accounting Standard-"11" 'Changes in Foreign Exchange Rates' issued by the Institute of Chartered Accountants of India, the operations of the foreign subsidiaries are identified as non integral subsidiaries of the company, and translated into Indian Rupee.

- The Assets and Liabilities of Foreign operations, including Goodwill/Capital Reserve arising on consolidation, are translated in Indian Rupee (INR) at foreign exchange rate at closing rate ruling as at the balance sheet date.
- The revenue and expenses of foreign operations are translated in Indian Rupee (INR) at yearly average currency exchange rate, of the respective years.
- Foreign exchange differences arising on translation are recognized as, 'foreign exchange translation reserve' in balance sheet under the head 'Reserve & Surplus'.

b) Foreign Currency Transactions

a) 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 recognised in the profit and loss account.

b) Other transactions in foreign currency are recognized on initial recognition at the exchange rate prevailing at the time of transaction.

c) Foreign Currency monetary items are reported using the closing rate as on balance sheet date. The resultant exchange gain/loss are dealt with in profit & loss account except in case of Indian company the loans denominated in foreign currencies related to acquisition of fixed assets from outside India where the exchange gain/losses are adjusted to the cost of such assets.

d) Premium or discount on forward contracts are amortized in the profit and loss account over the period of the contract. Exchange differences on such contracts are recognized in the statement of Profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recoganised as income or as expense for the year.

5. Inventories

i) Inventories of traded goods are valued at lower of procurement cost (FIFO Method) or estimated net realizable value. Cost includes expenses incurred in acquiring the inventories and bringing them to their existing location and condition.

ii) Inventory of manufactured goods, WIP and raw material are valued at lower of cost (on weighted average basis) or net releasable value, except in case of foreign subsidiaries inventories are valued at lower of cost or net realisable value on FIFO basis. Cost includes an appropriate share of overheads.

6. Cash Flow Statement

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

7. Revenue Recognition

a) Revenue is recognized when significant risk and rewards of ownership transferred to the buyer.

b) Export Sales is recognized on the basis of date of Airway Bill/Bill of Lading. In case of Multinational Textile Group Ltd and its subsidiaries sales are recognised when invoices are made and delivered to customers at the time of shipments.

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 recognised when the right to received is established. In case of Nor Pearl Knitwear Limited (Foreign Subsidiary) dividend is accounted for when it is received.

j) Sales in case of High Sea Sales are recognised on transfer of title of goods to the customer.

k) Sale of software is recognised at the delivery of complete module & patches through transfer of code.

8. 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.

9. Depreciation

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

In case of Indian companies except Hopp Fashions (a Partnership firm) fixed assets costing upto Rs. 5000/- are depreciated fully in the year of purchase.

Cost of Leasehold land is amortised over the period of Lease.

In case of Norp Knit Industries Limited (a foreign subsidiary) depreciation on fixed assets has been provided on WDV basis as per the rates specified in the statute governing the subsidiaries.

10. Investments

In case of Indian companies, investments that are readily and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investment are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost., However, provision for diminution in the value of long term investment is made only if such a decline is other than temporary in the opinion of the management.

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

In case of Multinational Textile Group Limited and its subsidiaries

Available for Sale Financial Assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other three categories, being investments at fair value through profit or loss, loans and receivable and held to maturity investments. After initial recognition, available for sale financial assets are measured at fair value, with gain or losses recognised as a separate component of equity until the investments 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.

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

11. Employee Benefits

In case Indian companies:

a) Provident Fund:

Retirement Benefits in the form of provident fund are charged to profit and loss account of the year when the contribution to the respective fund is due.

b) Gratuity:

The provision for gratuity is based on actuarial valuation made by an independent actuary

c) Leave Encashment :

The liability for the leave encashment benefits to employees is accrued and provided on the basis of the actuarial valuation made by an independent actuary as at Balance Sheet date.

In case of Hopp Fashions, provision for gratuity is made as per management policy.

In case of Foreign companies:

The transitional liability of defined benefit plans for the first implementation of IFRS should be recognized immediately in the income statement on a straight line basis over up to five years if the transitional liability is more than the liability which had previously been recognized.

The discount rate is determined 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 Group considers the interest rate of high-quality bonds that are denominated in the currency in which the benefits will be paid and that have maturity approximating the terms of the related post employment benefit liability.

In case of one of the subsidiary of 'Multinational Textile Group Limited', PT Norwest Industry Limited employee benefit obligation is calculated based on management estimate. The under lying actuarial assumption used was in accordance with actuary report on 31st March, 2006. Management believes there is no significant difference affected to estimated employee benefit as at 31st March, 2007. The liability for employee benefits is calculated by an independent actuary using the PUC method for calculating the Present Value Benefit Obligation and Current Service Cost. Past Service Cost – Non Vested is amortised by using the Straight Line Method over the average period until the benefits becomes vested.

In case of one of the subsidiary of 'Multinational Textile Group Limited', Norwest Industries Limited , the subsidiary operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the MPF Scheme) under the MPF Scheme Ordinance, for all those employees who are eligible to participate in the 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 Scheme. The assets of the MPF Scheme are held separately from those of the Subsidiary in an independently administered fund. The subsidiary's employer contributions vest fully with the employees when contributed into the MPF Scheme..

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

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

12.Borrowing Costs

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

13.Leases

In case of Indian companies:

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

b) Lease transactions entered into on or after April,1, 2001:

   * Assets acquired under leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalized at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

   * Assets acquired under leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the profit & Loss Account on accrual basis.

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

   In case of Foreign companies:

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

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

14.Taxes On Income

a) Income tax on the profit or loss for the year comprises current tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date.

b) 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.

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

   In case of Norp Knit Industries Limited and Nor-Pearl Knitwear Limited foreign subsidiaries, deferred tax liability/asset is accounted for all temporary timing differences arising between the tax base of the assets and liabilities and their carrying value for financial reporting process.

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 – 18

NOTES TO ACCOUNTS

1. Contingent Liabilities

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

a) Counter Guarantee given by the company against bank guarantee given by the bank on its behalf for Rs. 2,400,000.00 (Previous year Nil).

In case of Pearl Global Limited (Indian Subsidiary)

(a) Claims against the Company not acknowledged as debts and other matters Rs. 3,413,854.00 (Previous Year Rs. 3,194,573.00).

(b) Export Bills Discounted with banks Rs. 150,806,246.59 (Previous Year Rs. 94,707,782.43).

(c) Counter Guarantees given by the company against bank Guarantees given by the bank to Customs on company's behalf Rs. Nil (Previous Year Rs. 2,500,000).

(d) 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).

(e) Guarantee given by the company for other parties in respect of Term loan of Rs. 400 Lacs availed by them. As at 31st March, 2007 the contingent liabilities under these guarantees amounted to Rs. Nil (Previous Year Rs. 16,042,898).

(f) Guarantee given to government authorities in respect of facilities availed by holding co. & and other parties. Rs. 200,000 (Previous year Rs. 200,000)

In case of Norp Knit Industries Limited (Foreign Subsidiary)

a) The contingent liability of Norp Knit Industries Limited is Rs. 35,984,000 (Previous year Rs. 85,892,400) in respect of letters of credit outstanding.

In case of Nor Pearl Knitwear Limited (Foreign Subsidiary)

a) The contingent liability of Nor Pearl Knitwear Limited is Rs. 51,155,000 (Previous year Rs. 35,204,400) in respect of letters of credit outstanding and Rs. 3,510,000 (Previous year Nil) in respect of bank guarantee.

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

At 31 March 2007, one of the Sub-subsidiaries, Poeticgem Limited had the following contingent liabilities:

a) The Sub-Subsidiary's banker, Royal Bank of Scotland plc have given a guarantee to H M Customs and Excise amounting to Rs. 42,625,500 (Previous Year 7,761,337) on behalf of the Sub-subsidiary.

b) At 31 March, 2007 one of the subsidiaries, Norwest Industries Limited had contingent liabilities which have not been provided for in its financial statements, and same were as follows :

Guarantee given to banks in connection with - facilities granted to third parties Rs. 372,068,812.80

c) At 31 March 2007, Depa International Inc. had outstanding letters of credit amounting to a total of Rs. 129,624,960 (Previous Year Rs. 152,466,540).

2. Capital Commitments

In case of Pearl Global Limited (Indian Subsidiary)

Estimated amount of contracts remaining to be executed on capital account (Net of Advances) Rs. 32,559,227.80 (Previous Year Rs. 14,298,864).

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

Estimated amount of contracts remaining to be executed on capital account (Net of Advances) Rs. Nil (Previous Year Rs. 10,186,790).

3. Secured Loans

In case of Pearl Global Limited (Indian Subsidiary)

i) Rupee term loan from UCO Bank is secured by

a) Exclusive first charge on the machinery purchased from the proceeds of the term loan.

b) Second charge on hypothecation of stock of raw material, stock in process, finished goods, stock in transit for shipments, documents in transit and stock lying with dyers, finishers and fabricators.

c) Collateral security in form of extension of charge on land and building situated at 446, Udyog Vihar Phase -V, Gurgaon already equitable mortgaged with the bank and the personal guarantee of Chairman.

ii) Rupees Term Loan From the Hongkong & Shanghai Banking Corporation is secured by :

a) First charge over stocks and receivables pari passu with consortium banks.

b) First pari passu charge over the company's movable fixed assets (present and future)

c) Exclusive first charge over the Fixed Assets of the Chennai unit financed from the proceeds of the term loan.

d) Pari-Passu charge with UCO Bank by way of mortgage of the Property situated at 446, Udyog Vihar Phase-V, Gurgoan..

iii) ECB (External Commercial Borrowing) Loan from China trust Commercial Bank is secured by

a) hypothecation of all Plant & Machinery, Spares, Tools and Accessories and other moveable acquired / to be acquired under ECB installed / Stored or to be installed / Stored at Company premises and Godowns or wherever else the same may be including those in the course of transit.

iv) Rupee term loan from Centurian Bank of Punjab Ltd.is secured by negative lien of land situated at plot no. 51, Echelon Institutional Area, Sector 32 Gurgaon.

v) Rupee term loan from Yes Bank Ltd is secured by exclusive charge on the property situated at Nursinghpur village at NH-8 Tehsil-Gurgaon Distt. Gurgaon.

vi) Vehicle loans are secured against hypothecation of respective vehicles.

vii) Pre-shipment advances and working capital facilities from banks are secured by hypothecation of entire current assets of the Company, first pari passu charge on specific moveable fixed assets and first charge on certain specified immovable fixed assets and are guaranteed by the chairman of the Company.

In case of Multinational Textile Group Limited (Foreign subsidiary)

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

ii) One of the Sub-subsidiaries, PT Norwest Industry's has taken loan from HSBC for import and export facilities with combined maximum limit amounting to Rs. 52,128,000 (Previous Year Rs. 53,544,000) .and subject to review at any time and in any event. These facilities are charged by interest of 3% below the banks' prime lending rate which is subject to fluctuation. The rate during the period was ranging from 7% to 10.8% and from 9.5% to 10% in year 2006 & 2007. The loan is secured by the following:

a) Standby Letter of Credit from Barclays Bank Switzerland for Rs. 10,860,000 (Previous Year Rs. 11,155,000).

b) Fiduciary transfer over Machinery for Rs. 30,408,000 (Previous Year Rs. 22,310,000).

c) Fiduciary transfer over Stocks for Rs. 21,720,000 (Previous Year Rs. 22,310,000).

d) Fiduciary transfer over Accounts Receivable for Rs. 21,720,000 (Previous Year Rs. 22,310,000).

e) Joint and several Guarantee from Mr. Pallak Seth (Rs. 4770) and Mr. Rajesh Ajwani (Rs. 21,720,000) for whole facility amount; and

f) Letter of undertaking from shareholders to inject additional equity/subordinated loan to cover losses.

iii) a) In case of Sub-subsidiaries, Poeticgem Limited, Bank loans are secured by a legal mortgage over leasehold property, fixed and floating charges over the assets of the sub-subsidiary and a cross guarantee between Poeticgem Ltd and Pacific Logistics Ltd (also a sub- subsidiary). The loans carry an average interest rate of 1.31% over base rate.

b) One of the sub-subsidiaries, Norwest Industries Ltd has banking facilities secured by way of :

- The sub-subsidiary's Pledge time deposit and marketable securities.
- Bank Guarantee issued by HSBC Bank, UBS AG and Standard Chartered Bank for Rs. 89,052,000.
- Guarantee from the holding company, a related party company, a third party, a director of the subsidiary and a related party.

c) Mortgage loan of sub-subsidiary Norwest Industries Limited bears interest at 1.5% over 1 month HIBOR and is repayable by 113 monthly equal instalments of Rs. 502,735 plus a repayment of Rs. 502,735 commencing on 10th August 2006.

iv) Bank overdrafts are repayable on demand. The average effective interest rate on bank overdrafts approximates 6.58% per annum and is determined, based on 1.75% plus base rate.

v) In case of sub-subsidiary, Pacific Logistics Ltd Bank Overdrafts is repayable on demand. Overdrafts of Rs. 40,861,749.12 (Previous Year 5,079,987) have been secured by fixed and floating charges over the sub-subsidiary's assets and a cross guarantee between Pacific Logistics Ltd and Poeticgem Ltd. The weighted average interest rates on bank overdrafts are determined based on 1.75% plus the average bank base rate.

vi) The obligations of the sub-subsidiaries, namely Poeticgem Ltd and Pacific Logistics Ltd, under hire purchase are secured by charges over the relevant assets.

In case of Norp Knit Industries Limited (Foreign Subsidiary).

a) Bank Overdraft from United Commercial Bank Ltd. is secured against fixed deposits.

In case of Nor Pearl Knitwear Limited (Foreign Subsidiary)

a) Loan Subordination Agreement from Norwest Industries Ltd. for Rs.82,536,000 (Previous Year Rs. 84,778,000) with supporting Board Resolution.

b) Blanket Counter Indemnity for Guarantee facility.

c) 3% of each proceeds to be retained for payment of monthly installments of the proposed term loan.

d) Demand Promissory Note for Rs. 217,200,000 (Previous Year Rs. 223,100,000) with Letter of Continuity Revival.

e) Letter of Set Off to set off between different accounts maintained with the Bank.

f) Personal guarantee executed by Mr. Deepak Seth, Mr. Pallak Seth and Mr. Pulkit Seth for Rs. 217,200,000 (Previous Year Rs. 223,100,000) each for credit facility extended to Nor Pearl Knitwear Ltd.

g) Corporate Guarantee executed by Pallas Holdings Ltd, Mauritius, and Norwest Industries Ltd., Hongkong for Rs. 217,200,000 (Previous Year Rs. 223,100,000) with supporting Board Resolution for the credit facilities extended to Nor-Pearl Industries Ltd.

h) Loan Subordination Agreement from Norwest Industries Ltd for Rs. 91,224,000 (Previous Year Rs. 93,702,000).

i) First Charge after BEPZA over Stocks of Raw Materials, Work in Progress and Finished Goods for Rs. 222,360,000 (Previous Year Rs. 215,820,000)with registrar of Joint Stock Companies (RJSC).

j) First Charge after BEPZA over Book Debts and Receivables for Rs. 222,360,000 (Previous Year Rs. 215,820,000)with RJSC.

k) First Charge after BEPZA over Plant & Machinery for Rs. 222,360,000 (Previous Year Rs. 215,820,000) with RJSC.

l) Trade Financing General Agreement for Trade Services.

m) Power of Attorney for Hypothecated Goods.

n) Power of Attorney for Back to Back facility.

o) No Objection Certificate (NOC) from BEPZA to be obtained for creation of charge with RJSC.

p) Irrevocable and Unconditional Stand by Letter of Credit for Rs. 10,860,000 (Previous Year Rs. 11,155,000)from USB Bank.

4 The Subsidiaries considered in the consolidated financial statements are:

Name of the Enterprises	Country of Incorporation	% of voting power held as at 31.03.2007	% of voting power held as at 31.03.2006
M/s Pearl Global Ltd.	India	60.49%	60.49%
M/s Hopp Fashions	India	75.00%	75.00%
M/s Nor Pearl Knitwear Ltd.	Bangladesh	99.89%	99.87%
M/s Norp Knit Industries Ltd.	Bangladesh	99.99%	98.00%
M/s Multinational Textiles Group Ltd.*	Mauritius	100.00%	100.00%
M/s House of Pearl Fashions (US) Ltd.	USA	100.00%	-

*** Multinational Textiles Group Limited holds the following subsidiaries:**

Name of the Company	Date of acquisition	Holding company	Country of Incorporation	% of voting power held as at 31.03.2007	% of voting power held as at 31.03.2006
Global Textiles Group Limited #	31.3.2006	Multinational Textiles Group Ltd.	Mauritius	100%	100%
Norwest Industries Ltd.	31.5.2006	Multinational Textiles Group Ltd.	Hongkong	85%	—

Global Textiles Group Limited holds the following subsidiaries:

Name of the Company	Date of acquisition	Holding company	Country of Incorporation	% of voting power held as at 31.03.2007	% of voting power held as at 31.03.2006
Poeticgem Limited and its 100%subsidiaries - Pacific Logistics Limited and	30.3.2006	Global Textiles Group Ltd	U. K.	100%	100%
- Poeticgem (Canada) Limited *	31.8.2006	Poeticgem Limited	Canada	100%	-
Depa International Inc. Consolidated with its 100% subsidiaries Depa International (Canada) Inc. *	30.3.2006	Global Textiles Group Ltd	U.S.A.	75%	75%

Name of the Company	Date of acquisition	Holding company	Country of Incorporation	% of voting power held as at 31.03.2007	% of voting power held as at 31.03.2006
P.T. Norwest Industry	30.3.2006 15.5.2006	Global Textiles Group Ltd Global Textiles Group Ltd	Indonesia Indonesia	74% 25.92%	74% -

* Depa International (Canada) Inc. has been acquired by Poeticgem Limited U.K. on 31st August, 2006 and the name of the Depa International (Canada) Inc. have been changed to Poeticgem (Canada) Ltd. w.e.f 12th October, 2006.

5. Alignment of Accounting Policy for consolidation.

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

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

(Amount in Rupees)

S.No.	Particulars	31.3.2007	31.3.2006
1.	Net Block	2,790,278	3,228,376
2.	Depreciation on the basis of WDV debited to P&L A/c	438,097	396,508

b. In case of Norp Knit Industries, Depreciation had been provided on WDV method, the same has been restated as per SLM method & accordingly adjusted while consolidation. The net effect on account of the above change is an additional depreciation of Rs.990,785 (Previous Year Rs. 240,399).

c. Multinational Textiles Ltd has written back negative goodwill of Rs 5,420,543 (Previous Year Rs. 129,858,434) on acquisition of subsidiaries. However as per Indian Accounting Standard 21 'Consolidated Financial Statements' any Goodwill/Capital Reserve on consolidation are required to be carried. Accordingly the amount written back by Multinational Textiles Group Ltd is reversed in the Profit & Loss Account and the same is carried as Capital Reserve on consolidation.

d. 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 recognised at monthly average exchange rate. The sales from foreign subsidiaries represents 79.53% i.e. Rs. 7,280,470,427 of total sales of Rs.9,154,004,010.

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

Particulars	Total Inventory	Inventory on FIFO Basis	% of total inventory
Finished Goods	594,311,447	40,165,783	6.76%
WIP	91,514,406	69,091,703	75.50%
Raw Material	351,746,964	44,826,025	12.74%

f. In case of Multinational Textile Group Limited, the "foreign exchange translation reserve" arising on translation of financial statements of its foreign subsidiaries has been apportioned between minority and holding, while the parent company has not apportioned foreign exchange translation reserves to its minority. Accordingly the foreign exchange translation reserve apportioned by Multinational Textiles Group Limited to minority has been adjusted back to the Reserve & Surplus account of the company.

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

(Amount in Rupees)

Company	31.3.2007	2005-2006
Pearl Global Limited	(308,575,005)	(308,575,005)
Nor Pearl Knitwear Limited	51,423,457	46,737,333
Norp Knit Industries Limited	33,340,140	33,357,171
M/s House of Pearl Fashions (US) Limited	1,006,750	-
M/s Multinational Textile Limited *	11,555,693	1,600

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

Global Textiles Group Ltd. #	112,920,952	115,988,326
Norwest Industries Ltd	(5,203,723)	-
Poeticgem Ltd.	(48,250,967)	(49,561,652)
Depa International Inc.	(69,062,373)	(70,938,379)
PT Norwest Industry	10,326,022	7,122,984
Pacific Logistic Ltd.	(9,110,915)	(9,358,403)
Poeticgem (Canada) Ltd.	1,120,530	

7. Payments to Auditors **(Amount in Rupees)**

	2006-2007	2005-2006
Audit Fee	12,964,093	823,160
Tax Audit	146,200	105,000
Other Matters *	2,671,259	372,816
Service Tax	422,181	91,923

* Included in professional charges and out of pocket expenses.

8. Managerial Remuneration **(Amount in Rupees)**

	2006-2007	2005-2006
Salary	33,603,343	2,370,000
Contribution to PF	18,720	20,280
Perquisites	524,688	379,780
Total	**34,146,751**	**2,770,060**

Notes:

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

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

I	**Income**		
	Export Sales	(213,718.00)	-
	Ground Rent	(10,230.00)	-
	Interest on Loan	(5,063,799.75)	
		(5,287,747.75)	-
II	**Expenditure**		
	Factory Maintenance	-	17,189
	Service Tax	3,473,253.08	-
	Computer Maintenance	-	26,342
	Fabric Purchase	-	10,900
	Imported Fabric	-	25,115
	Imported Fabric Sampling	-	7,072
	Cartage	-	6,256
	Embroidery	-	717,535
	Job Work	-	24,485
	Employee Welfare	-	110
	Professional Charges	-	6,275
	Telephone Expenses	540.00	9,171
	Hire Charges	-	33,000
	Testing Charges	-	23,084
	Power & Fuel	158,580.00	-
	Interest	-	9,470
	Insurance	-	17,423
	Vehicle Fuel	12,577.00	-
	Vehicle Maintenance	7,338.00	-
	Medical Expenses	4,367.00	-
	Amortisation of Leasehold Land	262,722.00	
		3,919,377.08	933,427
	Prior period item (net)	**(1,368,370.67)**	**(933,427)**

10. Segment Reporting

For the year ended March 31, 2007, 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 State of America, United Kingdom, Hong Kong, Indonesia, India & Bangladesh.

The business segment considered by the Company are:

* Manufacturing
* Marketing, Distribution, Sourcing and Trading.

A. Geographical Segment

(Amount in Rs.)

	USA	UK	HK	Bangladesh	India	Others	Segment Total	Elimination	Total
SEGMENT REVENUE									
(a) External Sales	1,174,903,184	2,573,560,144	2,738,593,654	407,367,568	1,873,533,583	386,045,878	9,154,004,010	-	9,154,004,010
(b) Inter-segment Sales	1,761,843	50,356,710	29,632,793	342,743,398	40,787,518	83,099,860	548,382,122	548,382,122	-
(c) Total Segment Sales	1,176,665,027	2,623,916,854	2,768,226,447	750,110,966	1,914,321,101	469,145,738	9,702,386,132	548,382,122	9,154,004,010
Other Income	42,033,088	274,457,404	136,739,482	2,648,370	221,298,310	19,182,063	696,358,717	325,576,420	370,782,297
Total Segment Revenue	1,218,698,114	2,898,374,259	2,904,965,928	752,759,336	2,135,619,411	488,327,801	10,398,744,849	873,958,542	9,524,786,307
Total Revenue of each segment as a percentage of total revenue of all segment	11.72%	27.87%	27.94%	7.24%	20.54%	4.70%	100.00%		
RESULTS									
Total Segment operative profit (EBIDTA)	65,858,027	299,321,553	265,932,926	91,331,899	217,492,695	55,830,097	995,767,197	1,938,494	993,828,703
Depreciation	4,005,530	21,559,815	10,291,705	25,559,693	45,645,170	10,600,808	117,662,721	-	117,662,721
Total segment result before interest & Taxes	61,852,497	277,761,738	255,641,221	65,772,206	171,847,525	45,229,289	878,104,476	1,938,494	876,165,982
Total EBIT of each segment as a percentage of total EBIT of all segments	7.04%	31.63%	29.11%	7.49%	19.57%	5.15%	100.00%		
Financial Expenses	-	32,625,975	19,618,589	24,368,642	59,394,147	3,662,309	139,669,662	-	139,669,662
Total Segment result before tax	61,852,497	245,135,763	236,022,631	41,403,564	112,453,378	41,566,981	738,434,814	1,938,494	736,496,320
Segment tax expenses	30,579,452	76,783,594	51,667,627	739,090	32,720,478	17,515,461	210,005,701	-	210,005,701
Total Segment result after tax but before prior period & extra ordinary items	31,273,045	168,352,169	184,355,005	40,664,474	79,732,900	24,051,520	528,429,113	1,938,494	526,490,619
Prior period & extra ordinary item	-	-	-	-	-	-	-	-	-
Total Segment result after tax & prior period & extra ordinary item	31,273,045	168,352,169	184,355,005	40,664,474	79,732,900	24,051,520	528,429,113	1,938,494	526,490,619
Combined results of all segments in profit	31,273,045	168,352,169	184,355,005	40,664,474	79,732,900	24,051,520	528,429,113	1,938,494	526,490,619
Combined results of all segments in loss	-	-	-	-	-	-	-	-	-
Total Segment result of each segment as a percentage of total segment result of all segment	5.92%	31.86%	34.89%	7.70%	15.09%	4.55%	100.00%		
SEGMENT ASSETS	266,710,479	1,225,721,328	1,083,294,383	591,833,465	2,494,085,057	129,652,718	5,791,297,430	-	5,791,297,430
Segment Assets as a percentage of total assests of all segments	4.61%	21.16%	18.71%	10.22%	43.07%	2.24%	100.00%	-	
SEGMENT LIABILITIES	62,702,295	434,767,242	328,047,890	193,775,660	339,065,880	40,634,819	1,398,993,785	-	1,398,993,785
Segment Liabilities as a percentage of total liabilities of all segments	4.48%	31.08%	23.45%	13.85%	24.24%	2.90%	100.00%	-	
SEGMENT CAPITAL EMPLOYED	204,008,184	790,954,086	755,246,493	398,057,805	2,155,019,177	89,017,900	4,392,303,645	-	4,392,303,645
Segment Capital Employed as percentage of total capital employed	4.64%	18.01%	17.19%	9.06%	49.06%	2.03%	100.00%		

B. BUSINESS SEGMENT

(Amount in Rs)

	Manufacturing	Marketing, Distribution, Sourcing & Trading	Others	Segment Total	Elimination	Total
SEGMENT REVENUE						
(a) External Sales	2,666,947,028	6,487,056,982	-	9,154,004,010	-	9,154,004,010
(b) Inter-segment Sales	466,630,776	81,751,346	-	548,382,122	548,382,122	-
(c)Total Segment Sales	3,133,577,805	6,568,808,328	-	9,702,386,132	548,382,122	9,154,004,010
Other Income	232,710,248	463,407,061	241,409	696,358,717	325,576,420	370,782,297
Total Segment Revenue	3,366,288,052	7,032,215,388	241,409	10,398,744,849	873,958,542	9,524,786,307
Total Revenue of each segment as a percentage of total revenue of all segment	32.37%	67.63%	0.002%	100.00%	-	
Total Segment operative profit before tax(EBIDTA)	360,879,067	636,924,289	(2,036,160)	995,767,197	1,938,494	993,828,703
Depreciation	81,730,466	35,932,256		117,662,721	-	117,662,721
Total segment result before interest & Taxes	279,148,602	600,992,034	(2,036,160)	878,104,476	1,938,494	876,165,982
Total EBIT of each segment as a percentage of total EBIT of all segments	31.79%	68.44%	-0.23%	100.00%		
Financial Expenses	83,762,789	52,244,565	3,662,309	139,669,662	-	139,669,662
Total Segment result before tax	195,385,813	548,747,469	(5,698,468)	738,434,814	1,938,494	736,496,320
Segment tax expenses	43,364,657	160,735,919	5,905,125	210,005,701		210,005,701
Total Segment result after tax but before prior period & extra ordinary items	152,021,156	388,011,550	(11,603,593)	528,429,113	1,938,494	526,490,619
Prior period & extra ordinary item	-	-	-	-	-	-
Total Segment result after tax & prior period & extra ordinary item	152,021,156	388,011,550	(11,603,593)	528,429,113	1,938,494	526,490,619
Combined results of all segments in profit	152,021,156	388,011,550		540,032,706		
Combined results of all segments in loss	-		(11,603,593)	(11,603,593)		
Total Segment result of each segment as a percentage of total segment result of all segment	28.77%	73.43%	-2.20%	100.00%		
SEGMENT ASSETS	3,200,403,643	2,577,679,557	13,214,231	5,791,297,430	-	5,791,297,430
Segment Assets as a percentage of total assets of all segments	55.26%	44.51%	0.23%	100.00%		
SEGMENT LIABILITIES	566,020,187	827,491,731	5,481,867	1,398,993,785	-	1,398,993,785
Segment Liabilities as a percentage of total liabilities of all segments	40.46%	59.15%	0.39%	100.00%		
Segment Capital Employed	2,634,383,456	1,750,187,825	7,732,363	4,392,303,645	-	4,392,303,645
Segment Capital Employed as percentage of total capital employed	59.98%	39.85%	0.18%	100.00%		

11. Related Party Disclosure

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

Nature of Relationship	Concerns	Country of Incorporation
Associates	Pearl Wears	India
	Little People Education Society	India
	Crown Computerised Embroideries	India
	Vastras	India
	Pearl Academy of Fashion India Ltd.	India
	SACB Holdings Ltd	Mauritius
	Pallas Holding Ltd	Mauritius
	Images Pearl Retail Solutions Pvt. Ltd.	India
	JSM Trading	Dubai
	Pearl Academy of Fashion International Ltd	Bangladesh
	Deepak Seth & Sons (HUF)	India
Key Managerial Person/ Whole time Director of the the group/Relatives	Mr. Deepak Seth	
	Mr. Pallak Seth	
	Mr. Pulkit Seth	
	Mr. Sanjay Pershad	
	Mr. Venkatesh Nagar	
	Mr. Karkala Raja Rao	
	Mr. Suresh Punjabi	
	Mr. Amit Bansal	
	Mr. S.M.Vij	
	Mrs. Payal Seth (resigned w.e.f. 8.7.2006)	
	Mrs. Shefali Seth	

(Amount in Rupees)

Nature of Transaction	Relationship	31.3.2007	31.3.2006
Advance Paid	Associates	**45,733,030**	38,235,083
Advance Recovered	Associates	**34,446,706**	36,985,083
Advance Received	KMP/WTD/Relative	-	5,649,800
Advance Refund	KMP/WTD/Relative	-	5,649,800
Sale of Goods	Associates	**1,868,524**	137,007,480
Sale of Fixed Assets	Associates	**50,000,000**	-
Job Work	Associates	**2,164,631**	4,308,480
Job Work Recd.	Associates	**9,521,112**	21,527,314
Job Work Paid	Associates	**7,497,050**	22,905,491
Expenses Paid	Associates	**1,332,469**	9,291,350
	KMP/WTD/Relative	-	7,679,909
Expenses Recovered	Associates	**1,869,893**	7,892,128
Interest received	Associates	**1,338,440**	-
Payment Received	Associates	**2,825,999**	4,861,081
	KMP/WTD/Relative	-	7,679,909
Rent (Received) / Paid	Associates	**(1,965,452)**	(1,488,000)
Remuneration paid	KMP/WTD/Relative	**34,146,751**	2,770,060
Investment	Associates	-	2,764,000
Share Application Money Refund	Associates	**1,500,000**	9,950,000
Share Application Money	Associates	**5,200,000**	-
Sale of Share	KMP/WTD/Relative	-	39,221,100
Purchase of Share	Associates	-	161,892,500
Loan Given	Associates	**45,097,172**	5,526,000
Loan Refund	Associates	-	1,500,000
Loan Received	Associates	-	321,464,200
Loan Recovered	Associates	**10,000,000**	-
Loan Disbursed	Associates	**2,340,000**	-
Sampling Recovery	Associates	-	44,334
Claim Paid	Associates	-	1,159,350
Amount Paid	Associates	**206,859,031**	-
Amount Received	Associates	**2,172,000**	-
Apportionment of Public Issue Expenses related to offer for sale	KMP/WTD/Relative	**45,359,991**	-
Bonus Shares Issued	KMP/WTD/Relative	**93,133,180**	-
	Associates	**200**	-

Nature of Transaction	Relationship	31.3.2007	31.3.2006
Expenses paid on behalf	KMP/WTD/Relative	140,400	-
Interest received on offer for sale proceeds on behalf of	KMP/WTD/Relative	1,866,656	-
Net proceeds transferred including interest from public issue account	KMP/WTD/Relative	557,894,808	-
Offer for sale proceeds from IPO received on behalf	KMP/WTD/Relative	673,860,000	-
Public issue expenses related to offer for sale	KMP/WTD/Relative	4,641,163	-
Withhold tax paid on offer for sale component on behalf of	KMP/WTD/Relative	76,972,619	-
Amount Paid	Associates	1,465,305	-
Closing Balance	Associates	60,328,715	(510,470,993)

12. Earning Per Share

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

(Amount in Rupees)

	2006-07	2005-06
Profit/(Loss) attributable to the equity shareholders	477,230,917	48,762,425
Basic & weighted average number of equity share outstanding during the year	14,808,792 shares	11,896,150 Shares
Nominal Value of Equity shares	10	10
Basic Earning per share	32.23	4.10

Note :

In the extra-ordinary general meeting held on June, 17, 2006 the members of the company approved the issue of 9,313,358 equity shares of Rs. 10/- each as fully paid up bonus share in the ratio of 2 shares for every one share held in the company. In accordance with the measurement principle laid down under Accounting Standard 20 “Earning Per Share” earning per share calculations have been adjusted, for the change in the number of equity shares, for all the periods for which earnings per share data were presented.

13. Tax Holidays

In case of Norp Knit Industries Limited, 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 start of commercial production, i.e., from December 18,2004.

In case of Nor-Pearl Knitwear Limited, the company being 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 start of commercial production, i.e., from April 21,2005.

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

(Amount in Rupees)

	31.3.2007	31.3.2006
Deferred Tax Assets		
Unabsorbed Depreciation & Business Losses	21,565,547	28,589,046
Capital Losses	5,737,470	2,394,275
Provision for Diminution in Investment and Doubtful debts	44,110	-
Others	15,358,049	14,838,040
Total (A)	42,705,176	45,821,361
Deferred Tax Liabilities		
Depreciation	73,492,807	44,900,588
Total (B)	73,492,807	44,900,588
Net Deferred Tax Assets/(Liabilities)	(30,787,631)	920,773

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

15. i) The House of Pearl Fashions Limited has incurred Rs. 237,495,762.74 lakhs towards Public Issue Expenses for its Initial Public Offer. Same has been shared on pro rata basis between company and the selling share holders, who offered the shares in the offer for sale of the company’s IPO. An amount of Rs. 45,359,991.54 has been recovered from selling shareholders as their shares of public issue expenses and the balance of Rs. 192,135,770.00 has been adjusted against the securities premium received on the issue of shares.

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

Meeting Share Issue Expenses	173,066,230
Payment of outstanding purchase consideration for acquisition overseas subsidiaries, as a part of group restructuring.	491,729,400
Prepayment of certain loans availed by the company and its subsidiaries :	
Repayment of Bridge Loan facility taken for acquisition of Nor Pearl Knitwear Ltd and Norp Knit Industries Ltd. in Bangladesh.	163,000,000
Payment of Loan taken by Global Textiles Group Ltd and Multinational Textiles Group Ltd. for acquisition of Depa International Inc. U.S.A and Poeticgem Limited U.K. and Norwest Industries Hongkong	68,970,971
Infusion of Preference Share Capital in Pearl Global Limited for acquisition of Knitted Garment Unit in Khandsa Gurgaon.	50,000,000
Add: Dividend Income received from Mutual Funds	12,075,906
Balance Amount lying in Mutual Fund and Fixed Deposits	1,919,644,305

16. In case of Norp Knit Industries Limited (Foreign Subsidiary), preoperative expenses previously being written off over a period of 3 years have been fully written off during the year.

In case of Nor Pearl Knitwear Limited (Foreign Subsidiary), preoperative expenses previously being written off over a period of 10 years have been fully written off during the year.

17. 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.

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

Signature to consolidated schedules 1 to 18

For S. R. DINODIA & CO.,	**On behalf of the Board of Directors**	
Chartered Accountants		
Sd/-	Sd/-	Sd/-
(Pradeep Dinodia)	**(Deepak Seth)**	**(Pulkit Seth)**
Partner	Chairman	Managing Director
M. No. 080617		
Place : New Delhi	Sd/-	Sd/-
Date : 22nd June, 2007	**(Rishi Vig)**	**(Jyant Sood)**
	Chief Finance Officer	General Manager & Company Secretary

AUDITOR'S REPORT

To the Share Holders of **HOUSE OF PEARL FASHIONS LIMITED**

We have audited the attached Balance sheet of HOUSE OF PEARL FASHIONS LIMITED, as at 31st March 2007, the Profit & Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;

c) The Company's Balance sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub section (3C) of Section 211 of the Companies Act, 1956;

e) On the basis of written representations received from the directors as on 31st March, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as director in term of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

f) In the absence of any notification in the official gazette by the Central Government, no cess is payable under section 441A of the Companies Act, 1956 for the year ended 31st March 2007:

g) 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, 2007;

   ii) in the case of the Profit & Loss Account, of the Profit for the year ended on that date; and

   iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

FOR S.R. DINODIA & CO.,
CHARTERED ACCOUNTANTS,
Sd/-
(Pradeep Dinodia)
Partner
M. No : 080617

PLACE: New Delhi
DATED: 22nd June 2007

ANNEXURE TO THE AUDITORS' REPORT

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

i) a. The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   b. As explained to us, physical verification of a major portion of fixed assets as at 31st March 2007 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

   b. In our opinion, frequency and 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. We have been explained that no discrepancy was notice in the course of physical verification as compared to book records.

iii) In respect of loans, secured or unsecured, granted or taken by the company to/from companies, firm or other parties covered in the register maintained under section 301 of the Companies Act, 1956 according to the information and explanations given to us :

   a. The Company had granted unsecured loan during the year to one party covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved in the transaction is Rs. 7,53,38,992/- (the year end balance was Rs. 3,73,15,389/-)

   b. In our opinion and according to the informations and explanations given to us, the above said loan is interest free loan and other terms and conditions on which loan has been granted to company are not prima facie prejudicial to the interest of the company.

   c. The said interest free loan is repayable on demand and there is no repayment schedule.

   d. During the year, the company had not taken any loans, secured or unsecured 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 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 commensurate with its size and nature of its business.

viii) The Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for any of the products of the company.

ix) a. According to the information and explanation given to us, the company is regular in depositing with appropriate authorities undisputed applicable statutory dues including Income Tax, wealth tax and other statutory dues as applicable with the appropriate authority.

b. According to the records of the Company examined by us and on the basis of the information and explanations provided, no undisputed amounts payable in respect of the aforesaid statutory dues were outstanding as at 31st March, 2007 for a period of more than six months from the date they became payable

x) The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by audit and the immediately preceding financial year.

xi) Based on our audit procedure and on the basis of information and explanations given to us by the management, we are of the opinion that the company has not defaulted in repayment of its dues to financial institution. The company had not taken any loan from bank or debenture holder.

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.

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) On the basis of information and explanation provided, the company has not given guarantee for loans taken by other from the banks or financial institutions during the year.

xvi) On the basis of record available and information and explanation given to us, the term loans have been applied for the purpose for which it was raised.

xvii) On the basis of information and explanation given to us and overall examination of the balance sheet, we report that no funds raised on short term basis have been used for long term investments by the company.

xviii) According to information and explanation given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.

xix) During the year covered by our audit report, the company has not issued any debentures. 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 used of money raised by the public issue as declared by the management in the prospectus filed with the "The Securities and Exchange Board of India" and as appearing in Note No. 16 of Schedule-17 Notes to Account forming part of the financial statements.

xxi) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, during the year we have neither come across any instance of fraud on or by the Company nor have we been informed of such case by the management.

FOR S.R. DINODIA & CO.,
CHARTERED ACCOUNTANTS,

Sd/-
(Pradeep Dinodia)
Partner
M. No : 080617

PLACE : New Delhi
DATED : 22nd June 2007

BALANCE SHEET AS AT 31ST MARCH, 2007

(Amount in Rs.)

PARTICULARS	SCHEDULE	AS AT 31ST MARCH 2007		AS AT 31ST MARCH 2006	
SOURCES OF FUNDS					
Shareholder's Funds					
Share Capital	1		195,003,430.00		46,566,790.00
Reserves & Surplus	2		2,760,615,094.32		103,617,957.72
			2,955,618,524.32		150,184,747.72
APPLICATION OF FUNDS					
Fixed Assets	3				
Gross Block		3,520,327.00		47,156,264.23	
Less:Accumulated Depreciation		1,600,215.92		9,854,323.00	
Net Block		1,920,111.08		37,301,941.23	
Capital Work in Progress		5,339,777.42	7,259,888.50	326,583.00	37,628,524.23
Investments	4		2,541,655,083.97		229,389,784.38
Deferred Tax Asset	5		10,593,622.57		7,749,589.00
Current Assets, Loans and Advances					
Inventories	6	-		3,850,491.00	
Sundry Debtors	7	10,633,243.04		-	
Cash & Bank Balances	8	303,469,143.22		21,735,240.55	
Other Current Assets	9	843,141.37		-	
Loans & Advances	10	117,650,044.21		14,758,182.56	
		432,595,571.84		40,343,914.11	
Less: Current Liabilities & Provision					
Current Liabilities	11	33,543,289.56		164,212,459.00	
Provisions	12	2,942,353.00		714,605.00	
		36,485,642.56		164,927,064.00	
Net Current Assets			396,109,929.28		(124,583,149.89)
			2,955,618,524.32		150,184,747.72
Significant Accounting Policies	16				
Notes to Account	17				

As per our report of even date attached.

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

On behalf of the Board

Sd/-
(Pradeep Dinodia)
Partner
M. No. 080617
Place : New Delhi
Date : 22nd June, 2007

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Rishi Vig)
Chief Finance Officer

Sd/-
(Jyant Sood)
General Manager & Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

(Amount in Rs.)

PARTICULARS	SCHEDULE		YEAR ENDED 31ST MARCH 2007		YEAR ENDED 31ST MARCH 2006
INCOME					
Sales		59,949,097.88		-	
Export Incentives		2,810,133.66	62,759,231.54	-	-
Other Income	13		47,285,931.09		10,616,771.30
			110,045,162.63		10,616,771.30
EXPENDITURE					
Cost of Goods Traded			22,211,546.75		-
Manufacturing & Other Expenses	14		31,088,575.82		3,457,206.40
Finance Cost	15		13,281,780.67		-
Depreciation			385,181.36		411,814.00
			66,967,084.60		3,869,020.40
PROFIT BEFORE TAXATION AND ADJUSTMENTS:			43,078,078.03		6,747,750.90
Provision for Current Tax			(1,875,900.00)		(516,000.00)
Provision for Deferred Tax			2,844,033.57		405,644.00
Provision for Fringe Benefit Tax			(390,000.00)		-
Tax Adjustment for Earlier Years			(10,724.00)		-
PROFIT FOR THE YEAR			43,645,487.60		6,637,394.90
Profit brought forward			42,412,845.84		35,775,450.94
AMOUNT AVAILABLE FOR APPROPRIATION			86,058,333.44		42,412,845.84
APPROPRIATIONS:					
Dividend for the year 2005-06			5,929,311.00		-
Tax on Dividend			831,590.00		-
Transfer to General Reserve			663,739.49		-
Utilisation against Bonus shares issued			33,518,468.12		-
Balance carried to Balance Sheet			45,115,224.83		42,412,845.84
			86,058,333.44		42,412,845.84
Earnings per share (Rs.)					
Basic/Diluted Earning Per Share			2.95		0.56
Significant Accounting Policies	16				
Notes to Account	17				

As per our report of even date attached.

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

Sd/-
(Pradeep Dinodia)
Partner
M. No. 080617

Place : New Delhi
Date : 22nd June, 2007

On behalf of the Board

Sd/-
(Deepak Seth)
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Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Rishi Vig)
Chief Finance Officer

Sd/-
(Jyant Sood)
General Manager & Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

(Amount in Rs.)

		YEAR ENDED 31ST MARCH 2007	YEAR ENDED 31ST MARCH 2006
A.	**Net Profit Before Tax and Extraordinary Items**	**43,078,078.03**	6,765,172.85
	Adjustments for:		
	Depreciation	**385,181.36**	411,814.49
	Sundry Balance Written Off	**63,000.00**	79,429.00
	Dead Stock Written Off	-	212,726.00
	Non Operating Expenditure	-	200.00
	Finance Cost	**13,281,780.67**	-
	Share in the (Profit) / Loss from Partnership firm	**672,533.04**	(604,350.71)
	Non operating Incomes	**(47,270,446.09)**	(10,012,420.59)
	Operating Profit /(loss) before working capital changes	**10,210,127.01**	(3,147,428.96)
	Adjustments for :		
	Trade and Other Receivables	**33,295.86**	42,911,297.76
	Inventories	**3,850,491.00**	(3,850,491.00)
	Trade Payables	**11,466,413.18**	(1,605,302.44)
	Cash Generated from operations	**25,560,327.05**	34,308,075.36
	Prior Period Income / (Expense)	-	(17,423.00)
	Direct Taxes (Paid)/ Refunds	**(3,227,613.59)**	(1,126,320.00)
	Net Cash Generated / (used) in operating Activties	**22,332,713.46**	33,164,332.36
B.	**Cash Flow from Investing Operations:**		
	Sale of Fixed Assets	**50,000,000.00**	8,300,900.00
	Fixed Assets Purchased	**(4,665,760.42)**	-
	Investment made in Mutual Funds	**(1,664,044,132.63)**	(39,472,923.00)
	Share application money paid to Subsidiaries	**(50,000,000.00)**	-
	Investments in Subsidiaries	**(810,997,803.00)**	-
	Loan to Subsidiaries	**(37,315,389.16)**	-
	Sale of Investment	-	3,313,057.83
	Interest on Fixed Deposits	**429,467.86**	130,814.00
	Dividend on current investment-Non Trade	**12,075,906.23**	24,169.50
	Dividend Income-from Subsidiary	**14,903,100.00**	-
	License income	-	490,740.00
	Rent Received	**1,230,914.00**	2,001,203.00
	Cash from investing activities	**(2,488,383,697.12)**	(25,212,038.67)
C.	**Cash Flow from Financing Activities**		
	Net Proceeds from issue of Share Capital (Including Share Premium)	**2,787,618,730.00**	-
	Security Deposit With Stock Exchange	**(19,791,162.00)**	-
	Loans taken	**172,266,000.00**	-
	Repayment of Loans	**(172,266,000.00)**	-
	Dividend Paid (2005-06)	**(5,929,311.00)**	-
	Corporate Dividend Tax (2005-06)	**(831,590.00)**	-
	Finance Cost	**(13,281,780.67)**	-
	Net cash used in financing activities	**2,747,784,886.33**	-
	Increase in Cash/Cash equivalents(A+B+C)	**281,733,902.67**	7,952,293.69
	Net Increase in Cash/Cash equivalents(A+B+C)	**281,733,902.67**	7,952,293.69
	Cash / Cash equivalents at the beginning of the year	**21,735,240.55**	13,782,946.86
	Cash / Cash equivalents at the close of the year	**303,469,143.22**	21,735,240.55
	Components of Cash and Cash equivalents		
	Cash and Cheques on hand	**92,536.00**	7,697,331.00
	Balances with Scheduled Banks		
	i) In Current Accounts	**976,607.22**	14,037,909.55
	ii) In Fixed Deposits *	**2,400,000.00**	-
	iii) Fixed Deposit (Unutilised money of IPO Proceeds)	**300,000,000.00**	-
		303,469,143.22	21,735,240.55

As per our report of even date attached.

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

Sd/-
(Pradeep Dinodia)
Partner
M. No. 080617

Place : New Delhi
Date : 22nd June, 2007

On behalf of the Board

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Rishi Vig)
Chief Finance Officer

Sd/-
(Jyant Sood)
General Manager & Company Secretary

SCHEDULES FORMING PART OF THE FINANCIALS STATEMENTS

(Amount in Rs.)

		AS AT 31ST MARCH 2007		AS AT 31ST MARCH 2006
SCHEDULE -1				
SHARE CAPITAL				
Authorised				
24,990,000 (Previous Year 24,990,000) Equity Shares of Rs. 10/- Each		**249,900,000.00**		249,900,000.00
10,000 (Previous Year 10,000) 4% Non Cumulative Redeemable Preference Shares of Rs. 10/- Each		**100,000.00**		100,000.00
		250,000,000.00		250,000,000.00
Issued Subscribed & Fully Paid Up				
19,500,343 (Previous Year 4,656,679) Equity Shares of Rs 10/- Each		**195,003,430.00**		46,566,790.00
fully paid up*.		**195,003,430.00**		46,566,790.00

* Out of which 9,329,338 (Previous Year 15,980) equity shares were alloted as fully paid Bonus shares by capitalisation of accumulated profits and General Reserve

		AS AT 31ST MARCH 2007		AS AT 31ST MARCH 2006
SCHEDULE-2				
RESERVES & SURPLUS				
General Reserve				
Opening Balance	**59,615,111.88**		59,615,111.88	
Transfer from Profit & Loss A/c	**663,739.49**		-	
Utilisation against Bonus Shares	**(59,615,111.88)**	**663,739.49**	-	59,615,111.88
Amalgamation Reserve		**990,000.00**		990,000.00
Capital Redemption Reserve		**600,000.00**		600,000.00
Share Premium	**2,905,381,900.00**			
Less: Exp Related to Public Issue	**192,135,770.00**	**2,713,246,130.00**	-	-
(Refer Note No.15 of Schedule '17')				
Profit & Loss A/c		**45,115,224.83**		42,412,845.84
		2,760,615,094.32		103,617,957.72

SCHEDULE-3

FIXED ASSETS (Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As At 01.04.2006	ADDITIONS	Sale	As At 31.03.2007	Upto 01.04.2006	For the Year	Adjustments/ Sale	Total up to 31.03.2007	As At 31.03.2007	As At 31.03.2006
Land- Freehold	22,054,573.00	-	22,054,573.00	-	-	-	-	-	-	22,054,573.00
Land-Leasehold *	1,036,027.00	-	-	1,036,027.00	-	-	-	-	1,036,027.00	1,036,027.00
Buildings	10,723,763.45	-	8,951,462.45	1,772,301.00	6,366,895.00	151,141.09	4,965,830.00	1,552,206.08	220,094.92	4,356,868.45
Office Equipments	931,011.78	402,960.00	931,011.78	402,960.00	884,493.00	9,491.64	884,493.00	9,491.64	393,468.36	46,518.78
Plant & Machinery	2,284,680.00	287,357.00	2,284,680.00	287,357.00	2,048,779.00	40,201.75	2,050,695.35	38,285.40	249,071.60	235,901.00
Furniture & Fittings	10,126,209.00	21,682.00	10,126,209.00	21,682.00	554,156.00	184,346.89	738,270.09	232.80	21,449.20	9,572,053.00
	47,156,264.23	711,999.00	44,347,936.23	3,520,327.00	9,854,323.00	385,181.36	8,639,288.44	1,600,215.92	1,920,111.08	37,301,941.23
Capital Work in Prog. **	326,583.00	5,013,194.42	-	5,339,777.42	-	-	-	-	5,339,777.42	326,583.00
	47,482,847.23	5,725,193.42	44,347,936.23	8,860,104.42	9,854,323.00	385,181.36	8,639,288.44	1,600,215.92	7,259,888.50	37,628,524.23
Previous Year	42,536,203.23	9,675,000.00	4,728,356.00	47,482,847.23	9,442,509.00	411,814.00	-	9,854,323.00	37,628,524.23	33,093,694.23

* 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 appropriate authorities.

** Capital Work in progress includes:

a) Capital Advance Rs. 326,583.00(PreviousYear Rs 326,583.00) to DDA for converting its leasehold land into freehold land

b) Pre-Operative expenses of Rs. 2,960,883 (Previous year Nil)

c) ERP Exp 2052311.42
(Refer to Note- 13 of schedule 18)

(Amount in Rs.)

SCHEDULE-4	AS AT 31ST MARCH 2007	AS AT 31ST MARCH 2006
INVESTMENTS		
A. Long-term Investment		
Investment in Subsidiaries		
Quoted - Trade		
(Refer Note No. 1 below)		
Pearl Global Ltd.		
4,969,588 (Previous Year 4,969,588) Equity Shares of Rs.10/- each fully paid up	**3,413,870.00**	3,413,870.00
Unquoted - Trade		
(Refer Note No. 2 below)		
Norp Knit Industries Limited., Bangladesh		
493,761 (Previous Year 980) Equity Shares of Taka 100 Each fully paid up	**31,878,768.00**	66,543.00
Nor Pearl Knitwear Limited., Bangladesh		
2,654,597 (Previous Year 2,240,668) Equity Shares of Taka 100 Each fully paid up	**191,240,354.00**	161,892,500.00
Multinational Textiles Limited., Mauritius		
13,017,610 (Previous Year 10,000) Equity Shares of USD 1 each fully paid up	**577,040,671.00**	447,800.00
House of Pearl Fashions (U.S.) Limited.		
100 (Previous Year NIL) without par value fully paid up shares	**21,640,750.00**	-
Investment in partnership firm	**52,396,538.34**	63,569,071.38
B. Current Investment		
In Mutual Funds Unquoted - Non Trade		
(Refer Note No. 1 below)		
Birla Fixed Term Plan QS-9	**100,000,000.00**	-
10,000,000 (Previous Year Nil) units of Rs. 10 each		
Birla Fixed Term Plan QS-7	**200,000,000.00**	-
20,000,000 (Previous Year Nil) units of Rs. 10 each		
DWS Fixed Term Fund Series-27	**50,000,000.00**	-
5,000,000 (Previous Year Nil) units of Rs. 10 each		
DSP Fixed Term Series-II	**100,506,370.50**	-
100,505.690 (Previous Year Nil) units of Rs. 1000 each		
HSBC Fixed Term Series-26	**50,000,000.00**	-
5,000,000 (Previous Year Nil) units of Rs. 10 each		
Reliance Fixed Horizon Fund Series -III	**300,000,000.00**	-
30,000,000 (Previous Year Nil) units of Rs. 10 each		
Reliance Fixed Horizon Fund Series -V	**100,000,000.00**	-
10,000,000 (Previous Year Nil) units of Rs. 10 each		
Standard Chartered Fixed Maturity Plan QS-7	**100,578,000.00**	-
10,057,800 (Previous Year Nil) units of Rs. 10 each		
Standard Chartered Fixed Maturity Plan QS-5	**231,948,100.00**	-
23,194,810 (Previous Year Nil) units of Rs. 10 each		
UTI Fixed maturity Plan QS QFMP/0307/I	**50,228,683.50**	-
5,022,868.350 (Previous Year Nil) units of Rs. 10 each		
UTI Fixed maturity Plan QS QFMP/0207/II	**100,598,661.00**	-
10,059,866.100 (Previous Year Nil) units of Rs. 10 each		
HDFC Fixed Term 90 Days March 2007	**50,000,000.00**	-
5,000,000 (Previous Year Nil) units of Rs. 10 each		
LIC Fixed Maturity Plan Series -13	**100,124,142.40**	-
10,012,414.240 (Previous Year Nil) units of Rs. 10 each		
Reliance Interval Fund	**100,000,000.00**	-
10,000,000 (Previous Year Nil) units of Rs. 10 each		
Prudential ICICI Liquid Plan	**30,060,175.23**	-
3,006,017.523 (Previous Year Nil) units of Rs. 10 each		
(Refer Note No. 2, 3 & 16 of Schedule '17')	**2,541,655,083.97**	229,389,784.38

Note No. 1:
It Includes 4,752,000 (Previous Year 4,752,000) Bonus Shares and 1,888 shares issued by Pearl Global Limited in consideration for 549 shares of Mina Export being the amalgamated company.
Aggregate cost of of quoted investment is Rs. 3,413,870 (P.Y. Rs. 3,413,870)
Aggregate market value of quoted investment is Rs. 462,171,684 (P.Y. Rs. 625,422,649.80)

Note No. 2:
Aggregate cost of of Unquoted investment is Rs.2,538,241,213 (P.Y. Rs. 162,406,843)

SCHEDULE-5		
DEFERRED TAX ASSET (NET)		
Opening Deferred Tax Asset	**7,749,589.00**	7,343,945.00
Add: Deferred Tax release for the year	**2,844,033.57**	405,644.00
(Refer Note No. 10 of the Schedule '17')	**10,593,622.57**	7,749,589.00

(Amount in Rs.)

		AS AT 31ST MARCH 2007		AS AT 31ST MARCH 2006
SCHEDULE-6				
INVENTORIES				
(As taken,valued and certified by the management)				
Raw Material		-		3,850,491.00
		-		3,850,491.00
SCHEDULE-7				
SUNDRY DEBTORS				
(Unsecured - Considered Good)				
Over Six Months		-		-
Others		10,633,243.04		-
		10,633,243.04		-
SCHEDULE-8				
CASH & BANK BALANCES				
Cash in Hand		1,536.00		367,141.00
Demand Drafts in Hand		91,000.00		7,330,190.00
Balances with Scheduled Banks				
i) In Current Accounts		976,607.22		14,037,909.55
ii) In Fixed Deposits*		2,400,000.00		-
iii) Fixed Deposit (Unutilised money of IPO Proceeds)		300,000,000.00		-
		303,469,143.22		21,735,240.55
* Pledge with the Bank (Previous Year Nil)				
SCHEDULE-9				
OTHER CURRENT ASSETS				
Interest accrued but not due		843,141.37		-
		843,141.37		-
SCHEDULE-10				
LOANS & ADVANCES				
(Unsecured -Considered Good)				
Loans to Subsidiary		37,315,389.16		-
Advances recoverable in Cash or in Kind or for value to be received		6,133,681.46		11,476,655.56
Security Deposit		19,791,162.00		-
Share Application Money to Subsidiary		50,000,000.00		1,890,000.00
Advance Tax (including tax deducted at source)		4,409,811.59		1,391,527.00
		117,650,044.21		14,758,182.56
SCHEDULE-11				
CURRENT LIABILITIES				
Sundry Creditors -others		3,068,272.00		1,794,355.00
(Refer Note No. 13 of Schedule '17')				
Other Liabilities		30,475,017.56		162,418,104.00
		33,543,289.56		164,212,459.00
SCHEDULE-12				
PROVISIONS				
Provision for Taxation		2,781,900.00		714,605.00
Provision For Leave Encashment		160,453.00		-
		2,942,353.00		714,605.00
SCHEDULE-13				
OTHER INCOME				
Interest on Fixed Deposit with Bank	3,483,850.23		-	130,814.00
Tax Deducted At Source Rs. 780,558.59 (Previous Year 30,388.00)				
Less: Interest earned on behalf of selling shareholders on offer for sale proceeds	2,211,241.00	1,272,609.23	-	-
Rent Received		1,441,452.00		2,685,000.00
Tax Deducted At Source Rs. 296,534.00 (Previous Year Rs. 583,848.00)				
Profit from Partnership firm		-		604,350.71
Dividend on current investment-Non Trade		15,356,269.03		24,169.50
Dividend Income on Long term- trade investment with Subsidiary		14,908,764.00		-
Profit on Sale of Non Trade Investment		-		2,449,893.09
Profit on Sale of Fixed Assets		14,291,351.83		3,572,544.00
Misc Income		15,485.00		-
Licence Income		-		1,150,000.00
		47,285,931.09		10,616,771.30
SCHEDULE-14				
MANUFACTURING & OTHER EXPENSES				
Raw Material Consumed				
Opening Stock Fabric	3,850,491.00		212,726.00	
Add:Purchase of Raw Material	11,603,192.54		3,850,491.00	
Less:Sale of Fabric	3,850,491.00			

(Amount in Rs.)

		AS AT 31ST MARCH 2007		AS AT 31ST MARCH 2006
Less:Dead Stock written Off	-		212,726.00	
Less:Closing Stock	-	11,603,192.54	3,850,491.00	-
Fabrication Charges		5,597,720.35		-
Salaries & Allowances		2,642,660.00		27,000.00
Emloyees Welfare		106,564.00		-
Gratuity		93,970.00		-
Audit Fees		224,720.00		224,480.00
Legal & Professional Charges		481,804.17		775,940.00
Rates & Taxes		296,851.00		1,687,095.00
Travelling & Conveyance		3,939,259.42		-
Insurance		358,726.00		37,280.00
Repair & Maintenance				
- Buliding	52,854.00		76,607.00	
-Others	218,267.67	271,121.67	-	76,607.00
Foreign Exchange Fluctuation		1,036,540.03		145,060.00
Sundry Balances Written Off		63,000.00		79,429.00
Investments Written Off		-		200.00
Dead Stock written Off		-		212,726.00
Freight and Forwarding Charges		1,795,173.75		-
Bank Charges		1,183,002.41		9,562.96
Loss from Partnership firm		672,533.04		-
Miscellaneous Expenses		721,737.44		181,826.44
		31,088,575.82		3,457,206.40

SCHEDULE - 15
FINANCE COST

		AS AT 31ST MARCH 2007		AS AT 31ST MARCH 2006
Interest :				
- Fixed Loans		12,740,124.83		-
- Others		541,655.84		-
		13,281,780.67		-

SCHEDULE - 16

SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Convention

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

2. Use of Estimates

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

3. Inventories

(a) 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.

(b) Inventories of finished goods traded are valued at lower of procurement cost (FIFO Method) or estimated net realiseable value.

(c) Inventories of Raw material, Work in progress ,Accessories & Consumables are valued at cost (weighted average method) or at estimated net realizable value whichever is lower. For WIP, cost included appropriate overheads.

4. Cash Flow Statement

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

5. Depreciation

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

6. Revenue Recognition

(a) Export sale is recognized on the basis of date of Airway Bill/ Bill of lading.

(b) Sales are shown as net of trade discount and includes Freight & Insurance recovered from buyers as per the terms of sale.

(c) Interest income is recognized on time proportion basis.

(d) Dividend income is recognized when the right to receive is established.

7. Fixed Assets

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

8. Foreign Currency Transactions

a) Investments in foreign entities are recorded at the exchange rates prevailing on the date of making the investments.

b) 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.

c) Premium or discount on forward contracts are amortized in the profit and loss account over the period of the contract. Exchange differences on such contracts are recognized in the statement of Profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recoganised as income or as expense for the year.

d) Foreign Currency monetary items are reported using the closing rate. The resultant exchange gain/loss are dealt with in profit & loss account except in respect of loans denominated in foreign currencies utilised for acquisition of fixed assets from outside India where the exchange gain/ losses are adjusted to the cost of such assets.

9. Investments

Investments that are readily and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

10.Retirement Benefit

Provision for liabilities in respect of gratuity and leave encashment benefit are made based on actuarial valuation made by an independent actuary as at the balance sheet date.

11.Leases

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

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

12.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.

13.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**

   Counter Guarantee given by the company against bank guarantee given by the bank on its behalf for Rs. 2,400,000.00 (Previous year Nil).

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

(Amount in Rs.)

Name of the partner	% of Share		Profit/(Loss)during the year		Capital	
	Current Period	Previous year	Year Ended 31.03.2007	Year Ended 31.03.2006	As At 31.03.2007	AsAt 31.03.2006
Deepak Seth & Sons (HUF)	**25%**	25%	**(224,177.68)**	201,450.24	**1,059,904.36**	1,284,082.04
House of Pearl Fashions Limited	**75%**	75%	**(672,533.04)**	604,350.71	**52,396,538.13**	63,569,071.17
Total			**(896,710.72)**	805,800.95	**53,456,442.49**	64,853,153.21

3. **Details of Investments made & sold during the period ended 31.03.2007**

Name of the Company	Shares at the Beginning	Shares purchased during the year	Shares sold during the year	Shares at the Closing
Nor-Pearl knitwear Limited	2,240,668	413,929	-	2,654,597
Multinational Textile Group Ltd.	10,000	13,007,610	-	13,017,610
House of Pearl Fashions (US) Ltd.	-	100	-	100
Norp Knit Industries Ltd	980	492781		493,761

Name of the Company	Units at the beginning	Units purchased during the year	Reinvest during the Year	Unitssold during the year	Units at the Closing
Birla Sunlife Cash Manager	-	19,996,000.800	28,055.390	20,024,056.190	-
Birla Quarterly series 9	-	10,000,000	-	-	10,000,000
Birla FTP Quarterly Series 7	-	20,000,000	-	-	20,000,000
DSP Merrill Lynch Liquidity Fund	-	99,980.004	129.172	100,109.176	-
DWS Fixed Term Fund Series 27	-	5,000,000	-	-	5,000,000
DSP Merrill Lynch Fixed Term Plan Series-II	-	100,000.000	505.690	-	100,505.690
HSBC Liquid Plus	-	9,992,505.621	33,197.373	10,025,702.994	-
HDFC Liquid Fund	-	16,313,479.828	77,214.1100	16,390,693.94	-
HSBC Fixed Term Series – 26	-	5,000,000	-	-	5,000,000
HDFC FMP 90D March 2007	-	5,000,000	-	-	5,000,000
ING Vysya Liquid	-	29,987,105.545	73,247.708	30,060,353.253	-
Kotak Liquid	-	8,186,487.3627	1,405.911	8,187,893.2737	-
LIC Liquid Fund	-	18,214,770.357	21,688.794	18,236,459.151	-
LIC MF FMP Series 13	-	10,000,000	12,414.240	-	10,012,414.240
ICICI Prudential Institutional Liquid Plan	-	20,000,000	93,390.710	20,093,390.710	-
ICICI Prudential Institutional Liquid Plan	-	3,000,000	6,017.523	-	3,006,017.523
Principal cash Management	-	9,999,300.049	12,059.272	10,011,359.321	-
Prudential ICICI Fixed Maturity Plan	-	10,000,000	-	10,000,000	-
Reliance Fixed Horizon fund-ii Series _III	-	30,000,000	-	-	30,000,000
Reliance Interval Fund (Monthly)	-	10,000,000	-	-	10,000,000
Reliance Liquid Fund	-	3,141,521.035	3,778.636	3,145,299.671	-
Reliance Fixed Horizon Fund Series-V	-	10,000,000	-	-	10,000,000
SCFMP Quarterly Series – 7	-	10,000,000	57.800	-	10,057,800
SCLMP- QS 5	-	23,000,000	194,810	-	23,194,810
Templeton India Treasury Management	-	99,975.006	112.977	100,087.983	-
Tata Liquid Fund	-	89,724.725	92.781	89,817.506	-
Tata Fix Maturity Plan	-	10,000,000	50,787.303	10,050,787.303	-
UTI Liquid Fund	-	196,185.044	666.155	196,851.199	-
UTI Fixed Maturity Plan Quarterly Series-0307	-	5,000,000	22,868.350	-	5,022,868.350
UTI Fixed Maturity Plan Quarterly Series-0207	-	10,000,000	59,866.100	-	10,059,866.100

4. Loans & Advances given to companies under the same Management as defined under section 370(1B) of the Companies Act, 1956.

		(Amount in Rs.)
Loans and Advances to Subsidiary	**31st March 2007**	**31st March 2006**
Pearl Global Limited*	**37,315,389.16**	8,495,405.88

Maximum balance outstanding during the period Rs. 75,338,992.72 (P.Y. Rs. 12,560,376.86)

*Pursuant to order of Honorable High Court of Delhi dated 06 October, 2006, the Pearl Styles Limited amalgamated with Pearl Global Limited and the amount lying as on 31st March , 2006 in the books of company in the name of Pearl Styles Limited has been clubbed with Pearl Global Limited.

5. **Auditor's Remuneration**

Statutory Audit Fee	**200,000.00**	200,000.00
Professional Charges	**2,217,629.00**	-
Service Tax	**296,277.00**	24,480.00
Total	**2,713,906.00**	2,24,480.00

6. **Related Party Disclosure**

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

a) **Subsidiary Companies :**

Domestic	
Pearl Global Limited	India
Overseas	
Multinational Textile Group Limited	Mauritius
Nor-Pearl Knitwear Limited	Bangladesh
Norp Knit Industries Limited	Bangladesh
Global Textile Group Limited	Mauritius
Poeticgem Limited	UK
Depa International Inc.	USA
Depa International (Canada) Inc.*	Canada
Poeticgem (Canada) Limited *	Canada
P.T. Norwest Industry	Indonesia
Pacific Logistics Limited	UK
Norwest Industries Limited	Hong Kong
House of Pearl Fashions (US) Ltd.	USA

* Depa International (Canada) Inc. has been acquired by Poeticgem Limited, U.K., on 31st August, 2006 and the name of the Depa International (Canada) Inc. have been changed to Poeticgem (Canada) Ltd. w.e.f. 12th October, 2006.

b) **Associates:**

Domestic	
Hopp Fashions	India
Pearl Wears	India

Vastras	India
Little People Education Society	India
Crown Computerized Embroideries	India
Images Pearl Retail Solutions Pvt. Ltd.	India
Deepak Seth & Sons (HUF)	India
Pearl Academy of Fashion India Ltd.	India
Overseas	
Pallas Holdings Limited	Mauritius
SACB Holdings Limited	Mauritius
JSM Trading (F.Z.E.)	Dubai

c) **Key Management Personnel:**

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

d) **Relatives**

Mrs. Payel Seth
Mrs. Shefali Seth
Mr. Sanjay Pershad

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

i) **Subsidiaries**

	2006-07	2005-06
Purchase of goods	**4,437,114.31**	-
Sale of goods	**4,235.540.00**	-
Fabrication charges	**5,593,310.00**	-
Investment made	**638,495,950.00**	-
Loan given	**185,200,000.00**	-
Loan received back	**144,950,000.00**	-
Rent received	**120,000.00**	120,000.00
Expenses incurred on behalf	**6,369,605.41**	-
Expenses reimbursed	**628,959.00**	-
Share application money deposit	**50,000,000.00**	-
Sale of share	-	300.00
Refund of share application money	-	16,130,000.00
Advance given	-	21,875,000.00
Advance recovered	-	6,350,000.00
Dividend received	**14,908,764.00**	-
Closing Balance as on 31st March 2007		
Loan to subsidiary	**37,315,389.16**	-
Advance to subsidiary	-	8,495,405.88

ii) **Associates**

Share application money received back	**1,500,000.00**	-
Advance received	**7,500,000.00**	1,000,000.00
Advance settled	**7,500,000.00**	1,000,000.00
Rent Received	**1,321,452.00**	2,565,000.00
Profit/(Loss)from partnership firm	**(672,533.04)**	604,350.00
Drawings from partnership firm	**10,500,000.00**	5,400,000.00
Sale of fixed assets	**50,000,000.00**	-
Expenses paid	**1,465,305.00**	-
Bonus shares issued	**200.00**	-
Amount Paid	**162,104,103.00***	-
Purchase of assets	-	9,675,000.00
Capital contribution towards partnership firm	-	44,425,123.14
Shares purchase	-	162,406,843.00
Closing Balance as on 31st March 2007		
Other liabilities		(162,406,843.00)*
Share application money		1,500,000.00

* upto March 31, 2006 M/s Norwest Industries Ltd was the associates of the Co. , w.e.f 31.05.2006 it has become the subsidiary of the co.

iii) **Key management Personnel**

Offer for sale proceeds from IPO received on behalf of	**404,316,000.00**	-
Interest received on offer for sale proceeds on behalf of	**1,049,283.00**	-
Public issue expenses related to offer for sale.	**4,641,163.00**	-
Apportionment of public issue expenses related to offer for sale	**27,215,994.92**	-
Withholding tax paid on offer for sale component on behalf of	**37,957,131.00**	-
Expenses paid on behalf	**89,852.00**	-
Net proceeds transferred including interest from public issue account	**344,743,468.08**	-
Bonus Shares issued	**55,879,700.00**	-
Sale of Share	-	39,221,100.00
Advance Recovered	-	41,690.00
Advance Taken	-	5,649,800.00

iv) Relatives

Offer for sale proceeds from IPO received on behalf of	**269,544,000.00**	-
Interest received on offer for sale proceeds on behalf of	**817,373.00**	-
Apportionment of public issue expenses related to offer for sale	**18,143,996.62**	-
Withholding tax paid on offer for sale component on behalf of	**39,015,488.00**	-
Expenses paid on behalf	**50,548.00**	-
Net proceeds transferred including interest from public issue account	**213,151,340.38**	-
Bonus Shares issued	**37,253,480.00**	-

7. Assets Given on Lease

A. The company has given certain assets on operating lease (Non Cancelable) and lease rent income amounting to Rs. 1,441,452.00 (Previous Year Rs. 2,685,000.00) has been credited in Profit & loss Account. The future minimum lease payments receivables in respect of which, as at 31st March, 2007 are as follows:

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

		As at 31.03.2007	Previous Year
	Not later than 1 year	**840,000.00**	2,869,500.00
	Later than 1 year but not later than 5 years	**4,092,000.00**	12,767,598.00
	Later than 5 years	**1,368,000.00**	3,096,000.00
B.	Gross Investment on leased Assets	**2,808,328.50**	47,156,264.23
	Accumulated Depreciation on Lease Assets	**1,552,206.08**	9,854,323.00
	Depreciation Charged During the Period/Year	**151,141.09**	411,814.00

8. Earning per share

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

	For the Year (Rs.)	Previous Year (Rs.)
Profit /(Loss) attributable to the equity shareholders	**43,645,487.60**	6,637,394.90
Basic/weighted average no. of equity shares outstanding during the period	**14,808,792**	11,896,150
Nominal value of Equity shares	**10/-**	10/-
Basic Earning per share (Rs.)	**2.95**	0.56
Potential Equity shares	**Nil**	Nil
Dilutive Earning per share (Rs.)	**2.95**	0.56

Note :

In the extra-ordinary general meeting held on June, 17, 2006 the members of the company approved the issue of 9,313,358 equity shares of Rs. 10/- each as fully paid up bonus share in the ratio of 2 shares for every one share held in the company. In accordance with the measurement principle laid down under Accounting Standard 20 "Earning Per Share" earning per share calculations have been adjusted, for the change in the number of equity shares, for all the periods for which earnings per share data were presented.

9. 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	
	Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous
Readymade Garments	Nos	N.A.	N.A.	-	-	72,314*	-

* The current period production is of pcs manufactured from outside through contract work.

b) Breakup of Sales

(Amount in Rs.)

Class of Goods	Unit	Current Year		Previous Year	
		Qty	Amount(Rs.)	Qty	Amount(Rs.)
Readymade Garments					
-Manufactured	Pcs	**72,314**	**20,170,618.14**	Nil	Nil
Readymade Garments					
-Traded	Pcs.	**96,941**	**35,542,939.74**	Nil	Nil
-Sale of Fabric	Mtrs	**93,169.15**	**4,235,540.01**	Nil	Nil

c) Purchases of Traded Goods

Readymade Garments	Pcs	**96,941**	**18,361,055..75**	-	-
Fabric	-	**-**	**3,850,491.00**	-	-
	-	**-**	**22,211,546.75**	-	-

d) Breakup of Raw Material Consumed

(Amount in Rs.)

Class of Goods Raw Material Consumed	Current Year		Previous Year	
	Amount (Rs.)	%	Amount (Rs.)	%
Indigenous	**4,437,114.31**	**38.24**	-	-
Imported	**7,166,078.23**	**61.76**	-	-
	11,603,192.54	**100.00**	-	-

e) Raw Material Consumed **(Amount in Rs.)**

Class of Goods	Current Year		Previous Year	
	Qty.	Value (Rs.)	Qty.	Value (Rs.)
Fabric-woven (Mtrs.)	**47,162.20**	**9,307,550.26**	-	-
Others	**-**	**2,295,642.28**	-	-
		11,603,192.54		

(Amount in Rs.)

	Particulars	Current Year	Previous Year
f)	**Value of Imports on C.I.F. basis**		
	Raw Material	7,166,078.23	-
	Total	7,166,078.23	-
g)	**Earnings in Foreign Exchange**		
	Export of Goods- FOB basis	54,921,207.16	-
h)	**Expenses in Foreign Exchange**		
	Foreign Travelling	1,965,478.06	-
	Public Issue Expenses	7,081,334.00	-
	Total	9,046,812.06	-

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

(Amount in Rs.)

Particulars Deferred Tax Asset	Balance as at 01.04.2006	Expenses/Savings during the year	Balance as at 31.03.2007
Unabsorbed Depreciation	1,160,907	(496,662)	664,245
Business losses	5,366,557	(582,519)	4,784,038
House Property Loss	351,830	3,449	355,279
Long Term Capital losses	827,305	1,543,654	2,370,959
Others	-	86,478	86,478
Depreciation	42,990	2,289,633	2,332,623
Total	7,749,589	2,844,033	10,593,622
Deferred Tax Asset	7,749,589	2.844.033	10,593,622

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

11 . The prior period Income includes Rs. 10,230/- of Ground Rent expenses (Previous year adjustment include insurance expenditure amounting to Rs.17, 423/-).

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

Particulars of Expenses	As At 31th March, 2007 (in Rs.)	As At 31st March, 2006 (in Rs.)
Retail Business		
Preoperative Expenses Retail	2,960,883.00	-
Total	2,960,883.00	-

13. On the basis of information available, the company had no outstanding dues to small-scale industrial undertakings as at 31st March, 2007

14. 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, 2007.

15. The House of Pearl Fashions Limited has incurred Rs. 237,495,762.74 towards Public Issue Expenses for its Initial Public Offer. same has been shared on pro rata basis between company and the selling share holders, who offered the shares in the offer for sale of the company's IPO. An amount of Rs. 45,359,991.54 has been recovered from selling share holders as their shares of public issue expenses and the balance of Rs. 192,135,770.00 has been adjusted against the securities premium received on the issue of shares.

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

Meeting Share Issue Expenses	173,066,230
Payment of outstanding purchase consideration for acquisition overseas subsidiaries, as a part of group restructuring.	491,729,400
Prepayment of certain loans availed by the company and its subsidiaries :·	
* Repayment of Bridge Loan facility taken for acquisition of Nor Pearl Knitwear Ltd and Norp Knit Industries Ltd. in Bangladesh.·	163,000,000
* Payment of Loan taken by Global Textiles Group Ltd and Multinational Textiles Group Ltd. for acquisition of Depa International Inc. U.S.A and Poeticgem Limited U.K. and Norwest Industries Hongkong	68,970,971
Infusion of Preference Share Capital in Pearl Global Limited for acquisition of Knitted Garment Unit in Khandsa Gurgaon.	50,000,000
Add: Dividend Income received from Mutual Funds	12,075,906
Balance Amount lying in Mutual Fund and Fixed Deposits	1,919,644,305

17. Out of the proceeds of the Initial Public Offer of the House of Pearl Fashions Limited, held in the month of January, 2007, wherein one of the objective of the Public Issue was to invest in Pearl Global Limited (a subsidiary company), an amount of Rs. 50,000,000 was invested and is appearing as preference share application amount under the head of Loans & Advances as "Share application money to Subsidiary". The resolution was passed in the meeting of the Board of Directors held on 19.02.2007 with the terms 10.5% redeemable non- cumulative preference share to be redeemed within a period of 5 years.

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

As per our report of even date attached.

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

Sd/-
(Pradeep Dinodia)
Partner
M. No. 080617
Place : New Delhi
Date : 22nd June, 2007

On behalf of the Board

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Rishi Vig)
Chief Finance Officer

Sd/-
(Jyant Sood)
General Manager & Company Secretary

BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE.

I. Registration Details

Registration No.	36849	State Code	55

Balance Sheet date 31st March, 2007

II. Capital Raised during the year (Amount in Rs. Thousand)

Public issue	51897	Right issue	NIL
Bonus issue	93134	Private Placement	3406

III. Position of Mobilization and Deployment of Funds (Amount in Rs. Thousand)

Total Liabilities	2955619	Total Assets	2955618

Source of Funds

Paid - up Capital	195003	Reserve & Surplus	2760615
Secured Loans	NIL	Unsecured Loans	NIL
Deferred Tax Liability (Net)	NIL		

Application of Funds

Net Fixed Assets *	7260	Investments	2541655
Net Current Assets	396110	Miscellaneous Expenditure	NIL
Accumulated Losses	NIL	Deferred Tax Asset (Net)	10594

* Including Capital Work in Progress.

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

Turn Over (Total Income)

Income	110045	Total Expenditure	66967
Profit before Tax	43078	Profit After Tax	43645
Earning per share in Rs.	2.95	Dividend Rate	NIL

V. Generic Names of three Principal Products / Services of Company (as per monetaryterms)

Item Code No.(ITC Code)	620520
Product Description	Readymade Garments - Men
Item Code No.(ITC Code)	620630
Product Description	Readymade Garments - Women

On behalf of the Board

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Rishi Vig)
Chief Finance Officer

Sd/-
(Jyant Sood)
General Manager & Company Secretary

Place : New Delhi
Date : 22nd June, 2007

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		Holding company's interest as at March 31, 2007 incorporating changes since close of financial year of subsidiary company
			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	2006-07	4969588 Equity Shares of Rs. 10/- each	60.49%	28,148,122	17,763,027.46	-	-	No Change
Overseas :									
Multinational Textile Group Limited	Mauritius	2006-07	13,017,610 Equity Shares of USD 1 each fully paid up	100.00%	(2,312,411)@	-*	-	-	No Change
Global Textile Group Limited #	Mauritius	2006-07	5,621,556 Equity Shares of USD 1 each fully paid up	100.00%	10,392,568@	-*	-	-	No Change
Poeticgem Limited #	UK	2006-07	50,000 Equity Shares of GBP 1 each fully paid up	100.00%	147,842,421@	-*	-	-	No Change
Pacific Logistics Limited #	UK	2006-07	10,000 Equity Shares of GBP 1 each fully paid up	100.00%	14,791,041@	-*	-	-	No Change
Depa International Inc. # (Refer Note 1)	USA	2006-07	75 Equity Shares of USD 2500 each fully paid up	75.00%	38,393,992@	-*	-	-	No Change
Poeticgem (Canada) Limited #	Canada	2006-07	100 Equity Shares of USD 1 each fully paid up	100.00%	9,336,604@	-*	-	-	No Change
PT Norwest Industry #	Indonesia	2006-07	134,998 Equity Shares of USD 10 each fully paid up	99.99%	28,575,872.75@	-*	-	-	No Change
Norwest Industies Limited #	Hongkong	2006-07	1,020,000 Equity Shares of USD 1 each fully paid up	85.00%	160,015,906@	-*	-	-	No Change
House of Pearl Fashions (US) Ltd.	USA	2006-07	100 shares without par value	100.00%	(5,935,081)@	-*	-	-	No Change
Nor Pearl Knitwear Limited	Bangladesh	2006-07	2,654,597 equity shares of Taka 100 each	99.89%	17,664,809@	-*	-	-	No Change
Norp Knit Industries Limited	Bangladesh	2006-07	493,761 equity shares of Taka 100 each	99.99%	23,990,448@	-*	-	-	No Change

Note :

1. Depa International Inc. represents the consolidated figures with its subsidiary Depa Interntional (Canada) Inc. for the Ist six months and the subsidiary Depa International (Canada) inc. has been acquired by Poeticgem Limited (UK) and the same has been changed to Poeticgem (Canada) Limited. The financial for the Poeticgem (Canada) Limited showing for the full year i.e. 2006-07.

\# Shares held through wholly owned subsidiaries.

@ Average exchange rate has been considered for conversion.

* The Company completed a restructuring and combined its domestic and international operations under one Company, House of Pearl Fashions Ltd. The subsidiaries in Bangladesh were acquired on March 28, 2006, other subsidiaries in Mauritius, Multinational Textiles Ltd, was incorporated on March 28, 2006 and other overseas subsidiaries, other than Norwest Industries (HK) were acquired in March 2006. The subsidiary in Hong Kong, Norwest Industries Ltd., was acquired on May 31, 2006 as a result, previous year figures of Profit (Loss) is not taken into accounts.

On behalf of the Board

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Rishi Vig)
Chief Finance Officer

Sd/-
(Jyant Sood)
General Manager & Company Secretary

Place : New Delhi
Date : 22nd June, 2007

DIRECTORS' REPORT

To the Shareholders,

The Directors of your Company have pleasure in presenting the 27th Annual Report on the business and operations of the Company and the Audited Financial Accounts for the year ended 31st March 2007.

Financial Results

The performance of the Company for the financial year ended 31st March 2007 is summarized below:

(Rs. In Lacs)

Particulars	2006 – 2007	2005 – 2006
Sales Turnover (including Export Incentives)	**19,275.99**	16,029.16
Other Income	**1,029.08**	**279.09**
Profit before Interest, Depreciation & Tax	**1,745.09**	1,760.49
Interest (Net)	**460.42**	261.30
Depreciation	**448.22**	266.41
Profit before Tax	**836.45**	1,232.78
Provision for Taxation (including deferred Tax)	**325.70**	(628.21)
Tax Adjustments for earlier years	**(57.37)**	(105.00)
Provision for doubtfull debts	**(1.45)**	1.45
Profit after Tax	**512.20**	**498.12**
Profit Available for Appropriations	**512.20**	**498.12**
Appropriations		
Proposed dividend (Equity)	**(164.23)**	(237.38)
Provision for taxation on dividend	**(27.92)**	(33.29)
Transfer to General Reserve	**(38.50)**	(49.81)
Profit & Loss Account Balance – carried forward	**281.48**	177.63

Financial Review

During the year, the Company showed an improved performance both in terms of turnover and profitability. Turnover increased by 20.26% from Rs. 16,029.16 lacs in year 2005-06 to Rs. 19,275.99 in year 2006-07. The Company earned a Net Profit after interest, depreciation and taxation of Rs. 512.20 lacs against Rs. 498.12 during the previous year. The Earning per Share (EPS) for the financial year ended 2006-07 is Rs. 6.47 as compared to Rs. 6.30 for the preceding financial year.

Growth and Future Prospects

India is the World's Second Largest textiles and apparel producer after China. Though the textile, apparel and made-up sector is one of the most important sector in the Indian economy, the garment manufacturing industry, globally and in India, is highly fragmented with a large number of small and medium sized manufacturers having a local presence in Western Europe, China and India. With the elimination of export quotas as of January 1, 2005 under the WTO, competition in the textile and garment exporting market has increase dramatically. The readymade garments industry commands a significant presence in the Indian economy by virtue of its contribution to generation of employment next to agriculture.

Your Company started its operation in 1987 with one manufacturing facility in Gurgaon, India. We currently operate seven ready-to-wear apparel manufacturing facilities of which six are located in the North India and one in the South India, which enable the company to leverage each location's relative advantage in a particular product category.

Though the Indian garments industry is facing severe competition from China, Bangladesh, Indonesia etc., it continues to be one of the preferred nation in the readymade garments segment. To capitalize on the increased growth in the apparel industry and associated demand for our products, we intend to increase significantly our production capacity. The Company has a diverse customer base that includes leading global operations in the U.S. and Europe. We have achieved strong revenue growth by establishing long and stable relationships with several of our large customers. We intend to continue to leverage our client successes to gain new customers and deepen our existing customer relationships. In order to increase our product offerings, we plan to add new product categories. We believe our increased product offerings will reduce our exposure to changes in fashion trends and increased competition in a single product line.

In order to be competitive in the export market, we intend to continue to leverage our scalable and cost efficient production and operational capabilities focus on providing innovative designs to our customers and maintain strong relationship with our customer. This would ensure improving the margins of the Company.

In view of the Company's competitive strengths, business strategy, manufacturing facilities, quality control, etc., your directors are confident of a better performance in the current year.

Dividend

Your Directors are pleased to recommend a dividend of Rs 2.00 per equity share (20%) on the paid up equity share capital of the Company for the financial year ended 31st March 2007, for consideration and approval of the shareholders at the ensuing Annual General Meeting. The total payment of proposed dividend is Rs. 192.15 lacs which includes the corporate dividend tax of Rs. 27.92 lacs.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of your Company, Mr. Anil Nayar and Mr. Santosh Gadia, retire by Rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Board recommends their re-appointment as Directors on the Board of your Company in this Annual General Meeting.

Change in Directorship of the Company

1) Appointment and Resignation of Dr. Vijay Chandra as a Director of the Company:

   The Board of Directors in their meeting held on 23rd March 2007, appointed Dr. Vijay Chandra as an additional director of your Company. Dr. Chandra resigned from the Directorship due to personal reasons on 24th April 2007.

   The Board of Directors in their Board meeting held on 22nd May 2007, accepted the resignation of Dr. Vijay Chandra from Directorship of your Company with effect from 24th April 2007 and placed on record its appreciation for the services rendered by Dr. Vijay Chandra.

2) Appointment of Mr. Anshuman Khanna as a Director of the Company:

   The Board of Directors in their meeting held on 23rd March 2007, has appointed Mr. Anshuman Khanna as an additional director of your Company.

   Keeping in view of the vast experience and knowledge of Mr. Anshuman Khanna, it will be in the interest of your Company to appoint him as a Director of your Company.

   This appointment is subject to the approval of the Members of your Company. Hence the Ordinary Resolution to the above effect has been included in the Notice for the 27th Annual General Meeting of your Company for approval of the Members.

3) Appointment of Dr. Ashutosh P. Bhupatkar as a Director of the Company:

   The Board of Directors in their meeting held on 22nd May 2007, has appointed Dr. Ashutosh P. Bhupatkar as an additional director of your Company.

   Keeping in view of the vast experience and knowledge of Dr. Ashutosh P. Bhupatkar, it will be in the interest of your Company to appoint him as a Director of your Company.

   This appointment is subject to the approval of the Members of your Company. Hence the Ordinary Resolution to the above effect has been included in the Notice for the 27th Annual General Meeting of your Company for approval of the Members.

4) Appointment of Mr. A. K. G. Nair as a Director of the Company:

   The Board of Directors in their meeting held on 22nd May 2007, has appointed Mr. A. K. G. Nair as an additional director of your Company.

   Keeping in view of the vast experience and knowledge of Mr. A. K. G. Nair, it will be in the interest of your Company to appoint him as a Director of your Company.

   This appointment is subject to the approval of the Members of your Company. Hence the Ordinary Resolution to the above effect has been included in the Notice for the 27th Annual General Meeting of your Company for approval of the Members.

5) Appointment and resignation of Mr. B. B. Gupta as a Director of the Company:

   The Board of Directors in their meeting held on 22nd May 2007, has appointed Mr. B. B. Gupta as an additional director of your Company. Mr. B.B. Gupta resign from the directorship of the company due to personal reasons on 20th July 2007.

   The Board of Directors in their board meeting held on 31st July 2007, accepted the resignation of Mr. B.B. Gupta from directorship of your company with effect from 20th July 2007 and placed on record its appreciation for the services rendered by Mr. B.B. Gupta

All the directors have given disclosures under section 299 of the Companies Act, 1956.

As specified in section 274 of the Companies Act, 1956, as amended by the Companies (Amendment) Act, 2000, none of the directors of the Company is disqualified from being appointed as Director.

Auditors

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

Auditor's Report

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

Subsidiary Company

As a result of Merger approved by Hon'ble High Court of Delhi at New Delhi vide order dated 6th October 2006, Pearl Styles Ltd., subsidiary of Pearl Global Ltd. merged with the Company. Your Company has no other Subsidiary Company.

Merger

The Hon'ble High Court of Delhi at New Delhi has vide its Order dated 06th October 2006 approved the Scheme of Merger/Amalgamation of Pearl Styles Limited and City Estates Private Limited (both transferor companies) with Pearl Global Limited. On account of merger and as per the Court Order, your Board has on 24th April 2007 allotted 302,203 equity shares of Rs. 10/- each to the shareholders of transferor companies.

Capital Structure

On account of merger, the Authorised Share Capital of the Company has been altered as follows:

2,64,50,000 Equity Shares of Rs.10/- each	:	Rs. 26,45,00,000/-
5,000 Non-cumulative non voting Preference Shares of Rs.10/- each	:	Rs. 50,000/-
35,000 Non-cumulative Preference Shares of Rs.10/- each	:	Rs. 3,50,000/-
5,00,000 Preference Shares of Rs.100/- each	:	Rs. 5,00,00,000/-
Total	:	Rs. 31,49,00,000/-

Now the Clause V of the Memorandum of Association of the Company reads as follows:

The Authorised Share Capital of the Company is Rs.31,49,00,000/- (Rupees Thirty One Crores Forty Nine Lacs only) divided into 2,64,50,000 (Two Crores Sixty Four Lacs Fifty Thousand) Equity Shares of Rs.10/- (Rupees Ten only) each, 5,000 (Five Thousand) 4% Non-cumulative non voting Preference Shares of Rs.10/- (Rupees Ten only) each, 35,000 (Thirty Five Thousand) 4% Non-cumulative Preference Shares of Rs.10/- (Rupees Ten only) each and 5,00,000 (Five Lacs) Preference Shares of Rs.100/- (Rupees One Hundred only) each.

The Issued, subscribed and Paid-up Capital of the Company is Rs.8,21,49,800/-.

Segment Reporting

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

Public Deposits

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

Corporate Governance

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

Management Discussion and Analysis

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

Registrar and Share Transfer System

Mas Services Limited is the Registrar and Share Transfer Agent (RTA) of the Company and 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.

Listing

The shares of your Company are listed at The Delhi Stock Exchanges Association Ltd., Bombay Stock Exchange Ltd., National Stock Exchange of India Ltd. and Ahmedabad Stock Exchange Ltd. The listing fees to the Stock Exchanges for the year 2007-08 have been paid.

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 2007, 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 2007 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.

STATUTORY DISCLOSURES

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 is given below:

A. Details of Conservation of Energy

Conservation of Energy continues to receive close attention at all the manufacturing units of the Company. Efficient use of machines and improvement in power factor received focus during the year.

Further measures are being contemplated as part of the utilization plan for the ensuing year.

B. Technology Absorption - Adaptation and Innovation

Not Applicable

C. Foreign Exchange Earnings and Outgo

(Amount in Rs.)

Particulars	Current Year	Previous Year
Earnings		
Export of Goods – FOB basis	**1,73,46,17,145.82**	1,48,36,06,197.01
Export of software FOB basis	**1,56,33,000.00**	1,49,30,500.00
Sampling Recoveries	**2,46,99,970.84**	70,67,977.00
Claim Received	**1,62,30,717.94**	-
Commission received	**2,38,48,000.00**	44,17,000.00
Total	**1,81,50,28,834.60**	1,51,00,21,674.01
Outgo		
Interest on Loan	**73,60,770.21**	30,86,008.00
Foreign Traveling	**35,62,333.43**	6,50,844.50
Export Commission	**1,32,73,136.42**	46,22,258.32
Professional Fee	-	75,752.00
Others	**61,99,860.15**	68,51,447.12
Total	**3,03,96,100.21**	1,52,86,309.94

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**

Sd/-
(Deepak Seth)
Chairman

Place: Gurgaon.
Date: 31st July 2007

ANNEXURE I TO THE DIRECTORS' REPORT.

STATEMENT UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956, READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEE) RULES, 1975 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2007

Name of the Employee	Age (Years)	Designation (Nature of Duty)	Remuneration (Rs.)	Qualification	Experience (in years)	Date of Employment	Previous Employment Post held & Period
Pulkit Seth	27	Managing Director	29,00,000/-*	Graduate in Management Studies fromLeonard N. Stern School of Business, New York University	5 Years	01.04.2005	Norwest Industries Ltd., Hong Kong, as Joint Managing Director and became Managing Director in the year 2003.
Sanjay Pershad	41	Whole-time Director	18,00,000/-#	Commerce Graduate from Delhi University, In the year 1985	20 Years	01.08.2006	Managing Director of Pearl Styles Limited w.e.f. 01.05.2005 upto 31.07.2006.
Ashwani Palaha	39	COO (Merchandising)	21,68,720/-	B.A. (P)	16 Years	03.07.2006	Sr. President of JC Textiles Pvt. Ltd.

* Mr. Pulkit Seth was appointed as MD w.e.f. 01.04.2005 for a period of 2 years and remunerated @ 1,25,000/- p.m. and re-appointed as MD w.e.f. 01.08.2006 for a period of two years at a remuneration of Rs. 3,00,000/- p.m.

\# In addition to above remuneration, Mr. Sanjay Pershad received Rs. 2,00,000/- from Pearl Styles Limited as Managing Director from 01.04.2006 to 31.07.2006. Pearl Styles Limited merged with Pearl Global Limited vide Hon'ble Delhi High Court Order dated 06.10.2006 (Appointed date for the merger is 01.04.2005).

Notes:

i) Appointment is on contractual basis. Other terms and conditions are as per Company's Rule.

ii) Remuneration 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) Remuneration has been calculated on the basis of Section 198 of the Companies Act, 1956 and including expenditure incurred by the Company on salary and for provision of benefits to the above employee.

AUDITOR'S REPORT

To the Members of PEARL GLOBAL LIMITED

We have audited the attached Balance sheet of PEARL GLOBAL LIMITED, as at 31st March 2007, the Profit & Loss Account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditor's Report) Order, 2003 [as amended by the Companies (Auditor's Report) (Amendment) Order 2004] issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in 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, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as director in term of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

f) In the absence of any notification in the official gazette by the Central Government, no cess is payable under section 441A of the Companies Act, 1956 for the year ended 31st March 2007:

g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with accounting policies and notes to 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, 2007;

   ii) in the case of the Profit & Loss Account, of the Profit for the year ended on that date; and

   iii) in the case of cash flow statement, of the cash flow for the year ended on that date.

For S.R. DINODIA & CO.,
Chartered Accountants,
Sd/-
(Pradeep Dinodia)
Partner
M.No. : 080617

Place : New Delhi
Dated : 22/06/2007

ANNEXURE TO THE AUDITORS' REPORT

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

i) a. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets which still need updation.

b. As explained to us, physical verification of a major portion of fixed assets as at 31st March 2007 was conducted by the management during the year. There is a regular programme of verification which in our opinion, is reasonable having regard to the size of the Company and the nature of the assets. No material discrepancies were noticed on such verification.

c. In our opinion and according to the information and explanations given to us, the Company has not disposed off substantial part of fixed assets during the year.

ii) a. On the basis of information and explanation provided by the management, Inventory has been physically verified by the management during the year except the inventories in transit and lying with the third parties.

b. In our opinion, frequency and 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. We have been explained that discrepancies noticed on physical verification as compared to book records were not material and the same have been properly dealt with in the books of account.

iii) a. The company had not granted any loans, secured or unsecured to the parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore, the provisions of clause (iii) (a) to (d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

b. According to the information and explanation given to us, the company had taken unsecured loan from the one Company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved in the transaction is Rs. 7,53,38,992/- (the year end balance was Rs. 3,73,15,389/-). The rate of interest and other terms and conditions on which such loan has been taken are not prima facie prejudicial to the interest of the company. The company is regular in repayment of principal amount as stipulated.

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 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.

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 from the public 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 commensurate with its size and nature 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, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it.

b. According to the records of the Company examined by us and on the basis of the information and explanations provided, no undisputed amounts payable in respect of Income Tax, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Service Tax, Excise Duty, Cess and other material statutory dues applicable to it, were outstanding as at 31st March, 2007 for a period of more than six months from the date they became payable.

c. On the basis of our verification of records and information & explanations provided, the details of the disputed statutory dues aggregating amounting to Rs 25,71,661.00, which have not been deposited on account of matters pending before appropriate authorities are as under:-

S. No.	Name of Statue	Nature of Dues	Year	Forum where dispute is pending	Amount (Rs.)
1.	Central Sales Tax Act 1956 & Delhi Sales Tax Act 1975	Sales Tax	1991-1992 1992-1993 1999-2000	Deputy commissioner of Sales Tax (Appeals)	2352380.00
2.	Employee State Insurance	E.S.I.	-	E.S.I. Court	219281.00

x) The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses during the financial year covered by audit and the immediately preceding financial year.

xi) On the basis of information and explanation provided by the management, the company has not defaulted in the repayment of dues to the financial institutions and banks.

xii) To the best of our knowledge and information provided to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

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) On the basis of information and explanation provided, the company has not given guarantee for loans taken by other from the banks or financial institutions during the year.

xvi) To the best of our knowledge and belief and according to information and explanations given to us, in our opinion, term loans availed by the Company were prima facie, applied by the company during the period for the purposes for which the loan was obtained.

xvii) On the basis of information and explanation given to us and an overall examination of the balance sheet, we report that during the year there are no funds raised by the company on short term basis, which have been used for long term investments.

xviii) On the basis of information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the financial year.

xix) During the year covered by our audit report, the company has not issued any debentures. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

xx) The company has not raised any money by public issue during the financial year. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

xxi) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, during the year we have neither come across any instance of fraud on or by the Company nor have we been informed of such case by the management.

For S.R. DINODIA & CO.,
Chartered Accountants,
Sd/-
(Pradeep Dinodia)
Partner
M.No. : 080617

Place : New Delhi
Dated : 22/06/2007

BALANCE SHEET AS AT 31ST MARCH, 2007

(Amount in Rupees)

	SCHEDULE		AS AT 31ST MARCH, 2007		AS AT 31ST MARCH, 2006
SOURCES OF FUNDS					
Shareholder's Funds					
Share Capital	1	**82,149,800.00**		82,149,800.00	
Reserves and & Surplus	2	**633,684,160.78**	**715,833,960.78**	601,686,038.95	683,835,838.95
Share Application Money (Pending Allotment)			**50,000,000.00**		-
(Refer Note No. 20 of Schedule 19)					
Loan Funds	3				
Secured Loans			**856,810,628.52**		525,702,565.06
Unsecured Loans			**37,315,389.16**		-
Deferred Tax Liability (Net)	4		**49,191,726.21**		19,808,073.21
			1,709,151,704.67		1,229,346,477.22
APPLICATION OF FUNDS					
Fixed Assets	5				
Gross Block		**1,121,283,879.16**		698,161,690.40	
Less: Depreciation		**217,669,252.36**		176,541,437.02	
Net Block		**903,614,626.80**		521,620,253.38	
Capital Work in Progress		**38,928,252.76**	**942,542,879.56**	232,004,094.56	753,624,347.94
Investments	6		**5,588,340.00**		9,588,340.00
Current Assets, Loans & Advances					
Inventories	7	**622,823,237.30**		455,981,461.60	
Sundry Debtors	8	**202,840,487.92**		164,599,689.19	
Cash & Bank Balances	9	**97,448,477.22**		83,205,088.19	
Other Current Assets	10	**1,792,979.57**		771,450.71	
Loans & Advances	11	**133,342,312.18**		80,835,229.23	
		1,058,247,494.19		785,392,918.92	
Less :Current Liabilities & Provisions					
Current Liabilities	12	**274,425,874.08**		276,958,797.11	
Provisions	13	**22,801,135.00**		42,300,332.52	
		297,227,009.08		319,259,129.63	
Net Current Assets			**761,020,485.11**		466,133,789.29
Miscellaneous Expenditure					
(To the extent not written off or adjusted)	14		-		-
			1,709,151,704.67		1,229,346,477.23
Significant Accounting Policies	18				
Notes to Account	19				

As per our report of even date attached

For S.R. Dinodia & Co.
Chartered Accountants
Sd/-
(Pradeep Dinodia)
Partner
M.No. 080617

Place : New Delhi
Dated : 22/06/2007

On behalf of the Board

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Ajay Gupta)
Deputy General Manager

Sd/-
(Prakash Prusty)
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

(Amount in Rupees)

	SCHEDULE		CURRENT YEAR		PREVIOUS YEAR
INCOME					
Turnover					
Sales		**1,839,364,761.77**		1,535,926,873.82	
Export Incentives		**80,281,202.93**		62,680,734.42	
			1,919,645,964.70		1,598,607,608.24
Job Work Receipts			**7,953,450.00**		4,308,480.00
Other Income	15		**102,908,121.51**		27,908,962.90
			2,030,507,536.21		1,630,825,051.14
EXPENDITURE					
Purchase of Trading Goods			**249,005,868.39**		55,845,790.10
Manufacturing & Others Expenses	16		**1,606,992,714.24**		1,398,829,931.19
Finance Cost	17		**46,042,357.20**		26,229,893.35
[redacted]ion			**44,821,891.87**		26,641,440.20
			1,946,862,831.70		1,507,547,054.84
[redacted]nd Prior Period Adjustments			**83,644,704.51**		123,277,996.30
[redacted] Tax			**(5,752,000.00)**		(10,500,000.00)
[redacted]Tax			**(225,000.00)**		(191,000.00)
[redacted]l Tax			**(29,383,653.00)**		(49,739,922.46)

	SCHEDULE	CURRENT YEAR	(Amount in Rupees) PREVIOUS YEAR
Provision for - Fringe Benefit Tax		**(2,946,000.00)**	(2,390,000.00)
Tax Adjustments for Earlier Years		**5,737,072.32**	(10,500,000.00)
Provision for Doubtful Debts		**145,230.00**	(145,230.00)
Profit/Loss		**51,220,353.83**	49,811,843.84
Proposed Dividend - Equity Shares		**(16,429,960.00)**	(23,738,331.00)
Dividend Tax		**(2,792,272.00)**	(3,329,301.00)
Transfer to General Reserve		**(3,850,000.00)**	(4,981,184.38)
Balance Brought Forward		**92,519,954.61**	74,756,927.16
Balance carried forward to Balance Sheet		**120,668,076.44**	92,519,954.61
Earning Per Share			
- Basic		**6.47**	6.30
- Dilutive		**6.23**	6.06
(Refer note 15 of schedule 19)			
Significant Accounting Policies	**18**		
Notes to Account	**19**		

As per our report of even date attached

For S.R. Dinodia & Co.
Chartered Accountants
Sd/-
(Pradeep Dinodia)
Partner
M.No. 080617

Place : New Delhi
Dated : 22/06/2007

On behalf of the Board

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Ajay Gupta)
Deputy General Manager

Sd/-
(Prakash Prusty)
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

		Year Ended 31.03.2007	Year Ended 31.03.2006
INCOME			
A.	**Net Profit Before Tax and Extraordinary Items**	**83,644,704.51**	123,277,996.30
	Adjustments :		
	Depreciation	**44,821,891.87**	26,641,440.20
	Interest Expense	**46,042,357.20**	26,191,539.35
	Misc.Expenditure Written off	**-**	183,050.00
	Bad Debts written off	**145,230.00**	-
	Rent Income	**(2,678,000.00)**	(1,926,975.00)
	(Profit) / Loss on sale of Assets & Investments	**6,337,837.01**	1,801,105.66
	Excess Provision written back	**(4,588,014.00)**	-
	Sundry balance written off (Net)	**(1,261,625.41)**	701,030.71
	Interest, Dividend & Income from other Investments	**(3,268,922.86)**	(1,043,149.38)
	Operating Profit /(loss) before working capital changes	**169,195,458.32**	175,826,037.84
	Adjustment for :		
	Trade and Other Receivables	**(51,574,205.81)**	(21,676,030.08)
	Trade Payables	**(18,163,926.71)**	(42,706,618.55)
	Inventory	**(166,841,775.70)**	(8,082,502.64)
	Cash Generated from operations	**(67,384,449.90)**	103,360,886.57
	Direct Taxes (Paid)/ refunds	**(13,862,358.52)**	(12,844,903.00)
	Net Cash Generated / (used) in operating activities	**(81,246,808.42)**	90,515,983.57
B.	**Cash Flow from Investing Operations:**		
	Purchase of fixed Assets	**(224,318,247.48)**	(318,965,172.06)
	Rent Received	**2,678,000.00**	1,926,975.00
	Interest & Dividend realised	**3,268,922.86**	1,043,149.38
	Sale of fixed Assets	**1,514,986.97**	1,739,989.00
	Investment made during the year	**(1,000,000.00)**	(3,828,686.00)
	Sale of Investment	**2,125,000.00**	2,037,500.00
	Investment in Associates	**-**	39,025,123.14
	Net Cash Generated / (used) in Investing activities	**(215,731,337.65)**	(277,021,121.54)
C.	**Cash Flow from Financing Activities**		
	Dividend paid	**(23,315,009.00)**	(316,526.00)
	Corporate Dividend Tax	**(3,329,301.00)**	-
	Interest paid	**(53,907,607.52)**	(26,191,539.35)
	Interest bearing Loan to Educational Society	**(26,650,000.00)**	-
	Loan from Holding Company	**37,315,389.16**	-
	Share Application Money - Holding Company	**50,000,000.00**	-
	Loans taken - Packing Credit	**178,538,860.96**	30,074,866.00
	Loans taken - Short Term	**201,154,959.00**	227,429,020.58
	Repayment of Term loans	**(48,585,756.50)**	(30,074,866.00)
	Net cash Generated/(used) in financing activities	**311,221,535.10**	200,920,955.23
	Increase in Cash/Cash equivalents(A+B+C)	**14,243,389.03**	14,415,817.26
	Net Increase in cash/Cash Equivalents	**14,243,389.03**	14,415,817.26
	Cash / Cash equivalents at the beginning of the year	**83,205,088.19**	68,789,270.93
	Cash / Cash equivalents at the close of the year	**97,448,477.22**	83,205,088.19

	Year Ended 31.03.2007	Year Ended 31.03.2006
Component of cash & cash equivalents at the year end:		
Cash and cheques in hand	**4,123,322.84**	20,182,987.31
Balance with Scheduled Banks		
i) In Current Accounts	**37,508,018.41**	11,719,395.25
ii) In Fixed Deposits	**51,870,135.97**	50,557,705.63
iii) In Margin Money	**3,947,000.00**	745,000.00
	97,448,477.22	83,205,088.19

As per our report of even date attached

For S.R. Dinodia & Co.	**On behalf of the Board**	
Chartered Accountants		
Sd/-	Sd/-	Sd/-
(Pradeep Dinodia)	**(Deepak Seth)**	**(Pulkit Seth)**
Partner	Chairman	Managing Director
M.No. 080617		
	Sd/-	Sd/-
Place : New Delhi	**(Ajay Gupta)**	**(Prakash Prusty)**
Dated : 22/06/2007	Deputy General Manager	Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rupees)

SCHEDULE-1	AS AT 31ST MARCH, 2007	AS AT 31ST MARCH, 2006
SHARE CAPITAL		
Authorised		
26,450,000 (Previous Year 26,450,000) Equity Shares of Rs. 10/- each	**264,500,000.00**	264,500,000.00
500,000 (Previous Year 500,000) 14.5% Redeemable Preference Shares of Rs. 100/- each	**50,000,000.00**	50,000,000.00
5,000 (Previous Year 5,000l) 4% Non Cumulative non-voting Preference Shares of Rs. 10/- each	**50,000.00**	50,000.00
35,000 (Previous Year 35,000) 4% Non Cumulative Preference Shares of Rs. 10/- each	**350,000.00**	350,000.00
	314,900,000.00	314,900,000.00
ISSUED SUBSCRIBED & PAID UP		
7,912,777 (Previous Year 7,912,777) Equity Shares of Rs.10/- each Fully Paid Up	**79,127,770.00**	79,127,770.00
	79,127,770.00	79,127,770.00
Share Capital Pending Issue		
302,203 Equity Shares of Rs. 10/- each fully paid to be issued pursuant to amalgamation, to the share holders of erstwhile City Estates Private Limited	**3,022,030.00**	3,022,030.00
	3,022,030.00	3,022,030.00
	82,149,800.00	82,149,800.00

Notes:

1. 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.
2. 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. (Formerly known as Mina Estates Pvt. Ltd.), the Holding Company.
3. 302,203 equity shares have been alloted on 24th April 2007 on account of merger of Pearl Styles Ltd and City Estates Pvt. Ltd. with the Company.

SCHEDULE-2				
ESERVE & SURPLUS				
Capital Redemption Reserve		**8,900,000.00**		8,900,000.00
Amalgamation Reserve		**4,504,755.00**		4,504,755.00
Share Premium		**64,918,033.58**		64,918,033.58
General Reserve	**391,546,440.88**		43,913,911.54	
Add: Addition during the year	**3,850,000.00**		49,946,520.00	
Add: Transfer from Profit & Loss Account	-		4,981,184.38	
Less: Utilised during the year	-	**395,396,440.88**	(102,520,375.04)	391,546,440.88
Revaluation Reserve		**39,296,854.88**		39,296,854.88
Profit & Loss Account		**120,668,076.44**		92,519,954.61
		633,684,160.78		601,686,038.95

SCHEDULE-3				
LOAN FUNDS				
SECURED LOANS				
FROM BANKS				
a) Term Loan *				
- Rupee Loan	**319,842,924.45**		165,401,721.95	
- Foreign currency Loan	**78,894,000.00**		80,766,000.00	
b) Packing Credit				
- Rupee Loan	**337,682,751.66**		125,111,061.02	
- Foreign currency Loan	**120,390,952.41**	**856,810,628.52**	154,423,782.09	525,702,565.06
UNSECURED LOANS		**37,315,389.16**		-
		894,126,017.68		525,702,565.06

(Refer note 3 of the schedule 19)

* Amount Repayable within one year Rs. 24,20,89,266.28 (Previous Year Rs.46,431,641.29)

(Amount in Rupees)

	AS AT 31ST MARCH, 2007	AS AT 31ST MARCH, 2006
SCHEDULE-4		
DEFERRED TAX LIABILITY (NET)		
Opening Deferred Tax Liability	**19,808,073.21**	(12,453,968.25)
Add': Deferred Tax Assets created from opening Reserves	-	(17,477,881.00)
Add': Liability accrued for the year	**29,383,653.00**	49,739,922.46
	49,191,726.21	19,808,073.21

(Refer note 16 of the schedule 19)

SCHEDULE-5
FIXED ASSETS

(Amount in Rupees)

PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK AS ON	
	AS ON 01.04.2006	ADDITIONS	DEDUCTIONS	TOTAL 31.03.2007	AS ON 01.04.2006	ADDITIONS	DEDUCTIONS/ ADJUSTMENTS	UPTO 31.03.2007	31.03.2007	31.03.2006
Land Free Hold	118,540,933.08	24,559,000.00	-	143,099,933.08	-	-	-	-	143,099,933.08	118,540,933.08
Land Lease Hold	3,826,000.00	11,780,000.00		15,606,000.00		694,697.00		694,697.00	14,911,303.00	3,826,000.00
Builiding	193,788,035.05	133,218,529.72	-	327,006,564.77	41,787,172.92	9,116,148.52	-	50,903,321.44	276,103,243.33	152,000,862.13
Plant & Machinery	286,389,671.50	227,076,976.88	4,383,818.00	509,082,830.38	87,077,669.08	25,989,757.69	1,103,571.39	111,963,855.38	397,118,975.00	199,312,002.42
Vehicles	41,120,003.18	7,921,881.78	3,745,672.52	45,296,212.44	20,481,439.91	4,169,951.35	2,522,004.15	22,129,387.11	23,166,825.33	20,638,563.27
Furniture & Fixtures	52,257,807.72	27,237,700.91	542,410.00	78,953,098.63	27,195,155.12	4,851,337.31	68,501.00	31,977,991.43	46,975,107.19	25,062,652.60
Total	695,922,450.53	431,794,089.28	8,671,900.52	1,119,044,639.29	176,541,437.03	44,821,891.87	3,694,076.54	217,669,252.36	901,375,386.94	519,381,013.50
Assets held for Disposal										
Land and Building	2,239,239.87	-	-	2,239,239.87				-	2,239,239.87	2,239,239.87
Capital Work-in- progress	232,004,094.56	54,917,604.52	247,993,446.32	38,928,252.76				-	38,928,252.76	232,004,094.56
	930,165,784.96	486,711,693.80	256,665,346.84	1,160,212,131.92	176,541,437.03	44,821,891.87	3,694,076.54	217,669,252.36	942,542,879.56	753,624,347.94
Previous Year	618,143,631.56	325,857,791.56	13,835,638.16	930,165,784.96	153,251,920.82	26,641,440.21	3,351,924.00	176,541,437.02	753,624,347.94	349,580,580.73

Notes :

1. Capital WIP includes:
    a) Capital Advances Rs. 16,772,032.20 (Previous year Rs. 20,495,798.00)
    b) Pre-operative expenses of Rs. 3,562,809.00(Previous year : 22,510,838.70.00)
2. 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.
3. Opening balance of land includes Rs.45,229,131.59 on account of revaluation on 31.03.2002 .
4. Opening balance of building includes Rs.5,932,276.71 on account of reduction in revaluation on 31.03.2002 .

(Amount in Rupees)

	AS AT 31ST MARCH, 2007	AS AT 31ST MARCH, 2006
SCHEDULE-6		
INVESTMENTS		
Long Term- At cost		
Investment in Government Securities		
Kisan Vikas Patra	**2,500.00**	2,500.00
National Saving Certificate	**4,000.00**	4,000.00
(Pledged with Sales Tax Authorities)		
Investment in Equity Shares		
Quoted (Trade)		
Pearl Engineering Polymers Ltd.	**-**	5,000,000.00
Nil Equity Shares (Previous year 5,00,000) of Rs.10/- each fully paid up		
GIVO Ltd.	**498,000.00**	498,000.00
49,800 Equity Shares (Previous year 49,800) of Rs.10/- each fully paid up		
Quoted (Non - trade)		
Bhagheeratha Engineering Ltd.	**35,000.00**	35,000.00
5,000 Equity Shares (Previous year 5,000) of Rs.10/- each fully paid up		
PNB Gilts Ltd	**551,940.00**	551,940.00
18,398 Equity Shares (Previous year 18,398) of Rs.10/- each fully paid up		
Punjab National Bank	**93,000.00**	93,000.00
3,000 Equity Shares (Previous year 3,000) of Rs.10/- each fully paid up		
UCO Bank	**46,800.00**	46,800.00
3,900 Equity Shares (Previous year 3,900) of Rs.10/- each fully paid up		
Chennai Petroleum Ltd.	**70,000.00**	70,000.00
1,000 Equity Shares (Previous year 1,000) of Rs.10/- each fully paid up		
ICICI Bank Ltd.	**525,000.00**	525,000.00
1,000 Equity Shares (Previous year 1000 of Rs.10/- each fully paid up		
Gem Spinners	**162,000.00**	162,000.00
10,800 Equity Shares (Previous year 10,800) of Rs.10/- each fully paid up		
Unquoted (Trade)		
[redacted]vt. Ltd.		
[redacted]es (Previous year 10) of Rs.10/- each fully paid up	**100.00**	100.00
[redacted]Mutual Funds		
[redacted] - trade)		
[redacted]nd	**1,000,000.00**	1,000,000.00
[redacted] (Previous 1,00,000 Units of Rs. 10/- each		
[redacted]structure & service Industries Fund	**1,000,000.00**	500,000.00
[redacted]its (Previous 48899.756) of Rs. 10/- each		
[redacted]r Cap Fund	**500,000.00**	500,000.00

(Amount in Rupees)

		AS AT 31ST MARCH, 2007		AS AT 31ST MARCH, 2006
48,899.756 Units (Previous 48,899.756 Units) of Rs. 10/- each				
Principal Large Cap Fund		**500,000.00**		500,000.00
50,000 Units (Previous 50,000 of Rs. 10/- each				
Reliance Mutual Funds		**100,000.00**		100,000.00
10,000 Units (Previous 10,000 Units) of Rs. 10/- each				
Tata Equity Management Fund		**500,000.00**		-
50,000 Units (Previous Nil) of Rs. 10/- each		**5,588,340.00**		9,588,340.00
(Refer note 4 & 5 of Schedule 19)				
SCHEDULE-7				
INVENTORIES (As taken,valued and certified by the management)				
Stores and Spares		**1,434,047.97**		1,672,274.00
Raw Material		**306,920,938.27**		242,178,070.48
Finished Goods		**289,125,494.19**		189,897,242.21
Work in Progress		**22,422,702.89**		19,506,910.90
Goods in Transit (Raw Material)		**2,920,053.98**		2,726,964.00
		622,823,237.30		455,981,461.60
SCHEDULE-8				
SUNDRY DEBTORS				
(Unsecured - Considered Good unless otherwise stated)				
Over Six Months				
-Considered Good		**26,756.10**		247,381.55
-Considered Doubtful		-		145,230.00
Others		**202,813,731.82**		164,352,307.64
Less: Provisons for Doubt ful Debts		-		(145,230.00)
		202,840,487.92		164,599,689.19
SCHEDULE-9				
CASH AND BANK BALANCES				
Cash in hand		**2,907,765.84**		2,439,520.63
Cheques in hand		**1,215,557.00**		17,743,466.68
Balance with Scheduled Banks				
I) In Current Accounts	**37,508,018.41**		11,719,395.25	
ii) In Fixed Deposits *	**51,870,135.97**		50,557,705.63	
iii) In Margin Account	**3,947,000.00**	**93,325,154.38**	745,000.00	63,022,100.88
		97,448,477.22		83,205,088.19
* Under lien with authorities. Rs. 4,17,71,853.00 Previous year Rs. 38,550,270.63)				
SCHEDULE-10				
OTHER CURRENT ASSETS				
Interest accrued but not due		**1,792,979.57**		771,450.71
		1,792,979.57		771,450.71
SCHEDULE-11				
LOANS & ADVANCES				
(Unsecured - Considered Good)				
Loan		**26,650,000.00**		
Advances Recoverable in cash or in kind				
or for value to be received		**39,351,043.46**		43,142,225.64
Balance with Excise authorities		-		775,314.00
Export Incentive Receivables		**28,264,857.37**		23,009,757.44
Other Receivables		**38,763,308.03**		13,907,932.15
Advance Tax		**313,103.32**		-
(Net of Provision for tax Rs. 17,617,446/- (P.Y. Nil)		**133,342,312.18**		80,835,229.23
SCHEDULE-12				
CURRENT LIABILITIES				
Sundry Creditors				
- Due to SSI		**4,415,612.00**		4,142,415.00
(Refer note 21 of schedule 19)				
- Due to Others		**153,961,944.81**		194,711,107.83
Other Liabilities		**115,002,862.27**		77,483,141.28
Unpaid Dividend *		**1,045,455.00**		622,133.00
		274,425,874.08		276,958,797.11
* It does not include any amount which is due to Investor Education & Protection Fund.				
SCHEDULE-13				
PROVISION				
Leave Encashment		**3,578,903.00**		4,869,373.00
Proposed Dividend		**16,429,960.00**		23,738,331.00
Dividend Tax		**2,792,272.00**		3,329,301.00
Provision for Income Tax, Wealth Tax and Fringe Benefit Tax		-		10,363,327.52
[Net of advance tax of Rs. Nil (P.Y :20,049,342.48)]		**22,801,135.00**		42,300,332.52
SCHEDULE - 14				
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)				
Amalgamation Expenses			182,105.00	
Less: Written off during the year			182,105.00	-
Preliminary Expenses		-	945.00	
Less: Written off during the year			945.00	
		-		-

(Amount in Rupees)

SCHEDULE - 15	Current Year	Previous Year
OTHER INCOME		
Other Operating Income	**80,108,287.92**	19,785,530.63
Rent - TDS Rs. 664,853 (Previous Year Rs.366,568)	**2,678,000.00**	1,926,975.00
Interest Received		
- on Loan TDS Rs. 362,987 (Previous year Nil)	**1,849,419.68**	71,131.00
- on Income Tax	**132,137.00**	-
Interest on Fixed Deposit with Bank	**1,235,966.18**	870,291.00
[TDS Rs. 148,368.52 (Previous year Rs. 195,373)		
Dividend		
- From Non Trade Investments	**51,400.00**	101,727.38
Profit on Sale of Assets	**-**	50,000.00
Sundry Balance Written back (Net)	**1,261,625.41**	-
Foreign Exchange	**10,258,968.30**	5,042,952.82
Excess Provision Written back	**4,588,014.00**	-
Miscellaneous Income	**744,303.02**	60,355.07
	102,908,121.51	**27,908,962.90**

SCHEDULE - 16				
MANUFACTURING, ADMINSTRATIVE, SELLING & OTHER EXPENSES				
Raw Material Consumed				
Opening Stock	**234,208,390.41**		231,821,644.00	
Purchases	**856,036,327.33**		710,698,057.21	
Less:				
Cost of Goods Sold	**47,973,914.10**		13,562,856.73	
Closing Stock	**305,655,312.09**	**736,615,491.55**	234,208,390.41	694,748,454.07
(Increase) / Decrease in Stock				
Work in Progress				
Opening Stock	**19,506,910.91**		15,234,302.42	
Closing Stock	**(22,422,702.89)**	**(2,915,791.98)**	(19,506,910.91)	(4,272,608.49)
Finished Goods				
Opening Stock	**189,897,242.21**		198,743,783.54	
Closing Stock	**(289,125,494.19)**	**(99,228,251.98)**	(189,897,242.21)	8,846,541.33
Manufacturing Expenses		**436,187,334.82**		332,315,715.87
Stores and Spares Consumed		**26,072,141.46**		7,902,816.00
Power & Fuel		**58,864,506.01**		37,272,877.87
Salaries, Wages & Other Benefits to Staff		**229,338,163.42**		154,241,768.27
Contribution to Provident Fund & Other Funds		**19,150,000.98**		13,048,756.94
Gratuity		**795,019.00**		9,231,327.00
Staff Welfare Expenses		**11,616,839.22**		5,031,735.56
Legal & Professional Charges		**8,095,787.90**		10,890,593.39
Travelling & Conveyance		**19,745,101.39**		10,533,190.61
Rent		**5,462,701.00**		803,000.00
Rates & Taxes		**12,583,954.29**		878,486.00
Repair & Maintenance				
- Building	**2,300,390.50**		286,371.00	
- Plant & Machinery	**1,421,938.89**		1,110,975.50	
- Others	**4,251,285.00**	**7,973,614.39**	3,509,940.87	4,907,287.37
Printing & Stationary		**11,452,157.94**		6,489,143.98
Auditor's Remuneration		**1,090,758.00**		550,689.80
Communication Expenses		**5,660,222.24**		4,015,840.09
Freight Outward		**21,229,567.34**		33,142,307.20
Insurance		**4,725,978.04**		4,101,735.12
Clearing & Forwarding Charges etc.		**34,188,793.89**		24,070,057.97
Loss on sale of trade investment		**2,875,000.00**		-
Loss on Sale of Fixed Assets		**3,462,837.01**		1,851,105.66
Sundry Balances written off (Net)		**-**		701,030.71
Claim to buyers		**628,209.52**		392,312.62
Bank Charges		**16,507,284.03**		19,203,849.09
Miscellaneous Expenditure written off		**-**		183,050.00
Bad Debts		**145,230.00**		-
Miscellaneous Expenses		**34,670,064.76**		17,748,867.16
		1,606,992,714.24		1,398,829,931.19

[redacted]	**14,575,366.00**	6,961,517.00
	31,466,991.20	19,268,376.35
schedule 19)	**46,042,357.20**	26,229,893.35

SCHEDULE-18

SIGNIFICANT ACCOUNTING POLICIES

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

2. **Use Of Estimates**
The preparation of financial statements is in conformity with generally accepted accounting principles 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 /materialised.

3. **Inventories**
   i) 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.
   ii) Inventories of finished goods traded are valued at lower of procurement cost (FIFO Method) or estimated net realizable value.
   iii) 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. **Depreciation**
   a. 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.
   b. Cost of leasehold land is amortised over the period of lease.

6. **Revenue / Expenditure Recognition**
   a) Export sale is recognized on the basis of date of Airway Bill/Bill of Lading.
   b) Sales are shown net of trade discounts and include freight & insurance recovered from buyers as per terms of sales.
   c) Income from job work is recognized on the basis of proportionate completion method.
   d) Commission income is recognized when the services are rendered.
   e) Interest income is recognized on time proportion basis.
   f) Purchases are recoganised upon receipt of such goods by the company. Purchase of imported goods are recoganised after completion of custom clearance formalities and upon receipt of such goods by the company.
   g) In case of High Sea Sales revenues are recoganised on transfer of title of goods to the customer.
   h) Sale of software is recoganised at the delivery of complete module & patches through transfer of code.

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

8. **Foreign Currency Transactions**
   a) 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 recognised in the profit and loss account.
   b) Foreign Currency monetary items are reported using the closing rate. The resultant exchange gain/loss are dealt with in profit & loss account except in respect of loans denominated in foreign currencies utilised for acquisition of fixed assets from outside India where the exchange gain/losses are adjusted to the cost of such assets.
   c) Premium or discount on forward contracts are amortized in the profit and loss account over the period of the contract. Exchange differences on such contracts [redacted] ecognized in the statement of Profit and loss in the year in which the exchange [redacted] change. Any profit or loss arising on cancellation or renewal of forward [redacted] is recoganised as income or as expense for the year.

[redacted] and intended to be held for not more than a year are classified [redacted] l other investments are classified as long-term investments. [redacted] ried at lower of cost and fair value determined on an individual [redacted] rm investments are carried at cost. However, provision for [redacted] le to recognise a decline other than temporary in the value of

10. **Retirement Benefits**
   a) **Provident Fund:**
   Retirement Benefits in the form of provident fund are charged to profit and loss account of the year when the contribution to the respective fund is due.
   b) **Gratuity:**
   The provision for gratuity is based on actuarial valuation made by an independent actuary as on December each year, except for Khandsa & Chennai Units. For Khandsa unit actuarial valuation is obtained as on February & for Chennai unit it is as on balance sheet date.
   c) **Leave Encashment :**
   The liability for the leave encashment benefits to employees is accrued and provided on the basis of the actuarial valuation made by an independent actuary as at Balance Sheet date.

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

12. **Business Segment**
The company is exclusively engaged in the business of readymade garments. These in the context of Accounting standard "17" on segmental reporting, issued by Institute Of Chartered Accountants Of India are considered to constitutes single primary segment.

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**
Current tax is amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.
Deferred tax is recognized on timing differences; being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.
Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized if there is a virtual certainty that there will be sufficient future taxable income available to reverse such losses.

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

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

SCHEDULE -19

NOTES TO THE ACCOUNT

1. **Contingent Liabilities :-**
   (a) Claims against the Company not acknowledged as debts and other matters Rs. 3,413,854.00 (Previous Year Rs. 3,194,573.00).
   (b) Export Bills Discounted with banks Rs. 150,806,246.59 (Previous Year Rs. 94,707,782.43).
   (c) Counter Guarantees given by the company against bank Guarantees given by the [redacted] ms on company's behalf Rs. Nil (Previous Year Rs. 2,500,000). [redacted] antees given by the company to the Sales Tax Department for its [redacted] mpany Rs. 100,000 (Previous Year Rs. 100,000), for others Rs. [redacted] ous Year Rs. 50,000). [redacted] en by the company for other parties in respect of term loan of Rs. 400 [redacted] by them. As at 31st March, 2007 the contingent liabilities under [redacted] ees amounted to Rs. Nil (Previous Year Rs. 16,042,898). [redacted] ven to government authorities in respect of facilities availed by [redacted] and other parties. Rs. 200,000 (Previous year Rs.200,000)

2. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account (net of advances) Rs. 32,559,227.80 (Previous year Rs.14,298,864).

3. Secured Loans

i) Rupee term loan from UCO Bank is secured by

* Exclusive first charge on the machinery purchased from the proceeds of the term loan.
* Second charge on hypothecation of stock of raw material, stock in process, finished goods, stock in transit for shipments, documents in transit and stock lying with dyers, finishers and fabricators.
* Collateral security in form of extension of charge on land and building situated at 446, Udyog Vihar, Phase –V, Gurgaon, already equitable mortgaged with the bank and the personal guarantee of Chairman.

ii) Rupees Term Loan from the Hongkong & Shanghai Banking Corporation is secured by :

* First charge over stocks and receivables pari passu with consortium banks.
* First pari passu charge over the company's movable fixed assets (present and future)
* Exclusive first charge over the Fixed Assets of the Chennai unit financed from the proceeds of the term loan.
* Pari-passu charge with UCO Bank by way of mortgage of the Property situated at 446, Udyog Vihar, Phase-V, Gurgoan.

iii) ECB (External Commercial Borrowing) Loan from China trust Commercial Bank is secured by

* hypothecation of all Plant & Machinery, Spares, Tools and Accessories and other moveable acquired / to be acquired under ECB installed / Stored or to be installed / Stored at Company premises and Godowns or wherever else the same may be including those in the course of transit.

iv) Rupee term loan from Centurian Bank of Punjab Ltd. is secured by negative lien of land situated at plot no. 51, Echelon Institutional Area, Sector 32 Gurgaon.

v) Rupee term loan from Yes Bank Ltd. is secured by exclusive charge on the property situated at Nursinghpur Village at NH-8 Tehsil - Gurgaon, Distt. Gurgaon.

vi) Vehicle loans are secured against hypothecation of respective vehicles.

vii) Pre-shipment advances and working capital facilities from banks are secured by hypothecation of entire current assets of the Company, first pari-passu charge on specific moveable fixed assets and first charge on certain specified immovable fixed assets and are guaranteed by the chairman of the Company.

4. Market value of Quoted Investment as on 31.3.2007 was Rs. 3,477,781.70 (Previous Year Rs. 8,651,657.75).

5. Details of Investment made and sold during the year ended 31.03.2007.

Name Of the Security	Face Value	Opening Quantity	Purchase during the year	Sold during the year	Quantity at the closing
Principal Infrastructure and Services Industrial Fund	10/-	-	50,000	-	50,000
Tata Equity Management Fund	10/-	-	50,000	-	50,000
Pearl Engineering Polymers Ltd	10/-	5,00,000	-	5,00,000	-

6. Interest received on FDR pledged with the bank amounting to Rs 1,842,588.22 (TDS Rs. 552,702.00) [Previous Year Rs. 2,105,715.09 (TDS Rs. 472,336)] has been netted off with the interest charges.

7. Details of Managerial Remuneration

	For The Year	Previous Year
a) Salary	4,900,000.00	2,370,000.00
b) Contribution to Provident Fund	18,720.00	20,280.00
c) Perquisites	-	379,780.00
Total	**4,918,720.00**	**2,770,060.00**

Notes:

Provision for / Contribution to employee retirement benefits are excluded above. The above managerial Remuneration has been calculated in accordance to the Schedule XIII of Companies Act 1956.

8. Auditors' Remuneration

	For The Year	Previous Year
a) Audit Fee	477,307.00	426,000.00
b) Tax Audit	119,325.00	105,000.00
c) Professional Charges	494,126.00	19,689.00

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

Particulars of Expenses	As At 31st March, 2007 (in Rs.)	As At 31st March, 2006 (in Rs.)
SIPCOT		
Legal Expenses	79,680.00	79,680.00
Traveling Expenses	16,011.00	15,531.00
Subscription	15,000.00	15,000.00
Maintenance	18,375.00	-
Processing Charges	725,000.00	-
Total	**854,066.00**	**110,211.00**
CHENNAI		
Sampling Expenses	-	1,209,291.33
Finance cost/Interest	-	7,079,438.29
Staff Cost—	4,774,913.75	
Factory Maintenance	-	567,462.00
Lease Rent	-	863,093.00
Administrative expenses	-	5,465,940.88
Miscellaneous expenses	-	901,487.45
Total	-	**20,861,626.70**
TRIPUR		
Interest on Term Loan	1,188,841.00	1,188,841.00
Traveling Expenses	95,179.00	95,179.00
[redacted]	455,000.00	60,000.00
[redacted]	16,000.00	16,000.00
[redacted]	180,564.00	47,822.00
[redacted]	119,159.00	119,159.00
[redacted]	12,000.00	12,000.00
[redacted]	17,000.00	-
[redacted]	**2,083,743.00**	**1,539,001.00**
[redacted]		
[redacted]	625,000.00	-
[redacted]	**625,000.00**	-
[redacted]	**3,562,809.00**	**22,510,838.70**

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

Name of the Concern	For the Year (Rs)		Previous Year(Rs.)	
	Balance as at 31.03.2007	Maximum amount during the year	Balance as at 31.03.2006	Maximum amount during the year
Poeticgem Ltd.	(751,841.21)	2,976,705.46	997,337.97	2,904,077.24
Little People Education Society	1,256,817.80	28,158,287.82	1,250,000.00	1,250,000.00
Vau Apparels Private Limited	2,150,000.00	2,150,000.00	5,185,542.40	6,401,740.40
Pearl Academy of Fashion India Ltd.	850,337.00	850,337.00	771,400.00	771,400.00
Norwest Industries Ltd.	27,802.05	3,293,004.53	-	-
Sundry Debtors Includes:				
Due from /to a concern (M/s Crown Computerized Embroideries) which is a partnership concern in which the director's relative is partner	(1,533,612.50)	1,394,563.90	294,030.40	357,090.00
Vau Apparels Pvt. Ltd	31,552,911.00	31,552,911.00	-	-
P.T. Norwest Industry	899,445.80	899,445.80	790,881.91	790,881.91
Loans Includes:				
Little People Education Society	26,650,000.00	26,650,000.00	-	-

Note :- Figures in the brackets indicates credit amount.

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

12. Related Party Disclosure

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

a) **Holding Company**

Domestic

House of Pearl Fashions Limited	India

b) **Fellow Subsidiaries**

Overseas

Multinational Textiles Group Limited	Mauritius
Nor-Pearl Knitwear Limited	Bangladesh
Norp Knit Industries Limited	Bangladesh
Global Textiles Group Limited	Mauritius
Depa International Inc.	USA
Depa International (Canada) Inc.	Canada
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

* Depa International (Canada) Inc. has been acquired by Poeticgem Limited, U.K., on 31st August, 2006 and the name of the Depa International (Canada) Inc. have been changed to Poeticgem (Canada) Ltd. w.e.f. 12th October, 2006.

c) **Associates**

Domestic

Crown Computerised Embroideries	India
Vastras	India
Pearl Wears	India
Little People Education Society	India
Pearl Academy of Fashion India Limited	India
Hopp Fashions	India
Images Pearl Retail Solutions Private Limited.	India
Deepak Seth & Sons (HUF)	India

Overseas

Pallas Holdings Ltd.	Mauritius
J S M Trading	Dubai
SACB Holdings Ltd.	Mauritius

d) **Key Managerial Persons**

Mr. Deepak Seth

Mr. Pulkit Seth

Mr. Sanjay Pershad

e) **Relatives**

Mrs. Shefali Seth

Holding Company	**2006-07**	**2005-06**
Purchase of Goods	4,235,540.00	-
Job Work	(5,593,310.00)	-
Advance Refund	-	6,350,000.00
Loan Received	(185,200,000.00)	-
Loan Refund	144,950,000.00	-
Advance Received	-	(21,875,000.00)

Holding Company	**2006-07**	**2005-06**
Sale of Goods	(4,437,114.31)	-
Sale of Investment	-	(39,025,123.14)
Rent Paid	120,000.00	120,000.00
Expenses Recovered	(5,760,646.41)	-
Share Application Money Received	(50,000,000.00)	-
Dividend Paid	14,908,764.00	-
Balance as on 31.03.2007	-	-
Loan from Holding Co.	(37,315,389.16)	-
Advance from Holding Co.	-	(8,495,105.88)

Fellow Subsidiaries	**2006-07**	**2005-06**
Purchase Of Goods	189,335,910.24	14,979,076.23
Commission Paid	-	1,120,260.93
Sale of Goods	(40,787,517.73)	-
Rent Received	(150,000.00)	-
Payment made for purchases	215,305,269.23	-
Expenses Recovered	(2,106,855.93)	-
Payments received	(2,968,598.87)	(5,153,549.67)
Sampling Expenses	8,939,431.60	1,840,689.57
Sampling Recovery	(14,198,948.55)	(7,089,338.71)
Balance as on 31.03.2007		
Other Liabilities	(3,394,499.10)	(28,451,783.15)

Associates	**2006-07**	**2005-06**
Purchase Of Goods	2,034,564.00	14,105,690.00
Job Work Expenses	9,521,112.00	25,835,793.90
Payment made for job work	7,497,050.45	22,905,491.37
Job Work receipts	(2,164,631.00)	-
Advance Paid	32,678,580.91	26,835,000.00
Sale of Investment	-	(1,275,000.00)
Advance Recovered	(34,446,706.06)	(25,585,000.00)
Loan Given	35,400,000.00	-
Loan Recovered	(10,000,000.00)	-
Sale of Goods	(3,709,324.35)	(5,704,606.75)
Rent Received	(644,000.00)	(768,000.00)
Expenses Paid	1,332,469.90	8,658,403.14
Payment made for purchase	2,075,382.00	-
Expenses Recovered	(1,869,893.99)	(7,931,114.37)
Interest received	(1,338,440.00)	-
Payments received	(2,825,999.09)	(5,030,213.00)
Sampling Recovery	-	(44,334.43)
Balance as on 31.03.2007		
Receivables from associates	2,823,143.40	(6,882,628.02)
Loan to associates	26,650,000.00	-

Key Managerial Personal / Director	**2006-07**	**2005-06**
Sitting Fee	-	74,000.00
Sale of Investment	-	262,500.00
Remuneration	4,918,720.00	2,770,060.00

13. Assets taken on Lease

The company has taken certain assets on non-cancelable operating lease and lease rent amounting to Rs.5,462,701.00 (Previous Year Rs. 803,000.00) has been debited to Profit & Loss account. The future minimum lease payments is as under:

(In Rupees)

Minimum Lease Payments Payables	For the Year	Previous Year
i) not later than in 1 year	679,500.00	825,120.00
ii) later than 1 year but not later than 5 years	615,000.00	651,320.00
iii) later than 5 years	-	-

General Description of Lease Terms:
Lease Rentals are charged on the basis of agreed terms.
Assets are taken on lease over a period of 1 to 5 years.

14. Assets given on lease

a) The company has also given certain assets non-cancelable operating lease and lease rent income amounting to Rs 2,678,000.00 (Previous Year Rs.1,926,975.00) has been credited in Profit & Loss account. The future minimum lease payments receivables in respect of which, as at March 31, 2007 are as follows:

(In Rupees)

Minimum Lease Payments Receivables	For the Year	Previous Year
i) not later than in 1 year	3,390,000.00	2,106,000.00
ii) later than 1 year but not later than 5 years	2,334,000.00	6,696,000.00
iii) later than 5 years	-	1,944,000.00

b)

(In Rupees)

	For the Year	Previous Year
i) Gross Investment on Lease Assets	31,167,446.57	29,349,502.06
ii) Accumulated Depreciation	3,652,554.23	2,893,156.10
iii) Depreciation Charged during the Year	712,117.35	722,910.84

c) General Description of Lease Terms:
Lease Rentals are recognized on the basis of agreed rate of interest.
Assets are given on lease over a period of 3 to 10 years

15. Earning per share

The numerator and denominators used to calculate Basic and Dilutive Earning per share: **(In Rupees)**

	For the Year	Previous Year
Profit /(Loss) attributable to the equity shareholders basic/weighted average	51,220,353.81	49,811,843.84
No of Equity Share outstanding during the Year	7,912,777	7,912,777
Nominal value of Equity shares	10/-	10/-
Basic Earning per share(Rs)	**6.47**	**6.30**
Potential Equity Shares	302,203	302,203
Diluted Earning per share(Rs)	**6.23**	**6.06**

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

Particulars	Balance as at 01.04.2006	Expenses/Savings during the Year	Balance as at 31.3.2007
Deferred Tax Assets			
Capital Losses	1,566,970	1,799,541	3,366,511
Unabsorbed Depreciation & Business losses	14,747,941	(4,736,695)	10,011,246
Others	8,029,347	(2,423,172)	5,606,175
Total (A)	24,344,258	(5,360,325)	18,983,932
Deferred Tax Liabilities			
Depreciation	44,152,331	24,023,328	68,175,659
Total (B)	44,152,331	24,023,328	68,175,659
Net Deferred Tax Asset/(Liability) (A)-(B)	(19,808,073)	(29,383,653)	(49,191,727)

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.

17. The prior period adjustments comprises of the following items:

	For the Year (Rs)	Previous Year (Rs)
INCOME		
(a) Export Sales	(213,718.00)	-
(b) Interest on Loan	(5,063,799.75)	-
Total	(5,277,517.75)	-
EXPENSES		
(a) Interest	-	9,470.00
(b) Factory Maintenance	-	17,189.00
(c) Computer Expenses	-	26,342.00
(d) Service Tax	3,473,253.08	-
(e) Fabric Purchase	-	36,015.00
(f) Embroidery	-	717,535.00
(g) Job work	-	24,485.00
(h) Hire Charges	-	33,000.00
(i) Testing Charges	-	23,084.00
(j) Interest	-	28,884.00
(k) Power & Fuel Expenses	158,580.00	-
(L) Amortisation of Leasehold Land	262,722.00	-
Total	(1,382,962.67)	916,004.00

18. 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	For the Year	Previous Year	For the Year	Previous Year
Readymade Garments	Nos	N.A.	N.A.	12,000,000	6,000,000	6,033,837	5,726,258

* 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	Pcs	6,719,674	1,752,415,125.85	5,927,024	1,495,288,271.91
Fabric	Mtrs.	734,917.45	42,487,067.04	280,013.54	10,388,225.64
	Kgs.	13,252.26		10,709.26	
Others			44,248,850.88		30,250,376.27
			1,839,151,043.77		**1,535,926,873.82**

c) **Details of Finished Goods**

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)	914,033	189,897,242.21	1,277,441	289,125,494.19	963,055	198,743,783	914,033	189,897,242.21

d) **Purchases/Cost of Goods Traded**

Class of Goods	Unit	For the Year		Previous Year	
		Qty	Amount(Rs.)	Qty	Amount(Rs.)
Readymade Garments	Pcs	10,49245	201,031,954.29	216,900	42,385,333.37
Fabric	Mtrs	734,917.45	38,238,360.34	280,013.54	9,349,403.08
	Kgs	13,252.26	—	10,709.26	—
Others			9,735,553.76		4,111,053.65
			249,005,868.39		**55,845,790.10**

e) **Breakup of Raw Material/Stores & Spares Consumed**

Class of Goods	For the Year		Previous Year	
Raw Material Consumed	**Amount(Rs.)**	**%**	**Amount(Rs.)**	**%**
Indigenous	453,700,454.28	61.36	585,891,261.28	84.34
Imported	285,670,077.27	38.64	108,821,177.79	15.66
	739,370,531.55	**100.00**	**694,712,439.07**	**100.00**
Stores and Spares Consumed				
Indigenous	26,072,141.46	100.00	7,902,816.00	100.00

f) **Raw Material Consumed**

Class of Goods	For the Year		Previous Year	
	Qty.	Value(Rs.)	Qty.	Value(Rs.)
Fabric-woven (Mtrs.)	7,661,273.67	578,495,488.94	6,848,434.12	552,672,566.05
(KG)	286,233.21	—	—	—
Others	—	160875042.61	—	142,039,873.02
		739,370,531.55		**694,712,439.07**

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

(Amount in Rs.)

	For the Year	Previous Year
Raw Material	258,448,003.80	147,000,628.88
Capital Goods	32,836,119.46	24,665,256.46
Readymade Garments	187,751,324.96	42,278,837.37
Total	**479,035,448.16**	**213,944,722.71**

h) **Expenditure in Foreign Currency**

(Amount in Rs.)

	For the Year	Previous Year
Interest on loan	7,360,770.21	3,086,008.00
[redacted]	3,562,333.43	650,844.50
[redacted]	13273136.42	4,622,258.32
[redacted]	—	75,752.00
[redacted]	6,199,860.15	6,851,447.12
[redacted]	30,396,100.21	15,286,309.95

i) **Earnings in Foreign Exchange**

(Amount in Rs.)

	For the Year	Previous Year
Export of Goods- FOB basis	1,734,617,145.82	1,483,606,197.01
Export of Software FOB basis	15,633,000.00	14,930,500.00
Sampling Recoveries	24,699,970.84	7,067,977.00
Claim Received	16,230,717.94	—
Commission received	23,848,000.00	4,417,000.00

19. 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.

20. The Company has received a sum if Rs. 50,000,000 from its holding company House of Pearl Fashions Ltd. as preference share application amount under the head of Share Application Money (Pending allotment). The resolution was passed in the meeting of the Board of Directors held on 19.02.2007 with the terms 10.5% redeemable non-cumulative preference share to be redeemed within a period of 5 years.

21. **Information relating to Small Scale Industries**

According to the information available, companies owes sum for more than thirty days to the following small scale industrial undertakings as on March 31, 2007:

M/s Plasto Craft
M/s Wellpack Industries
M/s Himalya Packaging
M/s Hemant Printers & Packers
M/s Juneja Packagers
M/s Kapoor Box Factory
M/s Rashi Global
M/s Sandeep Printers
M/s Rashi Global

The above information regarding small Scale Industrial Undertaking has been determined to the extent such information is available with the Company.

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22. Previous Year’s figures have been regrouped/recast wherever necessary.

Signature to schedule 1 to 19

For S.R. Dinodia & Co.
Chartered Accountants

Sd/-
(Pradeep Dinodia)
Partner
M.No. 080617

Place : New Delhi
Dated : 22nd June , 2007

On behalf of the Board

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Ajay Gupta)
Deputy General Manager

Sd/-
(Prakash Prusty)
Company Secretary

BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE.

I. Registration Details

Registration No.	9947	State Code	55

Balance Sheet date 31st March, 2007

II. Capital Raised during the year (Amount in Rs. Thousand)

Public issue	NIL	Right issue	NIL
Bonus issue	NIL	Private Placement	NIL

III. Position of Mobilization and Deployment of Funds (Amount in Rs. Thousand)

Total Liabilities	1709152	Total Assets	1709152

Source of Funds

Paid - up Capital	82150 #	Reserve & Surplus	633684
	50000 *		
Secured Loans	856810	Unsecured Loans	37315
Deferred Tax Liability(Net)	49192		

\# Includes Rs. 3022030/- equity share capital alloted on 24th April 2007, as a result of merger of Pearl Styles Limited and City Estates Pvt. Ltd. with the Company.

* Share Application Money pending allotment

Application of Funds

Net Fixed Assets *	942543	Investments	5588
Net Current Assets	761020	Miscellaneous Expenditure	NIL
Accumulated Losses	NIL	Deferred Tax Asset (Net)	NIL

* Including Capital Work in Progress.

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

Turn Over (Total Income)

Income		2030507	Total Expenditure	1946863
Profit before Tax		83645	Profit After Tax	51220
Earning per share in Rs.	Basic	6.47	Dividend Rate	20%
	Dilutive	6.23		

V. Generic Names of three Principal Products / Services of Company (as per monetaryterms)

Item Code No.(ITC Code)	620520
Product Description	Readymade Garments - Men
Item Code No.(ITC Code)	620630
Product Description	Readymade Garments - Women

On behalf of the Board

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Ajay Gupta)
Deputy General Manager

Sd/-
(Prakash Prusty)
Company Secretary

Place : New Delhi
Dated : 22/06/2007

DIRECTORS' REPORT

For the year ended 31 March 2007

The directors present their report together with the audited financial statements for the year ended 31 March 2007.

Principal activities, business review and future developments

The principal activity of the company is the import and distribution of ladies', mens' and childrens' gannents.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Description of principal risks and uncertainties

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.

Results and dividends

The company has prepared the financial statements in accordance with International Financial Accounting Standards and International Financial Reporting Standards. The company's profit for the year after taxation was £1,726,526 (2006: £691,021).

The directors do not recommend the payment of a dividend.

Directors

The following directors have held office since 1 April 2006:

S Punjabi

P Seth

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 March 2007	1 April 2006
S Punjabi	-	-
P Seth	-	-

Mr P Seth owns 6.68% of the shares in House of Pearl Fashions Limited, the ultimate parent company.

Charitable donations	**2007 (£)**	2006 (£)
During the year the company made the following payments:		
Charitable donations	**3,200**	1,550

Policy on the payment of creditors

The company applies a policy of agreeing payment tenns with each of its main suppliers and the company aims to abide by these terms, subject to satisfactory performance by suppliers.

At the year end, the company had 17 days (2006: 38 days) of purchases outstanding.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken' as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board

Sd/-

A Banaik

Secretary

Date: 11 May 2007

Independent Auditors' Report to the Shareholders of Poeticgem Ltd.

For the year ended 31 March 2007

We have audited the non-statutory financial statements of Poeticgem Limited for the year ended 31 March 2007 which comprise the income statement, balance sheet, cash flow statement and related Notes 1 to 26. These financial statements have been prepared under the historical cost convention and the accounting policies set out herein.

This report is made solely to the company's directors. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors, as a body, for our audit work, for this report, or for the opinions we have framed.

Respective responsibilites of the Directors and Auditors

As described in the statement of directors' responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted for use in the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards of Auditing (UK and Ireland).

Basis of our audit opinion

We conducted our audit in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimages and judgements made by the directors in the preparation of the financial statemnts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mistatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the Company financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended and have been properly prepared in accordance with the accounting provisions of Companies Act, 1985.

Sd/-

Auerbach Hope

Chartered Accountants

Registered Auditors

15 May 2007

58-60 Berners Street, London WIT 3JS

INCOME STATEMENT

For the year ended 31 March 2007		**2007**	2006
	Notes	**£**	£
Continuing operations			
Revenue	3	**33,451,729**	24,806,983
Cost of revenue		**(25,199,422)**	(18,461,725)
Gross profit		**8,252,307**	6,345,258
Other operating income		**485,845**	12,143
Distribution costs		**(1,900,723)**	(1,840,585)
Administrative expenses		**(3,973,837)**	(3,403,204)
Operating profit	4	**2,863,592**	1,113,612
Interest receivable and similar income	6	**46,505**	16,422
Interest payable and similar charges	7	**(368,216)**	(118,860)
Profit before taxation		**2,541,881**	1,011,174
Taxation	8	**(815,355)**	(320,153)
Profit for the year		**1,726,526**	691,021
Earnings per share from continuing operations			
Basic and diluted earnings per ordinary share	9	**3453p**	1382p

None of the company's activities were discontinued in the year.

There is no recognised income or expense other than that passing through the income statement.

BALANCE SHEET AT 31 MARCH 20007

		2007	2006
	Notes	**£**	£
Non current assets			
Property, Plant and Equipment	10	**4,484,322**	1,774,618
Investments in Subsidiaries	11	**10,044**	10,000
		4,494,366	1,784,618
Current assets			
Inventories	12	**2,535,253**	2,197,064
Trade and other receivables	13	**7,239,789**	4,242,160
Cash and cash equivalents		**1,340,767**	88,433
		11,115,809	6,527,657
Total assets		**15,610,175**	8,312,275

Current liabilities			
Trade and other payables		**(1,146,862)**	(2,073,582)
Tax liabilities		**(697,067)**	(339,408)
Obligations under hire purchase contracts	14	**(16,412)**	(12,978)
Borrowings	15	**(7,237,041)**	(3,185,278)
Other creditors		**(427,971)**	(169,496)
		9,525,353	(5,780,742)
Net current assets		**1,590,456**	746,915
Non current liabilities			
Deferred tax liabilities	17	**(23,346)**	(6,879)
Borrowings	15	**(2,408,274)**	(573,370)
Obligations under hire purchase contracts	14	**(-)**	(24,608)
		(2,431,620)	(604,857)
Total liabilities		**(11,956,973)**	(6,385,599)
Net Assets		**3,653,202**	1,926,676
Shareholders' equity			
Share capital	18	**50,000**	50,000
Retained earnings	19	**3,603,202**	1,876,676
Total equity	20	**3,653,202**	1,926,676

The financial statements were approved by the board of directors and authorised for issue on date 11 May 2007 and were signed on its behalf by:

Sd/-

S Punjabi

Director

The annexed notes 1 to 26 form part of these financial statements.

CASH FLOW STATEMENT

for the year ended 31 March 2007

Cash flows from operating activities			
Cash inflow from operations	24	**(1,764,677)**	(453,583)
Interest received		**46,505**	16,422
Net cash inflow from operating activities		**(1,718,172)**	(437,161)
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		**4,000**	16,971
Purchase of property, plant and equipment		**(2,898,943)**	(136,482)
Purchase of investmems		**(44)**	(0)
Net cash used in investing activities		**(2,894,987)**	(119,511)
Cash flows from financing activities			
New bank loans raised		**3,221,139**	544,639
Repayments of borrowings		**(44,509)**	(646,470)
Repayment of advances from debt factoring		**1,378,772**	893,235
Capital element of hire purchase contracts repayments		**(21,174)**	(15,755)
Net cash from financing activities		**4,534,228**	775,649
Net increase in cash and cash equivalents		**(78,931)**	218,977
Cash and cash equivalents at 1 April 2006		**16,971**	(202,005)
Cash and cash equivalents at 31 March 2007	24	**(61,960)**	16,971

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

1. General information

   Poeticgem Limited is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 1. The company imports and distributes ladies', mens' and childrens' garments.

   These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

2. Significant accounting policies

   Basis of accounting

   The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

   a. 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
Computer equipment	33.33% reducing balance
Fixtures, fittings and equipment	25% reducing balance
Motor vehicles	25% reducing balance

      The carrying values of property, plant and equipment are reviewed for impairment when events or changes indicate the carrying value may not be recoverable. If any such indication exists and carrying values exceed recoverable amounts such assets are written down to their recoverable amounts.

   b. Revenue recognition

      Revenue represents amounts receivable from the distribution of garments net of discounts and value added tax.

   c. Leasing commitments

      Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

   d. Investments

      Fixed asset investments are stated at cost less provision for diminution in value.

   e. Inventories

      Inventories are stated at the lower of cost and net realisable value.

   f Deferred taxation

      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. 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.

   g. 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.

      In order to hedge its exposure to certain foreign exchange risks, the company enters into forward contracts and options (see below for details of the company's accounting policies in respect of such derivative financial instruments).

   h. Derivative financial instruments and hedge accounting

      The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The company uses foreign exchange forward contracts to hedge these exposures. The company does not use derivative financial instruments for speculative purposes.

   i. 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 228 of the Companies Act 1985 as it is a subsidiary undertaking of House of Pearl Fashions Limited, a company incorporated in India, and is included in the consolidated accounts of that company.

3. Revenue

   a. Company activities

      The company's activities are in a single business segment, being the supply of ladies', men's and children's garments.

   b. Revenues by geographical market and customer location

      The company's operations are located primarily in UK and the business is managed on the basis of one reportable segment.

      Analysis of revenues by geographical market and customer location are as follows:

	2007	2006
	£	£
UK	**30,646,769**	22,490,198
Asia	**2,804,960**	2,316,785
	33,451,729	24,806,983

4. Operating profit

   Operating profit has been arrived at after charging/(crediting):

Staff costs (see note 5 below)	**2,528,819**	2,148,061
Auditors' remuneration	**20,000**	20,000
Depreciation of property, plant and equipment	**181,004**	152,653
Operating lease rentals	**102,013**	155,793
Hire of equipment	**5,556**	5,611
Loss/(Profit) on disposal of property, plant and equipment	**4,235**	(3,084)
(Profit)/Loss on foreign exchange transactions	**(358,181)**	35,066

5. Staff numbers and costs

   Payroll costs include:

Staff wages and salaries	**2,120,753**	1,783,585
Directors' remuneration	**160,000**	140,000
Social security costs	**248,066**	224,476
	2,528,819	2,148,061

The average number of employees (including directors) employed by the company:

	Numbers 2007	Numbers 2006
Designers	**8**	7
Sales and warehouse	**34**	27

	2007(£)	2006(£)
Administration	**15**	13
Quality control	**6**	6
	63	53
Directors' emoluments		
Emoluments for qualifying services	**188,277**	220,677
6. Interest receivable and similar income		
Interest on bank deposits	**46,505**	16,422
7. Interest payable and similar charges		
Interest on bank loans and overdrafts	**358,706**	114,335
Interest on overdue tax	**547**	-
Interest on obligations under hire purchase contracts	**8,963**	4,525
	368,216	118,860
8. Taxation		
Current tax	**798,889**	341,142
Deferred tax (note 17)	**16,466**	(20,989)
	815,355	320,153

	2007(£)	2006(£)
Profit before tax	**2,541,881**	1,011,174
Tax at the UK corporation tax rate of 30%	**762,564**	303,352
Tax effects of:		
Non deductible expenses	**18,969**	22,476
Depreciation add back	**54,301**	44,872
Capital allowances	**(36,945)**	31,292
Other tax adjustments	**-**	1,734
	36,325	37,790
Tax expense for the year	**798,889**	341,142
Effective tax rate for the year	**31.43%**	33.74%

9. Earnings per share

The calculation of the earnings per share is based on the profit after taxation of £1,726,526 (2006: £691,021) and 50,000 (2006: 50,000) ordinary shares being the weighted average number of shares in issue in the year.

10. 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 2006	-	1461,939	251,405	590,418	115,027	2,418,789
Additions	2,412,157	309,109	67,174	110,503	-	2,898,943
Disposals	-	-	-	-	(34,119)	(34,119)
At 31 March 2007	2,412,157	1,771,048	318,579	700,921	80,908	5,283,613
Accumulated depreciation						
At 1 April 2007	-	66,424	141,579	384,898	51,270	644,171
On disposals	-	-		-	(25,884)	(25,884)
Charge for the year	7,684	45,612	45,693	68,135	13,880	181,004
At 31 March 2007	7,684	112,036	187,272	453,033	39,266	799,291
Carrying amount						
At 31 March 2007	2,404,473	1,659,012	131,307	247,888	41,642	4,484,322
At 31 March 2006	-	1.395,514	109,826	205,520	63,758	1,774,618
Cost						
At 1 April 2005	-	1,449,120	181,370	554,080	118,032	2,302,602
Additions		12,819	70,035	36,338	17,290	136,482
Disposals		-	-	-	(20,295)	(20,295)
At 31 March 2006		1,449,120	251,405	590,418	115,027	2,418,789
Accumulated depreciation						
At 1 April 2005		42,986	95,722	318,115	41,103	497,926
On disposals		-	-	-	(6,408)	(6,408)
Charge for the year		23,439	45,857	66,783	16,574	152,653
At 31 March 2006		66,425	141,579	384,898	51,269	644,171
Carrying amount						
At 31 March 2006		1,395,514	109,826	205,520	63,758	1,774,618
At 31 March 2005		1,406,134	85,648	235,965	76,929	1,804,676

Assets held under hire purchase contracts have the following carrying amount:

	Motor vehicles 2007 £	2006 £
Cost	**38,499**	79,237
Aggregate depreciation	**(18,904)**	(35,249)
Carrying amount	**19,595**	43,988

11. Investments in subsidiaries

	Shares in Subsidiary Undertakings 2007(£)	2006(£)
Cost		
At 1 April 2006		
Additions	**10,000**	10,000
	44	-
At 31 March 2007	**10,044**	10,000

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Pacific Logistics Limited	United Kingdom	Ordinary	100
Poeticgem (Canada) Limited	Canada	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the year from 1 April 2006 to 31 March 2007 were as follows:

	Capital and Reserves (£)	Profit for the year (£)
Pacific Logistics Limited	**285,174**	172,732
Poeticgem (Canada) Limited	**30,880**	104,887

	2007(£)	2006(£)
12. Inventories		
Finished goods and goods for resale	**2,535,253**	2,197,064
13. Trade and other receivables		
Trade receivables	**4,893,403**	3,850,389
Due from connected companies (all trading balances)	**1,890,104**	1,007
Due from subsidiary company	**156,786**	164,502
Other receivables and prepaid expenses	**299,496**	226,262
	7,239,789	4,242,160

The amount due from subsidiary undertakings of £156,786 (2006: £164,502) falls due after more than one year.

14. Obligations under hire purchase contracts

	2007(£)	2006(£)
Amounts payable under hire purchase contracts:		
Within one year	**-**	24,714
In the second to fifth years	**18,194**	18,193
Less: Future interest charges	**(1,782)**	(5,321)
Present value of hire purchase obligations	**16,412**	37,586
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(16,412)**	(12,978)
Amount due for settlement after 12 months	**-**	24,608

The company's obligations under hire purchase are secured by charges over the relevent assets.

15. Borrowings

	2007(£)	2006(£)
Bank overdrafts	**1,402,727**	71,462
Bank loans	**4,849,044**	1,672,414
Advances from factors	**3,080,760**	1,701,988
Other loans	**312,784**	312,784
The borrowings are repayable as follows:	**9,645,315**	3,758,648
On demand or within one year	**7,237,041**	3,185,278
In the second year	**71,333**	24,003
In the third to fifth years inclusive	**553,098**	394,210
After five years	**1,783,843**	155,157
	9,645,315	3,758,648
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(7,237,041)**	(3185278)
Amount due for settlement after 12 months	**2,408,274**	573370

The weighted average interest rates paid were as follows:

	2007 %	2006 %
Bank overdrafts	**6.58**	6.25
Bank loans	**6.43**	6.20

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:

(i) Bank overdrafts are repayable on demand. The average effective interest rate on bank overdrafts approximates to 6.58 per cent per annum and is determined based on 1.75 per cent plus base rate.

(ii) The company's 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 company and a cross guarantee between Poeticgem Limited and its subsidiary Pacific Logistics Limited. The loans carry an average interest rate of 1.31 % over base rate.

At 31 March 2007 the company had available £2,177,397 (2006: £977,000) 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 amount due to Global Textile Group Limited, the company's immediate parent company. The amount is unsecured and interest free.

16. Derivative financial instruments

Currency derivatives

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

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

	2007(£)	2006(£)
Forward foreign exchange contracts	**10,837,099**	9,110,421

In addition, the company had options to purchase US dollars equivalent to an amount of approximately £Nil (2006: £3,428,571) as a hedge against exchange losses on future purchases of goods.

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

17. Deferred tax

	Accelerated tax depreciation	
	2007(£)	2006(£)
At 1 April 2007	**6,879**	27,868
Charge to income	**16,467**	(20,989)
At 31 March 2007	**23,346**	6,879

18. Share capital

	2007(£)	2006(£)
Authorised		
50,000 Ordinary shares of £1 each	**50,000**	50,000
Issued and fully paid		
50,000 Ordinary shares of £1 each	**50,000**	50,000

19. Retained earnings

	2007(£)	2006(£)
Balance at 1 April 2006	**1,876,676**	1,185,655
Net profit for the year	**1,726,526**	691,021
Balance at 31 March 2007	**3,603,202**	1,876,676

20. Statement of movements in equity

	2007(£)	2006(£)
Profit for the financial year	**1,726,526**	691,021
Equity at 1 April 2006	**1,926,676**	1,235,655
Equity at 31 March 2007	**3,653,202**	1,926,676

21. Operating lease arrangements

	2007(£)	2006(£)
Minimum lease payments under operating leases recognised in the income statement for the year	**91,029**	143,639

At 31 March 2007 the company had outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows:

	Land and buildings		Other	
	2007(£)	2006(£)	2007(£)	2006(£)
Within one year	**-**	5,485	**8,969**	-
Between two and five years	**86,564**	86,564	**17,443**	11,694
	86,564	92,049	**26,412**	11,694

22. Contingent liabilities

At 31 March 2007 the Company had the following contingent liabilities:

The company's bankers, Royal Bank of Scotland plc. have given a guarantee to H M Customs and Excise amounting to £500,000 on behalf of the company. Maximum liability of the company to the bankers is £1,000,000. The Company's bank has issued letter of credit for £9,200,339.

23. Capital commitments

At 31 March 2007 the company had capital commitments as follows:

	2007(£)	2006(£)
Contracted for but not provided in the financial statements	**-**	131,250

24. Notes to the cash flow statement

	2007(£)	2006(£)
Profit from operations	**2,863,592**	1,113,612
Adjustments for:		
Depreciation of property, plant and equipment	**181,004**	152,653
Loss(profit) on disposal of property, plant and equipment	**4,235**	(3,084)
Operating cash flows before movements in working capital	**3,048,831**	1,263,181
Increase in inventories	**(338,189)**	(778,284)
Increase in receivables	**(2,997,629)**	(2,083,755)
(Decrease)/Increase in payables	**(668,245)**	1,386,766
Cash generated by operations	**(955,232)**	(212,092)
Tax paid	**(441,229)**	(122,631)
Interest paid	**(368,216)**	(118,860)
Net cash from operating activities	**(1,764,677)**	(453,583)
Cash and cash equivalents comprise:		
Cash in hand and at bank	**1,340,767**	88,433
Bank overdrafts	**1,402,727**	71,462
	(61,960)	16,971

25.Related party transactions

During the year, the company entered into the following transactions with related parties:

	Sales/ FOB Transfers/ Commission Received		Commission Paid/ Purchases/Expenses		Amounts owed by related party		Amounts owed to related party	
	2007(£)	2006(£)	**2007(£)**	2006(£)	**2007(£)**	2006(£)	**2007(£)**	2006(£)
P T Norwest Industry, Indonesia	**-**	-	**115,050**	662	**-**	-	**20,269**	1,876
Pacific Logistics Limited, UK	**-**	-	**2,836,511**	1,891,181	**64,957**	164,502	**336,642**	140,317
Pearl Global Limited, Gurgaon	**-**	-	**2,370**	64,726	**11,032**	-	**-**	12,465
Pearl Global Limited, Chennai	**-**	-	**99,938**	-	**-**	-	**14,531**	-
Norp Knit Industries Limited, Bangladesh	**-**	-	**869,078**	95,505	**-**	1,007	**88,955**	6,042
Nor - Pearl Knitwear Limited, Bangladesh	**-**	-	**215,703**	251,535	**-**	-	**101,417**	3,584
Norwest Industries Limited, Hong Kong	**4,496,838**	-	**2,146,515**	-	**1,879,072**	-	**-**	-
Depa International Inc, USA	**-**	-	**22,249**	15,855	**-**	-	**3,299**	3,422
Poeticgem (Canada) Limited, Canada	**-**	-	**-**	-	**91,829**	-	**-**	-

The above companies are related as follows:

Pacific Logistics Limited is the company's wholly owned subsidiary. Poeticgem (Canada) Limited, Canada is the company's wholly owned subsidiary. PT Norwest Industry, Indonesia is a subsidiary of the company's immediate parent company, Global Textile Group Limited, Mauritius. Pearl Global Limited, Gurgaon, Pearl Global Limited, Chennai, Nor-Pearl Knitwear Limited, Bangladesh and Norp Knit Industries Limited, Bangladesh are subsidiaries of the company's ultimate parent company, House of Pearl Fashions Limited, India. Norwest Industries Limited, Hong Kong is a fellow subsidiary of Global Textile Group Limited, Mauritius.

Transactions with directors

The following directors had interest free loans during the year. The movements on these loans are as follows:

	Amount outstanding		Maximum
	31/3/2007 (£)	31/03/2006 (£)	in year (£)
P Seth	**-**	-	239,844

26. 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-122 016 (Haryana), India. The ultimate controlling party is Mr. D Seth.

MANAGEMENT INFORMATION FOR THE YEAR ENDED 31 MARCH 2007

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2007		**2007(£)**		2006(£)
Turnover				
Sales		**30,646,769**		22,490,199
Commission receivable		**2,804,960**		2,316,785
		33,451,729		24,806,984
Cost of sales				
Opening stock of finished goods	**2,197,064**		1,418,780	
Purchases	**22,617,513**		17,315,402	
Carriage and freight	**2,866,443**		1,903,046	
Designing expenses	**9,002**		16,158	
Testing charges	**44,653**		5,403	
	27,734,675		20,658,789	
Closing stock of finished goods	**(2,535,253)**		(2,197,064)	
Gross profit		**(25,199,422)**		(18,461,725)
		8,252,307		6,345,258
Marketing and distribution costs	**1,900,723**		1,840,585	
Administrative expenses	**3,973,837**		3,403,204	
		(5,874,560)		(5,243,789)
		2,377,747		1,101,469
Other operating income				
Rent receivable	**19,000**		-	
Sundry income	**108,664**		47,209	
Exchange (losses)/ gains	**358,181**		(35,066)	
		485,845		12,143
Operating profit		**2,863,592**		1,113,612
Other interest receivable and similar income				
Bank interest received		**46,505**		16,422
Interest payable				
Bank interest paid	**302,050**		97,246	
Loan interest paid	**56,656**		17,089	
Non-bank interest paid	**547**		-	
Hire purchase interest payable	**8,963**		4,525	
		(368,216)		(118,860)
Profit before taxation		**2,541,881**		1,011,174

SCHEDULE OF DISTRIBUTION COSTS & ADMINISTRATIVE EXPENSES

For the year ended 31 March 2007

Marketing and distribution costs	**2007(£)**	2006(£)
Agent's commission	**879,938**	646,371
Advertising and promotion	**24,729**	20,677
Samples	**550,745**	712,056
Motor, travel and subsistence	**419,650**	422,860
Entertaining	**25,661**	38,621
	1,900,723	1840585
Administrative expenses		
Wages and salaries (excl. N.I)	**2,120,753**	1,783,584
Directors' remuneration	**160,000**	140,000
Employer's N.I. contributions	**248,066**	224,476
Staff recruitment	**62,648**	44,754
Flat expenses	**35,613**	36,363
Rent	**91,029**	143,639
Rates	**41,919**	38,943
Insurance	**34,526**	19,782
Staff medical insurance	**10,950**	9,927
Light and heat	**1,902**	7,653
Cleaning	**13,989**	11,066
Repairs and maintenance	**10,218**	10,489
Postage, stationery and courier	**182,652**	166,784
Telephone	**92,980**	75,545
Computer running costs	**40,235**	29,364
Hire of equipment	**5,556**	5,611
Motor vehicle leasing	**10,984**	12,154
Legal and professional fees	**42,911**	41,405
Consultancy fees	**109,191**	96,484
Accountancy	**33,625**	27,750
Audit fees	**20,000**	20,000
Bank charges	**157,731**	119,810
Factoring charges	**207,926**	139,904
Sundry expenses	**49,994**	46,598
Charitable donations-other	**3,200**	1,550
Amortisation on freehold property	**7,684**	
Amortisation on long leasehold	**14,265**	13,899
Amortisation on short leasehold	**31,347**	9,540
Depreciation on computers	**45,693**	45,857
Depreciation on fixtures, fittings and equipment	**68,135**	66,783
Depreciation on motor vehicles	**13,880**	16,574
Loss on disposal of tangibles	**4,235**	(3,084)
	3,973,837	3,403,204

DIRECTORS' REPORT

for the year ended 31 March 2007

The directors present their annual report together with the audited financial statements for the year ended 31 March 2007.

Principal activities, business review and future developments

The principal activity of the company is the provision of logistics services to the clothing industry.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Results and dividends

The company has prepared the financial statements in accordance with International Financial Accounting Standards and International Financial Reporting Standards. The company's profit for the year after taxation was £172,732 (2006: £105,587).

The directors do not recommend the payment of a dividend.

Directors

The following directors have held office since 1 April 2006:

S Punjabi

P Seth

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	1 March 2007	1 April 2006
S Punjabi	-	-
P Seth	-	-

Mr. P Seth owns 6.68 per cent of the shares in House of Pearl Fashions Limited, the ultimate parent company.

Policy on the payment of creditors

The company applies a policy of agreeing payment terms with each of its main suppliers and the company aims to abide by these terms, subject to satisfactory performance by suppliers.

At the year end, the company had 3 days (2006: 2 days) of purchases outstanding.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Auerbach Hope, Chartered Accountants be re-appointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board

Sd/-

B Ayriss

Secretary

11 May 2007

Independent Auditors' Report to the Shareholders of Pacific Logistics Limited

for the year ended 31 March 2007

We have audited the financial statements of Pacific Logistics Limited for the year ended 31 March 2007 which comprise the income statement, balance sheet, cash flow statement and related Notes 1 to 22. These financial statements have been prepared under the historical cost convention and the accounting policies set out herein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act, 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have framed.

Respective responsibilites of the Directors and Auditors

As described in the statement of directors' responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted for use in the European Union.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards of Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and the other information contained in the annual report and consider the implications for our report if we became aware of any apparent misstatements within them.

Basis of our audit opinion

We conducted our audit in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimages and judgements made by the directors in the preparation of the financial statemnts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mistatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act, 1985.

Sd/-

Auerbach Hope

Chartered Accountants

Registered Auditors

15 May 2007

58-60 Berners Street, London WIT 3JS

INCOME STATEMENT

For the year ended 31 March 2007

	Notes	**Year ended 31 March 2007 £**	Year ended 31 March 2006 £
Continuing operations			
Revenue	3	**2,970,964**	1,906,862
Cost of revenue		**(2,228,251)**	(1,388,049)
Gross profit		**742,713**	518,813
Operating expenses			
General and administrative		**(507,496)**	(359,831)
Other operating income		**18,033**	-
Operating profit/(loss)	4	**253,250**	158,982
Interest receivable and similar income	6	**1,648**	670
Interest payable and similar charges	7	**(1,008)**	(633)
Profit/(loss) before taxation		**253,890**	159,019
Taxation	8	**(81,158)**	(53,432)
Profit/(loss) for the year		**172,732**	105,587
Earnings per share from continuing operations			
Basic and diluted earnings per ordinary share	9	**1,727p**	1,056p

None of the company's activities were discontinued in the year.

There is no recognised income or expense other than that passing through the income statement.

BALANCE SHEET

AT 31 MARCH 2007

	Notes	Year ended 31 March 2007 £	Year ended 31 March 2006 £
Non current assets			
Property, plant and equipment	10	**409,812**	200,924
		409,812	200,924
Current assets			
Trade and other receivables	11	**570,308**	232,757
Cash and cash equivalents		**5,975**	176
		576,283	232,933
Total assets		**986,095**	433,857
Current liabilities			
Trade and other payables		**(13,919)**	(7,714)
Tax liabilities		**(55,343)**	(50,116)
Obligations under hire purchase contracts	12	**(7,749)**	(638)
Bank overdrafts and loans	13	**(479,311)**	(65,425)
Other creditors		**(38,137)**	(28,528)
		(594,459)	(152,448)
Net current (liabilities)/assets		**(18,176)**	80,485
Non current liabilities			
Deferred tax liabilities	14	**(29,131)**	(3,316)
Other non-current liabilities	15	**(64,957)**	(164,502)
Obligations under finance leases	12	**(12,374)**	(1,149)
		(106,462)	(168,967)
Total liabilities		**(700,921)**	(321,415)
Net assets		**285,174**	112,442
Shareholders' equity			
Share capital	16	**10,000**	10,000
Retained earnings	17	**275,174**	102,442
Total equity	18	**285,174**	112,442

The financial statements were approved by the board of directors and authorised for issue on 11 May 2007 and were signed on its behalf by:

Sd/-
S Panjabi
Director

CASH FLOW STATEMENT

For the year ended 31 March 2007

	Notes	2007	2006
Cash flows from operating activities			
Cash (outflow)/inflow from operations	20	**(46,977)**	117,505
Interest received		**1,648**	670
Net cash (outflow)/inflow from operating activities		**(45,329)**	118,175
Cash flows from investing activities			
Purchase of tangible assets		**(291,502)**	(43,964)
Net cash used in investing activities		**(291,502)**	(43,964)
Cash flows from financing activities			
Proceeds from Sale of tangible asset		**9,980**	-
Proceeds from new hire purchase contracts		**28,445**	2,000
Capital element of hire purchase contracts repayments		**(10,109)**	(214)
Other loans (repaid)/raised		**(99,545)**	5,665
Net cash from financing activities		**(71,229)**	7,451
Net (decrease)/increase in cash and cash equivalents		**(408,060)**	81,662
Cash and cash equivalents at 1 April 2006		**(65,276)**	(146,938)
Cash and cash equivalents at 31 March 2007	20	**(473,336)**	(65,276)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

1. General information

   Pacific Logistics Limited is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 1. The company provides logistics services to the clothing industry in United Kingdom. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

2. Significant accounting policies

   Basis of accounting

   The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

   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 £18,176 and it made a profit for the year of £172,732.

   The Directors consider the going concern basis to be appropriate because, in their opinion, the Company will continue to obtain sufficient funding to enable it to pay its debts as they fall due. If the Company were unable to obtain this funding, it would be unable to continue trading and adjustments would have to be made to reduce the value of assets to their realisable amount and to provide for any further liabilities which might arise.

   a. Property, plant and equipment

   Property, plant and equipment are stated at cost net of accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings leasehold	Over the lease term
Plant and machinery	25% reducing balance
Fixtures, fittings and equipment	25%-33.33% reducing balance
Motor vehicles	25% reducing balance

   Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

   The carrying values of property, plant and equipment are reviewed for impairment when events or changes indicate the carrying value may not be recoverable. If any such indication exists and carrying values exceed recoverable amounts such assets are written down to their recoverable amounts.

   b. Revenue recognition

   Revenue represents amounts receivable from the provision of logistics services net of discounts and value added tax.

   c. 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 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 profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

   Rentals payable under operating leases are changed against income on a straight line basis over the lease term.

   d. Deferred taxation

   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. 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.

   e. 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.

3. Revenue

   The total revenue of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

4. Operating profit/ (loss)

	2007 (£)	2006 (£)
Operating profit/(loss) has been arrived at after charging:		
Staff costs (see note 5 below)	**630,812**	498,717
Auditors' remuneration	**26,000**	15,500
Depreciation of property, plant and equipment	**67,130**	69,422

5. Staff numbers and costs

Payroll costs include:		
Staff wages and salaries	**514,752**	409,127
Directors' remuneration	**50,000**	42,502
Social security costs	**66,060**	47,088
	630,812	498,717

The average number of employees (including directors) employed by the company:

	2007 Number	2006 Number
Management and administration	**12**	7
Directors	**2**	2
Warehouse staff	**9**	10
	23	19

6. Interest receivable and similar income

Interest on bank deposits	**1,648**	670

7. Interest payable and similar charges

Interest on bank overdrafts	**360**	324
Interest on obligations under finance leases	**648**	105
Other interest	**-**	204
	1,008	633

8. Taxation

Current tax	**55,343**	50,116
Deferred tax (note 14)	**25,815**	3,316
	81,158	53,432
Profit/(loss) before tax	**253,890**	159,019
Tax at the UK corporation tax rate of30% (2006: 30%)	**76,167**	47,706
Tax effects of:		
Non deductible expenses	**1,651**	107
Depreciation add back	**20,139**	20,827
Capital allowances	**(42,614)**	(18,009)
Other tax adjustments	**-**	(515)
	(20,824)	2,410
Tax expense for the year	**55,343**	50,116
Effective tax rate for the year	**21.8%**	31.5%

9. Earnings per share

The calculation of the earnings per share is based on the profit after taxation of £172,732 (2006: £105,587) and 10,000 (2006: 10,000) ordinary shares being the weighted average number of shares in issue in the period. ‘

10. Property, plant and equipment

	Land and buildings leasehold £	Plant and machinery £	Fixtures, fittings & equipment ‘£	Motor vehicles £	Total £
Cost					
At 1 April 2006	5,642	249,420	44,661	10,084	309,807
Additions	29,442	186,020	43,047	32,995	291,504
Disposals	(5,642)	-	(8,606)	(8,700)	(22,948)
At 31 March 2007	29,442	435,440	79,102	34,379	578,363
Accumulated depreciation					
At 1 April 2006	2,256	82,732	21,375	2,520	108,883
Disposals	(2,256)	-	(4,169)	(1,037)	(7,462)
Charge for the year	5,888	45,547	11,127	4,568	67,130
At 31 March 2007	5,888	128,279	28,333	6,051	168,551
Net book value					
At 31 March 2007	23,554	307,161	50,769	28,328	409,812
At 31 March 2006	3,386	166,688	23,286	7,564	200,924
Cost					
At 1 April 2005	5,642	224,914	35,286	-	265,842
Additions	-	24,506	9,375	10,084	43,965
At 31 March 2006	5,642	249,420	44,661	10,084	309,807
Accumulated depreciation					
At 1 April 2005	1,128	27,170	11,163	-	39,461
Charge for the year	1,128	55,562	10,212	2,520	69,422
At 31 March 2006	2,256	82,732	21,375	2,520	108,883
Carrying amount					
At 31 March 2006	3,386	166,688	23,286	7,564	200,924
At 31 March 2005	4,514	197,744	24,123	-	226,381

Assets held under hire purchase contracts have the following carrying amount:

	Motor vehicles	
	2007	2006
	£	£
Cost	**28,445**	4,150
Aggregate depreciation	**(3,455)**	(1,038)
Carrying amount	24,990	3,112

11. Trade and other receivables

	2007	2006
	£	£
Trade receivables	**120,000**	8,216
Due from parent company	**336,641**	140,317
Other receivables and prepaid expenses	**113,667**	84,224
	570,308	232,757

12. Obligations under hire purchase contracts

Amounts payable under hire purchase contracts:		
Within one year	**9,256**	953
In the second to fifth years	**14,633**	1,673
	23,889	2,626
Less: Future finance charges	**(3,766)**	(839)
Present value of hire purchase obligations	**20,123**	1,787
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(7,749)**	(638)
Amount due for settlement after 12 months	**12,374**	1,149

The company’s obligations under hire purchase contracts are secured by charges over the relevant assets.

13. Bank overdrafts and loans

	2007 (£)	2006 (£)
Bank overdrafts	**479,311**	65,452
The borrowings are repayable as follows:		
On demand or within one year	**479,311**	65,452
The weighted average interest rates paid were as follows:	**%**	%
Bank overdraft	**6.625**	6.375

The other principal features of the company’s borrowings are as follows:

Bank overdrafts are repayable on demand. Overdrafts of £479,311 (2006: £65,452) have been secured by fixed and floating charges over the company’s assets and a cross guarantee between Pacific Logistics Limited and its parent company Poeticgem Limited. The weighted average interest rates on bank overdrafts are determined based on 1.75 per cent plus the average bank base rate.

14. Deferred tax

	Accelerated tax depreciation (£)
At 1 April 2006	3,316
Charge to income	25,815
At 31 March 2007	29,131

15. Other non-current liabilities

This represents an unsecured interest free loan from Poeticgem Limited, the parent company.

		2007 (£)	2006 (£)
16.	Share capital	**2007 (£)**	2006 (£)
	Authorized		
	50,000 Ordinary shares of £1 each	**50,000**	50,000
	Issued and fully paid		
	10,000 Ordinary shares of £1 each	**10,000**	10,000
17.	Retained earnings		
	Balance at 1 April 2006		102,442
	Net profit for the year		172,732
	Balance at 31 March 2007		275,174
18.	Statement of movements in equity		
	Profit for the financial year	**172,732**	105,587
	Additions to equity	**172,732**	105,587
	Equity at 1 April 2006	**112,442**	6,855
	Equity at 31 March 2007	**285,174**	112,442
19.	Operating lease arrangements		
	Minimum lease payments under operating leases recognised in income for the year	**129,955**	115,231

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancelable operating leases, which fall due as follows:

	2007 (£)	2006 (£)
Within one year	**227,500**	123,700
In the second to fifth years inclusive	**891,000**	237,000
	1,118,500	360,700

Operating lease payments represent rentals payable by the company.

		2007 (£)	2006 (£)
20.	Notes to the cash flow statement		
	Profit from operations	**253,250**	158,982
	Adjustments for:		
	Depreciation of property, plant and equipment	**67,130**	69,422
	Loss on disposal of tangible assets	**5,504**	-
	Operating cash flows before movements in working capital	**325,884**	228,404
	Increase in receivables	**(337,551)**	(75,575)
	(Increase)/ (Decrease) in payables	**15,166**	(34,796)
	Cash generated by operations	**3,499**	118,033
	Tax paid	**(50,116)**	-
	Interest paid	**(360)**	(528)
	Net cash (outflow)/inflow from operating activities	**(46,977)**	117,505

Additions to motor vehicles during the year amounting to £28, 445 were financed by new hire purchase contracts.

Cash and cash equivalents comprise:

	2007 (£)	2006 (£)
Cash in hand and at bank	**5,975**	176
Bank overdrafts	**(479,311)**	(65,452)
	(473,336)	(65,276)

21. Related party transactions

During the year, the company entered into the following transactions with related parties:

	Revenue		Amounts owed by related parties		Amounts owed to related parties	
	2007	2006	**2007**	2006	**2007**	2006
	£	£	**£**	£	**£**	£
Poeticgem Limited	**2,836,511**	1,891,181	**336,641**	140,317	**64,957**	164,502

During the year the company paid rent of £19,000 (2006: £nil) to Poeticgem Limited. Poeticgem Limited is the immediate parent company.

22. 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, Gorgaon - 122 016 (Haryana), India.

The ultimate controlling party is Mr D Seth.

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2007

	2007		2006	
	£	**£**	£	£
Turnover				
Handling and transport		**2,675,288**		1,590,826
Storage		**42,000**		171,380
Shipping handling		**233,517**		120,000
Sales commission		**6,273**		15,956
Other income		**13,886**		8,700
		2,970,964		1,906,862
Cost of sales				
Storage	**67,409**		119,599	
Wages and salaries	**514,752**		409,127	
Directors' remuneration	**50,000**		42,502	
Employer's N.I. contributions	**66,060**		47,088	
Staff recruitment	-		1,875	
Temporary staff	**636,055**		407,154	
Processing charges	**14,955**		27,482	
Consumables	**43,407**		58,243	
Carriage inwards and import duty	**428,349**		24,341	
Hire of plant and machinery	**189,405**		116,485	
Motor expenses re delivery	**163,261**		70,738	
Health and safety	**2,858**		1,413	
Waste collection	**6,193**		6,440	
Depreciation on plant and machinery	**45,547**		55,562	
		(2,228,251)		(1,388,049)
Gross profit		**742,713**		518,813
Administrative expenses		**(507,496)**		(359,831)
		235,217		158,982
Other operating income				
Exchange gains		**18,033**		-
Operating profit		**253,250**		158,982
Other interest receivable and similar income				
Bank interest received		**1,648**		670
Interest payable				
Bank interest paid	**360**		324	
Hire purchase interest payable	**648**		105	
Other interest paid	-		204	
		(1,008)		(633)
Profit before taxation		**253,890**		159,019

Schedule of Administrative Expenses

For the year ended 31 March 2007	2007 (£)	2006 (£)
Administrative expenses		
Rent re operating leases	**129,955**	115,231
Rent re licences and other	**26,432**	23,370
Rates	**64,957**	46,421
Insurance	**51,122**	32,568
Light and heat	**57,802**	20,820
Cleaning	**15,006**	14,124
Repairs and maintenance	**13,880**	12,212
Printing, postage and stationery	**9,344**	7,220
Advertising	**3,486**	2,035
Telephone	**17,458**	8,770
Computer running costs	**3,901**	7,344
Motor running expenses	**5,517**	7,731
Traveling expenses	**20,104**	8,496
Entertaining	-	358
Legal and professional fees	**11,039**	2,381
Audit fees	**26,000**	15,500
Bank charges	**2,002**	1,916
Staff welfare	**12,148**	9,983
Sundry expenses	**10,256**	9,491
Amortisation on short leasehold	**5,888**	1,128
Depreciation on fixtures, fittings and equipment	**11,127**	10,212
Depreciation on motor vehicles	**4,568**	2,520
Loss on disposal of tangibles	**5,504**	-
	507,496	359,831

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2007.

Principal activity

The principal activity of the Company consisted of the trading of garments. There was no significant change in the nature of the Company's principal activity during the year.

Results and dividends

The Company's profit for the year ended 31 March 2007 and its state of affairs at that date are set out in the financial statements on pages 5 to 36.

An interim dividend of HK $7.78 per ordinary share totaling HK$9,336,000 was paid on 28 April 2006. The directors do not recommend the payment of any final dividend in respect of the year.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Company during the year are set out in note 10 to the financial statements.

Reserves

Details of movements in the reserves of the Company during the year are set out in the statement of changes in equity.

Directors

The directors of the Company during the year were:

Pulkit Seth

Venkatesh Nagan

Sandeep Malhotra (resigned on 28 April 2006)

In accordance with the Company's articles of association, both remaining directors retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' interests

At no time during the year was the Company, its holding companies or any of its 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 holding companies or any of its fellow subsidiaries was a party during the year.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Sd/-

Chairman

Hong Kong

30 April 2007

INDEPENDENT AUDITORS' REPORT

To the shareholders of Norwest Industries Limited (Incorporated in Hong Kong with limited liability)

We have audited the financial statements of Norwest Industries Limited set out on pages 5 to 36, which comprise the balance sheet as at 31 March 2007, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. It is our responsibility to form an independent opinion, based on our audit, on those financial statements 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 purposes. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2007 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.

Sd/-

Hong Kong

INCOME STATEMENT

Year ended 31 March 2007	Notes	2007	2006
		HK$	HK$
REVENUE	4	**584,323,885**	457,958,626
Cost of sales		**(472,592,317)**	(375,962,857)
Gross profit		**111,731,568**	81,995,769
Other income and gains	4	**25,574,859**	14,602,284
Selling and distribution costs		**(204,073)**	-
Administrative expenses		**(85,766,861)**	(68,869,660)
Other operating expenses		**(1,982,114)**	(1,972,783)
Finance costs	6	**(3,633,972)**	(1,775,750)
PROFIT BEFORE TAX	5	**45,719,407**	23,979,860
Tax	8	**(8,889,265)**	(4,605,323)
PROFIT FOR THE YEAR		**36,830,142**	19,374,537
DIVIDEND			
Interim	9	**9,336,000**	-

BALANCE SHEET

31 March 2007

	Notes	2007	2006
NON-CURRENT ASSETS			
Property, plant and equipment	10	**21,282,359**	2,459,913
Available-for-sale investments	11	**2,002,225**	2,790,478
Due to a fellow subsidiary	21(b)	**964,720**	964,720
Total non-current assets		**24,249,304**	6,215,111
CURRENT ASSETS			
Inventories	12	-	593,582
Trade and bills receivables	13	**112,323,113**	121,857,580
Prepayments, deposits and other receivables		**30,583,310**	3,256,945
Due from a holding company	21(b)	**61,745**	26,350
Due from fellow subsidiaries	21(b)	**298,886**	7,463,267
Derivative financial instruments	16	-	1,557,081
Pledged time deposits		**25,346,058**	5,041,437
Cash and bank balances		**3,965,717**	4,248,766
Total current assets		**172,578,829**	144,045,008
CURRENT LIABILITIES			
Trade payables and accrued liabilities		**39,415,436**	52,121,997
Bills payable		**3,776,478**	4,503,805
Derivative financial instruments	16	**2,516,288**	-
Interest-bearing bank borrowings	14	**38,630,137**	43,314,056
Due to fellow subsidiaries	21(b)	**27,318,418**	-
Tax payable		**6,013,113**	3,870,529
Total current liabilities		**117,669,870**	103,810,387
NET CURRENT ASSETS		**54,908,959**	40,234,621
TOTAL ASSETS LESS CURRENT LIABILITIES		**79,158,263**	46,449,732
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	**9,132,020**	-
Due to a holding company	20(b)	**3,509,198**	3,535,548
Deferred tax liabilities	15	**440,950**	410,153
Total non-current liabilities		**13,082,168**	3,945,701
Net assets		**66,076,095**	42,504,031
EQUITY			
Issued capital	17	**9,336,000**	9,336,000
Reserves		**56,740,095**	33,168,031
Total equity		**66,076,095**	42,504,031

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2007

	Notes	Issued capital HK$	Hedging reserve HK$	Retained profits HK$	Total equity HK$
At 1 April 2005		9,336,000	-	12,508,902	21,844,902
Net gains on cash flow hedges	16	-	1,284,592	-	1,284,592
Profit for the year		-	-	19,374,537	19,374,537
At 31 March 2006 and at 1 April 2006		9,336,000	1,284,592*	31,883,439*	42,504,031
Net gains on cash flow hedges	16	-	(3,922,078)	-	(3,922,078)
Profit for the year		-	-	36,830,142	36,830,142
Interim 2007 dividend	9	-	-	(9,336,000)	(9,336,000)
At 31 March 2007		9,336,000	(2,637,486)*	59,377,581*	66,076,095

* These reserve accounts comprise the reserves of HK$56,740,095 (2005: HK$33,168,031) in the balance sheet.

CASH FLOW STATEMENT

Year ended 31 March 2007

	Notes	**2007 HK$**		2006 HK$
CASH FLOW FROM OPERATING ACTIVITIES				
Profit before tax		**45,719,407**		23,979,860
Adjustments for:				
Finance costs	6	**3,633,972**		1,775,750
Interest income	4	**(1,266,653)**		(165,414)
Gain on disposal of available-for-sale investments	4	**(32,452)**		-
Dividend income from available-for-sale investments	4	**(60,489)**		-
Depreciation	5	**1,922,663**		1,300,726
Loss/(gain) on disposal of items of property, plant and equipment	5	**1,494**		(3,120)
		49,917,942		26,887,802
Decrease in inventories		**593,582**		2,104,921
Decrease/(increase) in trade and bills receivable		**9,534,467**		(85,258,763)
Increase in prepayment, deposits and other receivables		**(27,326,365)**		(1,610,763)
Increase in an amount due from a holding company		**(35,395)**		-
Decrease in amount due from a subsidiary		**-**		57,463
Decrease/(increase) in amount due from fellow subsidiaries		**7,164,381**		(2,708,351)
(Decrease)/increase in trade payables and accrued liabilities		**(12,706,561)**		28,641,312
(Decrease)/increase in bills payable		**(727,327)**		2,929,300
Increase in trust receipt loans		**16,064,537**		2,705,218
Increase/(decrease) in amount due to fellow subsidiaries		**27,318,418**		(4,646,208)
Cash generated from/(used in) operations		**69,797,679**		(30,898,069)
Hong Kong profits tax paid		**(6,564,593)**		(2,978,948)
Overseas tax paid		**-**		(54,633)
Interest paid		**(3,633,972)**		(1,775,750)
Net cash inflow/(outflow) from operating activities		**59,599,114**		(35,707,400)
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of items of property, plant and equipment	10	**(20,747,576)**		(2,614,507)
Proceeds from disposal of items of property, plant and equipment		**973**		3,120
Proceeds from disposal of available-for-sale investments		**820,705**		-
Dividend received from available-for-sale investments		**60,489**		-
Increase in pledged time deposits		**(20,304,621)**		(129,202)
Interest received		**1,266,653**		165,414
Net cash outflow from investing activities		**(38,903,377)**		(2,575,175)
CASH FLOW FROM FINANCING ACTIVITIES				
Repayment to a holding company		**(26,350)**		(7,280,330)
Advance to a subsidiary		**-**		15,707,820
Loan to a related company		**-**		(964,720)
New interest-bearing loan from bank		**10,759,580**		28,003,574
Repayment of interest-bearing loan from bank		**(21,269,397)**		-
Dividend paid		**(9,336,000)**		-
Net cash inflow/(outflow) from financing activities		**(19,872,167)**		35,466,344
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**823,570**		(2,816,231)
Cash and cash equivalents at beginning of year		**2,902,944**		5,719,175
CASH AND CASH EQUIV ALENTS AT END OF YEAR		**3,726,514**		2,902,944
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		**3,965,717**		4,248,766
Bank overdrafts	14	**(239,203)**		(1,345,822)
		3,726,514		2,902,944
		Sd/- Director	Sd/- Director	

NOTES TO FINANCIAL STATEMENTS

Year ended 31 March 2007

1. CORPORATE INFORMATION

Norwest Industries Limited is a limited company incorporated in Hong Kong. The registered office of the Company is located at 7/f., Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong.

The principal activity of the Company has not changed during the year and consisted of the trading of garments.

In the opinion of the directors, the holding company of the Company is Multinational Textile Group Limited, a company incorporated in Mauritius, and the ultimate holding company of the Company is House of Pearl Fashions Ltd, a company incorporated in India and its 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 also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Company has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on this financial statement.

HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 39 Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be re-measured at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue. The adoption of this amendment has had no material impact on this financial statement.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Company had not previously used this option, and hence the amendment has had no effect on the financial statements.

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the income statement. As the Company currently has no such transactions, the amendment has had no effect on these financial statements.

(b) HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease

The Company has adopted this interpretation as of 1 April 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

2.3 IMPACT OF 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.

HKAS 1 Amendment	Capital Disclosures
HKFRS7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures on qualitative information about the Company's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; compliance with any external capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. This new standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HK(IFRIC)-Int 8, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRJC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment and HKFRS 7 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Company's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Company if:

(a) the party, directly, or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Company; (ii) has an interest in the Company that gives it significant influence over the Company; or (iii) has joint control over the Company;
(b) the party is an associate;
(c) the party is a jointly-controlled entity;
(d) the party is a member of the key management personnel of the Company or its holding company;
(e) the party is a close member of the family of any individual referred to in (a) or (d); or
(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)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2%
Leasehold improvements	Over the lease terms
Furniture and fixtures	25%
Office equipment	33-1/3%
Motor vehicles	30%

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 depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Company is the lessor, assets leased by the Company under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Company is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company considers whether a contract contains an embedded derivative when the Company first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts. Gains or losses on these financial assets are recognised in the income statement.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

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

Fair value

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

Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed 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, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are de-recognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

* the rights to receive cash flows from the asset have expired;
* the Company retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
* the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, amount due to fellow subsidiaries, an amount due to a holding company and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Company measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 Provision, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Derivative financial instruments and hedging

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

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

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

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

* fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
* Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

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

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost or a non-financial asset or non- financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes the cost of purchase, conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the balance sheet, cash and 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.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward 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 carry forward of unused tax credits and unused tax losses can be utilised, except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of returns and discounts.

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
(b) handling fee income, in the period in which the services are rendered;
(c) rental income, on a time proportion basis over the lease terms;
(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
(e) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

Employment Ordinance long service payments

Certain of the Company's employees have completed the required number of years of service to the Company in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Company is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

Retirement benefit costs

The Company operates a mandatory provident fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as and when the contribution fall due.

Dividends

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared by the directors.

Foreign currencies

These financial statements are presented in United States dollars, which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Key sources of estimation uncertainty and critical judgements in applying the Company's accounting policies which have a significant effect on the financial statements are set out below.

(a) Impairment of property, plant and equipment
Items of property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculation requires the Company to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

(b) Impairment of available-for-sale financial assets
For available-for-sale financial assets, a significant or prolonged decline in fair value below cost is considered to be an objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account. The Company also considers other factors, such as industry and sector performance and financial information regarding the issuer.

(c) Impairment of trade receivables
The Company maintains an allowance for estimated loss arising from the inability of its customers to make the required payments. The Company makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Company would be required to revise the basis of making the allowance and its future results would be affected.

(e) Income taxes
Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Company's turnover, represents the net invoiced value of goods sold.

An analysis of revenue, other income and gains is as follows:

	2007 (HK$)	2006 (HK$)
Revenue - sale of goods	**584,323,885**	457,958,626
Other income:		
Dividend income from available-for-sale investments	**60,489**	-
Interest income	**1,266,653**	165,414
Handling fee income	**11,826,557**	10,639,886
Rental income	**568,750**	-
Sundry income	**6,668,085**	1,604,657
	20,390,534	12,409,957
Gains:		
Gain on disposal of items of property, plant and equipment	-	3,120
Gain on disposal of available-for-sale investment	**32,452**	-
Exchange gains, net	**5,151,873**	2,189,207
	5,184,325	2,192,327
	25,574,859	14,602,284

5. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging/(crediting):

	Note	**2007 (HK$)**	2006 (HK$)
Auditors' remuneration		**630,000**	140,672
Depreciation	10	**1,922,663**	1,300,726
Employee benefits expense, excluding directors' remuneration (note 7):			
Wages and salaries		**19,844,922**	14,274,871
Pension scheme contributions		**254,299**	292,221
		20,099,221	14,567,092
Minimum lease payments under operating leases of land and building		**833,960**	1,233,109
Loss/(gain) of disposal of items of property, plant and equipment		**1,494**	(3,120)

6. FINANCE COSTS

Interest on bank loans and overdrafts	**3,633,972**	1,775,750

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

Fees	-	-
Other emoluments:		
Salaries, allowances and benefits in kind	**148,051**	137,281
	148,051	137,281

8. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Company operates, based on existing legislation, interpretations and practices in respect thereof:

Hong Kong	**7,837,393**	4,105,920
Elsewhere	**869,784**	712,920
Overprovision in prior years	-	(340,672)
Deferred tax (note 15)	**182,088**	127,155
Tax charge for the year	**8,889,265**	4,605,323

A reconciliation of the tax expense applicable to profit before tax using the statutory rate to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e. the statutory tax rate) to the effective tax rate are as follows:

	2007 HK$	**%**	2006 HK$	%
Profit before tax	**45,719,407**		23,979,860	
Tax at the statutory tax rate	**8,000,896**	**17.5**	4,196,476	17.5
Income not subject to tax	**(11,391)**	**-**	(4,198)	-
Adjustments in respect of current tax of previous periods	-	**-**	(340,672)	(1.4)
Tax on deemed profit arising from operations other than Hong Kong	**869,784**	**1.9**	712,920	3.0
Temporary difference	**23,653**	**-**	425	-
Others	**6,323**	**-**	40,372	0.1
Tax charge at the effective rate	**8,889,265**	**19.4**	4,605,323	19.2

9. DIVIDEND

	2007 HK$	2006 HK$
Interim - HK$7.78 per share (2006: Nil)	**9,336,000**	-

10. PROPERTY, PLANT AND EQUIPMENT

	Land and Building HK$	Leasehold improvements HK$	Furniture and fixtures HK$	Motor vehicles HK$	Office equipment HK$	Total HK$
31 March 2007						
At 31 March 2006 and at 1 April 2006:						
Cost	-	1,404,112	1,800,910	944,208	2,542,987	6,692,217
Accumulated depreciation	-	(1,028,738)	(952,033)	(522,910)	(1,728,623)	(4,232,304)
Net carrying amount	-	375,374	848,877	421,298	814,364	2,459,913
At 1 April 2006, net of accumulated depreciation	-	375,374	848,877	421,298	814,364	2,459,913
Additions	16,247,500	1,628,961	1,120,087	193,034	1,557,994	20,747,576
Disposals	-	-	-	-	(2,467)	(2,467)
Depreciation	(216,635)	(426,320)	(420,407)	(286,058)	(573,243)	(1,922,663)
At 31 March 2007, net of accumulated depreciation	16,030,865	1,578,015	1,548,557	328,274	1,796,648	21,282,359
At 31 March 2007:						
Cost	16,247,500	2,150,198	2,157,679	931,575	2,822,732	24,309,684
Accumulated depreciation	(216,635)	(572,183)	(609,122)	(603,301)	(1,026,084)	(3,027,325)
Net carrying amount	16,030,865	1,578,015	1,548,557	328,274	1,796,648	21,282,359
31 March 2006						
At 31 March 2005 and at 1 April 2005:						
Cost		910,603	1,090,932	497,838	1,617,661	4,117,034
Accumulated depreciation		(753,946)	(674,072)	(225,082)	(1,317,802)	(2,970,902)
Net carrying amount		156,657	416,860	272,756	299,859	1,146,132
At 1 April 2005, net of accumulated depreciation		156,657	416,860	272,756	299,859	1,146,132
Additions		493,509	720,424	446,370	954,204	2,614,507
Depreciation		(274,792)	(288,407)	(297,828)	(439,699)	(1,300,726)
At 31 March 2006, net of accumulated depreciation		375,374	848,877	421,298	814,364	2,459,913
At 31 March 2006:						
Cost		1,404,112	1,800,910	944,208	2,542,987	6,692,217
Accumulated depreciation		(1,028,738)	(952,033)	(522,910)	(1,728,623)	(4,232,304)
Net carrying amount		375,374	848,877	421,298	814,364	2,459,913

The Company's leasehold land and building is situated in Hong Kong and is held under medium term leases.

At 31 March 2007, the Company's land and building with a net book value of HK$ 16,030,865 (2006. Nil) was pledged to secure general banking facilities, including mortgage loans, granted to the Company (note 14).

11. AVAILABLE-FOR-SALE INVESTMENTS

	2007 HK$	2006 HK$
Unit trusts, at fair value	**2,002,225**	2,790,478

The fair values are based on quoted market prices.

12. INVENTORIES

Raw materials	**-**	593,582

13. TRADE AND BILLS RECEIVABLES

Trade receivables	**84,679,460**	85,693,866
Bills receivables	**27,643,653**	36,163,714
	112,323,113	121,857,580

Trade receivables are non-interest bearing and are on 0 -120 days terms. There is no significant concentration of credit risk.

At 31 March 2007, the Company had discounted bills receivable of HK$7,276,697 (2006: HK$28,003,574) to banks with recourse (the "Discounted Bills"). The Discounted Bills were included in the bills receivable because the recognition criteria for the financial assets were not met. Accordingly, the advances from the relevant banks received by the Company as consideration for the Discounted Bills at the balance sheet date were recognised as liabilities and are included in the interest-bearing bank borrowings (note 14).

14. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	**2007 HK$**	2006 HK$
Current				
Mortgage loans	1.5% over I month	2016	**1,085,040**	-
HIBOR				
Bank overdrafts	Higher of prime			
+ 1 % or cost of				
funding + 1.5%	On demand	**239,203**	**1,345,822**	
Advances from bank	Either on:			
as consideration	LIBOR + 2%, cost			
for the Discounted	of funding + 1.5%			
Bills (note 12)	or standard finance			
rates + 1 %	2007	7,276,697	**28,003,574**	
		8,600,940	**29,349,396**	
Trust receipt loans	Either on:			
LIBOR + 2%, cost				
of funding + 1.5% or				
best lending rate + 0.5%	2007	30,029,197	**13,964,660**	
		38,630,137	**43,314,056**	
Non-current				
Mortgage loans	1.5% over 1 month			
HIBOR	2016	9,132,020	**-**	
		47,762,157	**43,314,056**	
Analysed into:			**2007 (HK$)**	2006 (HK$)
Bank loans and overdrafts repayable:				
Within one year or on demand			**1,324,243**	1,345,822
In the second year			**1,085,040**	-
In the third to fifth years, inclusive			**3,255,120**	-
Beyond five years			**4,791,860**	-
		10,456,263	**1,345,822**	
Other borrowings repayable:				
Within one year or on demand			**37,305,894**	41,968,234

Notes:

(a) The Company's banking facilities are secured by way of:

(i) the Company's pledged time deposits and marketable securities;

(ii) bank guarantees issued by HSBC Bank, UBS AG and Standard Chartered Bank for US$ 1,000,000, US$250,000 and US$800,000 respectively; and

(iii) guarantees from the holding company, a related party company, a third party, directors of the Company, and a related party.

(b) The Company's mortgage loan is secured, bears interest at 1.5% over 1 month HIBOR and is repayable by 113 monthly equal installments of HK$90,420 plus a final repayment of HK$ 90,020 commencing on 10 August 2006.

15. DEFERRED TAX

	Accelerated tax depreciation (HK$)	Cash flow hedge HK$	Total (HK$)
At 31 March 2005 and 1 April 2005	10,509	-	10,509
Deferred tax charged to the income statement during the year (note 8)	127,155	-	127,155
Deferred tax debited to equity during the year	-	272,489	272,489
Gross deferred tax liabilities at 31 March 2006 and 1 April 2006	137,664	272,489	410,153
Deferred tax charged to the income statement during the year (note 8)	182,088	-	182,088
Deferred tax asset credited to equity during the year	-	(151,291)	(151,291)
Gross deferred tax liabilities at 31 March 2007	319,752	121,198	440,950

16. DERIVATIVE FINANCIAL INSTRUMENTS

	31 March 2007	
	Assets HK$	Liabilities HK$
Foreign currency contracts	-	2,516,288

The carrying amounts of forward currency contracts are the same as their fair values.

Forward currency contracts - cash flow hedges

At 31 March 2007, the Company held 28 forward currency contracts (2006: 16) designated as hedges in respect of expected future sales to customers in the United Kingdom for which the Company has firm commitments. The terms of these contracts are as follows:

	Maturity	Exchange rate
Forward currency contracts to hedge expected future sales:		
Sell		
£750,000	30 April 2007	US$/£0.5339
£250,000	30 April 2007	US$/£0.5305
£250,000	30 April 2007	US$/£0.5222
£1,132,000	30 April 2007	US$/£0.5096
£250,000	30 May 2007	US$/£0.5302
£250,000	30 May 2007	US$/£0.5309
£250,000	31 May 2007	US$/£0.5277
£250,000	31 May 2007	US$/£0.5270
£250,000	31 May 2007	US$/£0.5222
£250,000	31 May 2007	US$/£0.5063
£750,000	31 May 2007	US$/£0.5101
£500,000	29 June 2007	US$/£0.5249
£250,000	29 June 2007	US$/£0.5236
£500,000	29 June 2007	US$/£0.5222
£632,000	29 June 2007	US$/£0.5102
£500,000	31 July 2007	US$/£0.5222
£250,000	31 July 2007	US$/£0.5141
£250,000	31 July 2007	US$/£0.5155
£250,000	31 July 2007	US$/£0.5115
£300,000	31 July 2007	US$/£0.5094
£500,000	31 August 2007	US$/£0.5222
£250,000	31 August 2007	US$/£0.5141
£250,000	31 August 2007	US$/£0.5155
£250,000	31 August 2007	US$/£0.5115
£300,000	31 August 2007	US$/£0.5097
£250,000	28 September 2007	US$/£0.5141

£250,000	28 September 2007	US$/£0.5155
£250,000	28 September 2007	US$/£0.5115

The terms of the forward currency contracts have been negotiated to match the terms of the commitments. The cash flow hedges of the expected future sales were assessed to be highly effective and a net loss of HK$3,922,078 was included in the hedging reserve as follows:

	2007 (HK$)	2006 (HK$)
Total fair value (losses)/gains included in the hedging reserves	**(4,073,369)**	1,557,081
Deferred tax liability/(asset) on fair value gains/(losses)	**151,291**	(272,489)
Net fair value gains/(losses) included in the hedging reserves	**(3,922,078)**	1,284,592

17. SHARE CAPITAL

Authorised, issued and fully paid:		
1,200,000 ordinary shares of US$1 each- US$I,200,000	**9,336,000**	9,336,000

18. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

Guarantees given to banks in connection with:		
- facilities granted to a fellow subsidiary	-	50,000
- facilities granted to third parties	**66,915,000**	66,840,000
	66,915,000	66,890,000

The guarantees given to a bank in connection with facilities granted to a third party is related to a cross guarantee, under which the third party has given a guarantee amounting to HK$318 million (2006: HK$296 million) to the bank in connection with facilities granted to the Company.

19. OPERATING LEASE ARRANGEMENTS

The Company leases its staff quarters under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to three years.

At 31 March 2007, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2007 (HK$)	2006 (HK$)
Within one year	**1,432,228**	1,655,177
In the second to fifth years, inclusive	**1,774,068**	398,866
	3,206,296	2,054,043

The Company also had outstanding forward exchange contracts with an aggregate principal amount of GBP 10,364,000 as at the balance sheet date (2006: GBP 6,050,000).

20. COMMITMENTS

In addition to the operating lease commitments detailed in note 18 above, the Company had the following capital commitments at the balance sheet date:

Contracted, but not provided for:		
Land and building	-	15,000,000

The Company entered into a provisional sales and purchase agreement with Harvest Mart development Limited for the purchase of premises at unit A and B, 7/F Park Fook Industrial Building, Nos 615 -617, Tai Nan West Street, Kowloon on 24 March 2006. The amount stated above was settled during the year.

21. RELATED PARTY TRANSACTION

(a) A portion of the Company's business is represented by transactions to which other members of the group are parties and these financial statements reflect the effect of these transactions which are conducted on bases determined within the group. The significant transactions are summarised below.

	Notes	**2007 (HK$)**	2006 (HK$)
Sales to fellow subsidiaries	(i)	**3,539,467**	34,569,674
Purchases from fellow subsidiarie	(ii)	**43,905,858**	28,163,525
Handling fee income received from fellow subsidiaries	(iii)	**11,130,131**	10,685,898
Marketing fee paid to a fellow subsidiary	(iv)	**39,840,195**	32,541,372

Notes:

(i) The sales to fellow subsidiaries were made according to the published prices and conditions offered to the major customers of the Company.

(ii) The purchases from fellow subsidiaries were made according to the published prices and conditions offered to the major suppliers of the Company.

(iii) The handling fee income arose from the sales of garments to fellow subsidiaries. The Company received a commission based on 2% to 8% of the transaction value in return.

(iv) Marketing fees were paid to fellow subsidiaries for marketing work performed with regard to the sales to certain customers.

(b) Outstanding balances with related parties:

As disclosed in the balance sheet, the Company has an outstanding amount due from a fellow subsidiary of HK$ 964,720 (2006: HK$ 964,720) which is unsecured, interest-free, and is not repayable in the next financial year.

The Company has an outstanding amount due from holding company of HK$ 61,745 (2006: HK$ 26,350) which is unsecured, interest-free, and has no fixed terms of repayment.

The Company has an outstanding amount due from fellow subsidiaries of HK$ 298,886 (2006: HK$ 7,463,267) which is unsecured, interest-free, and has no fixed terms of repayment.

The Company has an outstanding amount due to fellow subsidiaries of HK$ 27,318,418 (2006: Nil) which is unsecured, interest-free, and has no fixed terms of repayment.

The Company has an outstanding amount due to holding company ofHK$ 3,509,198 (2006: HK$ 3,535,548) which is unsecured, interest-free, and not repayable within one year.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to interest rate risk, foreign currency risk, credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below:

(i) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to fair value and cash flow interest rate risks is minimal.

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency risk is hedged by the use of forward foreign currency contracts.

(iii) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that it trades with customers with an appropriate credit history.

(v) Liquidity risk

The Company's exposure to liquidity risk is minimal.

23. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES.

The fair values of the Company's financial assets and financial liabilities at the balance sheet date are not materially different from their carrying amounts.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 April 2004.

DIRECTORS' REPORT

The director are pleased to present there report together with the audited financial statement of the company for the year ended 31 March 2007.
Principal activity
The principal activity of the company is design, development, trading, sourcing and distribution of readymade garments of all kinds.
Result and dividend
The result for the year are enclosed.
The directors do not recommend the payment of dividend for the year under review.
Statement of directors' Responsibilities in respect of financial statement.
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 judgements and estimates that are reasonable and prudent.
* Stated weather international financial reporting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
* Prepared the financial statement on the going concern basis.

They are also responsible for safeguarding the assets of the company and hence for talking reasonable steps for the prevention and detection of fraud and other irregularities.
By order of the board
Sd/-
Director
Date : June 20, 2007

INDEPENDENT AUDITORS' REPORT

To the Shareholders Depa International, Inc.
We have audited the accompanying consolidated balance sheets of Depa International, Inc. as of March 31, 2007 and 2006, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.
We believe that our audits provide a reasonable basis for our opinion.
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Depa International, Inc. as of Match 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for the years, then ended in conformity with International Financial Reporting Standards.

Sd/-

May 17, 2007

BALANCE SHEET

(In U.S. Dollars)

	Notes	March 31, 2007	2006
ASSETS			
Current assets			
Cash		**$ 6,307**	$ 166,127
Trade & other receivables	2	**3,206,015**	7,148,723
Due from affiliates	3	**1,721,675**	138,002
Inventories	4	**413,904**	461,938
Prepaid expenses		**36,045**	30,335
Prepaid income taxes		**27,720**	-
Total current assets		**5,411,666**	7,945,125
Property and equipment-at cost, less accumulated depreciation and amortization	5	**272,662**	360,006
Other assets	6&8	**151,681**	105,393
		$ 5,836,009	$ 8,410,524
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued expenses	7	**$ 1,411,078**	$ 4,247,599
Income taxes payable		**-**	6,480
Total current liabilities		**1,411,078**	4,254,079
Loans payable, shareholders - subordinated	3 &,9	**750,000**	750,000
		2,161,078	5,004,079
Commitments			
Shareholders' equity			
Share capital	10	**250,000**	250,000
Retained earnings		**3,424,931**	3,156,445
		3,674,931	3,406,445
		$ 5,836,009	$ 8,410,524

STATEMENTS OF INCOME

(In U.S. Dollars)

Year Ended March 31,

	Notes	2007 Amount	2007 %	2006 Amount	2006 %
Revenues					
Gross sales		**$ 26,651 ,343**		$ 36,510,135	
Sales returns and allowances		**1,203,737**		1,952,599	
Net sales	11	**25,447,606**	**100.0%**	34,557,536	100.0%
Cost of sales		**17,176,982**	**67.5**	22,446,407	65.0
Gross profit		**8,270,624**	**32.5**	12,111,129	35.0
Operating expenses					
Selling and shipping		**2,481,129**	**9.7**	5,631,545	16.3
General and administrative		**4,318,189**	**17.0**	4,406,379	12.8
		6,799,318	**26.7**	10,037,924	29.1
Other income					
Commission income		**195,637**	**.8**	100,182	.3
Gain on sale of subsidiary	3	**53,662**	**.2**		
		249,299	**1.0**	100,182	.3
Operating profit	12	**1,720,605**	**6.8**	2,173,387	6.2
Financing costs, net	14	**198,410**	**.8**	153,181	.4
Profit before income taxes		**1,522,195**	**6.0**	2,020,206	5.8
Income taxes	15	**673,709**	**2.6**	892,212	2.6
Net profit		**$ 848,486**	**3.4%**	$ 1,127,994	3.2%

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In U.S. Dollars)

	Notes	Share Capital	Retained Earnings	Total
Balance, April 1, 2005		$ 250,000	$ 2,028,451	$ 2,278,451

Net profit		-	1,127,994	1,127,994
Balance, March 31, 2006	10	250,000	3,156,445	3,406,445
Net profit		-	848,486	848,486
Dividends		-	(580,000)	(580,000)
Balance, March 31, 2007	10	$ 250,000	$ 3,424,931	$ 3,674,931

STATEMENTS OF CASH FLOWS

(In U.S. Dollars)

		Year Ended March 31,	
	Notes	**2007**	2006
Cash flows from operating activities			
Profit before income taxes		**$ 1,522,195**	$ 2,020,206
Adjustments for			
Depreciation and amortization		**87,344**	99,719
Financing costs, net	14	**198,410**	153,181
Gain on sale of subsidiary		**(53,662)**	-
Operating profit before working capital changes		**1,754,287**	2,273,106
Trade and other receivables		**3,942,708**	(224,676)
Inventories		**48,034**	89,033
Prepaid expenses		**(5,710)**	6,587
Other assets		**(18,507)**	-
Accounts payable and accrued expenses		**(2,836,521)**	(671,607)
Cash generated from operations		**2,884,291**	1,472,443
Net financing costs paid	14	**(198,410)**	(153,181)
Income taxes paid		**(735,690)**	(1,120,146)
Net cash provided by operating activities		**1,950,191**	199,116
Cash flows from investing activities			
Due from affiliates		**(1,583,673)**	(116,459)
Purchases of property and equipment		**-**	(1,572)
Proceeds from sale of subsidiary		**57,710**	-
Transfer of cash with sale of subsidiary		**(4,048)**	-
Net cash used in investing activities		**(1,530,011)**	(118,031)
Cash flows from financing activities			
Dividends		**(580,000)**	-
Net increase (decrease) in cash		**(159,820)**	81,085
Cash, beginning of year		**166,127**	85,042
Cash, end of year		**$ 6,307**	$ 166,127

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Depa International, Inc. ("Depa-U.S.") was incorporated on November 30, 1990 in the State of New York in the United States of America and began business on April 1, 1996. The address of the registered office of Depa-U.S. is 300-2 Route 17 South, Unit E, Lodi, New Jersey 07644. It designs and imports casual sportswear in wovens and knits and sells principally to mass merchandisers and department stores throughout the United States.

Depa International, Inc. - Canada ("Depa-Canada"), a wholly-owned subsidiary of Depa-U.S., was incorporated on December 20, 2004 in the Province of Ontario in Canada and began business on April 1, 2005. Depa-Canada served as a selling agent on behalf of international manufacturers.

Basis of Preparation

The financial statements have been prepared on an accrual basis and in accordance with International Financial Reporting Standards ("IFRS"). 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, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Principles of Consolidation

The accompanying consolidated financial statements as of March 31, 2007 and 2006 and for the years then ended include the accounts of Depa-U.S. and Depa-Canada (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated. As of October 1, 2006, Depa-U.S. sold its investment in Depa-Canada to a related party and realized a gain of $53,662. The consolidated financial statements include the accounts of Depa-Canada through September 30, 2006.

Foreign Currencies

Transactions in foreign currencies are translated at the exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate ruling at the balance sheet date, and gains or losses on translation are recognized as a separate component of shareholders' equity. Translation gains and losses were immaterial for the years ended March 31, 2007 and 2006.

Related Parties

Related parties are individuals and companies having the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Concentrations of Credit Risk for Cash

Cash is comprised of cash in banks. Depa-U.S.'s cash balances, which are maintained in two banks, are insured by the Federal Deposit Insurance Corporation for up to an aggregate of $100,000 in each bank.

Trade and Other Receivables

Trade and other receivables are stated at the amount management expects to collect. An allowance for doubtful accounts is recorded based on a combination of historical experience, aging analysis and information on specific accounts. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Management has determined that no allowance is required at March 31, 2007 and 2006.

Inventories

Inventories, consisting primarily of finished goods, are valued at the lower of cost (first-in, first-out) and net realizable value except for stock in transit which is valued at cost, which is comprised of invoice value and related expenses incurred thereon up to the balance sheet date.

Net realizable value is the estimated selling price in the ordinary course of business, less costs incidental to selling those inventories.

Depreciation and Amortization

Depreciation is computed using accelerated methods over estimated useful asset lives as specified below:

Office equipment	-	5 years
Furniture and fixtures	-	7 years

Leasehold improvements are amortized over the term of the lease on a straight-line basis.

Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the income statement.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are stated at cost.

Revenue Recognition

Depa-U.S.'s revenue represents the net amounts invoiced for goods shipped. Depa-Canada's revenue was recognized when services were performed and commissions earned.

Advertising

Advertising costs are expensed as incurred. For the years ended March 31, 2007 and 2006, trade shows and advertising expense were $84,981 and $273,164, respectively.

Shipping and Handling Expenses

Shipping and handling expenses for the years ended March 31,2007 and 2006 were $534,230 and $650,620, respectively, and are included in selling and shipping expenses in the consolidated statements of income.

Financing Costs, Net

Financing costs, net are comprised of interest incurred on borrowings and interest earned on balances due from the factor. All interest and other costs incurred in connection with borrowings are expensed as incurred. Interest income is recognized in the statement of income as it accrues, unless collectibility is doubtful.

Taxation

Provision for current taxation is based on current rates of tax applicable to the Company. The Company accounts for deferred taxation using the balance sheet liability method. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is only recognized if it is probable that profit will be available against which the deductible temporary difference can be utilized.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

2 - TRADE AND OTHER RECEIVABLES

	March 31 **2007**	2006
Due from factor	**$ 3,193,728**	$ 7,132,490
Other	**12,287**	16,233
	$ 3,206,015	$ 7,148,723

The Company has a factoring agreement with CIT Commercial Services which also provides for working capital and letters of credit/guarantee facilities. Trade receivables are sold to the factor without recourse as to credit risk but with recourse for claims by the customer for adjustments in the normal course of business, relating primarily to errors and shortages.- The Company receives advances on 85% of factored receivables, with interest at 1.125% below the JPMorgan Chase prime rate, and is charged a factoring commission of .35% of factored receivables. The letters of credit/guarantee facility is for up to 50% of the value of imported inventories. Trade receivables and inventories of the Company are pledged under the agreement.

3 - RELATED PARTY TRANSACTIONS

The Company enters into transactions with other companies that fall within the definition of a related party contained in International Accounting Standards 24. Related parties are companies and individuals under common ownership and/or common management control. At the balance sheet dates, balances with related parties were as follows:

Due from affiliates	**$1,721,675**	$ 138,002
Loans payable, shareholders - subordinated (see Note 9)	**750,000**	750,000

Officers' salaries for the years ended March 31, 2007 and 2006 were $678,918 and $979,453, respectively.

For the years ended March 31, 2007 and 2006, consulting fees of approximately $100,000 and $200,000, respectively, were incurred to a director of the Company. Effective June 30, 2006, this individual resigned as a director of the Company. On August 29, 2006, he also resigned as a management consultant.

As of October 1, 2006, Depa-U.S. sold its investment in Depa-Canada to a related party and realized a gain of $53,662.

For the years ended March 31, 2007 and 2006, general and administrative expenses allocated to related parties totaled $441,750 and $52,478, respectively.

The Company purchased samples at a cost of $98,341 from a related party during the year ended March 31, 2007.

4 - INVENTORIES

Finished goods	**$ 413,904**	$ 374,149
Goods in transit	**-**	87,789
	$ 413,904	$ 461,938

5 - PROPERTY AND EQUIPMENT

	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
Cost				
April 1, 2005	$ 458,201	$ 171,060	$ 111,169	$ 740,430
Additions during the year	-	-	1,572	1,572
March 31,2006	$ 458,201	$ 171,060	$ 112,741	$ 742,002
Accumulated depreciation and amortization				
April 1, 2005	$ 109,860	$ 114,751	$ 57,666	$ 282,277
Depreciation and amortization for the year	62,815	21,434	15,470	99,719
March 31, 2006	$ 172,675	$ 136,185	$ 73,136	$ 381,996
Net book value				
March 31,2005	$ 348,341	$ 56,309	$ 53,503	$ 458,153
March 31, 2006	$ 285,526	$ 34,875	$ 39,605	$ 360,006
Cost				
April 1, 2006 and March 31, 2007	$ 458,201	$ 171,060	$ 112,741	$ 742,002
Accumulated depredation and amortization				
April 1, 2006	$ 172,675	$ 136,185	$ 73,136	$ 381,996
Depreciation and amortization for the year	62,815	13,406	11,123	87,344
March 31, 2007	$ 235,490	$ 149,591	$ 84,259	$ 469,340
Net book value				
March 31, 2006	$ 285,526	$ 34,875	$ 39,605	$ 360,006
March 31, 2007	$ 222,711	$ 21,469	$ 28,482	$ 272,662

6 - OTHER ASSETS

	March 31 **2007**	2006
Security deposits	**$ 85,008**	$ 66,501
Deferred tax assets	**66,673**	38,892
	$,151,681	$105,393

7 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable	**$1,228,141**	$3,566,623
Accrued expenses	**182,937**	680,976
	$1,411,078	$4,247,599

8 - DEFERRED TAX ASSETS

Temporary differences at March 31, 2007 and 2006 relate to the following items:

Property and equipment	**$ 48,435**	$ 24,882
Inventories	**18,238**	14,010
	$ 66,673	$ 38,892

Deferred tax assets are reported in other assets.

9- LOANS PAYABLE, SHAREHOLDERS-SUBORDINATED

At March 31, 2007 and 2006, the loans, which are noninterest-bearing and subordinated to advances from the factor, consist of the following:

Payable to Swatantra Vij, shareholder	$ 187,500
Payable to Global Textiles Group Limited, Depa-U.S.'s corporate shareholder	562,500
	$ 750,000

10 - SHARE CAPITAL

	2007	2006
Common stock, no par value; 200 shares authorized, 100 shares issued and outstanding	**$ 250,000**	$ 250,000

11 - MAJOR CUSTOMERS

Sales to two customers were approximately 27% and sales to one customer were approximately 28% of net sales for the years ended March 31, 2007 and 2006, respectively.

12 - OPERATING PROFIT

Operating profit is stated after charging the following expenses:

Salaries and benefits	**$ 3,418,958**	$ 3,361,252
Depreciation and amortization	**$ 87,344**	$ 99,719

13 - NUMBER OF EMPLOYEES

At March 31, 2007 and 2006, the number of employees was 40.

14 - NET FINANCING (INCOME) COSTS

Factor interest income	**$ (42,843)**	$ (81,357)
Factor interest expense	**39,835**	5,662
Factor's commission and charges	**201,418**	228,876
	$ 198,410	$ 153,181

15 - INCOME TAXES

Income taxes are comprised of current taxes on income calculated on the results as reported for tax purposes, corrections to taxes on income for previous years, and the change in deferred taxes.

Current tax expense	**$ 701,490**	$ 919,096
Deferred tax credit	**(27,781)**	(26,884)
	$ 673,709	$ 892,212

The following table reconciles the transformation of pretax profit and the United States of America Federal, State and City tax rates (collectively, the "domestic statutory tax rate") to the income taxes reported in the income statement:

Pretax profit for the year	**$1,522,195**	$ 2,020,206
Income tax expense for the financial period at the domestic statutory tax rate	**$ 639,639**	$ 848,487
Tax increases due to nondeductible expenses	**10,170**	32,995
Tax expense/income not attributable to the reporting period	**23,900**	10,730
Reported income taxes	**$ 673,709**	$ 892,212

16 - FINANCIAL INSTRUMENTS - CREDIT, INTEREST RATE, AND EXCHANGE RATE RISK EXPOSURES

(a) Credit risk - Financial assets, which potentially subject the Company to concentrations of credit risk, are comprised of trade and other receivables. At March 31, 2007, trade receivables at the Company's risk were approximately $397,000, of which approximately $98,000 was collected subsequently.

(b) Interest rate risk - Borrowings from the factor are at floating rates, which are negotiated with the bank at U.S. prime less a negotiated margin.

(c) Exchange rate risk - There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in U.S. dollars.

17 - COMMITMENTS

Lease Commitments

Depa-U.S. leases warehouse space in New Jersey under a lease which expires on March 14, 2009 as amended. It also leases showroom space in New York City under a lease which expires on October 14, 2010. On September 1, 2006, Depa-U .S. entered into a lease for showroom space in California which expires on August 31, 2008. All leases require additional rent based on increases in real estate taxes and operating expenses over base period amounts. Depa-Canada leased showroom space in Canada under a lease which was scheduled to expire on December 31, 2006. The lease was transferred to the new owner on October 1, 2006. Minimum future annual rentals are approximately as follows:

Year Ending March 31,	Showrooms	Warehouse	Total
2008	$ 362,000	$ 149,000	$ 511,000
2009	299,000	145,000	444,000
2010	278,000	-	278,000
2011	151,000	-	151,000
	$1,090,000	$ 294,000	$1,384,000

Rent expense for the years ended March 31, 2007 and 2006 was $573,973 and $602,156, respectively.

Agency Agreements

Depa-U.S. has an agency agreement with an unrelated party in the United Arab Emirates expiring on March 31, 2008, under which the agent will perform various services for Depa-U.S., including manufacturing sourcing, quality control, quota-related issues, samples and consulting. The agent is entitled to a fee of up to 20% of the imported cost of merchandise to be shipped by Depa-U.S.

Letters of Credit

Outstanding letters of credit at March 31, 2007 total approximately $2,984,000.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Shareholders
Depa International, Inc.

Our report on our audits of the basic consolidated financial statements of Depa International, Inc. for 2007 and 2006 appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidated supplementary information shown on pages 17 and 18 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Sd/-
Certified Public Accountants
New York, New York
May 17, 2007

Schedules of Cost of Sales and Selling and Shipping Expenses

(In USD)

	Year Ended March 31, 2007	2006
Cost of Sales		
Inventories, beginning of year	**$ 461,938**	$ 550,971
Purchases	**13,240,525**	17,128,533
Freight and Duty	**3,888,423**	5,228,841
	17,590,886	22,908,345
Less-Inventories, end of year	**413,904**	461,938
	17,176,982	22,446,407
Selling and Shipping		
Commissions	**$ 173,805**	$ 457,317
Consulting fees	**260,619**	544,473
Travel	**219,540**	225,176
Entertainment	**26,015**	30,598
Freight-out	**108,109**	216,336
Alterations, packing and forwarding	**426,121**	434,284
Showroom and warehouse rent	**573,973**	602,156
Design	**256,178**	170,853
Product development and samples	**225,562**	2,526,832
Trade shows and advertising	**84,981**	273,164
Warehouse expense	**54,626**	60,632
Quality control	**71,600**	89,724
	$ 2,481,129	$ 5,631,545

Schedules of General and Administrative Expenses

(In USD)

	Year Ended March 31, 2007	2006
Officers' Salaries	**$ 678,918**	$ 979,453
Office Salaries	**2,567,152**	2,237,660
Payroll Taxes	**221,233**	201,745
Hospitalization	**172,888**	144,139
Insurance	**132,591**	129,749
Professional fees	**173,848**	77,758
Telephone	**42,012**	49,734
Couriers and messengers	**171,379**	163,131
Computer expense	**91,879**	122,491
Equipment rental	**31,666**	29,831
Office supplies	**47,538**	63,875
Office expense	**327,580**	151,170
Bank charges	**5,878**	1,402
Charitable contributions	**8,033**	7,000
Depreciation and amortization	**87,344**	99,719
Allocated expenses	**(441,750)**	(52,478)
	$ 4,318,189	$ 4,406,379

DIRECTORS' REPORT

The directors are pleased to present their report together with the audited financial statement of the Company for the year ended 31 March, 2007.

Principal activity

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 on page 3.

The directors do not recommend the payment of a 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. In preparing those financial statements, the directors have:

* Selected suitable accounting policies and then applied them consistently;
* made Judgements 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: June 20, 2007

INDEPENDENT AUDITORS' REPORT

To the Shareholder

House of Pearl Fashions (US) Ltd.

We have audited the accompanying balance sheet of House of Pearl Fashions (US) Ltd. as of March 31, 2007, and the related statements of operations, changes in shareholder's equity and cash flows for the period August 1, 2006 (date of inception) to March 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 House of Pearl Fashions (US) Ltd. as of March 31,2007, and the results of its operations and its cash flows for the period August 1, 2006 (date of inception) to March 31, 2007 in conformity with International Financial Reporting

Sd/-

Standards.

May 17, 2007

BALANCE SHEET

(In U.S. Dollars)

	Notes		MARCH 31, 2007
ASSETS			
Current assets			
Cash		$	**65,697**
Fee receivable	2		**250,000**
Prepaid expenses and other current assets			**13,530**
Total current assets		$	**329,227**
Property and equipment - at cost,			
less accumulated depreciation	4		**27,658**
Security deposits			**19,298**
		$	**376,183**
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Accounts payable		$	**22,775**
Due to affiliates	3		**7,490**
Income taxes payable	10		**2,080**
Total current liabilities			**32,345**
Commitment	11		
Shareholder's equity			
Share capital	6		**475,000**
Accumulated deficit			**(131,162)**
			343,838
		$	**376,183**

STATEMENT OF OPERATIONS

(In U.S. Dollars)

FOR THE PERIOD AUGUST 1, 2006 TO MARCH 31, 2007

	Notes		
Net sales	8	$	**556,041**
Cost of sales			**347,070**
Gross profit			**208,971**
Operating expenses			
Selling and shipping			**241,694**
General and administrative			**357,417**
			599,111
Other income			
Commission and fee income			**261,058**
Operating loss before income taxes			**(129,082)**
Income taxes	10		**2,080**
Net loss		$	**(131,162)**

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

(In U.S. Dollars)

FOR THE PERIOD AUGUST 1, 2006 TO MARCH 31, 2007

	Notes	Share Capital	Accumulated Deficit	Total
Issuance of common stock	6	$ 475,000	$ -	$ 475,000
Net loss		-	(131,162)	(131,162)
Balance, March 31,2007		$ 475,000	$ (131,162)	$ 343,838

STATEMENT OF CASH FLOWS

(In U.S. Dollars)

FOR THE PERIOD AUGUST 1, 2006 TO MARCH 31, 2007

Cash flows from operating activities	
Operating loss before income taxes	$ (129,082)
Adjustment for Depreciation	1,176
Operating loss before changes in assets and liabilities from operating activities	(127,906)
Fee receivable	(250,000)
Prepaid expenses and other current assets	(13,530)
Security deposits	(19,298)
Accounts payable	22,775
Due to affiliates	7,490
Net cash used in operating activities	(380,469)
Cash flows from investing activities	
Acquisition of property and equipment	(28,834)
Cash flows from financing activities	
Issuance of common stock	475,000
Net increase in cash, and cash, end of period	$ 65,697

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

House of Pearl Fashions (US) Ltd. ("HOPF" or the "Company") was incorporated on August 1, 2006 in the State of New York in the United States of America and began doing business on August 1, 2006. The address of the registered office of HOPF is 300-2 Route 17 South, Unit E, Lodi, New Jersey 07644. The Company is a wholly owned subsidiary of House of Pearl Fashions Limited, India, a public company headquartered in Delhi, India. The primary business objective of HOPF is to market and sell its parent's apparel products. HOPF's parent's manufacturing facilities are located in India, Indonesia, Bangladesh and China. The Company focuses on major North American brands like Haggar, Perry Ellis, Jones, Liz Claiborne, Philips Van Huesen and others.

Basis of Preparation

The financial statements have been prepared on an accrual basis and in accordance with International Financial Reporting Standards ("IFRS"). 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, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Related Parties

Related parties are individuals and companies having the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Concentrations of Credit Risk for Cash

Cash is comprised of cash in banks. HOPF maintains cash in a bank that is insured by the Federal Deposit Insurance Corporation for up to an aggregate of $100,000.

Trade and Other Receivables

Trade and other receivables are stated at the amount management expects to collect. An allowance for doubtful accounts is recorded based on a combination of historical experience, aging analysis and information on specific accounts. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Management has determined that no allowance is required at March 31, 2007.

Inventories

Inventories, which are expected to consist primarily of finished goods, will be valued at the lower of cost (first-in, first-out) or net realizable value, except for stock in transit which will be valued at cost, which is comprised of invoice value and related expenses incurred thereon up to the balance sheet date.

Net realizable value is the estimated selling price in the ordinary course of business, less costs incidental to selling those inventories.

Depreciation

Depreciation is computed using accelerated methods over estimated useful asset lives as follows:

Office equipment	-	5 years
Furniture and fixtures	-	7 years

Impairment

Carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognized in the statement of operations.

Accounts Payable

Accounts payable are stated at cost.

Revenue Recognition

Net sales represent net amounts invoiced for goods shipped. Commission and fee income is recognized when services are performed.

Advertising

Advertising costs are expensed as incurred. For the period-August 1, 2006 to March 31, 2007, trade shows and advertising expense was $3,750.

Shipping and Handling Expenses

Shipping and handling expenses for the period August 1, 2006 to March 31, 2007 were $9,500 and are included in selling and shipping expenses in the statement of operations.

Taxation

Provision for current taxation is based on current rates of tax applicable to the Company. The Company accounts for deferred taxation using the balance sheet liability method. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is only recognized if it is probable that profit will be available against which deductible temporary difference can be utilized.

2 - FEE RECEIVABLE

The Company is the marketing agent for an unrelated third party. The fee receivable is for a one-time introduction fee.

3 - RELATED PARTY TRANSACTIONS

The Company enters into transactions with other companies that fall within the definition of a related party contained in International Accounting Standards 24.

At March 31, 2007, an aggregate balance of $7,490 was due to affiliates.

The officer's salary for the period August 1, 2006 to March 31, 2007 was $192,964.

Included in net sales are sales to an affiliate of $ 98,341.

4 - PROPERTY AND EQUIPMENT

	Office Equipment	Furniture and Fixtures	Total
Cost			
Additions during the period and balance, March 31, 2007	$ 16,389	$ 12,445	$ 28,834
Accumulated depreciation			
Depreciation for the period and balance March 31, 2007	731	445	1,176
Net book value			
March 31, 2007	$ 15,658	$12,000	$ 27,658

5 - DEFERRED TAX ASSETS AND LIABILITIES

Temporary differences at March 31, 2007 relate to the following items:

Property and equipment	$	(273)
Net operating loss carry forward		51,827
		51,554
Valuation allowance		(51,554)
	$	0

At March 31, 2007, the Company had a net operating loss carry forward of approximately $132,000 that expires in 2027. The Internal Revenue Code allows the offset of the net operating loss carry forward against taxable income of future years.

6 - SHARE CAPITAL

Common stock, no par value;	
200 share authorized, 100 shares issued and outstanding	475,000

7 - NUMBER OF EMPLOYEES

There were three Company employees at March 31, 2007.

8 - MAJOR CUSTOMERS

Sales to two customers represent 100% of net sales for the period August 1, 2006 to March 31, 2007.

9- OPERATING LOSS BEFORE INCOME TAXES

Operating loss before income taxes for the period August 1, 2006 to March 31, 2007 is stated after charging the following expenses:

Salaries and benefits	$ 232,092
Depreciation	1,176

10 - INCOME TAXES

Income taxes are comprised of state and local taxes calculated on the result as reported for tax purposes and the change in deferred taxes.

The following table reconciles the transformation of pretax loss and the United States of America federal, State and City tax rates (collectively, the "domestic statutory tax rate") to the income taxes reported in the statement of operations:

Pretax loss for the period	$(129,082)
Income tax benefit for the financial period at the domestic statutory tax rate	$ (51,632)
Tax increases due to nondeductible expenses	78
State and local minimum taxes	2,080
Increase in valuation allowance	51,554
Reported income taxes	$ 2,080

11 - LEASE COMMITMENT

HOPF entered into a lease for showroom space in New York City which expires on December 31,2011. The lease requires HOPF to pay additional rent based on increases in real estate taxes and operating expenses over base period amounts. Minimum future annual rentals are approximately as follows:

Year Ending March 31,	
2008	$ 112,000
2009	112,000
2010	113,000
2011	116,000
2012	87,000
	$ 540,000

Rent expense for the period August 1, 2006 to March 31, 2007 was $19,409.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Shareholder

House of Pearl Fashions (US) Ltd.

Our report on our audit of the basic financial statements of House of Pearl Fashions (US) Ltd. for the period August 1, 2006 to March 31, 2007 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information shown on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sd/-

Certified Public Accountants

New York, May 17,2007

SCHEDULES OF COST OF SALES, SELLING AND SHIPPING AND GENERAL AND ADMINISTRATIVE EXPENSES

(In U.S. Dollars)

FOR THE PERIOD AUGUST 1, 2006 TO MARCH 31, 2007

Cost of Sales	
Purchases	**$ 219,780**
Freight and duty	**127,290**
	$ 347,070
Selling and Shipping	
Travel and entertainment	**$ 62,587**
Commissions	**30,064**
Design	**51,300**
Consulting fees	**65,084**
Showroom rent	**19,409**
Packaging and forwarding	**9,500**
Trade shows and advertising	**3,750**
	$ 241,694
General and Administrative	
Officer's salary	**$ 192,964**
Office salaries	**39,128**
Payroll taxes	**13,893**
Insurance	**8,024**
Professional fees	**16,015**
Telephone	**9,921**
Couriers and messengers	**6,884**
Computer expense	**19,608**
Office expense	**45,127**
Office supplies	**4,677**
Depreciation	**1,176**
	$ 357,417

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 2007.

Principal activity

The principal activity of the Company is development & manufacturing of ready made garments of all kinds.

Results and dividend

The results for the year are shown on page 3.

The directors do not recommend the payment of a 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. In preparing those financial statements, the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Sd/-

Amit Kumar

Director

Date: 21st June, 2007

INDEPENDENT AUDITOR'S REPORT

The Stockholders and Directors

PT Norwest Industry

We have audited the balance sheet of PT Norwest Industry as of March 31, 2007, and the related statement of income, changes in stockholders' equity and cash flows for year 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 PT Norwest Industry for the year ended March 31, 2006 were audited by other independent auditor whose report dated May 30, 2006 expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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, 2007, and the results of its operations, changes in stockholders' equity and cash flows for the year ended in conformity with accounting principles generally accepted in Indonesia.

Accounting principles generally accepted in lndonesia 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 20, 21 and 22 to the financial statements.

Sd/-

Arief A. Dhani, BAP

License Number.: 03.1.0881

Jakarta, May 3, 2007

BALANCE SHEET

As of March 31, 2007 and 2006

(in US Dollar)	Notes	March 31, 2007 USD	March 31, 2006 USD
ASSETS			
Current Assets:			
Cash on Hand and in Banks	2.d,3	**82,397**	89,856
Accounts Receivable			
Third Parties	2.e,4.a	**1,364,958**	835,963
Related Parties	2.c,4.b	**35,470**	636,777
Other Receivables			
Third Pal1ies	5.a	**6,008**	90,574
Related Parties	2.c,5.b	**10,402**	14,465
Inventories	2.f.6	**561,302**	680,641
Advance to Suppliers	7	**192,371**	-
Prepaid Expenses	2.g,8	**18,863**	12,872
Prepaid Taxes	2.k,13.a	**109,238**	73,342
Total Current Assets		**2,381,009**	2,434,490
Non Current Assets			
Deferred Tax Asset	2.k,13.d	**146,113**	112,576
Property and Equipment (Net of accumulated depreciation of USD 917,471 and USD 708,859 as of March 31, 2007 and 2006)	2.h,9	**267,407**	451,202
Refundable Deposits	10	**27,154**	27,535
Total Non Current Assets		**440,674**	591,313
TOTAL ASSETS		**2,821,683**	3,025,803

LIABILITY AND STOCKHOLDERS' EQUITY

(in US Dollar)

	Notes	March 31, 2007 USD	March 31, 2006 USD
Current Liabilities			
Bank Loan	11	**222,672**	1,061,379
Accounts Payable	12	**459,120**	457,333
Other Payables		**1,019**	1,068
Taxes Payable	2k, 13.b	**144,905**	143,931
Accrued Expenses	14	**131,499**	139,793
Total Current Liability		**959,215**	1,803,504
Non-Current Liabilities			
Employee Benifits Obligation	2i,15	**28,615**	19,957
Total Non-Current Liabilities		**28,615**	19,957
Total Liabilities		**987,830**	1,823,461
Stockholders' Equity			
Capital Stock			
Par value USD 10 per Share			
Authorised 200,000 Shares			
Issued and Fully Paid 1,35,000 Shares	16	**1,350,000**	1,350,000
Retained Earnings (Accumulated Loss)		**483,853**	(147,658)
Total Stockholders' Equity		**1,833,853**	1,202,342
Total Liabilities and Stockholders' Equity		**2,821,683**	3,025,803

STATEMENTS OF INCOME

For the Years Ended March 31, 2007 and 2006

(In US Dollar)	Notes	March 31,2007 USD	March 31, 2006 USD
SALES REVENUE	2.j,17	**11,692,382**	11,712,471
COST OF GOODS SOLD	2.j,18	**9,669,932**	9,832,703
GROSS PROFIT		**2,022,450**	1,879,768
OPERATING EXPENSES			
Selling Expenses	2.j,19a	**26,660**	14,916
General and Administrative Expenses	2.j,19b	**1,079,634**	1,031,219
Total Operating Expenses		**1,106,294**	1,046,135
INCOME FROM OPERATION		**916,156**	833,634
OTHER INCOME (EXPENSE)			
Bank Charges and Interest Expense		**(165,851)**	(193,502)
Gain (Loss) on Disposal of Fixed Assets		**8,868**	(654)
Gain (Loss) on Foreign Exchange-Net		**27,580**	(13,145)
Claim from Buyers (to suppliers)-Net		**54,407**	(13,789)
Miscellaneous income-Net		**76,605**	32,257
Total Other Income (Expense)-Net		**1,609**	(188,833)
INCOME BEFORE INCOME TAX		**917,765**	644,801
INCOME TAX BENEFIT (EXPENSE)			
Current Tax	2.k, 13.c	**(319,791)**	(136,303)
Deferred Tax	2.k, 13.d	**33,537**	27,676
Total Income Tax Expense		**(286,254)**	(108,627)
NET INCOME		**631,511**	536,174

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Capital Stok USD	Retained Earnings Accumulated losses USD	Stockholders' Equity USD
Balance as of March 31, 2005	1,000,000	(683,832)	316,168
Paid in Capital	350,000	-	350,000
Net Income	-	536,174	536,174
Balance as on March 31, 2006	1,350,000	(147,658)	1,202,342
Net Income	-	631,511	631,511
Balance as of March 31, 2007	1,350,000	483,853	1,833,853

STATEMENTS OF CASH FLOWS

For the Years Ended March 31, 2007 and 2006 (In US Dollar)

	March 31, 2007 USD	March 31, 2006 USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipt from Customers	**11,764,694**	10,760,567
Payment to Suppliers and Third Parties	**(9.099,970)**	(9,254,864)
Payment to Employees	**(1,732,243)**	(1,467,268)
Interest Payment	**(165.851)**	(192,870)
Miscellaneous Income (Expense)	**104,185**	(112,392)
Net Cash Flows Provided by (Used In) Operating Activities	**870,815**	(266,827)

CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property and Equipment	**(78,980)**	(54,820)
Proceed from Sale of Fixed Asset	**39,032**	2,235
Refundable Deposit	**381**	213
Net Cash Flows Used in Investing Activities	**(39,567)**	(52,372)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from (Repayment of)		
Bank Loan	**(838,707)**	373,248
Payment of Due to Stockholder	**-**	(350,000)
Increase of Paid in Capital	**-**	350,000
Net Cash Flows Provided by (Used in) Financing Activities	**(838,707)**	373,248
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(7,459)**	54,049
CASH AND CASH EQUIVALENTS-AT THE BEGINING OF YEAR	**89,856**	35,807
CASH AND CASH EQUIVALENTS-AT THE END OF YEAR	**82,397**	89,856
Cash and Cash Equivalents consist of:		
Cash on Hand	**5,524**	3,316
Cash in Banks	**76,873**	86,540
TOTAL	**82,397**	89,856

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2007 and 2006 (In US Dollar)

1. General

1.a. Background

PT Norwest Industry (the" Company"), was established based on Notarial deed No.27 of H. Dana Sasmita , SH, notary in Jakarta, dated April 8, 2002. The deed of establishment was approved by Minister 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. 187/1/PMA/2002 dated April 4,2002 the Company was established with in 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 67 of Inggrit Laniwati, SH notary in Jakarta, dated May 9, 2006 and has been approved by the Ministry of Law and Legislation in its decision letter No.C 156.09.HT.01.04.TH.2006 dated May 30, 2006.

In accordance with article 3 of article of Association and Notification of approval from the Capital Investment Coordination Board (BKPM) No. 187/1/ PMA/2002 dated April 4, 2002 the company in 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. 136/111/PMA/2007 dated January 30, 2007.

The company domiciled in Jakarta and its Factory located in Tanjung Emas Export Processing Zone, Semarang. The company started its commercial activities on the September 2002.

As of March 31, 2007 and 2006, the company has a total of 945 and 992 employees.

1.b. The Company's Management

The Company's managements as of March 31, 2007 and 2006 Consists of the following:

Commissioner	:	Rajesh Vishnu Ajwani
President Director	:	Pulkit Seth
Director	:	Amit Kumar

2. Summary of Significant Accounting Policy

2.a. Basis of Financial Statements Preparation

The financial statement 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 prepared using the direct method, by classifying cash flow for operating, investing and financing activities.

2.b. Foreign Currency Transaction 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 in to US dollar at Bank Indonesia mid rates. Exchange rate used on March 31, 2007 were IDR 9,118, Euro 1.33, HKD 0.128, SGD 0.659, GBP 1.963 while on March 31, 2006 were IDR 9,075 and Euro 1.2.

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 statement.

2.d. Cash and Cash Equipment

Cash equivalents consist of 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

Accounts 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 relevant account receivable will 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 expense are amortized over the period benefited.

2.h. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation are calculated on straight linemethod over their estimated useful lives. The useful lives 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 assets is estimated when ever events or charges in circumstances indicate that its carrying amount may not be fully recoverable. Impairment in asset value, if any, is recognized as loss in the current year's income.

2.i. Employee Benefit

The company recognized an employee benefit liability in accordance with Labor No,13/ 2003 dated March 25, 2003 (the Law"). The Company determined its employee benefit liability based on actuarial valuation and has recognized the full amount of actuarial computed benefit in its financial statements.

Under SFAS No. 24 (Revised 2004), the cost of providing employee benefit under the law is determined using the projected unit credit actuarial valuation method. These gain or losses are recognized on a straight line basis over the expected average remaining working lives of the employees Further, past-service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan are required to be amortized over the period unit the respective benefits become vested. The company recognized employee benefit liability in accordance with Labors Law. Estimated liabilities on employee benefit were presented in balance sheets and any change in actuarial calculation is charged or credited to current period.

2.j. Revenue and expense Recognition

Revenue is recognized when invoices are made and delivered to customers at the time of shipment. Expense is recognized when incurred.

2.k. Income tax

Current income tax is calculated based on the current year profit on an income tax basis (taxable income).

Deferred tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying value for financial purposes. Deferred tax assets relating to the carry forward of unused tax losses are recognized to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. Amendments to taxation obligation are recognized when an assessment is received or, if appealed against, when the results of the appeal are determined.

2.l. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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 on Hand and in Banks

	March 31, 2007 USD	March 31, 2006 USD
Cash on Hand		
Rupiah	**4,310**	1,213
HKD	**565**	135
USD	**434**	1,772
Pound sterling	**192**	192
Euro	**23**	-
SGD	**-**	4
	5,524	3,316

Cash in Banks		
USD	**55,566**	86,074
Rupiah	**15,406**	466
Euro	**5,901**	-
	76,873	86,540
Total	**82,397**	89,856
4. Accounts Receivable		
a. Third Parties		
Best Uni Ltd	**863,594**	-
S. Oliver Bemd Freier GMBH & Co.Kg	**270,970**	151,932
Simple Approach Ltd	**208,878**	150,755
Alibas International	**20,120**	-
VF Imagewear Inc	**1,261**	174,620
Esprit Europe Trading & Product Development GMBH	**-**	270,562
Ben Alias Industries Crop.	**-**	24,058
Anand Fashion	**-**	59,802
Others	**135**	4,234
Sub total	**1,364,958**	835,963
b. Related Parties		
Poeticgem Ltd	**35,470**	3,442
Pearl Global Limited	**-**	633,335
Sub Total	**35,470**	636,777
Total	**1,400,428**	1,472,740

Management believes that all accounts receivable are collectible, accordingly the management does not provide allowance for doubtful accounts.

5. Others Receivable		
a. Third Parties		
Morningtex Co.Ltd	-	50,959
Pallas Holding Limited	**-**	8,503
PT Global Pratama Sukses	**-**	8,329
Netage Data Links Pvt. Ltd	**-**	6,125
Others Below USD 6,000	**6,008**	16658
Sub Total	**6,008**	90,574
b. Related Parties		
Employees	**10,402**	14,465
Sub total	**10,402**	14,465
Total	**16,410**	105,039
6. Inventories		
Work in process	**561,302**	680,641

Based on a review of inventories, the company's management believes there is no impairment on inventories. Accordingly, management does not provide allowance for inventories obsolescence accounts.

7. Advance to Suppliers		
Winitex Ltd	**122,477**	-
Hans Industrial	**38,333**	-
Brightex Industries	**21,329**	-
Cheisea Button	**6,638**	-
Sing Ming Industrial Co.	**2,716**	-
Others	**878**	-
Total	**192,371**	-
8. Prepaid Expense		
Factory Consumable	**5,774**	-
Work Permit	**5,200**	4,300
Factory Rent	**3,708**	3,534
Others	**4,181**	5,038
Total	**18,863**	12,872

9. Property and Equipment

	2007				
	Beginning Balance USD	Additions USD	Reclassifications USD	Disposals USD	Ending Balance USD
Direct Ownership					
Cost					
Infrastructures	88,791	554	-	-	90,345
Machineries	746,206	40,090	-	36,900	749,396
Fumiture and Fixtures	47,020	1,942	-	-	48,962
Vehicles	104,857	19,932	-	17,264	107,525
Tools and Equipment	172,187	16,463	-	-	188,650
	1,160,061	78,981	-	54,164	1,184,878
Accumulated Depreciation					
Infrastructures	60,215	18,387	-	-	78,602
Machineries	458,573	147,156	-	8,461	597,268
Fumiture and Fixtures	27,594	9,672	-	-	37,266
Vehicles	57,679	21,085	-	15,538	63,226
Tools and Equipment	104,798	36,311	-	-	141,109
	708,859	232,611	-	23,999	917,471
Total	451,202				267,407
Direct Ownership					
Cost					
Infrastructures	88,760	1,031	-	-	89,791
Machineries	709,327	43,070	-	6,191	746,206
Fumiture and fixtures	42,686	4,334	-	-	47,020
Vehicles	104,857	-	-	-	104,857
Tools and equipment	112,251	6,385	53,551	-	172,187
Asset under Development	53,551	-	(53,551)	-	-
	1,111,432	54,820	-	6,191	1,160,061
Accumulated Depreciation					
Infrastructures	42,379	17,836	-	-	60,215
Machineries	314,883	146,992	-	3,302	458,573
Fumiture and fixtures	18,741	8,853	-	-	27,594
Vehicles	36,707	20,972	-	-	57,679
Tools and equipment	60,719	44,079	-	-	104,798
	473,429	238,732	-	3,302	708,859
Total	638,003				451,202

Based on management's review and estimates of the status of individual property and equipment at the end of the period, no impairment to write down should be applied to the amount recorded in the balance sheets as of March 31, 2007 and 2006.

Property and equipment are covered by insurance against, losses from fire and other risks under several blanket policies amounting to IDR 715,000,000 and USD 750,000 as of March 31, 2007 and IDR 760,000,000 and USD 950,000 as of march 31, 2006. Management is in opinion that sum of insured is adequate to cover possible losses from fire and other risk of related assets.

Depreciation was charged to

	March 31, 2007 USD	March 31, 2006 USD
Cost of goods solds	**165,207**	168,812
General and administrative expenses	**67,404**	69,920
Total	**232,611**	238,732

10.Refundable deposits

Plant	**21,512**	21,696
Electric	**3,482**	3,697
Warehouse	**2,160**	2,140
Total	**27,154**	27,535

11.Bank loan

HSBC Bank		
Import	**145,204**	-
Export	**59,040**	279,698
Packing credit loan	**18,428**	781,681
Total	**222,672**	1,061,379

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 at any time and in any event. The Agreement has been amended several times and most recently by amendment no.JAK/06755/U/061101, dated November 15, 2006. These facilities are charged by interest of 3% below the banks prime landing rate which is subject to fluctuation. The rate during the period was ranging from 7% to 10.8% and from 9.5% to 10% in year 2007and 2006. The facilities are secured by the following :

- Standby Letter of Credit from UBS AG, Geneva for USD 250,000;
- Fiduciary transfer over Machinery for USD-700,000;
- Fiduciary transfer over Stocks for USD-500,000;
- Fiduciary transfer over Account Receivable for USD 500,000;
- Personal guarantee from Mr. Pulkit Seth for IDR 1,000,000 and from Mr. Rajesh Ajwani for USD 500,000 and.
- Letter of undertaking from shareholders to inject additional equity/subordinated loan to cover losses.

Under the agreement the Company should maintain debt to equity ratio not to exceed 1.5 and minimum current ratio of 1. As of March 31, 2007, the Company has fulfilled these covenants.

12.Account Payable	March 31, 2007 USD	March 31, 2006 USD
Global Fabric Sourcing	**71,128**	44,985
PT Great Way	**48,362**	-
China Silk Garment	**28,489**	-
PT SAI Apparel	**28,034**	62,663
PT Coast Rejo Indonesia	**26,538**	20,694
Pearl Global Limited	**21,140**	-
Pt Yudhanusa Ekspresindo Caraka	**20,248**	8,418
SML Labels	**19,159**	1,333
Pt Meiya Button	**17,966**	3,922
PT Nirwana Paratrans	**16,123**	8455
Wendler	**13,584**	-
PT Lung Fung Mas	**12,156**	18,204
PT Interlining Raphita	**10,851**	8,482
Ten Cate Permess LTD	**9,471**	1,704
PT Plasti From Indonesia	**9,157**	8,121
CV Sinerga Indonesia	**7,526**	-
PT Guneza Indonesia	**6,615**	8,744
PT Birotika Semesta	**6,340**	2,931
UD Maju Jaya	**6,011**	15
Blessindo Erakemas	**6,003**	1,468
CV Indonesia Golden Button	**5,688**	1,226
CV Indonusa Lable	**5,440**	1,555
Pegasus	**4,488**	1,970
PT Inti Megah Perkasa	4,380	1,533
PT Halim Pratama Plasindo	4,275	2,773
Mutiara Grafika	**4,012**	8,110
Other (each below USD 4,000)	**45,936**	240,027
Total	**459,120**	457,333

13.Taxation

a. Prepaid Taxes

Value Added Tax	**107,986**	64,291
Income Tax Art 21	**1,252**	-
Income Tax Article 23	-	4,388
Exit Permit Tax	-	4,663
	109,238	73,342

The Company sent objection letter to tax office regarding underpayment of Income Tax Art 21dated July 31, 2006 based on Underpayment of Tax Assessment Letter (SKPKB) No. 00004/201/03/057/06 dated July 11, 2006 amounting to Rp 153,736,749. Up to the dated on financial statement. The Company has not received any reply from tax office.

The Company received tax court decision letter no. 09705/PP/M.XI/16/2007 dated January12, 2007 regarding the company appeals on Value Added Tax amounting to Rp 95,048,584. Through this decision letter, tax court accept the company's objection for the amount and the company will receive all deposit placed on the court case. At balance sheet date, the deposit has been recorded as other receible.

b. Taxes Payable

	March 31, 2007 USD	March 31, 2006 USD
Income Tax Article 29	**138,660**	135,445
Income Tax Article 21	**3,470**	5,273
Income Tax Article 23	**2,757**	675
Income Tax Article 4(2)	**18**	2,538
	144,905	143,931

c. Income Tax Benefit

Reconciliation between income before estimate income tax as shown in the statements of income and estimate taxable income of the company is as follow:

Income before Income Tax as per Statement of Income	**917,765**	644,801
Permanent difference:		
Interest income already subjected to final tax	**(2,033)**	(8)
Profit on Sales Car-Commercial	**(8,868)**	-
Profit on Sales Car-Fiscal	**3,041**	-
Loss on Sale of Machinery-Fiscal	**(5,426)**	-
Non Dedutible Expenses		
Expat Traveling	**11,889**	2,437
Expat House Expense	**8,988**	5,953
Depreciation	**5,486**	-
Entertainment	**4,900**	2,977
Tax and Duty	**4,363**	1,652
Mobile Phone	**2,946**	2,378
Expat Work Premise	**2,841**	1,215
Expat Medical	**1,914**	-
Local Medical	**837**	-
Donation	**256**	511
Tax Penalty	**241**	2,738
Maintenance	-	453
Traveling Domestic	-	1,593
Conveyance	-	561
Loss on Disposal Fixed Assets	-	(2,238)
	31,375	20,222
Timing difference		
Depreciation	**114,568**	125,600
Employee Benefit	**8,658**	6,935
	123,226	132,535
Taxable Income Before Compensated Tax Loss	**1,072,366**	797,558
Compensated Tax Loss		
Year 2005	-	(114,776)
Year 2004	-	110,756
Year 2003	-	(79,143)
Year 2002	-	(253,620)
Taxable Income	**1,072,366**	460,775
Income Tax Expense at Applicable Tax Rate:		
10%x(2007: USD 5,484;2006: USD 5,510)	**548**	551
15%x(2007: USD 5,484;2006: USD 5,510)	**823**	826
30%x(2007:USD 1,061,399;2006: USD 449,775)	**318,420**	134,926
Income Tax Expense	**319,797**	136,303
Credit tax		
Art 25	**177,293**	-
Exit permit tax	**3,838**	858
Tax payable art 29	**138,660**	135,445

d. Deferred Tax Assets

	March 31 2005 USD	Charged to Statement of Income USD	March 31, 2006 USD	Charged to Statement of Income USD	March 31, 2007 USD
Depreciation	80,994	25,595	106,589	30,940	**137,529**
Provision for Employee Benefit	3,906	2,081	5,987	2,597	**8,584**
Total	84,900	27,576	112,576	33,537	**146,113**

14. Accrued Expenses

	March 31, 2007 USD	March 31, 2006 USD
Salaries and wages	**106,385**	87,686
Bonus	**13,681**	37,819
Jamsostek payable	**7,021**	6,132

Legal & professional fees	**4,412**	8,156
Total	**131,499**	139,793

15. Employee Benefit Obligation

The Company provides benefit 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, 2007 and 2006, employee benefits obligation is calculated by an independent actuary (PT Dayamandiri Dharmkonsolindo) using the "Projected Unit Credit" method. The principal assumption used in determining employee benefit obligation as of March 31, 2007 and 2006 are as follow;

Financial Assumption:

	March 31, 2007	March 31, 2006
Discount rate	**9%**	11%
Future Salary increase	**10%**	9-10%
Other Assumption;		
Mortality Rate	**CSO'88**	CSO'88
Disabilities 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 decrease until 0% at the age of 54.

Past service cost-non-vested:

* Amortization method: straight line.
* Amortization periods: the average period until the benefit becomes vasted.

The amount recognized in balance sheet and income statement for period of March 31, 2007 and 2006 is as follows:

	March 31, 2007 USD	March 31, 2006 USD
Present value obligation	**24,399**	15,279
Unrecognized actuarial losses	**4,216**	4,678
Liabilities in balance sheets	**28,615**	19,957

	March 31, 2007 USD	March 31, 2006 USD
Unrecognized service cost		
Current service cost	**7,571**	6,088
Interest cost	**1,799**	1,065
Amortization-net	**(712)**	(218)
Net expense charged in statement of income	**8,658**	6,935

Movements in liability recognized in balance sheets are as follow;

Beginning of the year	**19,957**	13,022
Benefit payment	**-**	-
Charged to statement of income	**8,658**	6,935
End of the year	**28,615**	19,957

16. Capital Stock

The compositions of stockholder' as of March 31, 2007 are as follows:

Stockholder	Share Issued Number of Share	%	Issued and Fully Paid Capital USD
Global Textiles groups limited	134,998	99.99	1,349,980
Mr. Pallak Seth	1	0.5	10
Mr. Pulkit Seth	1	0.5	10
Total	135,000	100	1,350,000

The composition of stockholder' as March 31, 2006 are as follow;

Stockholder	share issued Number of share	%	issued and fully Paid capital USD
Global textiles group limited	100,000	74	1,000,000
Gitashree vij	35,000	26	350,000
Total	135,000	100	1,350,000

Based on Shares Purchase Agreement dated May 15, 2006, Mrs.Gitashree Vij has agreed to sale 34,998 share of PT Norwest Industry to Global Textile Group Limited, 1 share to Mr. Pallak Seth and 1 share to Mr.Pulkit Seth. The transfer of share was agreed by stockholders meeting and approved by the Capital Investment Coordination Board (BKPM) no 136/III/PMA/2007 dated January30, 2007. Up to the date of financial statements, the approval from the Ministry of Law and Legislation of the Republic of Indonesia is still on process.

17. Sales Revenues

	March 31, 2007 USD	March 31, 2006 USD
Export Sales-Net	**11,692,382**	11,712,471

This account represents exports sales of 156,266 dozen amounted USD 8,981,296 and EUR 3,238,151 as of March 31, 2007 and 165,740 dozen amount to USD 8,884,727 and EUR 2,315,201 as of March 31, 2006.

18. Cost of Goods Sold

Material	**7,798,526**	8,198,035
Labor	**1,278,761**	1,127,633
Overhead cost		
Freight cost	**165,881**	106,912
Depreciation (note 9)	**165,207**	168,811
Power and fule	**81,576**	78,522
Factory rent	**82,492**	92,702
Spare parts	**79,343**	52,477
Maintenance	**18,146**	7,611
Total	**9,669,932**	9,832,703

The company carries out production activity based on order received from customers. All finished goods inventory are directly delivered to customer with finished. Therefore, costs of goods sold represents cost of finished goods that already shipped to customers during the year.

19. Operating Expenses

	March 31, 2007 USD	March 31, 2006 USD
a. Selling Expenses		
Entertainment	**24,881**	14,289
Advertising	**1,631**	387
Marketing	**148**	240
Sub Total	**26,660**	14,916
b. General and Administrative Expenses		
Salary	**343,585**	299,775
Import and Export	**194,802**	218,783
Bonus and Allowance	**113,960**	115,279
Telecommunication	**106,339**	90,994
Depreciation	**67,404**	69,920
Transportation	**35,546**	27,169
Recruitment and Training	**31,335**	117
Traveling	**31,276**	36,469
Maintenance Office	**13,064**	11,575
Fright Cost	**24,793**	47,964
Legal and Professional Expenses	**17,703**	11,378
Work Permit	**17,700**	18,713
Rent Office	**15,528**	12,589
Printing and Stationery	**12,660**	12,400
Insurance	**10,265**	10,657
Employee Benefit	**8,658**	6,935
Office Consumable	**8,619**	13,443
Tax and Duties	**5,699**	1,651
Water	**5,651**	5,434
Power and Fule	**2,700**	3,237
Sampling Expenses	**8,700**	10,279
Inspection Charge	**2,050**	-
Others (each below USD1000)	**1,597**	6,458
Sub Total	**1,079,634**	1,031,219
Total	**1,106,294**	1,046,135

20. Summary of Significant Difference 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 the differs in certain respect from IFRS. These differences between the Indonesia GAAP and IFRS are described below and presented in the accompanying reconciliation of the net income and certain balance sheets items.

Employee benefit

Under Indonesian GAAP, a method of accounting for employee benefit is substantially consistent with the requirement of IFRS. However, under IFRS, the transitional liability of defined benefit plan for the first implementation of this standard should be recognized immediately in the statement of income or as an expense on a straight line basis over up to five years if the transitional liability is more than the liability which had previously been recognized. Under Indonesian GAAP, the first implementation of this standard is treated as a change in accounting policy and should be applied retrospectively. The first implementation was conducted in 2004.

Financial receivables and other receivables

Under Indonesia GAAP, receivables are stated at grass less allowance for doubtful accounts (estimate realizable value). Under IFRS, receivables should be stated at amortized cost less provision for impairment, not estimated realizable value and the provision should reflect both the likelihood of being paid and the timing of the cash flows.

Property, Plant and Equipment

Under Indonesian GAAP, subsequent maintenance expenditure is expense as incurred. Replacement of parts that increase the value of assets 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 revaluation of property, plant and equipment if the revaluation is made in accordance with goverment regulations. 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 police is adopted.

21. Reconciliation of Net Income and Stockholder' 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, 2007 and 2006 and to stockholder' equity as of March 31, 2007 and 2006 which would be required if IFRS had been applied instead to the Indonesian GAAP in the financial statements.

	March 31, 2007 USD	March 31, 2006 USD
Net income (loss) as reported in the statements of income	**631,511**	536,174
Item increasing (decreasing) reported net income (loss)		
Provision for employee benefit	**(1,376)**	(1,376)
Recovery (impairment) of period taxes	**67,357**	(26,108)
Fair value gain (loss) from other financial receivables	**(13,77)**	1,150
Net increase (decrease) in reported net income (loss)	**64,604**	(26,334)
Approximate net income in accordance with IFRS	**696,115**	509,840
Stockholder's equity reported in the balance sheets	**1,833,853**	1,202,342
Accumulated increasing (decreasing) report in stockholder's equity		
Provision for employee benefit	**1,376**	2,752
Impairment of Prepaid taxes	**-**	(67,357)
Fair value gain (loss) from other financial receivables	**(4,623)**	(3,246)
Net increase (decrease) in stockholder's equity	**(3,247)**	(67,851)
Approximate stockholder's equity in accordance with IFRS	**1,830,606**	1,134,491

As a result of the IFRS adjustment to net income and stockholder's equity, the following tables presents the approximate balance sheets figures as of march31, 2007 and 2006 as determined under IFRS;

ASSETS	March 31, 2007 USD	March 31, 2006 USD
Current assets		
Cash on hand and in bank	**82,397**	89,856
Account receivable		
Third parties	**1,364,958**	835,963
Related parties	**35,470**	636,777
Other receivable		
Third parties	**6,008**	90,574
Related parties	**10,402**	14,465
Inventories	**561,302**	680,641
Advance to suppliers	**192,371**	-
Prepaid expenses	**18,863**	12,872
Prepaid taxes	**109,238**	5,985
Total current assets	**2,381,009**	2,367,133
Non current assets		
Deferred tax assets	**146,113**	112,576
Property and equipment (Net of accumulated depreciation of USD 816147and USD 708859 as of March 31, 2007and 2006)	**267,407**	451,202
Refundable deposits	**22,531**	24,289
Total non current assets	**436,051**	588,067
TOTAL ASSETS	**2,817,060**	2,955,200
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Bank Loan	**222,672**	1,061,379
Account Payables	**459,120**	457,333
Other Payables	**1,019**	1,068
Taxes Payables	**144,905**	143,931
Accrued expenses	**131,499**	139,793
Total current liabilities	**959,215**	1,803,504
Non- Current liabilities		
Employee Benefits Obligation	**27,238**	17,205
Total Non Current Liabilities	**27,238**	17,205
Total Liabilities	**986,453**	1,820,709
Stockholder's equity		
Capital Stock		
Par value USD 10 per share		
Authorized 200,000 shares		
Issued and fully paid 135,000 shares	**1350,000**	1,350,000
Retained Earning (Accumulated loss)	**480,606**	(215,509)
Total Stockholder's Equity	**1,830,606**	1,134,491
TOTAL LIABILITIES & STOCKHOLDER'S EQUITY	**2,817,060**	2,955,200

22. 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 adverse effect 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.
- Credit risk: the company has no significant concentration of credit risk. It has policies in place to ensure that sales of products are made the 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 charges in market interest rates. The Company has no significant interest-bearing assets

b. Critical Accounting Estimates and Assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Employee benefits

  The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the company considers the interest rates of high quality bonds that are denominated in the currency in which the benefits will be paid (Rupiah currency) and that have maturity approximating the terms of the related post employment benefit liability.
- Incomes taxes

  The company is subject to income tax in Indonesian tax jurisdictions. Significant judgment is required in determining local, provision for income tax, among other non deductible expenses. The Company recognizes 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. Prepared taxes are impaired as the carrying amounts may not be recoverable.
- Fair value estimation

  The Company determines that the face value 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 value of trade receivables and other receivables are as follows:

	March 31, 2007 USD	March 31, 2006 USD
Trade receivable	**1,400,428**	1,472,740
Other receivable-third parties	**6,008**	90,574
Other receivable-related parties	**10,402**	14,465
Other financial receivable-refundable deposits	**22,531**	24,289
Total	**1,439,369**	1,602,068

Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when 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.

They fair values are based on discounted cash flows using a rate based on the borrowings rate of 5%.

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 receivable, 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 Payable

The carrying amount of trade and other payables approximates their fair value which is based on an estimate of the receivable amount. Recoverable amount is determined by calculating the present value of expected future cash outflows.

23. Reclassification

Certain account in the financial statements as of March 31, 2006 has been reclassified to conform to the presentation of financial statement as of March 31, 2007 as follow;

	Before Reclassification	After Reclassification
Cost of Goods Sold	9,601,391	9,832,703
General & Administrative Expenses	1,264,548	1,031,219
Selling Expenses	12,896	14,916
Other income (Expenses)	188,835	188,832

24. Responsibility on the Financial Statements

The management of the Company is responsible for the preparation of the financial statements completed on may 3, 2007.

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 31 March 2007.

Principal Activity

The principal activity of the Company is manufacture of sweaters at its factory located at Comilla EPZ.

Results and Dividend

The results for the year are shown on page 3 of the audited financial statements.

The directors do not recommend the payment of a dividend for the year under review.

Statement of Directors' Responsibilities in respect of financial statments

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 judgements and estimates that are reasonable and prudent;
* stated whether Bangladesh Accouting 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 assests of the company and hence for taking responsible steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Sd/-

(K. Raja Rao)

Director

Date: June 21, 2007

AUDITORS' REPORT TO THE SHAREHOLDERS OF NOR-PEARL KNITWEAR LTD.

We have audited the accompanying balance sheet of Nor-Pearl Knitwear Ltd. as of 31 March 2007 and the related profit and loss account, statement of changes in equity and cash flow statement for the year then ended. The preparation of these financial statements is the responsibility of the company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

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

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards, give a true and fair view of the state of the company's affairs as of 31 March 2007 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:

(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 and made due verification thereof;

(b) 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

(c) the company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account.

BALANCE SHEET AS AT 31 MARCH 2007

	Notes	2007 Taka	2006 Taka
Sources of fund			
Shareholders equity			
Share capital	4	**265,749,700**	224,356,800
Retained earnings/(loss)		**(23,675,794)**	(49,653,455)
		242,073,906	174,703,345
Long term liabilities			
Long term portion of term loan	5	**88,363,641**	130,342,658
Loan from Norwest Industries Ltd.	6	**8,556,000**	8,928,000
		96,919,641	139,270,658
Deferred tax		**1,114,183**	-
		340,107,730	313,974,003
Application of fund			
Property, plant and equipment			
At cost less accumulated depreciation	7	**303,636,053**	300,533,148
Investment	8	**400,000**	400,000
Pre-operating expenses	9	**-**	21,600,309
Current assets			
Inventories	10	**84,327,268**	29,083,731
Trade receivables	11	**53,295,165**	5,637,868
Inter-company receivables	12	**31,302,615**	942,161
Loan to PAF International Ltd.	13	**9,700,000**	6,100,000
Advances, deposits and prepayments	14	**18,238,747**	28,544,221
Cash and bank balances	15	**3,833,054**	7,574,201
		200,696,849	77,882,182
Current liabilities:			
Advance from customers	16	**-**	9,360,000
Secured loan	17	**23,460,000**	2,067,769
Short term portion of tern loan	5	**38,149,927**	38,584,974
Trade and other payables	18	**88,747,808**	36,428,893
Intercompany payables	19	**14,267,437**	-
		164,625,172	86,441,636
Net current assets		**36,071,677**	(8,559,454)
		340,107,730	313,974,003

The annexed notes 1 to 26 form an integral part of these financial statements.

Sd/- Managing Director

Sd/- Director

As per our report of same date

Auditors

Dhaka, 31 May 2007

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2007

	Notes	2007 Taka	2006 Taka
Turnover		**542,341,179**	108,804,010
Cost of goods sold	20	**(392,365,935)**	(114,989,454)
Gross profit/(loss)		**149,975,244**	(6,185,444)
Administrative, selling and distribution expenses	21	**(89,372,674)**	(51,428,253)
Pre-operating expenses		**(21,600,309)**	(2,240,807)
		39,002,261	(59,854,504)
Other income/(expenses)	22	**(11,910,417)**	10,201,049
Profit/(loss) before tax		**27,091,844**	(49,653,455)
Tax expenses:			
Current tax		**-**	-
Deferred tax		**(1,114,183)**	-
		(1,114,183)	-
Net profit/(loss) for the year		**25,977,661**	(49,653,455)

The annexed notes 1 to 26 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2007

Particulars	Share capital Taka	Share money deposit Taka	Retained earnings/ (loss)Taka	Total Taka
Balance as at 1 April 2005	100,000	30,584,799	-	30,684,799
Net profit/(loss) for the year	-	-	(49,653,455)	49,653,455)
Share money deposit	-	195,684,217	-	195,684,217
Issue of shares	224,256,800	(224,256,800)	-	-
Transfer of share money deposit to exchange fluctuations	-	(2,012,216)	-	(2,012,216)
Balance as at 31 March 2006	224,356,800	-	(49,653,455)	174,703,345
Net profit/(loss) for the year	-	-	25,977,661	25,977,661
Issue of shares	41,392,900	-	-	41,392,900
Balance as at 31 March 2007	265,749,700	-	(23,675,794)	242,073,906

CASH FLOW STATEMENT

for the year ended 31 March 2007

	2007 Taka	2006 Taka
Cash flow from operating activities:		
Profit/(loss) before tax	**27,091,844**	(49,653,455)
Add: Adjustment of items not involving the movement of cash		
Pre-operating expenses	**-**	(2,406,949)
Pre-operating expenses - written off	**21,600,309**	2,240,807
Depreciation	**24,616,567**	9,913,100
	46,216,876	9,746,958
Operating profit/(loss) before changes in working capital	**73,308,720**	(39,906,497)
Adjustment for changes in working capital:		

Decrease/(increase) in inventories	**(55,243,537)**	(29,083,731)
Decrease/(increase) in trade receivables	**(47,657,297)**	(5,637,868)
Decrease/(increase} in inter-company receivables	**(30,360,454)**	(942,161)
Decrease/(increase) in loan to PAF International Ltd.	**(3,600,000)**	(6,100,000)
Decrease/(increase) in advances, deposits and prepayments	**10,305,474**	26,463,744
Increase/(decrease) in advance from customers	**(9,360,000)**	9,360,000
Increase/(decrease) in secured loan	**21,392,231**	2,067,769
Increase/(decrease) in trade and other payables	**52,318,915**	34,618,215
Increase/(decrease) in intercompany payables	**14,267,437**	(467,835)
	(47,937,231)	30,278,133
Net cash flows from operating activities	**25,371,489**	(9,628,364)
Cash flow from investing activities:		
Investment in share of PAF international Ltd.	**-**	(400,000)
Purchase of property, plant and equipment	**(27,719,472)**	(247,721,743)
Net cash used in investing activities	**(27,719,472)**	(248,121,743)
Cash flow from financing activities:		
Proceeds from the issue of share	**41,392,900**	224,256,800
Increase/(decrease) of share money deposit	**-**	(30,584,799)
Term loan taken from HSBC	**-**	152,387,571
Payment of term loan installments	**(42,414,064)**	(9,349,970)
Increase/(decrease) in loan from Norwest Industries Ltd.	**(372,000)**	(85,560,000)
Net cash flows from financing activities	**(1,393,164)**	251,149,602
Increase/(decrease) in cash and bank balances	**(3,741,147)**	(6,600,505)
Cash and bank balances at opening	**7,574,201**	14,174,706
Cash and bank balances at closing (Note 15)	**3,833,054**	7,574,201

Notes to the Accounts

for the year ended 31 March 2007

1. Reporting entity

Nor-Pearl Knitwear Ltd. (NPKL) was incorporated in Bangladesh as a private limited company on 16 May 2004. The address of the registered office of the company is 133/1, New Bailey Road, Dhaka. The shares of the company are held by House of Pearl Fashion Ltd., (previously Mina Estates Pvt. Ltd.) India (99.891%) and Pallas Holdings Ltd., Mauritius (0.109%). The factory of the company is located in Comilla Export Processing Zone (EPZ).The company started commercial operation from 21 April 2005. The company is engaged in producing ready-made knit garments for the purpose of exporting the same.

2. Basis of preparation

2.1 Statement of compliance

This financial statement of Nor-Pearl Knitwear 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,

2.2 Basis of measurement

The financial statements have been prepared on going concern basis under historical cost convention using the accrual basis of accounting.

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 to the nearest integer.

2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, 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 assumption are reviewed on an ongoing basis.

2.5 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.

3.1 Foreign currency translation

Foreign currencies are translated into Taka at a national rate 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 recognised in the income statement.

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 assets.

3.2.2 Depreciation

Depreciation on property, plant and equipment is charged on straight line basis using different rates varying from 5% to 50% on the estimated useful life of the assets. Depreciation was charged from the month of acquisition/installation of the assets.

3.3 Investments

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

3.4 Pre-operating expenses

Pre-operating expenses previously being writing off over a period of ten years starting from 2005, have been fully written off during the year.

3.5 Inventories

Inventories include raw materials, work-in-progress and finished goods. These are measured at lower of cost and net realizable value. Cost is determined using the first-in-first-out principle, and includes expenditure for raw material in acquiring the same and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

3.6 Trade receivable

Trade receivables at the balance sheet date are stated at amounts which are considered realisable.

3.7 Trade payable

Liabilities are recognised for amounts to be paid in future for goods and services received.

3.8 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.

3.9 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 recognized in profit and loss account.

3.10 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.

3.11 Taxation

The company being 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. .

3.12 Deferred tax

The company has adopted deferred tax accounting policy as per Bangladesh Accounting Standard. Accordingly deferred tax liability/asset is accounted far all temporary timing differences arising between the tax base of the assets and liabilities and their carrying value for financial reporting process.

3.13 Employee benefits

The company has introduced a recognized provident fund far its permanent employees during the year. Both the employer and employee contribute @ 8.33 % of basic salary.

4. Share capital

	2007 (Taka)	2006 (Taka)
Authorised capital:		
3,000,000 ordinary shares of Tk 100 each	**300,000,000**	300,000,000
(Issued, subscribed and paid up capital: 2,657,497 (at 31 March 2006: 2,243,568) ordinary shares of Tk 100 each	**265,749,700**	224,356,800

At 31 March 2007, the share capital was subscribed as under:

Subscribers	Number of Shares	Percentage
House of Pearl Fashions Ltd.	2,654,597	99.891
Pallas Holdings Ltd.	2,900	0.109
	2,657,497	100.00

The company has issued additional 413,929 shares during the year.

5. Term loan

The company has availed one-off term loan from The Hongkong & Shanghai Banking Corporation Ltd., Dhaka to finance plant and machinery imported against L/C opened through documentary credit facility with the bank. The sanctioned limit of the loan is USD 2,500,000. The loan is repayable in 54 equal monthly instalments, commencing six months after the date of disbursement.

Breakup of the term loan is as follows:	**2007(Taka)**	2006 (Taka)
Short term portion of term loan	**38,149,927**	38,584,974
Long term portion of term loan	**88,363,641**	130,342,658
	126,513,563	168,927,632

6. Loan from Norwest Industries Ltd.

This represents amount received as loan from the above company from time to time towards financing of the project in Camilla EPZ.

7. Property, plalnt and equipment

	Cost			Depreciation			
Particulurs	Balance at 1 April 2006 (Taka)	Addition during the year (Taka)	Balance at 31 March 07 (Taka)	Balance at 1 April 2006 (Taka)	Charged during the year (Taka)	Balance at 31 March 07 (Taka)	Written down value at 31 March 07 (Taka)
Building	126,608,080	15,758,188	**142,366,268**	1,582,601	6,493,020	**8,075,621**	**134,290,647**
Plant and machinery	166,916,528	3,282,529	**170,199,057**	3,805,534	11,005,668	**14,811,202**	**155,387,855**
Furniture and fixtures	9,891,961	5,458,545	**15,350,506**	2,895,271	4,431,208	**7,326,479**	**8,024,027**
Office equipment	2,554,202	1,549,525	**4,103,727**	890,221	981,502	**1,871,723**	**2,232,004**
Factory equipment	1,723,697	1,616,685	**3,340,382**	389,395	1,028,933	**1,418,328**	**1,922,054**
Vehicles	3,340,669	54,000	**3,394,669**	938,967	676,236	**1,615,203**	**1,779,466**
Total	311,035,137	27,719,472	**338,754,609**	10,501,989	24,616,567	**35,118,556**	**303,636,053**
Total 2006	63,313,394	247,721,743	**311,035,137**	588,889	9,913,100	**10,501,989**	**300,533,148**

7.1 Allocation of depreciation	**2007 (Taka)**	2006 (Taka)
Cost of goods sold (Note 20.2)	**18,527,621**	5,777,530
Administrative, selling and distribution expenses (Note 21)	**6,088,946**	4,028,234
Pre-operating expenses	**-**	107,336
	24,616,567	9,913,100

8. Investment

The amount shown under the above head represents investment in 4,000 shares of PAF Internationa1Limited at Tk 100 each.

9. Pre-operating expenses

Opening balance	**21,600,309**	21,434,167
Addition during the year	**-**	2,406,949
	21,600,309	23,841,116
Written off during the year	**21,600,309**	2,240,807
Closing balance	**-**	21,600,309

In accordance with existing policy, pre-operating expenses are to be amortised over a period of ten years starting from the date of commercial production i.e., April 2005. Accordingly upto 31 March 2006 pre-operating expenses of Tk 2,240,807 out of total expenses of Tk 23,841,116 have been amortised. However, the entire balance amount of Tk 21,600,309 has been amortised on 31 March 2007 in accordance with Bangladesh Accounting Standard 38.

10. Inventories

Raw materials	**15,536,656**	1,794,429
Work-In-progress	**44,009,399**	12,981,792
Finished goods.	**24,781,213**	14,307,510
	84,327,268	29,083,731

11. Trade receivables

Associated Merchandising Corporation	**-**	784,348
Primark Stores Ltd.	**2,541,960**	4,853,520
Al Libas Int. Fashions LLC	**13,619,496**	-
Sana Trading Ltd.	**834,900**	-
Orchid Trading Ltd.	**36,298,809**	-
	53,295,165	5,637,868

12. Inter-company receivables

Norwest Industries Ltd.	**-**	477,739
Poeticgem Ltd.	**31,302,615**	464,422
	31,302,615	942,161

13. Loan to PAF International Ltd.

The amount Shown under the above head represents short tern non interest bearing loan given to PAF International Limited.

14. Advances, deposits and prepayments

Advances (considered good) to:		
Landlord against rent	**167,517**	88,171
Suppliers	**10,558,683**	20,420,430
Employees	**17,500**	154,251
	10,743,700	20,662,852
Deposits:		
L/C Margin	**2,645,704**	2,749,214
Security deposits	**4,234,968**	4,435,552
	6,880,672	7,184,766
Prepayments:		
Prepaid expense	**253,770**	328,050
Prepaid insurance	**360,605**	368,553
	614,375	696,603
	18,238,747	28,544,221

15. Cash and bank balances

Cash in hand	**159,267**	456,578
Balances with bank:		
Current account with Janata Bank	**19,922**	5,678
Current account with HSBC	**3,653,865**	4,825,356
Margin deposit with HSBC	**-**	2,286,589
	3,673,787	7,117,623
	3,833,054	7,574,201

16. Advance from customers

The amount shown under the above head represents money received in advances from customers for supply of goods.

17. Secured loan

The amount shown under the above head represents interest bearing short term loan taken from The Hongkong & Shanghai Banking Corporation Ltd., Dhaka.

18. Trade and other payables

	2007(Taka)	2006 (Taka)
Trade payables:		
Lee Tai Bleching & Dyeing Factory	**5,450,062**	-
Bros Holding Ltd.	**2,127,747**	-
Feung Ning Industries (China) Ltd.	**5,408,987**	3,984,714
Shepherd Industries Ltd.	**10,396,830**	-
Others	**10,113,637**	3,930,327
	33,497,263	7,915,041
Other payables:		
Salaries	**3,068,973**	2,159,257
Payable to BEPZA	**255,749**	238,520
Audit fee	**210,000**	200,000
Contractor for building construction	**3,514,080**	6,514,080
Bonus to staff	**2,226,825**	1,138,120
Export bills discounted	**21,285,434**	2,766,506
Interest accrued on loan	**3,419,850**	3,250,221
Security deposit - Magnum Developers Ltd.	**-**	3,573,798
Wages	**10,941,850**	4,454,921
Withholding tax/Provident Fund	**869,006**	39,492
Others	**9,458,778**	4,178,937
	55,250,545	28,513,852
	88,747,808	36,428,893

Previous year's figures have been rearranged to conform to current year's presentation.

19. Intercompany payables

Norp Knit Industries Ltd.	**462,666**	-
Norwest Industries Ltd., Hong Kong	**4,771**	-
Poeticgem Ltd.	**13,800,000**	-
	14,267,437	-

20. Cost of goods sold

Raw materials consumed (Note 20.1)	**231,082,537**	61,585,281
Wages	**116,398,205**	30,519,919
Manufacturing overhead (Note 20.2)	**86,386,503**	50,173,556
	433,867,245	142,278,756
Add: Opening work-in-progress	**12,981,792**	-
	446,849,037	142,278,756
Less: Closing work-in-progress	**44,009,399**	12,981,792
Cost of goods manufactured	**402,839,638**	129,296,964
Add: Opening stock of finished goods	**14,307,510**	-
Cost of goods available for sale	**417,147,148**	129,296,964
Less: Closing stock of finished goods	**24,781,213**	14,307,510
Cost of goods sold	**392,365,935**	114,989,454

20.1	Raw materials consumed		
	Opening inventory	**1,794,429**	-
	Purchase during the year	**244,824,764**	63,379,710
	Closing inventory	**(15,536,656)**	(1,794,429)
		231,082,537	61,585,281
20.2	Manufacturing overhead		
	Rent for leased land	**3,995,064**	3,171,427
	Rent for factory building	**-**	5,109,210
	Food and transport al1owance	**2,102,169**	553,736
	Repair and maintenance for factory building, machinery etc.	**1,058,547**	1,492,037
	Security expense	**1,602,603**	812,815
	Chemical, spare parts etc.	**5,166,571**	2,103,610
	Power and fuel	**7,128,077**	4,583,879
	Subcontract expense	**20,467,410**	16,895,048
	Forwarding - exports	**2,293,265**	809,793
	Freight inward	**466,616**	792,659
	Freight outward	**16,642,701**	6,457,380
	Insurance expense	**2,021,492**	817,694
	Drinking water	**848,825**	171,175
	Medical and child care expense	**589,742**	170,665
	Depreciation (Note 7.1)	**18,527,621**	5,777,530
	Others	**3,902,731**	1,729,584
	Discount to customer	**2,424,335**	1,050,240
		89,237,229	52,498,482
	Claims for cancellation/not taking delivery of goods	**(2,850,726)**	(2,324,926)
		86,386,503	50,173,556

21.	Administrative, selling and distribution expenses		
	Salaries (Note 21.1)	**38,987,852**	22,454,233
	Office rent	**656,000**	632,333
	Printing and stationary	**1,363,784**	821,788
	Communication expenses	**2,071,117**	1,495,305
	Interest expenses	**16,685,459**	8,706,447
	Insurance expenses	**51,145**	30,851
	Legal expenses	**112,751**	120,000
	Marketing expenses	**7,205,151**	5,857,769
	Vehicle fuel and maintenance	**3,758,972**	2,038,245
	Bank charges	**7,332,409**	2,379,569
	Depreciation (Note 7.1)	**6,088,946**	4,028,234
	Audit fee	**511,600**	200,000
	Entertainment	**232,226**	157,321
	Repair and maintenance-office	**669,550**	1,335
	Other general expenses	**3,645,712**	2,504,823
		89,372,674	51,425,253
21.1	Salaries		
	This includes following emoluments to one of the directors of the company:		
	Remuneration	**2,074,890**	1,871,160
	Housing	**591,600**	513,333
		2,666,490	2,384,493
22.	Other (expense) / income		
	Exchange (loss)/gain	**(12,443,411)**	10,082,516
	Interest received	**121,226**	-
	Sale of scrap	411,768	118,533
		(11,910,417)	10,201,049

23. Related Parties

			Transaction value (Taka)		Balance outstanding (Taka)	
Name of Parties	Nature	Transactions	Year ended 31 March 2007	Year ended 31 March 2006	At 31 March 2007	At 31 March 2006
Norwest Industries Ltd.	Group Company	Sales of goods	**22,171,614**	13,377,907	**-**	477,739
		Expences payable	**1,130,340**	-	**4,771**	-
		Loan taken	**-**	6,200,000	**8,556,000**	8,928,000
		Claims	**-**	1,704,926	**-**	-
PAF International Ltd.		Loan disbursed	**3,600,000**	6,100,000	**9,700,000**	6,100,000
		Investment in Shares	**-**	400,000	**400,000**	400,000
Poeticgem Ltd.	Group Company	Expense payable	**835,093**	-	**-**	-
		Advance received	**13,800,000**	-	**13,800,000**	-
		Expense recoverable	**1,428,009**	464,422	**1,013,312**	464,422
		Sale of goods	**28,755,533**	28,031,678	**27,557,386**	-
		Claims	**2,850,726**	-	**2,731,917**	-
Pearl Global Ltd.	Group Company	Sale of goods	**65,953,117**	-	**-**	-
House of Pearl Fashions Ltd.	Shareholder	Expenses recoverable	**3,361,002**	-	**-**	-
		Share issued	**41,392,900**	-	**-**	-
Norp Knit Industries Ltd.	Group Company	Purchase of goods	**5,162,094**	-	**1,207,500**	-
		Expense recoverable	**777,218**	-	**744,834**	-

Outstanding balances in respect of sale of goods and expenses with these related lparties are priced on an arm’s length basis and are to be settled within nine months of the reporting date.

The company purchased raw materials from the group company. The purchase are on the same terms and conditions as those entered into with other suppliers and payable under normal payment terms.

In addition, during the year 1 April 2006 to 31 March 2007 the company disbursed loan, received advance against sale, received equity money to/from group companies as per normal business norm.

24. Contingent Liability

Contingent liability of the company as on 31 March 2007 was Tk 78.70 million in respect of letters of credit outstanding and tk 5.40 million in respect of bank guarantee.

25. Number of employees

The number of employees engaged during the year who received a total remuneration of Tk 36,000 or above was 1,607.

26. Events after balance Sheet date

no material events had occurred after the balance sheet date to the date of issue of these financial statements, which could affect the values stated in the financial statements.

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 31 March 2007.

Principal Activity

The principal activity of the Company is manufacture of knit garments at its factory located at Ghazipur.

Results and Dividend

The Company has earned a profit before tax of Tk. 35,252,785 for the year as reflected in the audited financial statements.

The directors do not recommend the payment of a dividend for the year under review.

Statement of Directors' Responsibilities in respect of financial statments

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 judgements and estimates that are reasonable and prudent;
* stated whether Bangladesh Accouting 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 assests of the company and hence for taking responsible steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Sd/-

(Amit Bansal)

Director

Date: June 21, 2007

AUDITORS' REPORT

To The Shareholder of
Norp Knit Industries Ltd.

We have audited the accompanying Balance Sheet of Norp Knit Industries Ltd. as of 31 March, 2007 and the related Profit & Loss Account for the year ended on 31 March 2007 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 an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards, give a true and fair view of the state or the Company's affairs as of 31 March, 2007 and its Cash Flow for the year ended on 31 March, 2007 and .comply with the Companies Act 1994 and other applicable laws and regulations.

We also 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 and made due verification thereof;

(b) 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

(c) the company's Balance Sheet and Profit & Loss Account dealt with by the report are in agreement with the books of account and returns.

Sd/-
G. Biswas & Co.
Chartered Accountants
Dated: The May 26, 2007
Dhaka

BALANCE SHEET AS AT MARCH 31, 2007

	Note	As on 31 March 2007	Amount in Taka As on 31 March 2006
Source of fund			
Shareholders' equity			
Share capital	3	**49,378,100**	100,000
Retained earnings		**(16,289,669)**	(51,569,740)
		33,088,431	(51,469,740)
Long Term Liabilities			
Loan from Orchid Trading Ltd,	4	**170,090,826**	163,367,926
Application of fund		**203,179,257**	111,898,185
Property, plant and equipment:			
At cost less accumulated depreciation	5	**93,337,205**	59,785,724
Pre-operative expenses	6	**-**	4,331,417
Current assets:			
Inventories	7	**115,212,045**	41,305,707
Trade receivables	8	**66,972,212**	-
Inter-company receivables	9	**41,914,362**	18,650,366
Advances, deposits and prepayments	10	**11,420,142**	8,193,693
Cash and bank balances	11	**77,324,156**	45,381,389
		312,842,917	113,531,155
Current liabilities:			
Secured loan from United Commercial Bank Ltd.	12	**7,926,996**	5,995,851
Trade and other payables	13	**182,248,111**	54,646,032
Inter-company payables	14	**12,853,044**	5,108,228
		203,028,151	65,750,111
Net current assets		**109,814,766**	47,781,044
Deferred tax		**27,286**	-
		203,179,257	111,898,185

The annexed notes 1 to 22 form an integral part of these financial statements.

Sd/- Sd/-
Managing Director Director
As per our annexed report of same date
G. Biswas & Co., Chartered Accountants
Dhaka: May 26, 2007

PROFIT AND LOSS ACCOUNT

For the year ended on March 31, 2007

	Note	2007	2006
Turnover		**565,925,277**	188,850,006
Cost of goods sold	15	**(451,835,375)**	(162,068,556)
Gross profit/(loss)		**114,089,902**	26,781,449
Administrative, selling and distribution expenses	16	**(75,016,641)**	(56,837,892)
Pre-operative expenses		**(4,331,417)**	(2,598,840)
		34,741,844	(32,655,283)
Other income	17	**510,941**	511,536
Profit/(loss) before tax		**35,252,785**	(32,143,747)
Tax expenses:			
Current tax		**-**	-
Deferred tax		**27,286**	-
		27,286	-
Net profit/(loss) for the year		**35,280,071**	(32,143,747)
balance b/f		**(51,569,740)**	(19,425,993)
Balance transferred to balance sheet		**(16,289,669)**	(51,569,740)

The annexed notes 1 to 22 form an integral part of these financial statements.

Managing Director Director
As per our annexed report of same date
G. Biswas & Co., Chartered Accountants
Dhaka: May 26, 2007

CASH FLOW STATEMENT

For the year ended on March 31, 2007

	01April 2006 to 31 March 2007	Amount in Taka 01April 2005 to 31 March 2006
Cash flow from operating activities		
Net profit for the year	**35,252,785**	(32,143,747)
Add: Adjustment of items not involving movement of cash		
Pre-operating expenses	**4,331,417**	2,598,840
Depreciation	**11,514,181**	7,555,304
	15,845,598	10,154,144
Operating loss before changes in working capital	**51,098,383**	(21,989,603)
Adjustment for changes in working capital		
Decrease/(increase) in inventories	**(73,906,338)**	(28,070,564)
Decrease/(increase) in trade receivables	**(66,972,212)**	46,883
Decrease/(increase) in inter-company receivables	**(23,263,995)**	(1,867,377)
Decrease/(increase) in advances, deposits and prepayments	**(3,226,450)**	(1,278,604)
Increase/(decrease) in secured loan	**1,931,146**	5,995,851
Increase/(decrease) in creditors for goods	**122,271,919**	14,367,892
Increase/(decrease) in accrued expenses and, other payables	**5,267,823**	154,631
Increase/(decrease) in inter-company payables	**7,744,816**	5,108,228
Increase/(decrease) in withholding tax	**62,337**	30,027
	(30,090,956)	(5,543,060)

Net cash from operating activities	**21,007,427**	(27,532,663)
Cash flow from investing activities:		
Purchase of fixed assets	**(45,065,661)**	(31,081,227)
Net cash used in investing activities	**(45,065,661)**	(31,081,227)
Cash flow from financing activities:		
Proceeds from issue of shares	**49,278,100**	-
Loan from Orchid Trading Limited	**6,722,901**	96,427,644
Net cash flow from financing activities	**56,001,001**	96,427,644
Increase in cash and cash equivalents	**31,942,767**	37,813,754
Cash and cash equivalent at opening	**45,381,389**	7,567,635
Cash and cash equivalent at closing (Note 11)	**77,324,156**	45,381,389

STATEMENT OF CHANGES IN EQUITY

For the year ended March 31, 2007 — Amount in Taka

Particulars	Share capital	Share Money Deposit	Retained earnings	Total
Balance as on March 31, 2006	100,000	-	(51,569,740)	(51,469,740)
Issue of shares	49,278,100	-	-	49,278,100
Net profit/(loss) for the year	-	-	35,280,071	35,280,071
Balance as on March 31, 2007	49,378,100	-	(16,289,669)	33,088,431

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2007

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 (98%), Mr. Pallak Seth (1%) and Mr. Pulkit Seth (1%). 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.

2. Significant accounting policies

2.01 Basis of accounting

The financial statements have been prepared ongoing concern basis under historical cost convention, using accrual basis of accounting. These financial statements of the Company 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 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure directly attributable to the acquisition and installation of the assets. Depreciation on fixed assets is charged on written down value basis using different rates varying from 10% to 20% on the written down value of the assets. Depreciation is charged from the month of acquisition/installation of the assets.

2.03 pre-operative expenses

Pre-operative expenses previously being written off over a period of three years have been fully written off during the year.

2.04 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.

2.05 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 formula. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

2.06 Impairment

The carrying amount 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 recognized in profit and loss account.

2.07 Revenue recognition

Revenue is recognised when:

* Significant risk and rewards of ownership is transferred to the buyer.
* The Company has no managerial involvement of the ownership of goods.
* The revenue and cost of the transaction can be measured reliably.
* It is probable that the economic benefits of the transaction will flow to the Company.

2.08 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.

2.09 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 start of commercial production i.e. from December 18, 2004.

2.10 Deferred tax

The Company has adopted deferred tax accounting policy as per Bangladesh Accounting Standard. Accordingly, deferred tax liability/asset is accounted for all temporary timing differences arising between the tax base of the assets and liabilities and their carrying value for financial reporting process.

2.11 Employee benefits

The Company has not yet introduced any provident fund, gratuity scheme and pension scheme for the employees;

2.12 Reporting currency

The figures in the financial statements represent Bangladesh Currency (Taka).

3. Share capital

	As on 31 March 2007	As on 31 March 2006
Authorized capital:		
500,000 (2006: 500,000) ordinary shares of Tk. 100 each	**50,000,000**	50,000,000
Issued, subscribed and paid up capital:		
493,781 (2006: 1,000) ordinary shares of Tk. 100 each	**49,378,100**	100,000
The aforesaid capital was subscribed as under:		
Subscribers:	No. of shares	No. of shares
House of Pearl Fashions Ltd.	493,761	980
Mr. Pallak Seth	10	10
Mr. Pulkit Seth	10	10
	493,781	1,000

4. 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.

5. Property, plant and equipment

Particulars	Cost as on 31.03.2006	Addition for the year	Deletion for the year	**Cost as on 31.03.2007**	Depri. upto 31.03.2006	Depri. for the year	**Total Dep. as on 31.03.2007**	W.D.Value as on 31.03.2006	**W.D.Value as on 31.03.2007**
Building & Civil Works	8,470,387	5,145,010	-	**13,615,397**	1,529,124	1,837,123	**3,366,246**	6,941,263	**10,249,151**
Plant & Machinery	35,570,589	35,353,351	-	**70,923,940**	6,274,203	8,004,559	**14,278,763**	29,296,385	**56,645,177**
Vehicles	2,628,113	-	-	**2,628,113**	563,932	412,836	**976,768**	2,064,181	**1,651,345**
Furniture & Fixtures	2,950,378	6,344,899	-	**9,295,277**	311,602	510,614	**822,216**	2,638,776	**8,473,061**
Office Equipments & Computers	2,352,613	698,181	-	**3,050,794**	463,903	446,899	**910,802**	1,888,710	**2,139,992**
Telephone Installation & Connection	397,030	88,084	-	**485,114**	80,012	76,094	**156,106**	317,018	**329,008**
Air Conditioners	727,800	824,800	-	**1,552,600**	138,040	189,199	**327,239**	589,760	**1,225,361**
Fire extinguisher	189,300	156,500	-	**345,800**	45,432	36,857	**82,289**	143,868	**263,511**
Total	53,286,210	48,610,825	-	**101,897,035**	9,406,248	11,514,181	**20,920,429**	43,879,961	**80,976,606**
Capital Work in Progress									
Building & Civil Works	748,435	367,927	-	**-**	-	-	**-**	748,435	**-**
Plant & Machinery	15,157,328	19,378,465	-	**12,360,599**	-	-	**-**	15,157,328	**12,360,599**
Total	15,905,763	19,746,392	-	**12,360,599**	-	-	**-**	15,905,763	**12,360,599**
Total Fixed Assets	69,191,973	68,357,216	-	**114,257,634**	9,406,248	11,514,181	**20,920,429**	59,785,724	**93,337,205**

	Amount in Taka	
	01 April to 31 March 2007	01 April to 31 March 2006
5.01 Allocation of depreciation		
Cost of goods sold (Note 15.02)	**9,878,539**	6,290,821
Administrative, selling and distribution expenses (Note 16)	**1,635,641**	1,264,483
	11,514,180	7,555,304
6. Pre-operative expenses		
Opening Balance	**4,331,417**	6,930,257
Addition during the year	**-**	-
	-	6,930,257
Written off during the year	**4,331,417**	2,598,840
Closing balance	**-**	4,331,417

In accordance with existing policy, pre-operating expenses are to be amortised over a period of three years starting from the date of commercial production i.e. December 2004. Accordingly upto 31 March 2006 pre-operating expenses of Tk 3,465,120 out of total expenses of Tk 7,796,537 have been amortised. However, the entire balance amount of Tk 4,331,417 has been amortised on 31 March, 2007 in accordance with Bangladesh Accounting Standard 38.

7. Inventories		
Raw materials	**53,426,460**	9,201,842
Work-in-progress	**24,773,285**	488,438
Finished goods	**37,012,300**	31,615,427
	115,212,045	41,305,707
8. Trade receivables		
Al Libas International Fashions LLC	**50,959,571**	-
Asian Regency Limited	**5,933,585**	-
Orchid Trading Limited	**10,079,056**	-
	66,972,212	-
9. Inter-company receivables		
Norwest Industries Limited	**16,273,086**	17,867,366
Pearl Global Limited	**14,437,304**	-
Poeticgem Limited	**10,741,306**	783,000
Nor-Pearl Knitwear Limited	**462,666**	-
	41,914,362	18,650,366
10. Advances, deposits and prepayments		
Advances (considered good) to:		
Landlord against rent	**3,416,665**	5,047,579
Suppliers	**3,476,254**	672,544
Employees	**241,382**	425,775
Others	**1,347,222**	529,782
	8,481,523	6,675,680
Deposits		
Margin against L/C and B/G	**791,863**	130,600
Security deposits	**1,590,703**	880,843
	2,382,566	1,011,443
Prepayments		
Prepaid insurance	**556,053**	506,570
	556,053	506,570
	11,420,142	8,193,693
11. Cash and bank balances		
Cash in hand	**414,260**	801,018
Balances with bank		
Fixed deposit with United Commercial Bank	**2,000,000**	7,100,000
Margin deposit with United Commercial Bank	**74,817,828**	37,430,983
Exchange Retention Quota with United Commercial Bank	**92,068**	49,388
	76,909,896	44,580,371
	77,324,156	45,381,389

12. Secured loan

The amount shown under the above head represents interest bearing overdraft taken from United Commercial Bank Ltd.

13. Trade and other payables		
Trade payables:		
Basic Thread Industries Ltd.	**2,189,622**	-
Coats Bangladesh	**1,057,811**	-
Fakhruddin Textile Mills Ltd.	**5,404,608**	18,561,135
Gupta Exim	**4,371,429**	-
Hotz Industries Ltd.	**5,455,109**	-
HTMS Packaging	**1,566,955**	-
J. R. Fashion	**1,047,501**	-
Malek Industries Ltd.	**1,368,224**	231,049
Mainetti (BD) Ltd.	**1,869,224**	-
Nice Dyeing Factory	**39,697,577**	-
NRG Spinning Mills Ltd.	**13,563,812**	-
P. A. Knit Composite Ltd.	**14,937,646**	-
Plastic Acessories Ltd.	**1,007,248**	-
Red Fury (Bd) Ltd.	**1,163,575**	-
Shameem Composite Mills	**4,209,345**	-
Shyam Tex	**7,187,954**	-
Texas Embroider Ltd.	**1,479,290**	-
Toddler Ltd.	**2,146,310**	37,506
Victory City	**33,036,553**	-
VyvellaTex	**2,536,091**	-
Yasin Enterprise	**1,944,837**	-
Zumana Paper Box	**3,850,835**	827,059
Others	**22,452,267**	32,442,214
	173,543,823	51,271,904
Other payables		
Management fee payable	**1,500,000**	1,500,000
Withholding tax payable	**163,183**	100,846
Export bills discounted	**600,000**	1,500,000
Others	**6,441,105**	273,282
	8,704,288	3,374,128
	182,248,111	54,646,032
14. Inter-company payables		
Norwest Industries limited (Expenses)	**6,651,176**	3,370,509
Norwest Industries Limited (Purchases)	**-**	1,737,719
Pearl Global Limited	**6,201,868**	-
	12,853,044	5,108,228
15. Cost of goods sold		
Raw material consumed (Note 15.01)	**383,187,052**	139,913,675
Wages	**42,207,123**	14,547,261
Manufacturing overheads (Note 15.02)	**56,122,919**	26,539,244
	481,517,095	18,100,0180
Add: Opening work-in-progress	**488,438**	7,170,748
	482,005,533	188,170,928
Less: Closing work-in-progress	**24,773,285**	488,438
Cost of goods manufactured	**457,232,248**	187,682,490
Add: Opening stock of finished goods	**31,615,427**	6,001,493
Cost of goods available for sale	**488,847,675**	193,683,983
Less: Closing stock off finished goods	**37,012,300**	31,615,427
Cost of goods sold	**451,835,375**	162,068,556
15.01 Raw material consumed		
Opening inventory	**9,201,842**	62,902
Purchases during the period	**427,411,671**	149,052,615
Closing inventory	**53,426,460**	9,201,842
	383,187,052	139,913,675
15.02 Manufacturing overheads		
Stores, Spares & Maintenance	**3,683,375**	1,740,081
Factory cleaning & Upkeep	**627,722**	404,950
Factory rent	**4,916,000**	3,024,000
Security services	**1,366,615**	1,121,259
Power & Fuel	**8,372,250**	4,038,933
Consumables	**1,983,700**	954,626
Sampling expenses	**28,446**	884,966
Clearing and forwarding inward	**5,134,845**	1,507,323
L/C charges for inputs	**5,032,626**	2,047,859
Subcontract Expenses	**13,564,806**	4,010,288
Depreciation (Note 5.01)	**9,878,539**	6,290,821
Insurance	**1,533,995**	514,139
	56,122,919	26,539,244
16. Administrative, selling and distribution expenses		
Salaries	**17,002,243**	10,089,683
Interest	**14,118,154**	8,017,096
Foreign Exchange Fluctuation	**(1,017,123)**	11,796,737
Communication	**1,591,770**	1,036,866
Conveyance	**1,026,857**	397,577
Entertainment	**282,922**	137,950
Management fee	**-**	1,000,000

	2007 Taka	2006 Taka
Printing & Stationery	**1,569,646**	620,236
Clearing & forwarding outward	**28,169,622**	16,445,220
Bank Charges	**3,022,831**	1,199,138
Traveling - Foreign	**1,406,820**	279,182
Vehicle fuel & maintenance	**2,951,238**	1,332,623
Courier & postage	**124,999**	1,671,978
Audit fee	**135,000**	140,000
Depreciation (Note 5.01)	**1,635,641**	1,264,483
Others	**2,996,021**	1,409,124
	75,016,641	56,837,892

16.01 Salaries

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

Remuneration	**845,500**	225,700
Housing	**180,000**	55,500
	1,025,500	281,200

17. Other income

Sale of scrap	**436,768**	228,550
Others	**74,173**	282,986
	510,941	511,536

18. Related party disclosures

Related party transactions

Name of the parties	Nature	Transactions	Taka
Norwest IndustriesLtd.	Group Company	Sale of goods	177,232,362
Norwest Industries Ltd.	Group Company	Sampling	2,160,000
Norwest Industries Ltd.	Group Company	Purchase of goods	202,162
Norwest Industries Ltd.	Group Company	Expenses	3,592,471
Poeticgem Limited	Group Company	Sampling	5,676,291
Poeticgem Limited	Group Company	Sale of goods	104,307,412
Poeticgem Limited	Group Company	Expenses	670,067
Pearl Global Limited	Group Company	Sale of goods	109,588,734
Pearl Global Limited	Group Company	Purchase of goods	6,936,454
Pearl Global Limited	Group Company	Expense recoverable	36,000
Nor-Pearl Knitwear Ltd.	Group Company	Sale of goods	5,162,094

Related party balance

Name of the parties	Heads	Taka
Norwest Industries Limited	Receivable	16,273,086
Norwest Industries Limited	Payable	6,651,176
Poeticgem Limited	Receivable	10,741,306
Nor-Pearl Knitwear Limited	Receivable	462,666
Pearl Global Limited	Receivable	14,437,304
Pearl Global Limited	Payable	6,201,868

19. Contingent liability

Contingent liability of the company was Tk. 55.36 million as on 31 March 2007 in respect of letters of credit outstanding.

20. Number of employees

The number of employees engaged during the year who received a total remuneration of Tk.3,000 per month or above was 662

21. Exchange gain/(loss)

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

22. General

22.01 Figures are rounded off to nearest Taka.

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

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 2007.

Principal activity

The principal activity of the Company is design, development, sourcing and distribution of ready made garments of all kinds.

Results and dividend

The results for the year are shown on page 3.

The directors do not recommend the payment of a 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 Ontario Business Corporations ACT. In preparing those financial statements, the directors have:

* selected suitable accounting policies and then applied them consistently;
* made judgements 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/-

Rohit Girotra

Director

Date: 20th June 2007

AUDITOR'S REPORT

To the Shareholder of POETICGEM (CANADA) LTD.

I have audited the balance sheet of POETICGEM (CANADA) LTD as at March 31, 2007 and the statements of operations, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosure in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position .of the company as at March 3 I, 2007 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards except that no comparative figures have been presented.

Sd/-

RAMAN AYYAR

Chartered Accountant

Oakville, Ontario

May 7, 2007

BALANCE SHEET

AS AT MARCH 31, 2007

ASSETS	
CURRENT:	$
Cash - Note I(f)	**33,497**
Prepaid and sundry	**1,196**
	34,693
ADVANCES RECEIVABLE - Note 2	**259,778**
CAPITAL: Notes 1(c) and (e)	
Office equipment	**10,047**
Computer equipment	**12,615**
	22,662
Less: Accumulated amortization	**11,455**
	11,207
	305,678
LIABILITIES	
CURRENT: - Notes 1(e) and (f)	
Accounts payable and accrued liabilities	**9,012**
Income taxes payable	**43,500**
	52,512
ADVANCES PAYABLE-Note 3	**184,083**
	236,595
SHAREHOLDER'S EQUITY	
CAPITAL STOCK:	
Authorized	
Issued	
Unlimited	**100**
Class A Common shares	**100**
RETAINED EARNINGS - Page 3	**68,983**
	69,083
	305,678

APPROVED ON BEHALF OF THE BOARD:

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2007

INCOME	**$**
Commission - Notes I (a), (b), 5 and 7	**425,682**
Other income - Note 4	**102,771**
	528,453
SELLING, AND ADMINISTRATIVE EXPENSES:	
Wages and sub-contract	**120,744**
Rent - Note 6	**35,704**
Travel and entertainment	**31,325**
Commission expense	**21,346**
General and office	**12,106**
Professional fees	**9,450**
Chargebacks and discounts	**7,000**
Telephone	**6,928**
Advertising and promotion	**1,706**
Samples and alterations	**1,245**
Bank charges and exchange gains/losses-Note 1(d)	**(1,086)**
Amortization - Note 1(c)	**3,838**
	250,306
INCOME, before income taxes	**278,147**
Less: Income taxes	**43,500**
NET INCOME - Pages 4 and 5	**234,647**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2007

	Issued and paid-up shares (100 common) $	Retained Earnings $	Total $
Balance, As At March 31, 2006	100	(165,664)	(165,664)
Net Income, for the year-Page 3	-	234,647	234,647
Balance, As At March 31, 2007	100	68,983	69,083

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2O07

	$
OPERATING ACTIVITIES:	
Net income (loss) - page 3	**234,647**
Cash flows provided by or used in:	
Amortization	**3,838**
prepaid and sundry	**12,492**
accounts payable and accruals	**5,811**
income taxes	**43,500**
Net Cash Flow from Operating Activities	**300,288**
FINANCING ACTIVITIES	
Advances receivable	**(259,778)**
Advances payable	**(31,178)**
Net Cash Flow from financing activities	**(290,956)**
INVESTING ACTIVITIES	
Additions to capital assets	**(161)**
CHANGE IN CASH AND EQUIVALENTS, during the year	**9,171**
CASH AND EQUIVALENTS, beginning of year	**24,326**
CASH AND EQUIVALENTS, end of year	**33,497**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2O07

1. Accounting Policies:

(a) Operations:

The company is a wholly owned subsidiary of Poeticgem Ltd, a company incorporated under the laws of the United Kingdom. It procures sales orders on behalf of a foreign affiliate for a commission.

(b) Income recognition:

Commissions income is recognized at the time the foreign affiliate invoices the customers.

(c) Capital Assets and amortization

Capital assets are carried at cost less accumulated amortization. Amortization is provided on the diminishing balance basis using the following annual rates:

	Rate
Furniture and fixtures	- 20%
Computers	- 30%

(d) Foreign Currency Translation:

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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

(f) Fair Value of Financial Instruments:

The following items of financial instruments are shown in the financial statements at their carrying amounts.

Cash and cash equivalents

Accounts payable

The carrying amounts of these financial assets and financial liabilities approximate their fair values due to the relatively short periods to maturity of these instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties.

(g) Currency:

All amounts stated in these financial statements are in Canadian dollars.

2. Advances Receivable:

The advances are receivable from a related corporation, unsecured, repayable on demand and non--interest bearing.

3. Advances Payable:

The advances are payable to the parent corporation, unsecured, repayable on demand and non-interest bearing.

4. Other income:

Other income includes amounts waived as no longer payable $80,935.

5. Related Party Transitions:

All of the revenue is earned as commission for a arranging sales for a related foreign corporation.

6. Contingent Liabilities:

Lease Contingency:

The company is lessee of its premises under a contract expiring December 2008. The minimum aggregate annual rent, is as follows:

	$
2008	37,800
2009	28.350
	66.150

7. Economic Dependence:

During the year most of the revenue was earned for arranging sales to two customers by the foreign related corporation.

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 2007.

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.

Statement of Directors' Responsibilities in respect of financial statements

The directors are responsible for the preparation of financial statements, which comply with the Companies Act 2001 and IFRS. In preparing those financial statements, the directors have:

* selected suitable accounting policies and then applied them consistently;
* made Judgements and estimates that are reasonable and prudent;
* stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
* prepared the financial statements on the going concern basis.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Sd/-

Director

Date : 24 May 2007

SECRETARY'S CERTIFICATE

for the year ended 31 March 2007

Secretary's certificate under Section 166 (d) of the Companies Act 2001

In accordance with section 166 (d) of the Companies Act 2001, we certify that to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act 2001.

For and on behalf of KROSS BORDER TRUST SERVICES LIMITED

Sd/-

Company secretary

Date : 24 May 2007

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF GLOBAL TEXTILES GROUP LTD.

Report on the Financial Statements

We have audited the financial statements of Global Textiles Group Limited (the "Company") on pages 6 to 18 which comprise the balance sheet at 31 March 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Mauritius Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' Judgement, including the assessment of the risks of material misstatement. of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements on pages 6 to 18 give a true and fair view of the financial position of the Company at 31 March 2007 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.

Other matter

This report, including the opinion, has been prepared for and only for, the Company's member in accordance with Section 205 of the Mauritius 'Companies Act and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

We have no relationship with or interests in the Company other than in our capacities as auditors and tax advisors.

We have obtained all information and explanations we have required;

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

KPMG

Public Accountant

Port Louis

Date: 24 May 2007

INCOME STATEMENT

for the year ended 31 March 2007

	Note	**01 Apr 06 - 31 Mar 07 USD**	29 Mar 06 - 31 Mar 06 USD
Revenue	4	**435,121**	-
Expenses		**(74,951)**	(4,469)
Profit/(loss) before taxation		**360,170**	(4,469)
Taxation	5	**(130,500)**	-
Profit/(loss) for the year/period		**229,670**	(4,469)

BALANCE SHEET

At 31 March 2007	Note	**2007 (USD)**	2006 (USD)
Assets			
Non-current assets			
Investments	6	**4,856,412**	4,465,000
Receivables	7	**1,106,556**	1,156,556
Total non-current assets		**5,962,968**	5,621,556
Current assets			
Other receivables	8	**301,650**	-
Cash and cash equivalents		**251**	-
Total current assets		**301,901**	-
Total assets		**6,264,869**	5,621,556
Equity and liabilities			
Capital and reserves			
Share capital	9	**5,621,556**	4,515,000
Retained earnings		**225,201**	(4,469)
Total capital and reserves		**5,846,757**	4,510,531
Liabilities			
Non-current liabilities			
Loan from related company	10	**-**	1,106,556
Loan from holding company	11	**336,315**	-
Total non-current liabilities		**336,315**	1,106,556
Current liabilities			
Other payables	12	**81,797**	4,469
Total liabilities		**418,112**	1,111,025
Total equity and liabilities		**6,264,869**	5,621,556

Approved by the Board on 24 May 2007

Sd/- Director   Sd/- Director

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2007

	Share capital USD	Retainedearnings USD	Total USD
Issue of shares	4,515,000	-	4,515,000
Loss for the period	-	(4,469)	(4,469)
Balance as at 31 March 2006	4,515,000	(4,469)	4,510,531
Issue of shares	1,106,556	-	1,106,556
Profit for the year	-	229,670	229,670
Balance as at 31 March 2007	5,621,556	225,201	5,846,757

CASH FLOW STATEMENT

for the year ended 31 March 2007

	01 Apr 06 -31 Mar 07 USD	29 Mar 06 31 Mar 06 USD
Cash flows from operating activities		
Profit/(loss) for the year/period	**360,170**	(4,469)
Increase in other receivables	**(301,650)**	-

	01 Apr 06 -31 Mar 07 USD	29 Mar 06 31 Mar 06 USD
Increase in other payables	**77,328**	4,469
	135,848	-
Income tax paid	**(130,500)**	-
Net cash from operating activities	**5,348**	-
Cash flows from investing activities		
Acquisition of investments	**(391,412)**	(4,465,000)
Net cash used in investing activities	**(391,412)**	(4,465,000)
Cash flows from financing activities		
Loan from holding company	**336,315**	-
Decrease in receivables	**50,000**	-
Loan advanced to subsidiaries	**-**	(1,106,556)
Proceeds from issue of shares	**1,106,556**	4,515,000
Advance to related company	**-**	(50,000)
Loan received from related company	**-**	1,106,556
Repayment of loan to related company	**(1,106,556)**	-
Net cash from financing activities	**386,315**	4,465,000
Net increase in cash and cash equivalents	**251**	-
Cash and cash equivalents at beginning of year/period	**-**	-
Cash and cash equivalents at end of year/period	251	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 March 2007

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 Development Act 2001, 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. Reporting period

The accounts have been prepared for the year ended 31 March 2007 and therefore comparative amounts in the income statement, statement of changes in equity, cash flows and related notes, which had been prepared for the period from 29 March 2006, date of incorporation to 31 March 2006, are not comparable. .

3. Accounting policies

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements have been prepared on historical cost basis and in accordance with International Financial Reporting Standards (IFRS). 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.

Revenue recognition

Revenue is recognised on the following base:

Dividend income when the shareholders' right to receive payment is established.

Interest income is accounted for on an accrual basis.

Expenses

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

Investments in subsidiaries

The Company does not prepare consolidated financial statements and in accordance with IAS 27, has elected to report investments in subsidiaries at cost.

Consolidated financial statements

The Company owns 100% of the share capital of Poeticgem Limited, 75% of Depa International, Inc. and 99.99% of PT Norwest Industry 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, as it is a wholly owned subsidiary of Multinational Textile Group Limited. The registered office of Multinational Textile Group Limited where consolidated financial statements in accordance with IFRS are available is Manor House, 1st Floor, Cnr St George/Chazal Streets, Port Louis, Mauritius.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into USD at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Foreign exchange differences arising on translation are recognised in the income statement.

Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the recoverable amount of assets is less than the carrying amount. In case that the carrying amount of an asset exceeds its recoverable amount, the company recognises the impairment in the income statement.

Other receivables

Other receivables are stated at cost less impairment.

Other payables

Other payables are stated at cost.

Taxation

Income tax on the profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Related parties

Related parties are individuals and companies where the individual or Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Financial instruments

Financial instruments carried on the balance sheet include investments in subsidiaries, loans receivable, cash and cash equivalents, loan from related Company, loan, from holding Company and other payables. The particular recognition methods are disclosed in the individual policy statements associated with each item.

Disclosures about financial instruments to which the company is a party are provided in note 14.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

4. Revenue

Revenue represents dividend and bank interests.

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.

Recognised in income statement

	2007 (USD)	2006 (USD)
Current year income tax	**-**	-
Foreign withholding tax paid	**130,500**	-
	130,500	-
Reconciliation of effective tax rate		
Profit/(loss) before taxation	**360,170**	(4,469)
Income tax at 15%	**54,026**	(670)
Non-deductible expenses	**-**	388
Tax credit	**(53,726)**	-
Tax exempt revenues	**(18)**	-
Deferred tax asset not recognised	**(282)**	282
Foreign withholding tax	**130,500**	-
	130,500	-

6. Investments

Investments consist of unquoted shares

Cost		
At 01 April 06/29 March 06	**4,465,000**	-
Additions during the year/period	**391,412**	4,465,000
At 31 March	**4,856,412**	4,465,000

Name of company	Type and number of shares	% held	Country of Incorporation
Poeticgem Limited	50,000 Equity shares	100	UK
Depa International, Inc.	75 Equity shares	75	USA
PT Norwest Industry	134,998 Equity shares	99.99	Indonesia

At balance sheet date, the directors have reviewed the carrying amounts of the investments in subsidiaries and considered that no provision for impairment is required for the year under review.

7. Receivables

	2007	2006
	USD	USD
Unsecured, interest free loan to subsidiaries with no fixed repayment terms	**1,106,556**	1,156,556

8. Other receivables

Other receivables and prepaid expenses	**301,650**	-

9. Share capital

Issued and fully paid 5,621,556/4,515,000 ordinary shares of USD 1 each	**5,621,556**	4,515,000

10. Loan from related company

Unsecured, 6% per annum interest bearing loan with no fixed repayment terms	**-**	1,106,556

11. Loan from holding company

Unsecured, interest free loan with no fixed repayment terms	**336,315**	-

12. Other payables

Non-trade payables and accrued expenses	**5,325**	4,285
Loan interests accrued	**61,047**	184
Advance from related company	**15,425**	-
	81,797	4,469

13. Related party transactions

During the year/period under review, the Company entered into the following related party transactions. All transactions were on an arm's length basis.

	2007	2006
	USD	USD
Transactions during the year/period:		
Loan received from holding company	**336,315**	-
Advance to related company	**300,000**	-
Amount repaid by related company	**(50,000)**	-
Interest on loan payable	**60,863**	184
Loan repaid to related company	**(1,106,556)**	-
Amount received from related company	**15,425**	-
Loan advanced to subsidiaries	**-**	1,106,556
Amount advanced to related company	**-**	50,000
Amount received from related company	**-**	1,106,556
Balances outstanding at 31 March:		
Loan receivable from subsidiaries	**1,106,556**	1,106,556
Loan from related company	**-**	1,106,556
Loan from holding company	**336,315**	-
Loan interest payable to related company	**61,047**	184
Advance from related company	**15,425**	-
Advance to related company	**300,000**	50,000

14. Financial instruments and associated risks

Values of financial instruments

The Company's investments are valued as described in Note 3. The Company's other assets and liabilities include loans receivables, other receivables, cash and cash equivalents, loan payable and other payables. The carrying amounts of these assets and liabilities approximate their fair values.

Associated risks

The Company's investment activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The following is a summary of the main risks:

Market risk

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Company's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility. The Company conducts its investment operations in a manner that seeks to exploit the potential gains in the market, while limiting its exposure to market declines.

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 only with its related parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Currency risk

The Company invests in stocks denominated in GBP and IDR Consequently, the Company is exposed to the risk that the exchange rate of the USD relative to the GBP and IDR may change in a manner which has a material effect on the reported values of the Company's assets and liabilities which are in denominated in GBP and IDR.

Currency profile

	Financial Assets	**Financial Liabilities**	Financial Assets	Financial Liabilities
	2007	**2007**	2006	2006
	USD	**USD**	U8D	USD
USD	**1,827,751**	**418,112**	2,121,556	1,111,025
GBP	**3,044,056**	**-**	2,500,000	-
IDR	**1,391,412**	**-**	1,000,000	-
	6,263,219	**418,112**	5,621,556	1,111,025

15. Holding and ultimate holding company

The Company is a wholly owned subsidiary of Multinational Textile Group Limited, a Company incorporated in the Republic of Mauritius. The ultimate holding Company is House of Pearl Fashions Ltd (previously known as Mina Estates Private Limited), a Company incorporated in India.

16. Consolidated accounts

Consolidated accounts will be prepared by the holding Company, Multinational Textile Group Limited. The address of the Registered Office of the holding' company' is 1st Floor, Manor House, Crn St. George/Chazal Streets, Port Louis, Mauritius.

INCOME STATEMENT

for the year ended 31 March 2007

	01.04.06 -31.03.07	29.03.06 -31.03.06
	USD	USD
Revenue		
Dividend income	**435,000**	-
Bank interests	**121**	-
	435,121	-
Expenses		
Loan interests	**60,863**	184
Audit and accounting fees	**7,050**	1,600
Administration charges	**2,500**	-
Licence fees	**1,790**	-
Professional fees	**1,350**	-
Sundries	**600**	-
Telephone, fax and courier charges	**485**	100
Bank charges	**313**	-
Set up costs	**-**	2,585
	74,951	4,469
Profit/(loss) before taxation	**360,170**	(4,469)

Group Limited, a Company incorporated in the Republic of Mauritius. The ultimate holding Company is House of Pearl Fashions Ltd (previously known as Mina Estates Private Limited), a Company incorporated in India.

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 2007.

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 7.

The directors do not recommend the payment of a 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 comply with the Companies Act 2001 and International Financial Reporting Standards. In preparing those financial statements, the directors have:

* selected suitable accounting policies and then applied them consistently;
* made judgements and estimates that are reasonable and prudent;
* stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
* prepared the financial statements on the going concern basis.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Sd/-

Director

Date: 15 June 2007

SECRETARY'S CERTIFICATE

for the year ended 31 March 2007

Secretary's certificate under Section 166 (d) of the Companies Act 2001

In accordance with section 166 (d) of the Companies Act 2001, we certify that to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, all such returns as are required of the company under the Companies Act 2001.

For and on behalf of KROSS BORDER TRUST SERVICES LIMITED

Sd/-

Company secretary

Date: 15 June 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF MULTINATIONAL TEXTILE GROUP LIMITED

Report on the Financial Statements

We have audited the financial statements of Multinational Textile Group Limited (the "Company") on pages 6 to 17 which comprise the balance sheet at 31 March 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements, of the Mauritius Companies Act. This responsibility includes: designing implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order' to design audit procedures that are appropriate in' the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit, also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements on pages 6 to 17 give a true and fair view of the financial position of the Company at 31 March 2007, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act.

Emphasis of matter

The directors are of opinion that preparation of consolidated financial statements, at this time, would delay the issuance of the financial statements unnecessarily. The consolidated financial statements are under preparation and reference should be made to these consolidated financial statements to obtain a better understanding of the group's financial position at 31 March 2007, and of its financial performance and its cash flows for the year then ended.

Other matter

This report, including the opinion, has been prepared for and only for, the Company's member in accordance with Section 205 of the Mauritius Companies Act and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

We have no relationship with or interests in the Company other than in our capacities as auditors and tax advisors.

We have obtained all information and explanations we have required.

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

Sd/-

KPMG

Public Accountants

Port Louis

Date: 15 June 2007

INCOME STATEMENT

for the year ended 3 I March 2007

	Note	**01 Apr 06 -31 Mar 07 USD**	28 Mar 06 -31 Mar 06 USD
Revenue		**5,214**	-
Expenses		**(56,317)**	(9,685)
Loss before taxation		**(57,103)**	(9,685)
Taxation	6	**-**	-
Loss for the year/period		**(51,103)**	(9,685)

BALANCE SHEET

at 31 March 2007

	Note	**2007 USD**	2006 USD
Assets			
Non-current assets			
Investments in subsidiaries	7	**12,211,556**	7,110,000
Receivables	8	**787,369**	10,000
Total non-current assets		**12,998,925**	7,120,000
Current assets			
Other receivables	9	**1,500**	-
Cash and cash equivalents		**794**	-
Total current assets		**2,294**	-
Total assets		**13,001,219**	7,120,000
Equity and liabilities			
Capital and reserves			
Share capital	10	**13,017,610**	10,000
Revenue deficit		**(60,788)**	(9,685)
Total capital and reserves		**12,956,822**	315
Liabilities			
Non-current liabilities			
Loan from related company	11	**-**	7,110,000
Current liabilities			
Other payables	12	**44,397**	9,685
Total liabilities		**44,397**	7,119,685
Total equity and liabilities		**13,001,219**	7,120,000

Approved by the Board on 15th June 2007

Sd/-	Sd/-
Director	Director

The notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2007

	Share capital USD	Revenue deficit USD	Total USD
Issue of shares	10,000	-	10,000
Loss for the period	-	(9,685)	(9,685)
Balance at 31 March 2006	10,000	(9,685)	315
Issue of shares	13,007,610	-	13,007,610
Loss for the year	-	(51,103)	(51,103)
Balance at 31 March 2007	13,017,610	(60,788)	12,956,822

CASH FLOW STATEMENT

for the year ended 31 March 2007

	01 Apr 06 -31 Mar 07 USD	28 Mar 06 -31 Mar 06 USD
Cash flows from operating activities		
Loss for the year/period	**(51,103)**	(9,685)
Increase in other receivables	**(1,500)**	-
Increase in other payables	**34,712**	9,685
Net cash used in operating activities	**(17,891)**	-
Cash flows from investing activities		
Acquisition of investments	**(5,101,556)**	(7,110,000)
Net cash used in investing activities	**(5,101,556)**	(7,110,000)
Cash flows from financing activities		
Proceeds from issue of shares	**13,007,610**	10,000
Loans advanced to subsidiaries	**(787,369)**	-
Decrease in receivables	**10,000**	-
Advance to holding company	**-**	(10,000)
Repayment of loan	**(11,556,054)**	-
Advance from related company	**4,446,054**	7,110,000
Net cash from financing activities	**5,120,241**	7,110,000
Net increase in cash equivalents	794	-
Cash and cash equivalents at beginning of year/period	**-**	-
Cash and cash equivalents at end or year/period	**794**	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

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 Development Act 2001, 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. Reporting period

The accounts have been prepared for the year ended 31 March 2007, and therefore comparative amounts in the income statement, statement of changes in equity, cash flows and related notes, which had been prepared for the period from 28 March 2006, date of incorporation to 31 March 2006, are not comparable.

3. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

The financial statements have been prepared on a historical basis.

(c) Functional and presentation currency

The financial statements are presented in United States Dollars (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 estimate.

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

4. Significant accounting policies

The principal accounting policies adopted are as follows:

Revenue recognition

Revenue is recognised on the following base:

Dividend income when the shareholder's right to receive payment is established.

Interest income is accounted for on an accrual basis.

Taxation

Income tax on the profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into USD at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Foreign exchange differences arising on translation are recognised in the income statement.

Investments in subsidiary

The company, in accordance with IAS 27, reports investments in subsidiary at cost less impairment.

Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the recoverable amount of assets is less than the carrying amount. In case that the carrying amount of an asset exceeds its recoverable amount, the company recognises the impairment loss in the income statement.

Receivables and other receivables

Receivables and other receivables are stated at cost less impairment.

Cash and cash equivalents

Cash comprises 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 payables

Other payables are stated at cost.

Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Financial instruments

Financial instruments carried on the balance sheet include investments, receivables, loan payable and other payables. The particular recognition methods are disclosed in the individual policy statements associated with each item.

Disclosures about financial instruments to which the company is a party are provided in note 14.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

New standards and interpretations not yet adopted

In terms of International Financial Reporting Standards, the Company is required to include in its annual financial statements disclosure about the future impact of standards and interpretations effective but not yet applicable at the issue date.

At the date of authorisation of the annual financial statements of the Company for the year ended 31 March 2007, the following standards and interpretations were in effective but not yet adopted by the company:

* IFRS 7 - Financial Instruments: Disclosures.
* IAS 1 - Amendment - Presentation of financial statements: Capital Disclosures.

5. Revenue

Revenue represents bank interests.

6. Taxation

The Company is subject to income tax in Mauritius at the rate of 15%. It is however, entitled to a tax credit equivalent to the higher of the foreign tax paid and 80% of the Mauritian tax on its foreign source income. No provision for taxation has been made in the accounts due to availability of tax losses.

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

Recognised in income statement	**2007 (USD)**	2006 (USD)
Current year income tax	**-**	-
Reconciliation of effective tax rate		
Loss before taxation	**(51,103)**	(9,685)

	Income tax at 15%	**(7,665)**	(1,453)
	Non-deductible expenses	**8,447**	388
	Tax exempt revenues	**(782)**	-
	Deferred tax asset not recognised	**-**	1,065
	Income tax payable	**-**	-

7. Investments in subsidiaries

Investments consist of unquoted shares

Cost		
At 01 April 06/28 March 06	**7,110,000**	-
Movement during the year/period	**5,101,556**	7,110,000
At 31 March	**12,211,556**	7,110,000

Name of company	Type and number of Shares	% held	Country of incorporation
Global Textiles Group Limited	Equity shares	100%	Mauritius
Norwest Industries Limited	Equity shares	85%	Hong Kong

At balance sheet date, the directors have reviewed the carrying amounts of the investments in subsidiaries and considered that no provision for impairment is required for the year under review.

8.	Receivables	**2007**	2006
		USD	USD
	Loan advanced to holding company	**-**	10,000
	Loan advanced to subsidiaries	**787,369**	-
		787,369	10,000
9.	Other receivables		
	Prepaid expenses	**1,500**	-
10.	Share capital		
	Stated capital		
	13,017,610/10,000 ordinary shares of USD 1 each	**13,017,610**	10,000
11.	Loan from related company		
	Amount payable to related company	**-**	7,110,000
12.	Other payables		
	Non-trade payables and accrued expenses	**44,397**	9,685

13. Related party transactions

During the year/period under review, the Company entered into the following related party transactions. All transactions were on an arm's length basis.

Transactions during the year/period:		
Amount advanced to holding company	**-**	10,000
Loan advanced to subsidiaries	**787,369**	
Loans received from related company	**4,446,054**	7,110,000
Amount repaid by holding company	**(10,000)**	-
Repayment of loan to related company	**(11,556,054)**	-
Loan interest payable	**20,072**	-
Balances outstanding at 31 March:		
Advance to holding company	**-**	10,000
Amount payable to related company	**-**	7,110,000
Loan receivable from subsidiaries	**787,369**	-
Loan interest payable to related company	**20,072**	-

14. Financial instruments and associated risks

Values of financial instruments

The Company's investments are valued as described in Note 3. The Company's other assets and liabilities include cash and cash equivalents, loans receivable, other receivables and other payables. The carrying amounts of these assets and liabilities approximate their fair values.

Associated risks

The Company's investment activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The following is a summary of the main risks:

Market risk

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Company's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility. The Company conducts its investment operations in a manner that seeks to exploit the potential gains in the market, while limiting its exposure to market declines.

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 only with its related parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Currency risk

The company invests in stocks denominated in Hong Kong Dollar (HKD). Consequently, the company is exposed to the risk that the exchange rate of the US dollar relative to the Hong Kong Dollar 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.

Currency profile

The currency profile of the company's financial assets and liabilities are summarised as follows:

	Financial assets	**Financial liabilities**	Financial assets	Financial liabilities
	2007	**2007**	2006	2006
	USD	**USD**	USD	USD
USD	**8,553,665**	**44,397**	7,120,000	9,685
HKD	**4,446,054**	**-**	-	-
	12,999,719	**44,397**	7,120,000	9,685

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 Ltd. (previously known as Mina Estates Private Limited), a Company incorporated in India.

INCOME STATEMENT

for the year ended 31 March 2007	**01 Apr 06 -31 Mar 07**	28 Mar 06 -31 Mar 06
	USD	USD
Revenue		
Bank interests	**5,214**	-
Expenses		
Loan interest	**20,072**	-
Accounting :fee	**13,400**	3,000
Audit fee	**11,000**	4,000
Professional fee	**4,185**	-
Administration fee	**2,500**	-
Sundry expenses	**2,085**	-
License fees	**1,740**	-
Telephone, fax and courier charges	**1,215**	100
Bank charges	**120**	-
Set up costs	**-**	2,585
	56,317	9,685
Loss before taxation	**(51,103)**	(9,685)

HOUSE OF PEARL FASHIONS LIMITED

HOUSE OF PEARL

Regd. Office: A-3, Community Centre, Naraina Industrial Area, Phase-II, New Delhi-110 028

ATTENDANCE SLIP

Folio No.	
DP ID	
Account ID / Client ID	
No. of Shares	

I hereby record my presence at the **18TH ANNUAL GENERAL MEETING** of the Company held on Monday, 27th August 2007 at 2:30 p.m. at Air Force Auditorium, Subroto Park, New Delhi- 110010.

Signature of the attending Member/ Proxy	

Notes: 1) A Shareholder/Proxy holder wishing to attend the meeting must bring the Attendance Slip to 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.

TEAR HEAR

-- TEAR HEAR --

HOUSE OF PEARL FASHIONS LIMITED

HOUSE OF PEARL

Regd. Office: A-3, Community Centre, Naraina Industrial Area, Phase-II, New Delhi-110 028

PROXY

I/We .... of ....

In the district of .... being a Member/Members of the above named Company,

hereby appoint..of..

in the district of .... or failing him/her...

of.. in the district of ....

as my/our Proxy to attend and vote for me/us and on my/our behalf at 18th Annual General Meeting of the Company to be held on Monday, 27th August 2007 at 2:30 p.m. at Air Force Auditorium, Subroto Park, New Delhi- 110010, and at any adjournment thereof.

Signed this .... day of ....2007.

Folio No.	
DP ID	
Account ID / Client ID	
No. of Shares	

Signature ____________ Affix Re. 1.00 Revenue Stamp ____________

Notes: 1) The Proxy must be returned so as to reach the Registered Office at A-3, Community Centre, Naraina Industrial Area, Phase-II, New Delhi-110 028, not less than FORTY EIGHT HOURS before the time for holding the aforesaid meeting.

2) A Proxy need not be a Member of the Company.