HOUSE OF PEARL FASHIONS LIMITED

ANNUAL REPORT 2007-2008

FASHIONABLY AHEAD!

HOUSE OF **PEARL**

HOUSE OF PEARL

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 Aneja	-	Non-executive Independent Director

General Manager and Company Secretary

Mr. Sandeep Sabharwal

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. Rajendra Aneja	-	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

Finance Committee

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

Auditors

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

Registered Office:

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

Bankers:

AXIS Bank Limited
Citi Bank
The Hongkong and Shanghai
Banking Corporation Ltd.
Punjab National Bank
Standard Chartered Bank

Corporate Office:

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

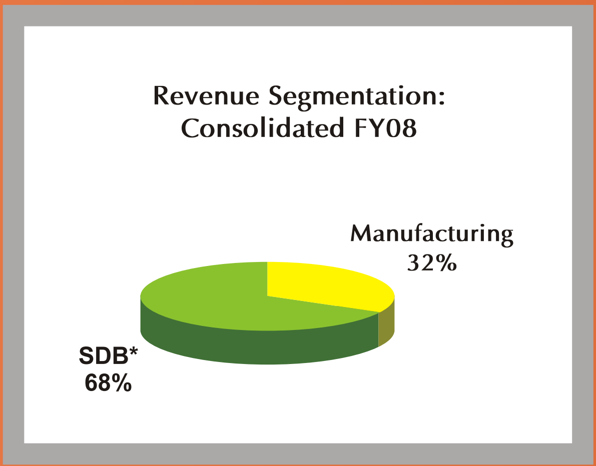
Financial Highlights

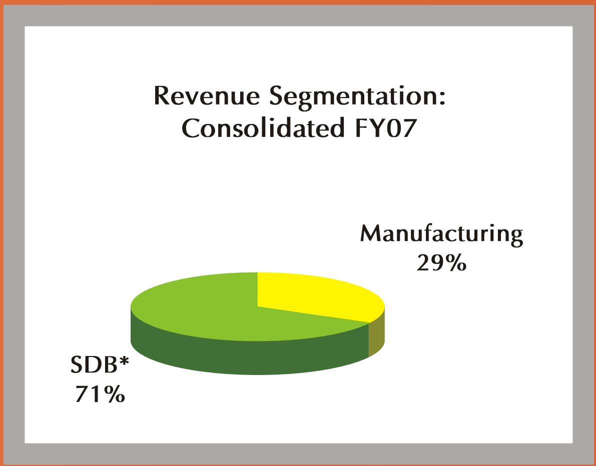
Financial highlights for the year 2007-08

- Consolidated revenues at Rs 1117.09 crores, PBIDT before exceptional item at Rs 101.64 crores
- Consolidated Net Profit at Rs 50.19 crores.
- Basic and diluted EPS at Rs 25.74
- Revenue growth of 17% in INR and 32 % in USD

Revenue Segmentation

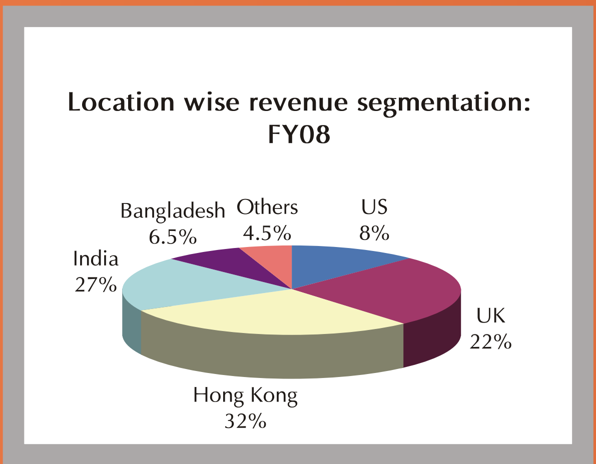
Revenue form Business Divisions

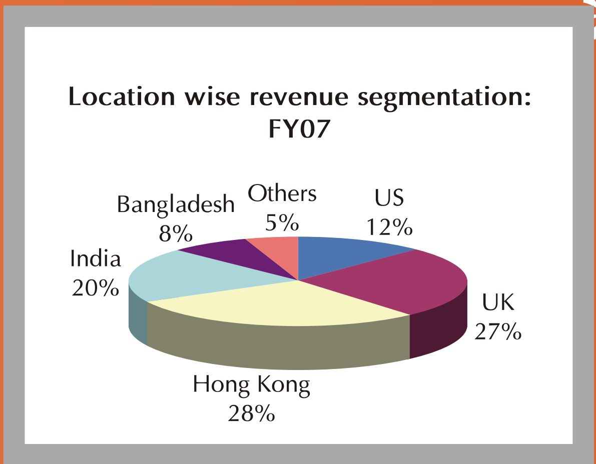




*Selling & Distribution Business

Revenue for Geographical locations





International Operations

- Acquired FX Import in UK and set up a Subsidiary, Zamira Fashion in Hong Kong to penetrate new customers.
- Doubled manufacturing capacity in Indonesia to 4 million pieces per annum. Global capacity at 21 million pieces.
- 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 Landed duty bond basis offering value added services.
- 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
- 73% of the company's revenues are from overseas operations.

Domestic Operations

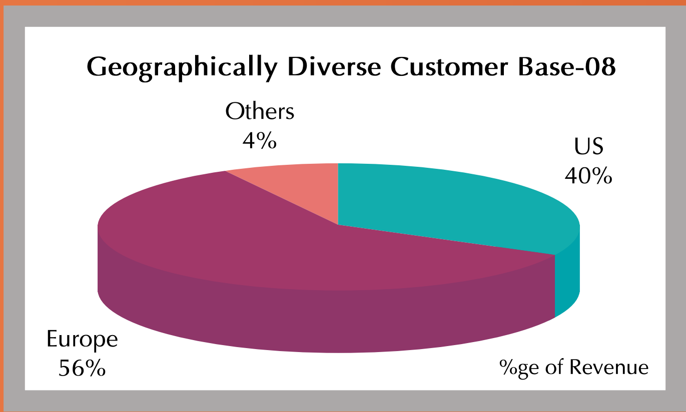
- Domestic operations carried out by Pearl Global Limited, a subsidiary of the Company. Pearl Global has three factories in Gurgaon and one in Chennai with a combined capacity of 11 million pieces per annum.
- Revenues from Domestic operations increased during FY08 by 56% to Rs. 316.22 crores.
- Indian operations restructured with streamlining of North Indian factories and cost effective outsourcing from Bangladesh and Indonesia yielded good results during second half of FY08. Outsourcing business exceeded Rs. 100 crores during the year.
- Shortly opening Branded Apparel Retail Chain in collaboration with LERROS of Germany, subject to regulatory approvals.
- 27% of the company's revenues are from Indian operations.

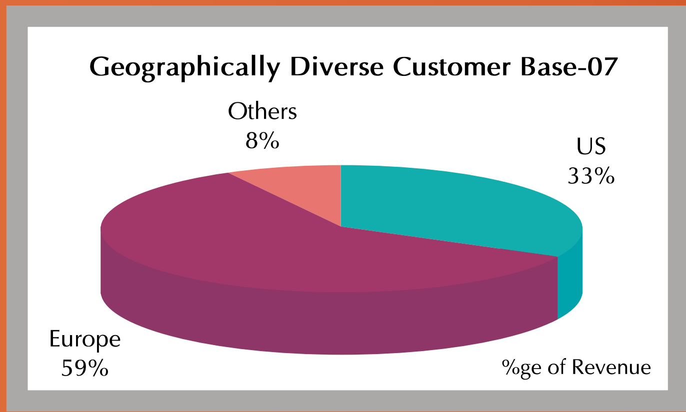
Leading Customers

- Currently servicing 82 retailers across the globe with a healthy spread between USA, Latin America & Europe.
- Some leading customers include GAP, JC Penney, Banana Republic, ASDA-Wal-Mart, Kohl's, Esprit, Next, etc.
- Add new reputed clients in FY08, some significant among these are Zellers, Sainsbury, Gloria Vender Belt, Mervyns, La Polar etc.
- HoPF is a strategic vendor for retailers like ASDA Walmart, JC Penney and GAP Inc.

Performance Overview

Geographic Spread - Customers





Highlights of the year

- Acquired 50% stake in UK based marketing company, FX Import Ltd. through Poeticgem to penetrate high fashion mid segment apparel retailers.
- Set up Zamira Fashion Ltd in Hong Kong to target high end fashion retailers in Europe, specially France.
- Started a new offshore Division in India for outsourcing manufacturing from low cost destinations.
- Added new reputed clients during the year
- Shifted part of Indian manufacturing facilities to low cost destinations like Bangladesh, Vietnam and Indonesia.
- Increased its production capacity by 3 million pieces per annum in Indonesia and Chennai.
- Set to enter into Indian retailing by launching a leading international Brand "LERROS" mid to high segment casual fashion wear.

HOUSE OF PEARL

Integrating Businesses Under House Of Pearl Fashions Limited

- House of Pearl Fashions Limited (India)
  - 60.49% — Pearl Global Limited (India)
  - 99.89% — Nor Pearl Knitwear Limited (Bangladesh)
  - 99.99% — Norp Knit Industries Limited (Bangladesh)
  - 100% — House of Pearl Fashions (US) Limited (USA)
  - 100% — Multinational Textiles Group Limited (Mauritius)
    - 85% — Norwest Industries Limited (Hong Kong)
    - 100% — Global Textiles Group Limited (Mauritius)
      - 75% — Depa International Inc. (US)
      - 100% — Poeticgem Limited (UK)
        - 100% — Pacific Logistics Limited (UK)
        - 100% — Poeticgem (Canada) Limited (Canada)
        - 50% — FX Import Company Limited (UK)
        - 100% — Pacific Supply Chain Limited (UK)
      - 99.99% — PT Norwest Industry (Indonesia)
    - 67% — Zamira Fashion Ltd. (Hongkong)

Contents

DIRECTORS' REPORT

To the Shareholders,

The Directors of your Company have pleasure in presenting the 19th Annual Report and Audited Accounts for the year ended 31st March 2008, together with the Auditors' Report thereon.

CONSOLIDATED WORKING RESULTS

During the year under review, the consolidated Income of your Company are Rs. 108002.57 lacs. Your Company has achieved a Net Profit after Tax of Rs. 5019.32 lacs.

(Rs. in Lacs)

	2007-2008	2006-2007
Income	**111,709.66**	95,237.86
Profit before Tax	**7,512.83**	7,364.96
Provision for Current Tax	**1,214.66**	2,098.61
Provision for Forward contract loss	**1,280.27**	–
Provision for Bad debt	**1.42**	1.45
Profit After Tax	**5,019.32**	5,264.90
Profit brought forward	**5,348.63**	1,111.59
Profit Available for Appropriations	**10,349.66**	5,883.90
EPS (in Rs.)	**25.65**	32.23

WORKING RESULTS OF THE COMPANY

(Rs. in Lacs)

	2007-2008	2006-2007
Income	**1,512.88**	1,100.45
Profit before Tax	**1,171.28**	430.78
Provision for Current Tax	**105.29**	5.67
Profit After Tax	**1,065.99**	436.45
Profit brought forward (incl. AS 15 adjustment)	**451.41**	424.13
Profit Available for Appropriations	**1,517.40**	860.58

OPERATIONS

The global economy slowed down considerably in the fiscal 2008, mainly due to slow down of US Economy. The rising inflation has become a world wide phenomenon with commodity prices hitting the roof. Oil prices have crossed USD 138 a barrel and threatening to go up further. The USD has weakened against all major crosses in the range 15% to 25%.

The Global apparel trade has not shown any growth in this fiscal, resulting in tremendous pressure on the margins. The Apparel Industry is undergoing structural changes with manufacturing base moving to low cost destinations like Bangladesh, Vietnam, Cambodia and Indonesia.

Despite of these uncertainties, your company managed to post an impressive growth in the total revenue in Rupee terms. This has been possible due to the unique business model of your company. We are operating from 10 countries across the globe through subsidiary companies and offering distinctive value to our clients by offering complete supply chain solutions. As different business operates in different economic environment, the risk in one part of the business is militated against the growth in different part.

The company has successfully managed to raise fresh capital for its expansion plan, last year. The company has reduced its long term debt considerably and is nearly a debt free. The fresh capital is being deployed in to various objects laid down for future growth of the business.

The company expanded its subsidiaries' manufacturing capacities in Indonesia, Bangladesh and Chennai and also managed to transfer successfully part of its capacities from Gurgoan to low cost destinations like Bangladesh, Vietnam & Indonesia. The company has started a new offshore manufacturing division in India, which has started outsourcing manufacturing of production from low cost destinations. In this fiscal this business has grown to nearly Rs. 100 crore from the scratch. We feel this area will continue to grow very fast even under the tough business conditions. The group total in-house manufacturing capacities have increased to 21 million pieces per annum.

The economic outlook in the current fiscal looks quite uncertain. It may take a couple of quarters for US to come out of the recessionary trend. We feel confident that your company is uniquely positioned to counter the current uncertainties and will continue to stay ahead of the competition.

ACQUISITIONS & NEW SUBSIDIARIES

The Company has acquired 50% stake in the UK-based marketing company, FX Imports Limited, through its subsidiary in the UK - Poeticgem Ltd. FX Imports Limited is a leading marketing Company in UK, catering to mid market fashion retailers. FX Imports clocked revenue of Rs.80 crores last fiscal and is projected to touch annual revenue figure of Rs. 200 crores in next three years. Poeticgem is well established in the value segment in the UK and with this acquisition has opened up opportunities to enter higher end of the market that offers better margins. There is great potential to optimize synergies of both companies which would help rapid growth of their business and improve profitability.

The company has also chalked out its plans of entering new territories. In this regard, it has set up a subsidiary in Hong Kong, Zamira Fashion Limited to target high end fashion retailers in Europe, especially in the French market. The company has made strategic tie ups with a well known figure in apparel sector, who has been given 33% sweat equity in this company, which is expected to do a turnover of around Rs. 25 crores in FY 2008 -09, and projected to achieve Rs.100 crore by third year. With this, the company hopes to have significant presence in the French market.

The company is focusing on similar business acquisitions to drive growth over next few years and penetrate new customers.

In India, to cater the burgeoning demand with the increase in disposal income, the company has decided to enter into retail area and carve its own niche. The company has signed a Memorandum of Understanding with a leading German Brand of high fashion products, LERROS for a retail chain of fashion products in India, subject to regulatory approved. The company is planning to officially launch this brand in India very shortly.

DIVIDEND

The Board is pleased to recommend a dividend of Rs. 1.50 per equity share being 15% on the paid up share capital of the company for the year under Report.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of your Company, Mr. Pallak Seth and Mr. Sanjay Pershad, retire by Rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Board recommends their reappointment as Directors on the Board of your Company in this 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 (ies) is annexed herewith and forms an integral part of this Annual Report.

AUDITORS

The Auditors M/s S. R. Dinodia & Co., Chartered Accountants, New Delhi, retires 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 2008, 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 2008 as a 'going concern' and on accrual basis.

LISTING

The shares of your Company are listed at Bombay Stock Exchange Limited, Mumbai and National Stock Exchange of India Limited, Mumbai. The listing fees to the Stock Exchanges for the year 2008-09 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 oconditions 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

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

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Information pursuant to Section 217(1)(e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 relating to 'Energy Conservation' and 'Technology Absorption' are not applicable as the Company does not have any manufacturing activity on its own.

FOREIGN EXCHANGE EARNINGS AND OUTGO **(Amount in Rs.)**

Particulars	Current Year	Previous Year
Earnings		
Export of Goods - FOB basis	**3,880,275**	54,921,207
Total	**3,880,275**	54,921,207
Outgo		
Foreign Traveling	**3,963,355**	1,965,478
Public Issue Expenses	**–**	7,081,334
Total	**3,963,355**	9,046,812

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 : 20.06.2008 CHAIRMAN

Annexure-I to the Directors' Report

Name of the Employee	Age (Years)	Designation	Remuneration (Rs.)	Qualification	Experience (in years)	Date of Employment	Nature of Duties	Previous Employment & Post held
Rishi Vig	38	Chief Finance Officer	2,572,974/-	B.Com, ICWA, CAP (US)	18 Years	27.02.2006	Finance & Accounts	Sr. GM (F & A), Pearl Global Limited GM Finance, Shahi Exports Private Ltd.
Col. Ramesh Wahi	58	Group Chief Information Officer (IT)	3,046,447/-	M.Tech	36 Years	17.08.2006	Inforamtion Technology	Vice President NIIT Tech Ltd.

Notes:

i. Employments of aforesaid officials are on contractual basis. Other terms and conditions are as per Company's Rule.

ii. Remuneration calculated under Section 198 of the Companies Act, 1956 and includes Salary, Medical Expenses, Company's contribution to Provident Fund and House Rent Allowance or any Expenditure incurred in providing Rent Free Residential Accommodation and Allowances.

CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY

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

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

House of Pearl Fashions strives to foster a corporate culture in which high standards of ethical behavior, individual accountability and transparent disclosure are ingrained in all its business dealings and shared by its board of directors, management and employees. Over the years, governance process and systems have been strengthened at House of Pearl Fashions. In addition to complying with the statutory requirements, effective governance system and practices towards improving transparency, disclosures, internal controls and promotion of ethics at work-place.

Your Company is committed to best Corporate Governance and has fully complied with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges. The Company in its endeavor towards the best Corporate Governance and to provide transparency initiated various measures.

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

2. BOARD OF DIRECTORS

As on 31st March 2008, 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 non executive directors and one - third of the board should be independent, if the Chairman is non-executive. All non-executive independent directors are persons of eminence and bring a wide range of expertise and experience to the board.

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

24th April 2007, 22nd May 2007, 22nd June 2007, 31st July 2007, 27th August 2007, 29th October 2007 and 29th January 2008.

Composition and Category of the Board as on 31.03.2008 and their attendance in the Board and Annual General Meetings are as hereunder:

S. No.	Name of Director	Category	No. of directorships	No. of Committee		Attendance	
				Member	Member	Board Meetings Meetings	Annual General
1.	Mr. Deepak Seth	Non-Executive Chairman	01	–	–	06	Yes
2	Mr. Pallak Seth	Non Executive Vice-Chairman	01	–	–	02	No
3	Mr. Pulkit Seth	Managing Director	01	02	–	06	Yes
4	Mr. Sanjay Pershad	Non-Executive Director	01	–	–	03	No
5	Mr. Tom Tar Singh	Independent Director	–	–	–	–	No
6	Dr. Ashutosh P. Bhupatkar	Independent Director	01	02	02	07	Yes
7	Mr. Samar Ballav Mohapatra	Independent Director	–	02	02	07	Yes
8	Mr. Chittranjan Dua	Independent Director	06	–	–	04	Yes
9	Mr. Rajendra Aneja	Independent Director	–	–	–	03	Yes

Notes:

1. The committees considered for the purpose are those prescribed under clause 49 (IV) (B) of the Listing Agreement.
2. Foreign Companies, bodies corporate, private companies and companies under section 25 of the Companies are excluded for the above purpose.

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

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

Information supplied to the Board

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

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

Compliance with the Code of Conduct

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

It is hereby affirmed that the Directors and Senior Management have given an annual affirmation of compliance with the code of conduct during the year 2006.

3. AUDIT COMMITTEE

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

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

The members of the Audit Committee as under:

1. Dr. A. P. Bhupatkar – Chairman
2. Mr. Sanjay Pershad – Member Director
3. Mr. S. B. Mohapatra – Member Director

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

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

During the year, the Audit Committee, under the Chairmanship of Dr. A. P. Bhupatkar has met four times and discharged its responsibilities in accordance with Section 292A of the Companies Act,1956 and Clause 49 of the Listing Agreement. The meetings of the Audit Committee were held are 21st June 2007, 31st July 2007, 29th October 2007 and 29th January 2008 during the financial year 2007-08.The maximum gap between any two meetings was less than four months.

Audit Committee Meetings	**Attendance Particulars**	
Name of the Member Director	**No. of Meetings held**	**No. of Meetings attended**
Dr. A. P. Bhupatkar - Chairman Director	4	3
Mr. Sanjay Pershad - Member Director	4	1
Mr. S.B. Mohapatra - Member Director	4	3

4. REMUNERATION COMMITTEE

The remuneration committee comprise of Mr. S.B. Mohapatra, Chairman, Mr. Sanjay Pershad and Dr. A.P. Bhupatkar as members. Mr. Rajendra Aneja has been inducted as member of the committee w.e.f. 13th May 2008 in place of Mr. Sanjay Pershad.

Terms of Reference of the Remuneration Committee include:

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

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

During the year under review, there was no meeting of Remuneration Committee.

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

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

Remuneration of Directors for 2007-2008:

Mr. Pulkit Seth has been appointed as Managing Director of the Company without remuneration on 15th July.2007.

The Company pays Rs.20,000/- as Sitting Fee to all the Non-Executive Directors for each Board Meeting attended. Details of the sitting fees paid for the year 2007-08 to the Non-Executive Directors are as follows:

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

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

Mr. Deepak Seth, Chairman holds 26.14% equity shares and Mr. Pallak Seth, Vice-Chairman holds 6.55% equity shares of the Company. No other director hold 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 19th Annual General Meeting and forms part of the corporate governance report.

5. FINANCE COMMITTEE

Finance Committee was constituted on 30-11-2007 and members are as under:

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

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

The meetings of the committee were held are 30.11.2007 and 22.02.2008 in the financial year 2007-08.

6. **SHAREHOLDER GRIEVANCE & TRANSFER COMMITTEE**

The Shareholder Grievance & Transfer Committee comprising of:

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

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

Mr. Sandeep Sabharwal, General Manager & Company Secretary, is the Compliance Officer of the Company w.e.f 01.05.2008.

Mr. Jyant Sood, General Manager & Company Secretary, was the Compliance Officer of the Company upto 12.01.2008.

Status of Shareholders Complaints during the year

Complaints at the beginning of the year 1st April 2007	Complaints received during the year 1st April 2007 - 31st March 2008	Complaints settled during the year 1st April 2007 - 31st March 2008	Complaints pending at the ending of the year 31st March 2008
NIL	200	200	NIL

7. **CEO/CFO CERTIFICATION**

The Managing Director and Chief financial Officer have certified to the Board, inter alia, the accuracy of financial statements and adequacy of Internal Controls for the financial reporting purpose as required under Clause 49(V) of the Listing Agreement, for the year ended 31st March 2008.

8. **GENERAL BODY MEETINGS**

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

Year	AGM	Location	Date	Time
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, Naraina Industrial Area, Phase-II, New Delhi-110028	25-08-2006	11:30 A.M.
2006-07	18th	Air Force Auditorium, Subroto Park, New Delhi-110010	27-08-2007	2.30 P.M.

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

Sl. No.	Particulars of Special Resolution	Date	Financial Year
1.	Loan of Rs.27.50 Crore to Pearl Global Ltd, a subsidiary of the Company	27th Aug, 2007	2006-07
2.	Alteration of Articles of Association of the Company	27th Aug, 2007	2006-07
3.	Appointment of Mr. Pulkit Seth as Managing Director for a period of three years w.e.f. 15.07.2006 without remuneration	25th Aug, 2006	2005-06
4.	Issue of equity shares under IPO of the Company	25th Aug, 2006	2005-06

No special resolution was passed through Postal Ballot during the last financial year 2007-08. There is no special resolution proposed to be passed through Postal ballot at the ensuing Annual General Meeting.

However, the Board has conducted a postal ballot for change in the object and utilization of proceeds of the public issue as contained in prospectus dated 29.01.2007, results of the same would be declared on 23.06.2008.

9. **DISCLOSURES**

1) There had been no materially significant related party transaction that might have potential conflict with the interests of the Company at large. Transactions with related parties are disclosed in Note No. 9 of Schedule 17 to the Accounts in the Annual Report.
2) There has been no non-compliance, penalties/strictures imposed on the company by Stock Exchange(s) or SEBI or any other Statutory Authority, on any matter related to capital markets, during the last three years.
3) Presently, the Company does not have a Whistle Blower Policy. No personnel of the Company have been denied access to the Audit Committee.
4) The Company has complied with all the mandatory requirements of Clause 49.

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

10. **MEANS OF COMMUNICATION**

(i) The quarterly results of the Company are published in leading and widely circulated English/Hindi National/Regional Newspapers as per the requirements of the Listing Agreement with the Stock Exchanges. The results are also faxed and couriered to the Stock Exchanges where the Company is listed

(ii) The results normally published in Business Standard (English) and Veer Arjun (Hindi)

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

(iv) The Company regularly updates the media, analysits, institutional investors, etc., through a formal presentation on its financials as well as other business developments

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

The Management Discussion and Analysis forms an integral part of this 19th Annual Report.

11. GENERAL SHAREHOLDER INFORMATION

(i) Annual General Meeting

19th Annual General Meeting is scheduled as under:-

Day	Date	Time	Venue
Friday	29th August 2008	2:30 P.M.	Sri Sathya Sai International Centre Auditorium, Pragti Vihar (Near Pragti Vihar Hostel), Lodhi Road, New Delhi 110003

(ii) **Financial Calender, 2008-09**

First Quarter Results : Last week of July 2008

Second Quarter & Half Yearly Results : Last week of October 2008

Third Quarter Results : Last week of January 2009

Fourth Quarter & Annual Results : Last week of June 2009

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

(iv) **Date of Book Closure** : 22nd August 2008 to 29th August 2008 (both days inclusive)

(v) **Dividend Payment Date** :

A dividend of Rs.1.50 per equity share has been recommended by the Board of Directors for the Financial Year 2007-08 and is subject to approval of shareholders at the Annual General Meeting. The dividend, if approved, will be paid on or before 28th September 2008.

(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 2008-2009 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 2007-08:

MONTH(S)	BOMBAY STOCK EXCHANGE Company Code: 532808		NATIONAL STOCK EXCHANGE Company Code: HOPFL	
	HIGH	LOW	HIGH	LOW
April 2007	381.40	322.00	382.00	324.90
May 2007	386.00	327.00	384.75	323.15
June 2007	362.00	293.05	359.40	294.00
July 2007	347.00	264.00	348.60	262.00
August 2007	303.05	248.05	304.80	246.10
September 2007	302.00	254.00	301.70	256.00
October 2007	278.45	220.00	277.00	216.85
November 2007	270.00	200.00	270.00	200.55
December 2007	300.20	235.90	300.00	235.00
January 2008	363.90	168.80	367.00	168.30
February 2008	207.40	170.50	208.00	170.60
March 2008	186.60	115.00	187.85	116.00

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

MONTH(S)	SHARE PRICES COMPARISION		
(As on end of last trading day of the months)	**HOUSE OF PEARL FASHIONS**	**BSE**	**NSE**
April 2007	373.30	13872.37	4087.90
May 2007	338.85	14544.46	4295.80
June 2007	295.15	14650.51	4318.30
July 2007	271.30	15550.99	4528.85
August 2007	266.90	15318.60	4464.00
September 2007	266.90	17291.10	5021.35
October 2007	232.40	19837.99	5900.65
November 2007	237.05	19363.19	5762.75
December 2007	291.90	20286.99	6138.60
January 2008	194.05	17648.71	5137.45
February 2008	190.50	17578.72	5223.50
March 2008	137.80	15644.44	4734.50

(ix) Registrar and Share Transfer Agent

Intime Spectrum Registry Limited
A-40, 2nd 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 reviewed by the Board.

(xi) Distribution Schedule

a) Distribution of Equity Shareholding of the Company as on 31st March 2008.

Number of Equity Shares * held	Shareholders		Equity shares held	
	Numbers	% to total	Numbers	% to total
Upto 2500	30781	98.736	1764206	9.047
2501 - 5000	867	2.697	322798	1.655
5001 - 10000	250	0.778	188434	0.966
10001 - 20000	124	0.38	181019	0.928
20001 - 30000	38	0.118	91931	0.471
30001 - 40000	22	0.068	79008	0.405
40001 - 50000	17	0.053	80381	0.412
50001 - 100000	21	0.065	151874	0.779
100001 and above	32	0.100	16640692	85.335
Total	**32152**	**100%**	**19500343**	**100%**

(b) Categories of Shareholders as on 31st March 2008

PROMOTERS	No. of Folio's	% to total Folios	No. of Shares held	% to total Shares
NRI	2	0.006	6372375	32.67
Indian	5	0.015	6372462	32.68
TOTAL (A)	**7**	**0.021**	**12744837**	**65.35**
Institutional Investors (Mutual Funds/UTI /Banks/FI's etc.)	14	0.044	2716550	13.93
FII's	7	0.021	681382	3.50
NRI's / OCB's	133	0.414	348191	1.78
Other Bodies Corporate	549	1.708	541725	2.78
Others (Clearing Members)	98	0.305	24437	0.12
Others (Individual)	30037	93.422	2293242	11.77
Others (HUF)	1306	4.062	149819	0.77
Others (Trusts)	1	0.003	160	0.00
TOTAL (B)	**32145**	**99.979**	**6755506**	**34.65**
TOTAL { (A) + (B) } = (C)	**32152**	**100.000**	**19500343**	**100.00**

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

(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 2008, 19159645 equity shares of the Company forming 98.25 % 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 presently has no plant, however its Subsidiary Companies has plants at various locations in India, Bangladesh and Indonesia, as follows:

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

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. Sandeep Sabharwal
Company Secretary & General Manager
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 : sandeep.sabharwal@houseofpearl.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 after listing for shareholders and public.

(4) Audit Qualifications - presently not applicable to the Company.

(5) Training of the Board Members.

Presently the Company does not have such training programme.

(6) Mechanism for evaluating Non-Executive Board Members.

Presently, the Company does not have such a mechanism as contemplated for evaluating the performance of Non-Executive Board Members.

(7) Whistle Blower Policy

Presently, the Company does not have a Whistle Blower Policy. However, No personnel has been denied access to the Audit Committee.

Electronic Clearing Service (ECS)

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

Depository Services

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

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

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

MANAGEMENT DISCUSSION & ANALYSIS

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

House of Pearl have marketing and distribution offices in U.K. U.S. and Hong Kong. These offices oversee our marketing and merchandizing teams across Canada, Europe, Hong kong, U.K and U.S. that interact with our customers at their locations, which helps us to better understand our customers' requirements.

We have sourcing business in Hong Kong with offices in China, Bangladesh and India. We have developed strong relationship with over 150 third party manufacturing units in China, Bangladesh and India.

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

INDUSTRY STRUCTURE & DEVELOPMENT

The Global apparel trade has not shown any growth during the year 2007-08 with US economy slowing down. The Apparel Industry is undergoing structural changes with manufacturing base moving to low cost destinations like Bangladesh, Vietnam, Cambodia and Indonesia, whereas manufacturing cost in India and China going up.

The global economy slowed down considerably in the fiscal 2008, starting with US slow down. European countries have also reported stagnation in apparel trade, responding to the global slow down. The rising inflation and unprecedented high Oil prices have further impacted the already reeling industry. The USD has weakened against all major crosses in the range 15% to 25%.

We, at House of Pearl have increased the capcities in the low cost destinations like Bangladesh, Indonesia and have also switched over to outsourcing from Bangladesh, thereby deriving benefits of such cost arbitrage.

However, with the slow down, the market share of value Retailers has improved. House of Pearl has a mix of buyers of Fashion Retailers and Value Retailers. The judicious mix of fashion and value retail Chains will result into our growth not being impacted during slowdown in the global appearel downtrun.

Further, the major retailers are focussing more on select strong vendors, resulting into vendor consolidation. House of Pearl, being an important vendor for various global retailers, has been strengtheng its position with its valued buyers.

Indian Retail Sector Growth in India

Despite slow down, the retail sector in India has potential to explore. With a year-on year growth of 30-35 %, the retail trade sector in India will top $440 billion by 2010. It estimated that the share of retail trade in the country's gross domestic product, currently at between 8-10% will jump up to some 12% soon and to 22% by 2010.

COMPANY PERFORMANCE AND FUTURE OUTLOOK

The global slowdown of apparel and textile industry has impacted the Indian Industry also both on top line and bottom line. The slow down has put pressures on margins besides reduced volumes.

Despite these impacts, the company managed to post an impressive growth due to unique business model of the company. The company is operating from 10 countries across the globe through its subsidiary companies and offering distinctive value to our clients by offering complete supply chain solutions. This way, the risk at one part of the world is mitigated against growth in different part. This global reach of the company has yielded an impressive growth in the consolidated revenue in Rupee terms.

The Company is focused on setting up branded apparel retail business in India through joint venture/subsidiaries to share the growth in the retail trade.

Secondly the company is planning acquisition of existing companies or setting up joint venture companies for marketing and distribution or wholesale and supply business in the apparel, accessories or related segments.

OPPORTUNITIES

The silver lining is the string of opportunities that the new challenges pose for the Readymade Garment Industry, in general and House of Pearl Fashions in particular. 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.

'Vision 2010' for textiles formulated by the Government after intensive interaction with the industry and Export Promotion Councils aims to capitalize on the industry upbeat mood. It will help increase India's share in the world trade from the current level to 8% by 2010, and achieve export value of US$ 50 billion by 2010. The same statement also envisages growth in the Indian readymade garment economy from the current US$ 37 billion to US$ 85 billion by 2010; creation of 12 million new jobs in the textile sector; and modernization and consolidation to create a globally competitive Industry.

Further, in a bid to bolster the envisaged annual growth rate of 11 per cent, the Government will also increase the TUF (Technology Upgradation Fund) from US$ 124 million in 2006-07 to US$ 211 million in 2007-08.

While the post MFA (Multi Fibre Agreement) era is marked with both opportunities as well as challenges, India has ample natural advantages to capitalize on strong raw material base, vast pool of skilled manpower, entrepreneurship, flexibility in production process and long experience with US / EU.

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

Apparel industries are embracing the ever impending globilisation of fashion, there is a challenge for industry and especially for those who create and export products to become ever more politically correct in their practices. Within India we have seen that there is a demand not only employees to be efficient in communication and technology aware but to also learn the vagaries of culture understanding to adopt another working language and adapt to the English local dialects and names for example. All of this in order to efficiently communicate with the consumers with whom they are dealing. This has created a second world of work virtual, outside of borders in a differing time zone and mentality and culture

The Indian garments exporters are going through the crises period due to the sinking US dollar and the rising rupee. Further, other Asian and African countries are increasing their global share in the industry due to low cost factor.

The Government of India has instituted several policies to promote the growth of the Indian Textile Sector. These include TUF scheme, duty / tax reimbursement schemes like duty drawback / DEPB. Termination or variation in the terms of such policies can adversely impact the profitability of textile Companies in the country.

INTERNAL CONTROL SYSTEM

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

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

The Company has adequate systems of internal controls to ensure that transactions are properly recorded, authorized and reported apart from safeguarding its assets.

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

HUMAN RESOURCE MANAGEMENT

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

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

CAUTION STATEMENT

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

CERTIFICATE OF COMPLIANCE FROM AUDITORS AS STIPULATED UNDER CLAUSE 49 OF THE LISTING AGREEMENT

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 2008, 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 2008, that two hundred complaints were received and all the two hundred were resolved as per records maintained and presented to the Shareholders Grievances 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/-
(Pradeep Dinodia)
Partner
M. No. 080617

Place : New Delhi
Date : 20th June, 2008

CERTIFICATION BY MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER OF THE COMPANY

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 2008 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)**	**(Risihi Vig)**
Date : 20.06.2008	**Managing Director**	**Chief Financial Officer**

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

We have examined the attached Consolidated Balance Sheet of House of Pearl Fashions Limited and its subsidiaries, as at March 31st 2008, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the management of House of Pearl Fashions Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

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

We did not audit the financial statements of certain subsidiaries, whose financial statement reflect total assets of Rs.4,362,963,967 as at March 31st, 2008 and total revenues of Rs. 8,766,110,081 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 of House of Pearl Fashions Limited and its subsidiaries as at March 31st 2008;

(b) In case of the Consolidated Profit and Loss Account, of the consolidated results of operations of House of Pearl Fashions Limited and its subsidiaries 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 subsidiaries for the year ended on that date.

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

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

Place : New Delhi
Date : 20.06.2008

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008

(Amount in Rupees)

PARTICULARS	SCHEDULE		AS AT 31ST MARCH 2008		AS AT 31ST MARCH 2007
SOURCES OF FUNDS					
Shareholder's Funds					
Share Capital	1	195,003,430		195,003,430	
Reserves & Surplus	2	4,144,174,860	4,339,178,290	3,712,293,018	3,907,296,448
Minority Interest			380,702,341		380,168,907
Loan Funds					
Secured Loans	3		1,955,029,311		1,812,466,477
Unsecured Loans	4		115,699,466		118,704,037
Deferred Tax Liability (Net)			–		30,787,631
(Refer Note No. 13 of Schedule 17)					
			6,790,609,408		6,249,423,500
APPLICATION OF FUNDS					
Fixed Assets	5				
Gross Block		2,765,952,012		2,398,002,596	
Less: Depreciation/Amortisation		534,474,434		444,305,138	
Net Block		2,231,477,578		1,953,697,458	
Capital Work in Progress		116,139,872	2,347,617,450	52,302,420	2,005,999,878
Investments	6		1,021,147,063		1,681,025,493
Deferred Tax Asset (Net)			18,734,289		–
(Refer Note No. 13 of Schedule 17)					
Current Assets, Loans & Advances					
Inventories	7	1,104,785,538		1,041,926,919	
Sundry Debtors	8	2,059,694,045		1,287,519,957	
Cash & Bank Balances	9	871,605,601		740,455,197	
Loans & Advances	10	994,602,413		786,109,163	
		5,030,687,597		3,856,011,236	
Less :Current Liabilities & Provisions					
Current Liabilities	11	1,348,873,192		1,163,526,076	
Provisions	12	278,703,799		130,087,031	
		1,627,576,991		1,293,613,107	
Net Current Assets			3,403,110,606		2,562,398,129
			6,790,609,408		6,249,423,500
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 : 20.06.2008

On behalf of the Board of Directors

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Rishi Vig)
Chief Finance Officer

Sd/-
(Sandeep Sabharwal)
Company Secretary

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

(Amount in Rupees)

PARTICULARS	SCHEDULE		CURRENT YEAR		PREVIOUS YEAR
INCOME					
Turnover					
Sales		10,691,755,484		9,154,004,010	
Export Incentives		108,501,887		83,091,336	
			10,800,257,371		9,237,095,346
Job Work Receipts			–		2,360,140
Other Income	13		370,708,932		284,343,162
			11,170,966,303		9,523,798,648
EXPENDITURE					
Purchase of Trading Goods			5,569,781,127		4,990,419,873
Manufacturing, Administrative,Selling & Other Expenses	14		4,584,757,987		3,539,550,073
Finance Cost	15		132,218,083		139,669,662
Depreciation/Amortisation	5		132,925,903		117,662,722
			10,419,683,100		8,787,302,330
PROFIT					
Profit before Taxation and Adjustments			751,283,203		736,496,318
Provision for - Forward Contract loss			(128,026,792)		–
(Refer Note No. 15 of Schedule 17)					
Provision for - Current Tax			(174,406,263)		(185,316,958)
Provision for - Wealth Tax			(200,000)		(225,000)
Provision for - Deferred Tax			55,340,667		(29,996,607)
Provision for - Fringe Benefit Tax			(4,602,000)		(3,386,247)
Tax Adjustments for Earlier Years			2,400,527		8,773,881
Provision For Doubtful Debts written back			142,750		145,230
Profit Before Minorities Interest			501,932,092		526,490,617
Minorities Share in Profits			(1,828,539)		(48,777,340)
Transferred To Capital Reserve on Consolidation			–		(482,359)
Profit Brought Forward			534,862,605		111,159,347
Amount Available For Appropriation			1,034,966,158		588,390,265
Appropriations:					
Dividend Paid for the year			–		5,929,311
Proposed Dividend			29,250,515		6,490,784
Tax on Dividend			4,971,125		3,623,862
Transfer to General Reserve			10,659,865		4,513,739
Utilisation against Bonus shares issued			–		33,518,468
Adjustment for earlier years			–		(548,504)
Balance carried to Balance Sheet			990,084,653		534,862,605
			1,034,966,158		588,390,265
Earning per share (Rs.)					
Basic/Diluted Earning Per Share			25.65		32.23
(Refer note 12 of schedule 17)					
Significant Accounting Policies	16				
Notes to Account	17				

As per our report of even date attached.

On behalf of the Board of Directors

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

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

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

Sd/-
(Rishi Vig)
Chief Finance Officer

Sd/-
(Sandeep Sabharwal)
Company Secretary

Place : New Delhi
Date : 20.06.2008

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

(Amount in Rupees)

		CURRENT YEAR	PREVIOUS YEAR
A.	**Net Profit Before Tax and Extraordinary Items**	**751,283,203**	736,496,318
	Adjustments :		
	Depreciation	**132,925,903**	117,662,722
	Sundry Balance Written Back	**(2,616,149)**	(4,861,979)
	Bad Debts Written Off	**142,750**	145,230
	Loss/ (Profit) on sale of Investment	**(4,497,260)**	2,875,000
	Misc Exp Written Off	**–**	17,633,574
	Loss/ (Profit) on sale of Assets	**1,592,179**	(12,422,627)
	Provision for Doubtful Debts	**2,696,889**	–
	Foeign Exchange Fluctuation	**(63,254,549)**	(10,435,589)
	Finance Cost	**132,218,083**	139,669,662
	Non operating Incomes	**(146,410,621)**	(28,549,323)
	Operating Profit /(loss) before working capital changes	**804,080,428**	958,212,988
	Adjustment for :		
	Trade and Other Receivables	**(958,588,761)**	(337,953,407)
	Inventories	**(109,577,681)**	(239,996,903)
	Trade Payables	**147,757,493**	(158,615,507)
	Cash Generated from operations	**(116,328,521)**	221,647,171
	Direct Taxes (Paid)/ Refunds	**(180,413,562)**	(116,550,967)
	Net Cash Generated / (used) in operating Activities	**(296,742,083)**	105,096,205
B.	**Cash Flow from Investing Activities**		
	Purchase of Fixed Assets	**(437,342,722)**	(702,181,633)
	Sale of Fixed Assets	**39,964,715**	57,225,675
	Investment made during the year	**(999,747,667)**	(1,676,437,153)
	Investment made in Subsidiaries	**(51,298,472)**	(241,609,731)
	Sale of Investment	**1,668,541,393**	2,389,000
	Increase In Deposits	**–**	173,544,320
	Interest Income	**51,374,322**	9,292,202
	Dividend Received	**84,337,920**	15,407,669
	Rent Received	**10,698,379**	3,849,452
	Cash from investing activities	**366,527,868**	(2,358,520,199)
C.	**Cash Flow from Financing Activities**		
	Proceeds from Issue of Share Capital	**–**	2,787,618,730
	Interest Expense	**(132,218,083)**	(139,669,662)
	Dividend Tax Paid	**(2,792,272)**	(4,160,891)
	Dividend Paid	**(6,437,837)**	(14,335,556)
	Loan Taken/(Repayment) Net	**139,558,262**	185,661,710
	Net cash used in financing activities	**(1,889,930)**	2,815,114,331
	Net Increase/(Decrease) in Cash/Cash equivalents(A+B+C)	**67,895,855**	561,690,337
	Foreign Exchange Fluctuation	**63,254,549**	10,435,589
	Cash / Cash equivalents at the beginning of the year	**740,455,197**	168,329,271
	Cash / Cash equivalents at the close of the year	**871,605,601**	740,455,197
	Components of Cash and Cash equivalents		
	Cash in hand	**8,314,981**	148,231,556
	Cheques/Demand Drafts in hand	**3,943,878**	1,306,557
	Balance with Banks		
	I) In Current Accounts	**179,856,149**	41,285,467
	ii) In Fixed Deposits *	**337,850,482**	196,993,185
	iii) In Margin Account	**41,494,215**	52,578,588
	iv) Exchange retention Quota with United Comm Bank	**145,896**	59,844
	v) Fixed Deposit (Unutilised money of IPO Proceeds)	**300,000,000**	300,000,000
	Cash / Cash equivalents at the close of the year	**871,605,601**	740,455,197

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 : 20.06.2008

On behalf of the Board of Directors

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Rishi Vig)
Chief Finance Officer

Sd/-
(Sandeep Sabharwal)
Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rupees)

		AS AT 31ST MARCH 2008	AS AT 31ST MARCH 2007
SCHEDULE - 1			
SHARE CAPITAL			
Authorised			
24,990,000 (P.Y. 24,990,000) Equity Shares of Rs. 10/- each		**249,900,000**	249,900,000
10,000 (P.Y. 10000) 4% Non Cumulative Redeemable Preference share of Rs. 10 each		**100,000**	100,000
		250,000,000	250,000,000
ISSUED SUBSCRIBED & PAID UP			
19,500,343 (Previous Year 19,500,343) Equity Shares of Rs.10/- each Fully Paid Up *		**195,003,430**	195,003,430
		195,003,430	195,003,430

Notes:
*Out of Which Nil (Previous Year 9,329,338) equity shares were alloted as fully paid bonus shares by capitalisation of accumulated profits and General Reserve.

		AS AT 31ST MARCH 2008	AS AT 31ST MARCH 2007
SCHEDULE - 2			
RESERVE & SURPLUS			
Capital Redemption Reserve		**2,233,337**	2,233,337
Investment Reserve-Available for Sale (Refer Note No. 18 of Schedule 17)		**4,418,036**	–
Amalgamation Reserve		**3,715,106**	3,715,106
Securities Premium		**2,714,855,707**	2,714,855,707
General Reserve			
Opening Balance	**19,887,741**		
Transfer from profit & Loss A/c	**10,659,865**		
Transitional Provision on account of adjustment in accordance with revised Accounting Standard -15 of Indian Subsidiary (Refer Note No. 17 of Schedule 17)	**2,675,353**	**33,222,959**	19,887,741
Revaluation Reserve		**23,772,230**	23,772,230
Capital Reserve on Consolidation (Refer Note 6 of Schedule17)		**429,476,444**	440,202,983
Hedging Reserve		**(23,628,000)**	(18,601,963)
Transfer from minority to group on change in shareholding		**(767,317)**	(835,438)
Foreign Currency Translation Reserve		**(33,208,295)**	(7,799,290)
Profit & Loss Account		**990,084,653**	534,862,605
		4,144,174,860	3,712,293,018
SCHEDULE - 3			
SECURED LOANS			
(Refer note 3 of the schedule 17)			
FROM BANKS			
a) Term Loan			
– Loan in functional Currency		**226,506,712**	402,905,379
– Foreign currency Loan		**71,820,000**	78,894,000
b) Working Capital Loan			
– Loan in functional Currency		**1,162,513,432**	1,030,560,393
– Foreign currency Loan		**285,222,109**	130,063,824
Bank Over draft		**180,634,968**	166,928,233
FROM OTHERS			
– Term Loan		**28,332,090**	3,114,648
		1,955,029,311	1,812,466,477
SCHEDULE - 4			
UNSECURED LOANS			
Loan from others		**115,699,466**	118,704,037
		115,699,466	118,704,037

SCHEDULE - 5

FIXED ASSETS

(Amount in Rs.)

PARTICULARS	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	AS ON 01.04.2007	Additions	Deductions	Diff. in Foreign Exchange	**As At 31.03.2008**	**As on 01.04.2007**	Additions	Deductions/ Adjustments	Diff . in Foreign Exchange	**Up to 31.03.2008**	**As at 31.03.2008**	As at 31.03.2007
Intangible Assets												
– Goodwill	221,693,544	101,344,249	–	–	**323,037,793**	**–**	–	–	–	**–**	**323,037,793**	221,693,544
– Software	–	15,734,521	–	–	**15,734,521**	**–**	698,084	–	–	**698,084**	**15,036,437**	–
– Trade Mark	–	130,593	–	–	**130,593**	**–**	–	–	–	**–**	**130,593**	–
Tangible Assets												
Land Freehold	143,099,933	75,629,842	–	–	**218,729,775**	**–**	–	–	–	**–**	**218,729,775**	143,099,933
Land Leasehold	16,642,027	–	–	–	**16,642,027**	**694,697**	431,975	–	–	**1,126,672**	**15,515,355**	15,947,330
Builiding	920,281,398	154,408,291	30,469,897	(47,751,525)	**996,468,267**	**90,887,824**	34,309,243	242,380	(5,434,352)	**119,520,335**	**876,947,932**	829,393,574
Plant & Machinery	780,735,786	96,503,517	10,478,460	(22,220,604)	**844,540,239**	**196,034,749**	61,950,755	3,148,892	(7,454,570)	**247,382,042**	**597,158,197**	584,701,037
Vehicles	72,394,159	38,962,582	12,499,515	(3,021,337)	**95,835,889**	**35,571,536**	10,639,268	9,167,554	(2,078,736)	**34,964,514**	**60,871,375**	36,822,623
Furniture & Fixtures	240,916,509	33,083,040	1,046,452	(20,359,429)	**252,593,668**	**121,116,332**	27,257,182	378,604	(17,212,123)	**130,782,787**	**121,810,881**	119,800,177
Assets held for Disposal												
– Land and Building	2,239,240	–	–	–	**2,239,240**	**–**	–	–	–	**–**	**2,239,240**	2,239,240
Total	2,398,002,596	515,796,635	54,494,324	(93,352,895)	**2,765,952,012**	**444,305,138**	135,286,507	12,937,430	(32,179,781)	**534,474,434**	**2,231,477,578**	1,953,697,458
Capital Work-in- progress	52,302,420	164,337,063	99,757,975	(741,636)	**116,139,872**	**–**	–	–	–	**–**	**116,139,872**	52,302,420
	2,450,305,016	680,133,698	154,252,299	(94,094,531)	**2,882,091,884**	**444,305,138**	135,286,507	12,937,430	(32,179,781)	**534,474,434**	**2,347,617,450**	2,005,999,878
Previous Year	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

1. Capital WIP includes Capital Advance Rs. 4,156,218.00 (Previous year Rs. 17,098,615.20) 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. 7,827,157.07 (Previous year : 6,523,692)
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.
6. The above includes the amount of Land & Building of Rs. 30,508,377 situated at Narshingpur, Tehsil District Gurgaon for which the company has executed an agreement for the construction of commercial project with DLF Retail Developers Ltd. on 30th November,2007. However, as certified by the management, the work has not strarted during the financial year 2007-2008.
7. Depreciaton charged during the year includes Rs. 2,360,604 (P.Y. Rs. 24,867,592) on account of depreciation related to acquistion of subsidiaries during the year.

SCHEDULES FORMING PART OF THE BALANCE SHEET

	AS AT 31ST MARCH 2008	(Amount in Rupees) AS AT 31ST MARCH 2007
SCHEDULE - 6		
INVESTMENTS		
Long-term-at cost		
(Unquoted- Non Trade)		
Held to maturity		
Investment in Government Securities		
Kisan Vikas Patra	**–**	2,500
National Saving Certificate	**4,000**	4,000
(Pledged with Sales Tax Authorities)		
Investment in Equity Shares		
PAF International Ltd.		
4,000 Shares (Previous Year 4,000) of TK100 each	**236,000**	260,000
Current Investment		
Held for Trading		
Investment in Equity Shares		
Quoted(Trade)		
GIVO Ltd	**382,464**	498,000
49,800 Equity Shares (Previous year 49,800) of Rs. 10/- each fully paid up		
Quoted (Non-trade)		
Investment in Equity Shares		
Power Grid Corporation Limited	**1,292,940**	–
13,200 Shares (P.Y.Nil) of Rs. 10/-each fully paid up		
Reliance Industries Limited	**1,381,345**	–
610 Shares (P.Y. Nil) of Rs. 10/- each fully paid up		
Reliance Communication Limited	**1,219,920**	–
2,400 Shares (P.Y. Nil) of Rs. 10/- each fully paid up		
Yes Bank	**877,500**	–
5,200 Shares (P.Y. Nil)of Rs. 10/- each fully paid up		
BHEL	**1,501,282**	–
730 Shares (P.Y. Nil) of Rs.10/- each fully paid up		
Tata Steel Limited	**1,524,930**	–
2,200 Shares(P.Y.Nil)of Rs.10/- each fully paid up		
Bhagheeratha Engineering Ltd	**60,750**	35,000
5,000 Equity Shares (Previous year 5,000) of Rs.10/- each fully paid up		
PNB Gilts Ltd	**507,784**	551,940
18,398 Equity Shares (Previous year 18,398) of Rs.10/- each fully paid up		
Punjab National Bank	**1,524,450**	93,000
3,000 Equity Shares(Previous year 3,000) of Rs.10/- each fully paid up		
UCO Bank	**144,105**	46,800
3,900 Equity shares(Previous year 3,900) of Rs.10/- each fully paid up		
Chennai Petroleum Ltd.	**279,650**	70,000
1,000 Equity Shares(Previous year 1,000) of Rs.10/- each fully paid up		
ICICI Bank Ltd.	**770,100**	525,000
1,000 Equity Shares (Previous year 1000) of Rs.10/- each fully paid up		
Gem Spinners	**42,012**	162, 000
10,800 Equity Shares (Previous year 10,800) of Rs.10/- each fully paid up		
Unquoted (Trade)		
Vau Apparels Pvt. Ltd		
10 Equity Shares (Previous year 10) of Rs.10/- each fully paid up	**100**	100

SCHEDULES FORMING PART OF THE BALANCE SHEET

		(Amount in Rupees)
	AS AT 31ST MARCH 2008	AS AT 31ST MARCH 2007
Unquoted(Non Trade)		
Tata Equity Management Fund	**1,649,750**	500,000
50,000 Units (Previous 50,000) of Rs.10/- each		
Investment in Mutual Funds		
Unquoted (Non-trade)		
Reliance Equity Advantage Fund	**7,366,504**	–
733,496.33 (Previous Year NIL) unit of Rs.10.043 each		
J M Contra fund- Growth Plan	**7,021,467**	–
733,496.33 (Previous Year NIL) units of Rs.9.5726 each		
SBI Mutual Fund	**1,233,000**	1,000,000
1,00,000 Units (Previous 1,00,000 Units I) of Rs.10/- each		
Principal Infrastructure & serv Ind Fund	**1,255,038**	1,000,000
98,899.756 Units (33 (Previous 98899.756) of Rs. 10/- each		
Principal Junior Cap Fund	**752,000**	500,000
50,000 Units (Previous 50,000 Units) of Rs.10/-each		
Principal Large Cap Fund	**1,001,000**	500,000
55,554.957 Units (Previous 48,899.756 units) of Rs. 10/-each		
Reliance Mutual Funds	**132,800**	100,000
10,000 Units (Previous 10,000 Units) of Rs.10/-each		
Held to Maturity		
Birla Fixed Term Plan QS-9	**–**	100,000,000
NIL (Previous Year 10,000,000) units or Rs.10/-each		
Birla Fixed Term Plan QS-7	**–**	200,000,000
NIL (Previous Year 20,000,000) units of Rs. 10 each		
Birla Sunlife Qtly Interval Series 1	**51,140.393**	–
5,114,033.19 (Previous Year Nil) unit of Rs 10.0188 each		
DWS Fixed Term Fund Series -27	**–**	50,000,000
NIL (Previous Year 5,000,000) units of Rs.10/-each		
DSP Fixed Term Series-II	**–**	100,506,371
NIL (Previous Year 100,505,690) units of Rs.1000 each		
HSBC Interval Fund Plan-1 Instl.	**50,354,974**	–
5,035,475.94 (Previous Year NIL) units of Rs.10.0190 each		
HSBC Fixed Term Series-26		
Nil (Previous Year 5,000,000) units of Rs. 10 each	–	50,000,000
ING Fixed Maturity Fund -Series 41	**50,000,000**	–
5,000,000.00 (Previous Year Nil) units of Rs. 10.0465 each		
ICICI Prudential Interval Fund II Qtly	**116,042,095**	–
11,604,209.48 (Previous Year NIL) units of Rs. 10.0109 each		
Kotak Qtly Interval Plan Series 4	**43,466,053**	–
4,346,580.56 (Previous Year NIL) unit of Rs. 10.0148 each		
Reliance Fixed Horizon Fund VI Series-2	**50,000,000**	–
5,000,000.00 (Previous Year NIL) unit of Rs.10.0128 each		
Sundaram BNP Paribas Interval Fund		
Qtly-Plan-A Retail Div.	**42,500,000**	–
4,249,065.21 (Previous Year NIL) unit of Rs.10.0571 each		
Reliance Fixed Horizon Fund Series-III	**–**	300,000,000
NIL (Previous year 30,000,000) units of Rs. each		
Reliance Fixed Horizon Fund Series- V	**–**	100,000,000
NIL (Previous Year 10,000,000) units of Rs. 10 each		
Standard Chartered Fixed Maturity Plan QS-7	**–**	100,578,000
NIL (Previous Year 10,057,800) units of Rs. 10 each		
Standard Chartered Fixed Maturity Plan QS-5	**–**	231,948,100
Nil (Previous Year 23,194,810) units of Rs. 10 each		

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rupees)

	AS AT 31ST MARCH 2008	AS AT 31ST MARCH 2007
UTI Fixed maturity Plan QFMP/0307/I	–	50,228,684
NIL (Previous year 5,022,868.350) units of Rs. 10 each		
UTI Fixed maturity Plan QS QFMP/0207/II	–	100,598,661
Nil (Previous year 10,059,866.100) units of Rs. 10 each		
HDFC Fixed Term 90 Days March 2007	–	50,000,000
NIL (Previous year 5,000,000) units of Rs. 10 each		
LIC Fixed Maturity Plan Series-13	–	100,124,142
NIL (Previous Year 10,012,414.24) units of Rs. 10 each		
Reliance Interval Fund	–	100,000,000
NIL (Previous Year 10,000,000) units of Rs. 10 each		
Templetom Fixed Horizon Fudn Series-II	**100,000,000**	–
10,000,000 (Previous Year NIL) units of Rs. 10,8840 each		
Citicorp Finance (India) Ltd.	**25,000,000**	–
25 (Previous year NIL) units of Rs. 1000000.00 each		
Capital protected Debt structure Product-AAAce Scheme	**25,000,000**	–
Available for Sale Securities		
Investment in Mutual Funds		
Unquoted- Non Trade		
Birla Sunlife Income Fund-Qtly Div.	**48,621,888**	–
4,573,939.14 (Previous year NIL) units of Rs. 10.6302 each		
DSPML Cash Plus Fund-Instl DD	**39,424,196**	–
39,420.25 (Previous year NIL) units of Rs. 1000.10 each		
DSPML World Gold Fund	**5,172,073**	–
365,256.78 (Previous year NIL) units of Rs.14.1601 each		
Franklin India Income Fund	**48,184,473**	–
4,595,299.59 (Previous year NIL) units of Rs. 10.4856 each		
HDFC Cash Management Saving Plan	**20,123,335**	–
1,891,931.04 (Previous year NIL) units of Rs.10.6364		
JM Money Manager Fund Super Plus Plan- Growth	**52,096,516**	–
4,598,631.45 (Previous year NIL) units of Rs.11.3287 each		
Kotak Bond Regular Plan	**48,933,073**	–
4,649,620.65 (Previous year NIL) unit of Rs.10.5241 each		
Reliance liquid Plus Fund-Instl Plan-Daily Div	**100,298,793**	–
100,184.94 (Previous year NIL) unit of Rs. 1001.1364 each		
Prudential ICICI Liquid Plan	–	30,060,175
Nil (Previous year 3,006,017.523) units of Rs.10 each		
Investments in Unit Trusts	**72,628,310**	11,133,020
	1,021,147,063	1,681,025,493

Note No. 1:

Aggregate amount of quoted investment is Rs 11,509,232 (P.Y. Rs. 1,981,740)

Aggregate market value of quoted investment is Rs. 11,509,232 (P.Y. Rs. 3,477,782)

Note No 2:

Aggregate amount of Unquoted investment is Rs. 1,009,637,831 (P.Y. Rs. 1,679,043,753)

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rupees)

		AS AT 31ST MARCH 2008		AS AT 31ST MARCH 2007
SCHEDULE - 7				
INVENTORIES				
(As taken,Valued and certified by the management)				
Stores and Spares		**3,753,414**		1,434,048
Finished Goods				
– Manufacturing		**341,788,811**		329,291,278
– Traded		**302,344,392**		265,020,169
Work in Progress		**122,576,846**		91,514,406
Raw Material		**332,683,970**		351,746,964
Goods in Transit (Raw Material)		**–**		2,920,054
Goods in Transit (Accessories)		**1,638,105**		–
		1,104,785,538		1,041,926,919
SCHEDULE - 8				
SUNDRY DEBTORS				
(Unsecured - Considered Good unless otherwise stated)				
Over Six Months		**31,812,258**		26,756
Others		**2,027,881,787**		1,287,493,201
Unsecured - Considered Doubtful				
Over Six Months	**2,696,889**			
Less: Provision for Doubtful Debts	**2,696,889**	**–**		–
		2,059,694,045		1,287,519,957
SCHEDULE - 9				
CASH AND BANK BALANCES				
Cash in hand		**8,314,981**		148,231,556
Cheques/Demand Drafts in hand		**3,943,878**		1,306,557
Balance with Banks				
I) In Current Accounts	**179,856,149**		41,285,467	
ii) In Fixed Deposits (Pledged)	**337,850,482**		196,993,185	
iii) In Margin Account	**41,494,215**		52,578,588	
iv) Exchange retention Quota with United Comm Bank	**145,896**		59,844	
v) Fixed Deposit (Unutilised money of IPO Proceeds)	**300,000,000**	**859,346,742**	300,000,000	590,917,084
		871,605,601		740,455,197
SCHEDULE - 10				
LOANS & ADVANCES				
(Unsecured - Considered Good)				
Loans		**89,827,516**		42,652,172
Advances Recoverable in cash or in kind or for value to be received		**830,665,152**		681,818,011
Security Deposit		**26,925,089**		33,374,123
Export Incentive Receivables		**47,184,656**		28,264,857
		994,602,413		786,109,163

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rupees)

	AS AT 31ST MARCH 2008	AS AT 31ST MARCH 2007
SCHEDULE - 11		
CURRENT LIABILITIES		
Sundry Creditors		
– Due to SSI	–	4,415,612
– Due to Others	880,156,330	642,382,351
Other Liabilities	467,618,460	515,682,658
Unpaid Dividend *	1,098,402	1,045,455
	1,348,873,192	1,163,526,076

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

	AS AT 31ST MARCH 2008	AS AT 31ST MARCH 2007
SCHEDULE - 12		
PROVISION		
Leave Encashment	6,062,668	3,799,568
Gratuity	8,988,321	12,398,884
Other Employee Benefit	1,587,900	1,183,219
Proposed Dividend	29,250,515	6,490,784
Tax on Dividend	4,971,125	2,792,272
Provision for Forward Contracts (Refer Note No. 15 Schedule 17)	128,026,792	–
Provision for Taxation (Net of Adavnce tax)	99,816,478	103,422,304
	278,703,799	130,087,031

SCHEDULE - 13

	CURRENT YEAR	PREVIOUS YEAR
OTHER INCOME		
Rental Income	10,698,379	3,849,452
Interest on Loans & others	5,820,355	6,578,497
Interest on Fixed Deposit with Bank	45,553,967	2,713,705
Other Operating Income	103,561,350	173,232,543
Dividend From Non Trade Investments	84,337,920	15,407,669
Profit on sale of Non-Trade/Current/Short Term Investments	322,850	–
Income from Investment	1,086,712	–
Income from Reinvestment of Investment at fair value (Refer Note No. 18 Schedule 17)	4,079,813	–
Profit on sale of assets	–	15,885,464
Sundry Balances Written Back	2,616,149	273,965
Excess Provision written back (LIC Group Gratuity)	–	4,588,014
Foreign Exchange Fluctuation	63,254,549	10,435,589
Miscellaneous Income	49,376,888	51,378,264
	370,708,932	284,343,162

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

(Amount in Rs.)

SCHEDULE - 14

		CURRENT YEAR		PREVIOUS YEAR
MANUFACTURING, ADMINSTRATIVE, SELLING & OTHER EXPENSES				
Raw Material Consumed				
Opening Stock	**352,550,231**		238,058,881	
Effect of Exchange Difference on Reinstatement of Opening Stock	**(5,517,049)**		7,477,465	
Purchases	**1,699,641,741**		1,312,955,797	
Less:				
Cost of Goods Sold	**88,101,955**		47,973,914	
Sale of Fabric	**–**		3,850,491	
Closing Stock	**331,675,549**	**1,626,897,419**	352,550,231	1,154,117,507
(Increase) / Decrease in Stock				
Work in Progress				
Opening Stock	**94,593,843**		19,506,911	
Effect of Exchange Difference on Reinstatement of Opening Stock	**(30,901,530)**		9,159,756	
Closing Stock	**(84,382,662)**	**(20,690,349)**	(94,593,843)	(65,927,176)
Finished Goods				
Opening Stock	**605,919,954**		226,216,301	
Effect of Exchange Difference on Reinstatement of Opening Stock	**(27,069,894)**		31,227,596	
Closing Stock	**(615,029,902)**	**(36,179,842)**	(605,919,954)	(348,476,057)
Manufacturing Expenses		**709,931,162**		535,681,339
Stores and Spares Consumed		**37,382,737**		39,398,070
Power & Fuel		**87,525,959**		73,096,042
Salaries, Wages & Bonus		**1,159,102,214**		1,005,110,425
Contribution to Provident Fund & Other Funds		**67,446,534**		20,395,494
Staff Welfare Expenses		**28,381,465**		28,520,050
Legal & Professional Charges		**55,527,841**		52,162,868
Travelling & Conveyance		**115,213,303**		109,329,605
Rent		**54,287,804**		105,130,659
Rates & Taxes		**19,939,808**		15,419,386
Repair & Maintenance				
– Building	**1,626,391**		3,073,056	
– Plant & Machinery	**1,996,785**		2,243,045	
– Others	**27,669,469**	**31,292,645**	18,531,157	23,847,258
Printing & Stationary		**51,476,995**		13,642,563
Auditor's Remuneration		**11,064,589**		13,699,043
Communication Expenses		**37,481,532**		56,358,488
Freight Outward		**61,981,015**		112,373,065
Insurance		**21,862,089**		21,749,127
Packing, Clearing & Forwarding Charges etc.		**62,468,780**		273,728,936
Loss on sale of shares		**–**		2,875,000
Commission Expenses		**26,400,402**		22,613,825
Loss on Sale of Fixed Assets		**1,592,179**		3,462,837
Loss on Reinstatement of Non Trade Investment		**992,115**		–
Return, Rework & Claims		**22,397,195**		628,210
Bank Charges		**72,121,644**		58,717,268
Miscellaneous Expenditure written off		**–**		17,633,574
Factoring Charges		**20,216,577**		17,808,228
Selling & Marketing Exp.		**180,257,412**		84,958,653
Provision for Doubtful Debt		**2,696,889**		–
Bad Debts written off		**142,750**		145,230
Miscellaneous Expenses		**75,547,124**		91,350,556
		4,584,757,987		3,539,550,073

SCHEDULE - 15

	CURRENT YEAR	PREVIOUS YEAR
FINANCE COST		
Interest :		
– Fixed Loans	**77,100,483**	90,787,122
– Leasing Charges	**1,624,504**	3,851,363
– Others (Net)	**53,493,096**	45,031,177
	132,218,083	139,669,662

SCHEDULE FORMING PART OF BALANCE SHEET AND PROFIT & LOSS ACCOUNT

SCHEDULE -16

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 except for investment available for sale and held for trading which is measured at fair value in accordance with the accounting policies of the parent company unless otherwise stated and comply with the requirement of the Accounting Standard 'AS- 21' on "Consolidated Financial Statement" issued by the Institute of Chartered Accountants of India and the relevant provision of the Companies Act, 1956 for the parent and Indian subsidiaries.

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

2. Use of Estimates

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

3. Principles of Consolidation

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

- The financial statements of the company and its subsidiary companies have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.
- As far as possible, the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements. Inconsistency, if any, between the accounting policies of the subsidiary, have been disclosed in the notes to accounts.
- The difference of the cost to the company of its investment in subsidiaries over its share in the equity of the investee company as at the date of acquisition of stake is recognized in financial statements as Goodwill or Capital Reserve, as the case may be.
- Minority interest in the Equity & Results of the entities that are controlled by the company is shown as a separate item in the Consolidated Financial Statement.
- The Financial statements of the entities used for the purpose of consolidation as drawn up to the same reporting period as the company i.e. Financial year ended March 31, 2008 and March 31, 2007.
- 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 currency translation reserve' in the balance sheet under the head 'Reserve & Surplus'.

b) Foreign Currency Transactions

In case of parent company & its Indian subsidiaries sales made in foreign currencies are translated on average monthly exchange rate.

- In case of foreign subsidiaries the sales made in foreign currency are translated at the rate ruling at the date of transaction.

  Gain/Loss arising out of fluctuation in the exchange rate on settlement of the transaction is recognized in the profit and loss account.
- Other transactions in foreign currency are recognized on initial recognition at the exchange rate prevailing at the time of transaction.
- Foreign Currency monetary items are reported using the closing rate as on balance sheet date. The resultant exchange gain/loss are dealt with in profit & loss account.

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 realizable value on FIFO basis. Cost includes an appropriate share of overheads.

6. Cash Flow Statement

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

7. Revenue Recognition

a) Revenue is recognized when significant risk and rewards of ownership transferred to the buyer in accordance with the Applicable Accounting standards.

b) Export Sales is recognized on the basis of date of Airway Bill/Bill of Lading/Forwarder Cargo receipt. In case of Multinational Textile Group Ltd and its subsidiaries sales are recognized when invoices are made and delivered to customers at the time of 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 recognized when the right to received is established. In case of Nor Pearl Knitwear Limited (Foreign Subsidiary) dividend is accounted for when it is received.

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

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

8. Fixed Assets

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

9. Depreciation

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

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

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

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

In 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 statutes governing the subsidiaries. However the same has been aligned and depreciation has been recalculated as per SLM for the purpose of preparations of CFS.

10. Investments

In case of Indian companies

Due to Adoption of Acounting Standard - "30", the company has reclassified its investment as:

Held for trading: are those investments that are bought and held principally for the purpose of selling them in near term and such investments are valued at fair value and gain/loss is recognised in the income statement.

Held to Maturity : are those investments only if the company has the positive intent and ability to hold these securities to maturity, such securities are recorded at historical cost.

Available-for-sale financial assets : being non-derivative financial assets in listed and unlisted equity & debt instruments that are designated as available for sale and are intially recognized at their fair value. Subsequent to intital recognition, these assets are measured at fair value, with gains or loss recognised as a separate component of equity as "Investment Revalution Reserve" until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Fair value

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

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

In case of Multinational Textile Group Limited and its subsidiaries

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

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

11. Financial instruments and hedging

The Company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is 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 recognized asset or liability or an unrecognized firm commitment (except for foreign risk); or cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment.

Cash flow hedges

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

12. Retirements Benefits

In case Indian companies:

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

(i) Post Employment Benefit Plans

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

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

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

(ii) Short Term Employee Benefits

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

In case of Foreign Companies:

In case of Multinational Textile Group Limited

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

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

In case of one of the subsidiary of 'Multinational Textile Group Limited', Norwest Industries Limited,

(a) Employment Ordinance long service payment

Certain of the companies employees have completed the required number of years of service to the company in order to be eligible long service payments under the Hongkong 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.

(b) Retirement Benefits Cost

The company operates a Mandatory Provident Fund Scheme (the MPF Scheme) under the MPF Scheme Ordinance, for its employees in Hongkong. The assets of the MPF Scheme are held separately from those of the Subsidiary in an independently administered fund. Contributions are made based on percentage of the employees basic salary and are charged to the income statement as and when the contribution fall due.

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 recognized provident fund for its permanent employees in which both employer and employee contribute @ 8.33% of basic salary.

13. Borrowing Cost

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

14. Leases

In case of Indian companies:

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

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

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

In case of Foreign companies:

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

Assests 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.

15. Taxes On Income

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

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

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

In case of Foreign Subsidiaries:

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

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

Nor-Pearl Knitwear Limited

Taxation

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

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

Deferred Tax

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

Norp Knit Industries Limited

Taxation

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

Deferred Tax

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

16. Impairment of Assets

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

17. Provision, Contingent Liabilities and Contingent Assets

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

SCHEDULE - 17

NOTES TO ACCOUNTS

1. Contingent Liabilities

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

– Counter Guarantee given by the company against bank guarantee given by the bank on its behalf for Rs. 2,400,000 (Previous year : 2,400,000).

– Corporate Guarantee given by the company to UCO Bank, Hongkong for securing loan facility given by UCO Bank to Subsidiary M/s Norwest Industries Ltd, Hong Kong for HK$ 120 Million & GBP 14 Million Rs. 1,730,000,000 (Rs. 615,600,000 + Rs. 1,114,400,000) (Previous Year : Nil)

– Corporate Guarantee given by the company to HSBC Limited for securing credit facilities to M/s PT Norwest Industry, Indonesia for USD 2,500,000 Rs. 99,750,000 (Previous Year : Nil).

– Corporate Guarantee given by the company to HSBC Limited for securing credit facilities to M/s Nor Pearl Knitwear Limited, Bangladesh for USD 4,525,000 Rs. 180,547,500 (Previous Year : Nil).

– Corporate Guarantee given by the company to THE CIT GROUP /COMMERCIAL SERVICES INC. New York, for working capital and letter of credit /guarantee facilities. The Balance outstanding as on the balance sheet date is Rs. 7,884,479.

– Corporate Guarantee given by the company to ICICI Bank Limited for Rs. 100,000,000 for borrowing in the form of derivatives limit of Rs. 100 million as financial assistance by subsidiary M/s Pearl Global Limited. (Previous Year : Nil).

– Corporate Guarantee given by the company to UCO Bank for Rs. 50,000,000 for Term Loan and Working Capital Credit facilities for Subsidiary Pearl Global Limited (Previous Year : Nil).

– Corporate Guarantee given by the company to Standard Chartered Bank for Rs. 150,000,000/- for Non-fund of Rs. 100,000,000 and Fund based limit of Rs. 50,000,000 by subsidiary Pearl Global Limited (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 (Previous Year Rs. 3,413,854).

(b) Export Bills Discounted with banks Rs. 266,369,360 (Previous Year Rs. 150,806,247).

(c) Counter Guarantees given by the company to the Sales Tax Department for its associates company Rs. 100,000 (Previous Year Rs. 100,000), for others Rs. 50,000 (Previous Year Rs. 50,000).

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

In case of Norp Knit Industries Limited (Foreign Subsidiary)

The contingent liability of Norp Knit Industries Limited is Rs. 54,191,500 (Previous year Rs. 35,984,000) in respect of letters of credit outstanding.

In case of Nor Pearl Knitwear Limited (Foreign Subsidiary)

The contingent liability of Nor Pearl Knitwear Limited is Rs. 4,35,95,100 (Previous year Rs. 51,155,000) in respect of letters of credit outstanding and Rs 31,86,000 (Previous year 3,510,000) in respect of bank guarantee.

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

At 31 March 2008, the sub-subsidiaries have the following Contingent Liabilities:

Poeticgem Limited

(a) The Sub-Subsidiary's banker, Royal Bank of Scotland plc have given a guarantee to H M Customs and Excise amounting to Rs. 43,782,469 (Previous Year 42,625,500) on behalf of the Sub-subsidiary. The maximum liability of Poeticgem Limited to the bankers is 87,564,939 (Previous Year : Nil).

(b) The Sub Subsidiary's bank has issued a letter of credit for Rs. 645,178,172 (Previous Year Rs. 72,04,21,033).

(c) The sub-subsidiary has extended an unlimited guarantee on the banking facilities of its subsidiary company Pacific Logistics Limited. This guarantee is supported by a debenture dated 17th August 2005. The Sub-subsidiary's maximum contingent liability under the guarantee as at 31st March 2008 is Rs. 11,164,698.

Norwest Industries Limited

Guarantee given to banks in connection with - facilities granted to third parties Rs. 72,185,165 (Previous Year Rs. 372,068,813).

Depa International Inc.

At 31 March 2008, Depa International Inc. had outstanding letters of credit amounting to a total of Rs. 67,411,808 (Previous Year 152,466,540).

2. Capital Commitments

In case of Indian companies

Estimated amount of contracts remaining to be executed on capital account (Net of advances) Rs.48,587,810 (Previous Year:Rs.32,559,228)

3. Secured Loans

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

a) Vehicle loans are secured against hypothecation of respective vehicles

In case of Pearl Global Limited (Indian Subsidiary)

a) Rupee term loan from UCO Bank is secured by

- Exclusive first charge on the movable/immovable assets (including exclusive charge on the superstructure being built on the land at D-6/III, Phase II at MEPZ, SEZ Chennai to be created within 30 days of the first disbursement) purchased from the proceeds of the term loan.
- 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.

b) Rupees Term Loan and Working Capital From the Hongkong & Shanghai Banking Corporation is secured by:

- First charge over stocks and receivables pari passu with consortium banks.
- First pari passu charge over the company's movable fixed assets (present and future)
- Exclusive first charge over the Fixed Assets of the Chennai unit financed from the proceeds of the term loan.
- Pari-Passu charge with UCO Bank by way of mortgage of the Property situated at 446, Udyog Vihar Phase-V, Gurgaon.
- First charge on pari passu basis with Consostium bank for INR 2450 lacs way of equitable mortgage by deposits of Title Deeds of curtain specified immovable properties.

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

- Exclusive charge by way of equitable mortgage of land and building situated at 16/17, Udyog Vihar, Phase VI, Khandsa, Gurgaon, Haryana.
- 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.
- Personal Guarantee of the Chairman.

d) Rupee term loan from Yes Bank Ltd. is secured by exclusives charge on the land situted at 751 Sector-37 II, Pace City Gurgaon together with building and structures standing thereon as also together with all movable and immovable plant & machinery installed therein.

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

f) 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)

Poeticgem Limited

a) 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.

b) The company also has advances from factors that are secured by a charge on the trade receivables of the company.

c) Bank overdrafts are repayable on demand. The average effective interest rate on bank overdrafts approximates 7% per annum (Previous Year 6.58%) and is determined, based on 1.45% plus base rate.

d) In the case Pacific Logistics Limited, subsidiary of Poeticgem Limited, Bank Overdrafts is repayable on demand. Overdrafts of Rs. 11,164,698 (Previous Year : 40,861,749) 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.

PT Norwest Industry

a) 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. 99,750,000 (Previous Year 52,128,000) and subject to review at any time and in any event. These facilities are charged by interest of 3.25% below the banks' prime lending rate which is subject to fluctuation. The rate during the period was ranging from 6.95% to 10.8% and from 7% to 10.8% in year 2008 & 2007. The loan is secured by the following:

- Standby Letter of Credit from Barclays Bank Switzerland for Nil (Previous Year: Rs.10,860,000).
- Fiduciary transfer over Machinery and Equipment for Rs. 51,870,000 (Previous Year : Rs.30,408,000).
- Fiduciary transfer over Stocks for Rs. 43,890,000 (Previous Year : Rs. 21,720,000).
- Fiduciary transfer over Accounts Receivable for Rs. 43,890,000 (Previous Year : Rs. 21,720,000) and
- Corporate Guarantee from house of Pearl Fashions Ltd. Indian Law for Rs.99,750,000 (Previous year Nil).

Norwest Industries Limited

a) The 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. 39,900,000, 9,975,000 and 31,920,000 respectively.
- Guarantee from the holding company, a related party company, a third party, a director of the sub-subsidiary and a related party.

b) Mortgage loan of sub-subsidiary Norwest Industries Limited bears interest at 1.5% over 1 month HIBOR and is repayable by 113 monthly equal installments of Rs. 463,855 plus a final repayment of Rs. 461,803 commencing from 10th August 2006.

c) The sub-subsidiary, Norwest Industries limited has also mortgage loan which is secured, bears interest at 2.5% below the Hongkong and Shanghai Banking Corporation limited best lending rate and is repayable by 113 equal installments of Rs. 487,350 commencing on 31st August 2007.

d) The sub-subsidiary's land and building with a net book value of Rs. 184,054,790 (Previous year: Rs. 89,136,751) was pledged to secure general banking facilities, including mortgage loans granted to the company.

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

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

In case of Nor Pearl Knitwear Limited (Foreign subsidiary)

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

ii) Demand Promissory Note for Rs. Nil (Previous Year 217,200,000) with Letter of Continuity Revival.

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

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

v) Loan Subordination Agreement from Norwest Industries Ltd for Rs. Nil (Previous Year 91,224,000).

vi) First Charge after BEPZA over Stocks of Raw Materials, Work in Progress and Finished Goods for Rs. 192,930,000 (Previous Year 222,360,000) with registrar of Joint Stock Companies (RJSC).

vii) First Charge after BEPZA over Book Debts and Receivables for Rs. 19,29,30,000 (Previous Year 222,360,000) with RJSC.

viii) First Charge after BEPZA over Plant & Machinery for Rs. 192,930,000 (Previous Year 222,360,000) with RJSC.

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

x) Personal guarantee executed by the directors of House of Pearl Fashions Ltd. For Rs.181,904,100 supported by personal net worth statements for the credit facility.

xi) Corporate guarantee executed by House of Pearl Fashions Ltd. for Rs. 181,904,100.

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

Name of the Enterprises	Country of Incorporation	% of voting power held as at 31.03.2008	% of voting power held as at 31.03.2007
M/s Pearl Global Ltd	India	60.49%	60.49%
M/s Hopp Fashion	India	75.00%	75.00%
M/s Nor Pearl Knitwear Ltd	Bangladesh	99.89%	99.89%
M/s Norp Knit Industries Ltd	Bangladesh	99.99%	99.99%
M/s Multinational Textiles Group Ltd *	Mauritius	100.00%	100.00%
M/s House of Pearl Fashions (US) Ltd.	USA	100.00%	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 31.03.2008	% of voting power held as at 31.03.2007
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%	85%
Zamira Fashions Ltd.	20.09.2007	Multinational Textiles Group Ltd	Hongkong	67%	–

****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 31.03.2008	% of voting power held as at 31.03.2007
Poeticgem Limited***	30.3.2006	Global Textiles Group Ltd	United Kingdom	100%	100%
Depa International Inc.	30.3.2006	Global Textiles Group Ltd	United state of America	75%	75%
P.T. Norwest Industry	30.3.2006 15.5.2006 31.1.2008	Global Textiles Group Ltd	Indonesia	74% 25.92% 0.07%	74% 25.92%

***** Poeticgem Limited holds the following subsidiaries:**

Name of the Company	Date of Acquisition	Holding company	Country of Incorporation	% of voting power held as at 31.03.2008	% of voting power held as at 31.03.2007
Pacific Logistics Limited	27.10.2003	Poeticgem Limited	United Kingdom	100%	100%
Poeticgem (Canada) Limited	31.8.2006	Poeticgem Limited	Canada	100%	100%
FX Imports Company Ltd.	26.03.2008	Poeticgem Limited	United Kingdom	50%	–
Pacific Supply Chain Ltd.	16.04.2007	Poeticgem Limited	United Kingdom	100%	–

5. Alignment of Accounting Policy for consolidation.

a. In case of partnership firm Hopp fashions, the WDV method of depreciation (prescribed under Income Tax Act, 1961) was used, this is inconsistent with the SLM method of depreciation used in case of the parent and other subsidiaries.

However as it is impractical & the amount is immaterial, no adjustment for the same has been made in the consolidated financial statements.

The Net Block on WDV rates has been applied is as follows: (Amount in Rupees)

S.No.	Particulars	31.3.2008	31.3.2007
1.	Net Block	**2,309,301**	2,790,278
2.	Depreciation on the basis of WDV debited to P&L A/c	**353,977**	438,097

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. 36,32,269 (Previous Year : Rs. 990,785).

c. Multinational Textiles Ltd has written back negative goodwill of Rs. Nil (Previous Year Rs. 5,420,543) 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 recognized at monthly average exchange rate. The sales from foreign subsidiaries represents 72.53% (Previous Year : 79.53%) i.e. Rs 7,754,885,996/- (Previous Year : Rs. 7,280,470,427) of total sales of Rs.10,691,755,484/- (Previous Year : 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	341,788,811 (594,311,447)	58,814,513 (40,165,783)	17.21 (6.76)
WIP	122,576,846 (91,514,406)	89,184,622 (69,091,703)	72.76 (75.50)
Raw Material	332,683,970 (351,746,964)	24,861,087 (44,826,025)	7.47 (12.74)

Note: The Figures in brackets denote previous year figures.

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

(Amount in Rupees)

Company	31.3.2008	31.3.2007
Pearl Global Limited	**(308,575,005)**	(308,575,005)
Nor Pearl Knitwear Limited	**67,351,040**	51,423,457
Norp Knit Industries Limited	**36,302,706**	33,340,140
M/s House of Pearl Fashions (US) Limited	**2,805,850**	1,006,750
M/s Multinational Textile Limited *	**57,638,032**	11,555,693

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

(Amount Rupees)

	31.3.2008	31.3.2007
Global Textiles Group Ltd.	**103,718,830**	112,920,952
Norwest Industries Ltd	**(4,779,659)**	(5,203,723)
Poeticgem Ltd.	**(44,318,963)**	(48,250,967)
Depa International Inc.	**(63,434,366)**	(69,062,373)
PT Norwest Industries Ltd.	**9,484,522**	10,326,022
Pacific Logistic Ltd.	**(8,368,451)**	(9,110,915)
Poeticgem (Canada) Ltd.	**1,029,216**	1,120,530
FX Imports UK	**44,683,740**	–
Pacific Supply Chain Ltd.	**23,857**	–

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

	2007-2008	2006-2007
Audit Fee	**10,516,746**	13,110,293
Other Matters *	**400,550**	2,671,259
Service Tax	**203,389**	422,181

* Included in professional charges and out of pocket expenses.

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

	2007-2008	2006-2007
Salary	**29,231,234**	33,603,343
Contribution to PF	**18,720**	18,720
Perquisites	**407,700**	524,688
Total	**29,657,654**	34,146,751

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

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

(Amount in Rupees)

		2007-2008	2006-07
I	**Income**		
	Export Sales	**–**	(213,718)
	Ground Rent	**–**	(10,230)
	Interest on Loan	**–**	(5,063,800)
	Discount	**(329,440)**	
	Electricity Expenses Recovered	**(23,681)**	
	Total (A)	**(353,121)**	(5,287,748)
II	**Expenditure**		
	Sales Promotion	**55,032**	
	Subscription	**89,505**	–
	Aceessories Purchase	**196,306**	–
	Factory Maintenance	**24,000**	–
	Domestic Travelling	**46,245**	–

(Amount in Rupees)

	2007-2008	2006-07
Chemical Purchase	**12,119**	–
Embroidery	**588,400**	–
Professional Charges	**41,959**	–
Interest on FBT	**19,355**	–
Purchases	**118,706**	
Service Tax	**1,316,665**	3,473,353
Telephone Expenses	**–**	540
Power & Fuel	**–**	158,580
Vehicle Fuel	**–**	12,577
Vehicle Maintenance	**–**	7,338
Medical Expenses	**–**	4,367
Amortisation of Leasehold Land	**–**	262,722
Total (B)	**2,508,292**	3,919,377
Prior Period Item (Net)	**2,155,171**	(1,368,370)

10. Segment Reporting

For the year ended March 31, 2008, the company has identified geographical segments as its primary segment and business segment as its secondary segment.

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

The business segment considered by the Company are:

- Manufacturing
- Marketing, Distribution, Sourcing and Trading.

A. Geographical Segment **(Amount in Rupees)**

		USA	**UK**	**HK**	**Bangladesh**	**India**	**Others**	**Total**	**Elimination**	**Total**
	SEGMENT REVENUE									
(a)	External Sales	932,729,052 (1,174,903,184)	2,568,861,391 (2,573,560,144)	3,803,127,192 (2,738,593,654)	117,409,977 (407,367,568)	2,936,869,488 (1,873,533,583)	332,758,383 (386,045,878)	10,691,755,483 (9,154,004,010)	– (–)	10,691,755,483 (9,154,004,010)
(b)	Inter-segment Sales	9,456,224 (1,761,843)	27,379,190 (50,356,710)	26,546,736 (29632,793)	646,963,009 (342,743,398)	204,665,033 (40,787,518)	209,246,871 (83,099,860)	1,124,257,063 (548,382,122)	1,124,257,063 (548,382,122)	– (–)
(c)	Total Segment Sales	942,185,276 (1,176,665,027)	2,596,240,582 (2,623,916,854)	3,829,673,928 (2,768,226,447)	764,372,986 (750,110,966)	3,141,534,521 (1,914,321,101)	542,005,254 (469,145,738)	11,816,012,546 (9,702,386,132)	1,124,257,063 (548,382,122)	10,691,755,483 (9,154,004,010)
	Other Income	26,639,909 (42,033,088)	482,856,351 (274,457,404)	135,709,049 (136,739,482)	10,082,950 (2,648,370)	344,597,253 (221,298,310)	2,036,861 (19,182,063)	1,001,922,373 (696,358,717)	528,531,910 (325,576,420)	473,390,463 (370,782,297)
	Total Segment Revenue	968,825,185 **(1,218,698,114)**	3,079,096,933 **(2,898,374,259)**	3,965,382,976 **(2,904,965,928)**	774,455,936 **(752,759,336)**	3,486,131,774 **(2,135,619,411)**	544,042,115 **(488,327,801)**	12,817,934,919 **(10,398,744,849)**	1,652,788,973 **(873,958,542)**	11,165,145,946 **(9,524,786,307)**
	Total Revenue of each segment as a percentage of total revenue of all segment	7.56 (11.72)	24.02 (27.87)	30.94 (27.94)	6.04 (7.24)	27.20 (20.54)	4.24 (4.70)	100 (100)	– (–)	– (–)
	Total Segment operative profit (EBIDTA)	23,298,257 **(65,858,027)**	266,848,012 **(299,321,553)**	375,841,679 **(265,932,926)**	102,528,254 **(91,331,899)**	206,179,424 **(217,492,695)**	47,909,161 **(55,830,097)**	1,022,604,788 **(995,767,197)**	– **(1,938,494)**	1022,604,788 **(993,828,703)**
	Depreciation	3,851,644 (4,005,530)	26,865,573 (21,559,815)	16,688,279 (10,291,705)	30,001,364 (25,559,693)	47,927,842 (45,645,170)	7,591,200 (10,600,808)	132,925,903 (117,662,721)	– (–)	132,925,903 (117,662,721)
	Unallocated Expenses	–	–	–	–	–	–	–	–	11,855,209
	Total segment result before interest & Taxes	19,446,613 (61,852,497)	239,982,439 (27,7761,738)	359,153,400 (255,641,221)	72,526,890 (65,772,206)	158,251,582 (171,847,525)	40,317,961 (45,229,289)	889,678,885 (878,104,476)	– (1,938,494)	877,823,676 (876,165,982)
	Total EBIT of each segment as a percentage of toal EBIT of all segment	2.19 (7.04)	26.97 (31.63)	40.37 (29.11)	8.15 (7.49)	17.79 (19.57)	4.53 (5.15)	100 (100)	– –	– –
	Net Financing Cost									126,397,728 (139,669,662)
	Income Tax Expenses									121,467,069 (210,005,701)
	Exceptional Item Loss									128,026,792 (–)
	Profit for the Year									501,932,087 (526,490,619)

(Amount in Rupees)

		USA	UK	HK	Bangladesh	India	Others	Total	Elimination	Total
	SEGMENT ASSETS	305,371,338 (266,710,479)	1,518,054,153 (1,225,721,328)	1,687,717,931 (1,083,294,383)	564,733,761 (591,833,465)	3,759,555,494 (2,494,085,057)	282,364,679 (129,652,718)	8,117,797,355 (5,791,297,430)		
	Segment Assets as a percentage of total assets of all segments	3.76 (4.61)	18.70 (21.16)	20.79 (18.71)	6.96 (10.22)	46.31 (43.07)	3.48 (2.24)	100.00 (100.00)		
	SEGMENT LIABILITIES	97,468,558 (62,702,295)	1,146,681,232 (434,767,242)	949,216,372 (328,047,890)	277,605,036 (193,775,660)	1,857,648,505 (339,065,880)	67,238,921 (40,634,819)	4,395,858,624 (1,398,993,785)		
	Segment liabilities as a percentage of total liabilities of all segments	2.22 (4.48)	26.09 (31.08)	21.59 (23.45)	6.32 (13.85)	42.26 (24.24)	1.53 (2.90)	100.00 (100.00)		
	Segment Capital Employed	207,902,780 (204,008,184)	371,372,921 (790,954,086)	738,501,559 (755,246,493)	287,128,725 (398,057,805)	1,901,906,989 (2,155,019,177)	215,125,758 (89,017,900)	3,721,938,731 (4,392,303,645)		
	Segment Capital Employed as percentage of total capital employed of all segments	5.59 (4.64)	9.98 (18.01)	19.84 (17.19)	7.71 (9.06)	51.10 (49.06)	5.78 (2.03)	100.00 (100.00)		
	Capital Expenditure	154,955 –	37,660,675 (261,995,545)	167,237,827 (117,992,076)	33,052,861 (38,531,256)	339,874,771 (536,094,159)	2,688,632 (38,342,316)	580,669,722 (992,955,352)		
	Segment Capital Expenditure as a precentage of total capital expenditure of all	0.03 (–)	6.49 (26.39)	28.80 (11.88)	5.69 (3.88)	58.53 (53.99)	0.46 (3.86)	100.00 (100.00)		
	Depreciation	3,851,644 (4,005,530)	26,865,573 (21,559,815)	16,688,279 (10,291,705)	30,001,364 (25,559,693)	47,927,842 (45,645,170)	7,591,200 (10,600,808)	132,925,903 (117,662,721)		

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

B.	Bussiness Segment	Manufacturing	Marketing Distribution, Sourcing & Trading	Others	Total Segment	Elimination	Total
	SEGMENT REVENUE						
(a)	External Sales	3,387,037,848 (2,666,947,028)	7,304,717,635 (6,487,056,982)	– (–)	10,691,755,483 (9,154,004,010)	– (–)	10,691,755,483 (9,154,004,010)
(b)	Inter-segment Sales	1,060,874,913 (466,630,776)	63,382,151 (81,751,346)	– (–)	1,124,257,063 (548,382,122)	1,124,257,063 (548,382,122)	– (–)
(c)	Total Segment Sales	4,447,912,761 (3,133,577,805)	7,368,099,785 (6,568,808,328)	– (–)	11,816,012,546 (9,702,386,132)	1,124,257,063 (548,382,122)	10,691,755,483 (9,154,004,010)
	Other Income	356,717,064 (232,710,248)	645,205,309 (463,407,061)	– (241,409)	1,001,922,373 (696,358,717)	528,531,910 (325,576,420)	473,390,463 (370,782,297)
	Total Segment Revenue	4,804,629,825 (3,366,288,052)	8,013,305,094 (7,032,215,388)	– (241,409)	12,817,934,919 (10,398,744,849)	1,652,788,973 (873,958,542)	11,165,145,946 (9,524,786,307)
	Total Revenue of each segment as as percentage of total revenue	37.48 (32.37)	62.52 (67.63)	– (–)	100.00 (100.00)	– (–)	– (–)
	Segment Results (EBIDTA)	359,361,596 (360,879,067)	663,243,192 (636,924,289)	– (-2,036,160)	1,022,604,788 (995,767,197)	– (1,938,494)	1,022,604,788 (993,828,703)
	Total EBIDTA of each segment as a of total EBIDTA	35.14 (36.24)	64.86 (63.96)	– (-0.20)	100.00 (100.00)	– (–)	– (–)
	Depreciation	85,520,406 (81,730,466)	47,405,496 (35,932,256)	– (–)	132,925,903 (117,662,721)	– (–)	132,925,903 (117,662,721)
	Unallocated Expenses	–	–	–	–	–	11,855,209 (–)
	Total segment result before interest & Taxes (EBIDTA)	273,841,189 (279,148,602)	615,837,696 (600,992,034)	– (-2,036,160)	889,678,885 (878,104,476)	– (1,938,494)	877,823,676 (876,165,782)
	Total EBITA of each sgment as a percentage of total EBITA of all	30.78 (31.79)	69.22 (68.44)	– (-0.23)	100.00 (100.00)	– (–)	– (–)
	Net Financial Cost	– –	– –	– –	– –	– –	126,397,728 (139,669,662)
	Income Tax Expenses	– –	– –	– –	– –	– –	121,467,069 (210,005,701)
	Exceptional Item Loss	– –	– –	– –	– –	– –	128,026,792 –
	Total Segment Results	– –	– –	– –	– –	– –	501,932,087 (526,490,619)
	SEGMENT ASSETS	4,493,866,928 (3,200,403,643)	3,623,930,427 (2,577,679,557)	– (-13,214,231)	8,117,797,355 (5,791,297,430)	– (–)	8,117,797,355 (5,791,297,430)
	Segment Assets as a percentage of total assets of all segments	55.36 (55.26)	44.64 (44.51)	– (-0.23)	100.00 (100.00)	– –	– (–)
	SEGMENT LIABILITIES	2,195,993,551 (566,020,187)	2,199,865,074 (827,491,731)	– (5,481,867)	4,395,858,624 (1,398,993,785)	– (–)	4,395,858,624 (1,398,993,785)
	Segment Liabilities as a percentage of total liabilities of	49.96 (40.46)	50.04 (59.15)	– (0.39)	100.00 (100.00)	– –	– –
	Segment Capital Employed	2,297,873,378 (2,634,383,456)	1,424,065,353 (1,750,187,825)	– (7,732,363)	3,721,938,731 (4,392,303,645)	– (–)	3,721,938,731 (4,392,303,645)
	Segment Capital Employed as percentage of total capital	61.74 (59.98)	38.26 (39.85)	– (0.18)	100.00 (100.00)	– –	– –
	Capital Expenditure	375,616,265 (612,967,731)	205,053,457 (379,987,621)	– (–)	580,669,722 (992,955,352)	– (–)	580,669,722 (992,955,352)
	Total capital expenditure of each segment as a of total	64.69 (61.73)	35.31 (38.27)	– (–)	100.00 (100.00)	– –	– (–)
	Depreciation	85,520,406 (81,805,671)	47,405,496 (35,857,050)	– (–)	132,925,903 (117,662,721)	– (–)	132,925,903 (117,622,721)

Note: Figures in the bracket denotes previous year figures

11. Related Party Disclosure

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

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

(Amount in Rupees)

Nature of Transaction	Relationship	2007-08	2006-07
Advance given	Associates	**2,568,683**	45,733,030
Advance Recovered	Associates	**877,654**	34,446,706
Sale of Goods	Associates	**35,339,350**	1,868,524
	KMP	**136,543**	–
Sale of Fixed Assets	Associates	**–**	50,000,000
Sale of Software	Associates	**9,952,250**	15,633,000
Job Work	Associates	**15,476,389**	9,661,681
Job Work Recd.	Associates	**–**	9,521,112
Expenses Paid	Associates	**3,108,295**	1,332,469
	KMP	**–**	140,400
Expenses Recovered	Associates	**216,671**	1,869,893
Interest received	Associates	**4,162,233**	1,338,440
Rent Paid	Associates	**1,200,000**	–
Rental Received	Associates	**1,620,000**	1,965,452
Remuneration paid	KMP/WTD/Relative	**29,657,654**	34,146,751
Share Application Money Refund	Associates	**–**	1,500,000
Share Application Money	Associates	**19,900,000**	5,200,000
Loan Given	Associates	**80,400,000**	47,437,172
Loan Refund	Associates	**33,403,000**	10,000,000
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
Purchase of Goods	Associates	**8,648,236**	–
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
Closing Balance Payable	Associates	**(158,177,724)**	(60,328,715)
Closing Balance Receivable	KMP	**136,543**	–

12. Earning Per Share

The numerator and denominator used to calculate Basic and Diluted Earning per share. **(Amount in Rupees)**

	2007-08	2006-07*
Profit/(Loss) attributable to the equity shareholders	**500,103,553**	477,230,917
Basic & weighted average number of equity share outstanding during the year	**19,500,343 shares**	14,808,792 shares
Nominal Value of Equity shares	**10**	10
Basic Earning per share	**25.65**	32.23

***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. The company has accounted for deferred tax as follows: **(Amount in Rupees)**

	31.3.2008	31.3.2007
Deferred Tax Assets		
Unabsorbed Depreciation & Business Losses	**34,583,563**	21,565,547
Capital Losses	**5,656,237**	5,737,470
Provision for Diminution in Investment and Doubtful debts	**–**	44,110
Others	**58,312,682**	15,358,049
Total (A)	**98,552,482**	42,705,176
Deferred Tax Liabilities		
Depreciation	**79,818,193**	73,492,807
Total (B)	**79,818,193**	73,492,807
Net Deferred Tax Assets/(Liabilities)	**18,734,289**	(30,787,631)

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

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

S. No.	Particulars	Amount (In Rs.)
A.	Investment in subsidiary companies for increasing the Group's production capacity by :	
	(i) Expansion of a new bottom manufacturing facility by Pearl Global Limited at Madras Export Promotion Zone Tambaram	22,500,000
	(ii) Establishment of a new woven and knits manufacturing facility by PT Norwest Indonesia at Semarang , Indonesia	5,969,250
	(iii) Acquisition of an existing knitted garment Manufacturing facility by Pearl Global Limited in Khandsa Gurgaon Haryana, India	54,000,000
B.	Setting up an Integrated Information Technology System	71,867,928
C.	Prepayment of certain term loans availed by the company and its subsidiaries	387,157,241
D.	Investment in its subsidiary company, Multinational Textiles, for payment of purchase of SACB Holdings Limited and Pallas Holdings Limited as part of the Group restructuring.	491,729,400
E.	Setting up a domestic branded apparel retail business	19,900,000
F.	Meeting Share Issue expenses	191,950,492
G.	Payment of Working Capital Loan for its subsidiary Pearl Global Limited as an interim use of funds	200,000,000
H.	Balance amount lying in Mutual Fund and Fixed Deposits & Bank Balance	1,409,260,689

15. Forward Currency Contracts – Cash Flow Hedges

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

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

	31.03.2008 USD
Forward foreign exchange contracts	77,846,318 (equivalent to INR 3,106,068,088)

These commitments have been entered into to hedge against future payments to suppliers and receipts from customers in the ordinary course of business that will fall due in the period ending 31 March 2009.

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

Currency Derivative

In the case of Pearl Global Limited (Indian Subsidiary)

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

As on 31 March 2008, the company has two outstanding derivatives contracts of Knock in/Knock out structure nature. With sharp move in the currencies over the past few months, the fair value of these contracts has turned negative. The company has provided for the loss of Rs. 128,026,792. These contracts will mature in August-September 2008 and are completely hedged at the moment.

16. Lease

In the case of House of Pearl Fashions Ltd. (Holding Company) & its subsidiary

(i) Assets Given on Lease

The company has given certain assets on non-cancelable operating lease and lease rent income amounting to Rs. 3,900,000 (Previous Year Rs. 3,999,452) has been credited in Profit & loss Account. The future minimum lease payments receivables and detail of assets as at 31st March, 2008 are as follows:

Minimum Lease Payments Receivables

(Amount in Rupees)

	31.03.2008	31.03.2007
Not later than 1 year	**2,664,000**	4,230,000
Later than 1 year but not later than 5 years	**4,266,000**	6,426,000
Later than 5 years	**504,000**	1,368,000

(ii)

Gross Investment on leased Assets	**35,311,189**	33,574,586
Accumulated Depreciation on Lease Assets as on 31st March, 2008	**5,526,404**	4,983,016
Depreciation Charged During the Year	**794,618**	841,667

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 1 to 10 years.

(iii) Assets taken on Lease

The company has taken certain assets on non-cancelable operating lease and lease rent amounting to Rs. 3,848,752 (Previous Year Rs. 5,342,701). Out of this, Rs. 2,108,268/- has been debited to Profit & Loss account and Rs. 1,740,484/- have been included under the head Capital work-in-progress. The details of future minimum lease payments is as under:

(Amount in Rupees)

	Minimum Lease Payments Payables	**31.03.2008**	31.03.2007
(i)	Not later than in 1 year	**4,502,352**	679,500
(ii)	Later than 1 year but not later than 5 years	**6,973,716**	615,000
(iii)	Later than 5 years	**6,632,812**	–
	Total	**18,108,880**	1,294,500

(iv) General Description of Lease Term

- Lease rental are charged on the basis of agreed terms.
- Assets are taken/given on lease over a period of 11 months to 10 years

In the case of HOPFL (US) Ltd.

HOPF entered into a lease for showroom space in New York City which expires on December 31, 2011. The Lease requires HOPF to additional rent based on increase in real estate taxes and operating expenses over base period amounts. The Minimum future annual rentals are approximately as follows:

Year Ending March 31	
2009	4,468,800
2010	4,508,700
2011	4,628,400
2012	3,471,300
	Rs.17,077,200

Rent expenses for the year ended March 31, 2008 was Rs. 48,46,242 and for the period August 1, 2006 to March 31, was Rs 878,257.

In the case of Multinational Textile Group Limited and its subsidiaries

One of the sub subsidiaries, Depa International Inc, leases warehouse space in New Jersy under lease which expires on March 14, 2009 as amended. The Sub subsidiary also lease showroom space in New York City under a lease which expires on October 14, 2010. On September 1, 2006, the sub subsidiary entered into a lease for showroom space in California which expires on August 31, 2008. All lease requires sub subsidiary to pay additional rent based on increase in real estate taxes and operating expenses over base period amounts. Minimum future annual rentals are approximately as follows:

Year Ended 31st March	**Showroom**	**Warehouse**	**Total**
2009	11,930,100	6,064,800	17,994,900
2010	11,092,200	–	11,092,200
2011	6,024,900	–	6,024,900
	29,047,200	**6,064,800**	**35,112,000**

Rent expenses for the showrooms and warehouse for the year ended 31 March 2008 and 2007 was Rs. 25,865,777 and Rs. 25,972,278 respectively.

Operating Lease Arrangements

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

Norwest Industries limited

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

Poeticgem Limited and Pacific Logistics Limited

	31.03.2008	31.03.2007
Minimum lease payments operating lease recognized in the income statement for the year	**26,231,852**	18,926,582

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

	Land & Buildings		**Others**	
	31.03.2008	31.03.2007	**31.03.2008**	31.03.2007
Within one year	**5,909,190**	6,328,339	**31,085,970**	28,122,882
In the second to fifth years, inclusive over five years	**17,727,610**	25,313,400	**87,652,919**	87,310,056
	23,636,800	31,641,739	**118,738,889**	115,432,938

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

Obligations under finance Lease

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

	31.03.2008	31.03.2007
Amount payable under finance lease:		
Within one year	**1,371,482**	–
In the second to fifth Year	**1,828,617**	–
	3,200,099	–
Less: Finance Charges	**(303,440)**	–
	2,896,659	–
Less than one year	**1,724,198**	
More than year	**1,172,461**	
	2,896,659	

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

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

During the year, the Company has adopted Accounting Standard 15 (revised 2005) 'Employee Benefits'. Accordingly, the transitional provision aggregating Rs. 26,75,353/- (Net of deferred tax Rs. 1,377,598) has been shown as an adjustment from revenue reserves. The Company has classified the various benefits provided to employees as under:-

(i) Defined Contribution Plan

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

The company recognized Rs. 52,27,501 (Previous Year: Rs. 4,035,155) for provident fund contributions in the profit and loss account. The contribution payable to these plans by the company are at rates specified in the rules of the schemes.

(ii) **Defined Benefit Plan**

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

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

	Gratuity (Funded)	**Gratuity (Unfunded)**	**Earned leave (Unfunded)**
Defined benefit obligations at beginning of the year	9,968,657	950,364	3,782,281
Current Service Cost	2,565,310	1,367,732	2,423,394
Interest Cost	747,649	76,030	302,582
Actuarial (gain)/loss	(1,502,750)	486,241	3,042,561
Benefits paid	–	–	(3,488,150)
Defined Benefit Obligations at year end	11,778,866	2,880,367	6,062,668

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

	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Fair value of plan assets at beginning of the year	2,606,470	–	–
Expected Return on plan assets	306,923	–	–
Contribution	2,757,519	–	–
Actuarial (gain)/loss	–	–	–
Benefits paid	–	–	–
Fair value of plan assets at the year end.	5,670,912	–	–

(c) Reconciliation of fair value of assets and obligations

	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Fair value of plan assets at 31st March 2008	5,670,912	–	–
Present value of obligation as at 31st March 2008	11,778,866	2,880,367	6,062,668
Net Assets/(Liability) recognized in balance sheet	(6,107,954)	(2,880,367)	(6,062,668)

(d) Expenses recognized during the year

	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Current Service Cost	2,565,310	1,367,732	2,423,394
Interest Cost	747,649	76,030	302,582
Expected return on plan assets	(306,923)	–	–
Actuarial (gain)/loss	(1,502,750)	486,241	3,042,561
Net Cost	1,503,286	1,930,003	5,768,537

(e) Actuarial Assumptions:

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

In the case of Multinational Textile Group Limited and its subsidiaries

PT Norwest Industry (Sub subsidiary) :

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

As of 31 March 2008 and 2007, employee benefits obligation is calculated by an independent actuary (PT. Bumi Dharma Aktuaria in 2008 and PT. Dayamandiri Dharmakonsolidindo in 2007) using the projected unit credit method. The principal assumptions used in determining employee benefits obligation as of 31 March 2008 and 2007 are as follows:

	31.03.2008	31.03.2007
Financial Assumptions		
Discount Rate	**11%**	10%
Future Salary Increase	**10%**	10%
Other Assumptions		
Morality rate	**CSO'88**	CSO'88
Disability rate	**10%**	10%
Normal retirement age	**55 years**	55 years

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

Past service cost - non vested:

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

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

Amount Recognized in Balance Sheet

	31.03.2008	31.03.2007
Present value of obligation	**1,313,468**	1,008,894
Fair value	**–**	
	1,313,468	1,008,894
Unrecognized Actuarial gains	**274,432**	174,325
Net Liability in Balance Sheet	**1,587,900**	1,183,219
Amount Recognized in Income Statement	**Current Year**	**Previous Year**
Current Service Cost	**429,209**	394,716
Interest Cost	**87,309**	98,058
Net Amortisation for the year	**(10,516)**	(38,779)
Expenses recognized in the Income Statement	**506,002**	453,993
Movement in the liability recognized in Balance sheet	**31.03.2008**	**31.03.2007**
At beginning of the year	**1,183,219**	767,687
Charge to Income statement	**506,002**	453,993
Foreign Currency Translation Reserve	**(101,321)**	(38,462)
At the end of the year	**1,587,900**	1,183,219

18. Adoption of New and Revised Accounting Standards

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

Arising from the announcement of the Institute of Chartered Accountants of India on 29th March, 2008, the Company has chosen for early adoption of Accounting Standard 30 (Financial Instuments : Recognition & Measurement) in its entirety. The adoption of this standard has resulted in :

(i) Decrease in profit by Rs. 992,115 on account of decrease in investment for trade.

(ii) Increase in reserves by Rs. 2,268,589 on accounts of increase in the value of investments held available for sale.

In the case of Multinational Textile Group Limited and its Subsidiaries; Rs. 2,149,447 has been transferred to available for sale investment reserve in Schedule '2' (Reserve and Surplus) on account of Investments available for sale.

In the case of Pearl Global Limited (Indian Subsidiary)

Arising from the announcement of the Institute of Chartered Accountants of India on 29th March, 2008, the Company has chosen for early adoption of Accounting Standard 30 (Financial Instuments : Recognition & Measurement) in its entirety. The adoption of this standard has resulted in :

A) (i) Increase in current year loss by Rs. 123,946,979/- due to :

a) Increase in the value of investments by Rs. 4,079,813.

b) The provision of mark to market losses of Rs. 128,026,792 on outstanding derivates at balance sheet date.

(ii) Agreegate decrease in reserve by Rs. 19,135,836/- due to creation of hedging reserves on account of cash flow hedges.

B) The company has changed its accounting policy for the current year with respect to foreign exchange fluctuation on purchase of fixed assets whereby all expenditure on account of exchange fluctuation is charged to the profit and loss account as required by Companies (Accounting standard) Rules, 2006 vide notification no. GSR 739 (E) issued on 7th December 2006, against its earlier policy of capitalise the same.

Had the company followed the earlier method, the loss for the year would have been higher by Rs. 64,668/-

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

Signature to consolidated schedules 1 to 17

On behalf of the Board of Directors

	Sd/-	Sd/-
For S. R. DINODIA & CO.,	**(Deepak Seth)**	**(Pulkit Seth)**
Chartered Accountants	Chairman	Managing Director
Sd/-	Sd/-	Sd/-
(Pradeep Dinodia)	**(Rishi Vig)**	**(Sandeep Sabharwal)**
Partner	Chief Finance Officer	Company Secretary
M. No.080617		

Place : New Delhi
Date : 20.06. 2008

AUDITORS' REPORT

To the shareholders of HOUSE OF PEARL FASHIONS LIMITED

We have audited the attached balance sheet of HOUSE OF PEARL FASHIONS LIMITED, as at 31st March 2008, the Profit and Loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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

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

(c) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

(d) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

(e) On the basis of written representations received from the directors as on 31st March 2008 and taken on record by the Board of Directors. We report that none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

(f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) In the case of the balance sheet, of the state of affairs of the company as at 31st March 2008;

   (ii) in the case of the profit and loss account, the Profit for the year ended on that date; and

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

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

Sd/-
(PRADEEP DINODIA)
Partner
Membership No. 080617

Place : New Delhi
Date : 20th June, 2008

ANNEXURE TO THE AUDITORS' REPORT

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

RE: M/S HOUSE OF PEARL FASHIONS LIMITED

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) As explained to us, physically verification of major protion of fixed assets as at 31st March 2008 was conducted by the management during the year. In our opinion, the frequency of physical verfication is reasonable. No material discrepancies were noticed on such verfication.

(c) In our opinion and according to the information and explanations given to us, no substantial part of fixed assets has been disposed off by the Company during the year.

(ii) (a) The inventory has been physically verified during the year by the management. In our opinion the frequency of verification is reasonable.

(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business;

(c) In our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

(iii) (a) The Company has granted unsecured loans during the year to two parties covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum balance involved in the transaction is Rs. 355,000,000/-. (The year end balance was Rs. 275,000,000/-).

(b) The rate of interest and other terms and conditions on which has been given are not prime facie prejudicial to the interest of the Company.

(c) In respect of the aforesaid loan, all the loans were repayable on demand.

(d) The Company had not taken any unsecured loans from the companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clause (iii)(e) to (g) of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices, there is no continuing failure to correct the weaknesses in the aforesaid internal control systems.

(v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

(b) In our opinion and according to explanations given to us the transactions made in pursuance of such contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 and exceeding values of Rs. 5 Lacs have been made at prices which are reasonable 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, 58AA and the other relevant provisions of the Companies Act, 1956 and rules framed thereunder.

(vii) In our opinion, the Company has an internal audit system commensurate with the nature and size of its business.

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

(ix) (a) According to the information and explanation given to us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income-tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and other material statutory dues applicable to it.

(b) According to the records of the Company examined by us and the information and explanations given to us, no undisputed amounts in respect of aforesaid statutory dues were outstanding as at 31st March, 2008 for a period of more than six months from the date they become payable.

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

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks during the year. There were no dues payable to any financial institution or debenture holders.

(xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xiii) The Company is not a chit fund or a nidhi mutual benefit fund society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xiv) The Company is not dealing or trading in shares, securities, debentures and other Investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xv) In our opinion and on the basis of information and explanations given to us, the Company has given the guarantees as mentioned in the point no. 1 of Schedule 17 for loans taken by others from banks or financial institutions.

(xvi) On the basis of information and explanations given to us, we are of opinion that the term loans were applied for the purposes for which the loans were obtained.

(xvii) According to the information and explanations given to us and on the basis of an overall examination of the Balance Sheet of the Company, in our opinion, funds raised on short-term basis have not been used for long-term Investments.

(xviii) During the year, the Company has not allotted any shares on preferential basis to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.

(xix) The Company has not issued any debentures during the year. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xx) We have verified the end use of money raised by the public issue as declared by the management in prospectus filed with "The Securities and Exchange Board of India" and as appearing in the Note No. 19 of Schedule 17 - Notes to account forming part of the financial statements.

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

For S. R. DINODIA & CO.
Chartered Accountants

Sd/-
(PRADEEP DINODIA)
Partner
Membership No. 080617

Place : New Delhi
Date : 20th June, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

(Amount in Rupees)

PARTICULARS	SCHEDULE		AS AT 31ST MARCH 2008		AS AT 31ST MARCH 2007
SOURCES OF FUNDS					
Shareholder's Funds					
Share Capital	1		**195,003,430**		195,003,430
Reserves & Surplus	2		**2,835,286,950**		2,760,615,095
Loan Funds					
Secured Loan	3		**7,000,000**		–
			3,037,290,380		2,955,618,525
APPLICATION OF FUNDS					
Fixed Assets	4				
Gross Block		**15,190,599**		3,520,327	
Less:Accumulated Depreciation		**2,014,636**		1,600,216	
Net Block		**13,175,963**		1,920,111	
Capital Work in Progress		**85,386,932**	**98,562,895**	5,339,778	7,259,889
Investments	5		**1,957,800,046**		2,541,655,084
(Refer Note No. 9 of Schedule 16 and Note No. 4 of Schedule '17')					
Deferred Tax Asset (Ref. Note No. 13 of Schedule 17)	6		**10,123,671**		10,593,623
Current Assets, Loans and Advances					
Inventories	7	**161,659**		–	
Sundry Debtors	8	**70,594,539**		10,633,243	
Cash & Bank Balances	9	**455,406,747**		303,469,143	
Loans & Advances	10	**507,268,374**		115,711,286	
		1,033,431,319		429,813,672	
Less: Current Liabilities & Provision					
Current Liabilities	11	**26,576,295**		33,449,320	
Provisions	12	**36,051,256**		254,423	
		62,627,551		33,703,743	
Net Current Assets			**970,803,768**		396,109,929
			3,037,290,380		2,955,618,525
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 : 20th June, 2008

On behalf of the Board of Directors

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Rishi Vig)
Chief Finance Officer

Sd/-
(Sandeep Sabharwal)
Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

(Amount in Rupees)

PARTICULARS	SCHEDULE	CURRENT YEAR		PREVIOUS YEAR	
INCOME					
Sales		150,847,767		59,949,098	
Export Incentives		440,160	151,287,927	2,810,134	62,759,232
Other Income	13		149,895,305		47,285,931
			301,183,232		110,045,163
EXPENDITURE					
Cost of Goods Traded			143,776,251		22,211,547
Manufacturing & Other Expenses	14		39,705,239		31,088,575
Finance Cost	15		143,119		13,281,781
Depreciation			430,552		385,181
			184,055,161		66,967,084
PROFIT BEFORE TAXATION AND ADJUSTMENTS:			117,128,071		43,078,079
Provision for Current Tax			(10,840,000)		(1,875,900)
Provision for Deferred Tax Charged **(Refer Note No. 13 of Schedule '17')**			(469,952)		2,844,034
Provision for Fringe Benefit Tax			(1,620,000)		(390,000)
Tax Adjustment for Earlier Years			2,400,527		(10,724)
PROFIT FOR THE YEAR			106,598,646		43,645,489
Profit brought forward			45,115,226		42,412,846
Adjustment on account transitional effect of AS-15 for investment in Partnership Firm			26,259		–
AMOUNT AVAILABLE FOR APPROPRIATION			151,740,131		86,058,334
APPROPRIATIONS :					
Dividend for the year 2005-06			–		5,929,311
Proposed Dividend			29,250,515		–
Tax on Dividend			4,971,125		831,590
Transfer to General Reserve			10,659,865		663,739
Utilisation against Bonus shares issued			–		33,518,468
Balance Carried to Balance Sheet			106,858,627		45,115,226
			151,740,131		86,058,334
Earnings per share (Rs.) Basic/Diluted Earning Per Share **(Refer Note No.11 of Schedule '17')**			5.47		2.95
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 : 20th June, 2008

On behalf of the Board of Directors

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Rishi Vig)
Chief Finance Officer

Sd/-
(Sandeep Sabharwal)
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

		YEAR ENDED 31.03.2008	(Amount in Rupees) YEAR ENDED 31.03.2007
A.	**Net Profit Before Tax and Extraordinary Items**	**117,128,071**	43,078,078
	Adjustments for:		
	Depreciation	**430,552**	385,181
	Sundry Balance Written Off	**229,022**	63,000
	Foreign Exchange Fluctuation	**516,635**	1,036,540
	Loss on sale of Assets	**279,880**	–
	Loss on reinstatement of Investments	**992,115**	–
	Finance Cost	**143,119**	13,281,781
	Share in the (Profit) / Loss from Partnership firm	**736,514**	672,533
	Non operating Incomes	**(149,785,684)**	(47,270,446)
	Operating Profit /(loss) before working capital changes	**(29,329,776)**	11,246,667
	Adjustment for :		
	Trade and Other Receivables	**(131,204,191)**	33,295
	Inventories	**(161,659)**	3,850,491
	Trade Payables	**(5,297,831)**	11,466,413
	Cash Generated from operations	**(165,993,457)**	26,596,866
	Direct Taxes (Paid)/ Refunds	**(19,327,202)**	(3,227,614)
	Net Cash Generated / (used) in operating Activities	**(185,320,659)**	23,369,252
B	**Cash Flow from Investing Operations:**		
	Sales of Fixed Assets	**–**	50,000,000
	Fixed Assets Purchased	**(92,013,439)**	(4,665,760)
	Investment made in Mutual Funds	**(936,275,160)**	(1,664,044,133)
	(Increase)/Decrease in share application money	**(71,747,638)**	(50,000,000)
	Purchase Of Investments	**(142,105,600)**	(810,997,803)
	Loan given	**(237,684,611)**	(37,315,389)
	Sale of Investment	**1,663,374,867**	–
	Interest on Fixed Deposits	**33,754,275**	429,468
	Dividend on current investment-Non Trade	**82,918,948**	12,075,906
	Dividend income-from Subsidiary	**9,939,176**	14,903,100
	Interest on Loan	**21,079,199**	–
	Share in profit in Firm	**(250,000)**	–
	Rent Received	**840,000**	1,230,914
	Cash from investing activities	**331,830,017**	(2,488,383,697)
C.	**Cash Flow from Financing Activities**		
	Net Proceeds from issue of Share Capital (including Share Premium)	**–**	2,787,618,730
	Increase/(Decrease) in Security Deposit	**(912,000)**	(19,791,162)
	Loans taken	**7,000,000**	172,266,000
	Repayment of Loans	**–**	(172,266,000)
	Dividend Paid (2005-06)	**–**	(5,929,311)
	Corporate Dividend Tax (2005-06)	**–**	(831,590)
	Finance Cost	**(143,119)**	(13,281,781)
	Net cash used in financing activities	**5,944,881**	2,747,784,886
	Increase in Cash/Cash equivalents (A+B+C)	**152,454,239**	282,770,442
	Exchange Fluctuations	**(516,635)**	(1,036,540)
	Net Increase in Cash/Cash equivalents (A+B+C)	**151,937,604**	281,733,902
	Cash / Cash equivalents at the beginning of the year	**303,469,143**	21,735,241
	Cash / Cash equivalents at the close of the year	**455,406,747**	303,469,143
	Components of Cash and Cash equivalents		
	Cash and Cheques on hand	**271,995**	92,536
	Balance with Scheduled Banks		
	i) In Current Accounts	**152,734,752**	976,607
	ii) In Fixed Deposits	**2,400,000**	2,400,000
	iii) Fixed Deposit (Unutilised money of IPO Proceeds)	**300,000,000**	300,000,000
		455,406,747	303,469,143

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 : 20th June, 2008

On behalf of the Board of Directors

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Rishi Vig)
Chief Finance Officer

Sd/-
(Sandeep Sabharwal)
Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rupees)

		AS AT 31ST MARCH 2008		AS AT 31ST MARCH 2007
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 (Prievous Year 10,000) 4% Non Cumulative Redeemable Preference Share of Rs. 10/- each		**100,000**		100,000
		250,000,000		250,000,000
Issued Subscribed & Fully Paid Up				
19,500,343 (Previous Year 19,500,343) Equity Shares of Rs 10/- Each fully paid up*.		**195,003,430**		195,003,430
		195,003,430		195,003,430

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

		AS AT 31ST MARCH 2008		AS AT 31ST MARCH 2007
SCHEDULE - 2				
RESERVES & SURPLUS				
General Reserve				
Opening Balance	**663,739**		59,615,112	
Transfer from Profit & Loss A/c	**10,659,865**		663,739	
Utilisation against Bonus Shares	**–**	**11,323,604**	(59,615,112)	663,739
Amalgamation Reserve		**990,000**		990,000
Capital Redemption Reserve		**600,000**		600,000
Share Premium	**2,713,246,130**		2,905,381,900	
Less : Expenses Related to Public Issue	**–**	**2,713,246,130**	192,135,770	2,713,246,130
Profit & Loss A/c		**106,858,627**		45,115,226
Available For Sale Investment Reserve		**2,268,589**		–
(Refer Note No. 5 of Schedule '17')				
		2,835,286,950		2,760,615,095

		AS AT 31ST MARCH 2008		AS AT 31ST MARCH 2007
SCHEDULE - 3				
Secured Loans				
Vehicle Loan *		**7,000,000**		–
		7,000,000		–

Note :

(1) Repayable within one year Rs. 1,924,675 (Previous year : Nil)

(2) Secured against hypothecation of vehicles.

SCHEDULE - 4

FIXED ASSETS

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As At 01.04.2007	Additions	Sales	**As at 31.03.2008**	Up To 01.04.2007	For the Period	Adjustments/ Sales	**Total up to 31.03.2008**	**As at 31.03.2008**	As at 31.03.2007
Land-Leasehold *	1,036,027	–	–	**1,036,027**	–	–	–	**–**	**1,036,027**	1,036,027
Buildings	1,772,301	–	–	**1,772,301**	1,552,206	59,195	–	**1,611,401**	**160,900**	220,095
Office Equipments	402,960	544,518	–	**947,478**	9,492	62,146	–	**71,638**	**875,840**	393,468
Plant & Machinery	287,357	1,929,883	251,690	**1,965,550**	38,285	98,930	15,260	**121,955**	**1,843,595**	249,072
Vehicle	–	8,350,599	–	**8,350,599**	–	10,867	–	**10,867**	**8,339,732**	–
Furniture & Fittings	21,682	1,141,284	44,322	**1,118,644**	233	199,414	872	**198,775**	**919,869**	21,449
	3,520,327	11,966,284	296,012	**15,190,599**	1,600,216	430,552	16,132	**2,014,636**	**13,175,963**	1,920,111
Capital Work in Progress**	5,339,777	81,473,314	1,426,159	**85,386,932**	–	–	–	**–**	**85,386,932**	5,339,778
	8,860,104	93,439,598	1,722,171	**100,577,531**	1,600,216	430,552	16,132	**2,014,636**	**98,562,895**	7,259,889
Previous Year	47,482,847	5,725,193	44,347,936	**8,860,104**	9,854,323	385,181	8,639,288	**1,600,216**	**7,259,889**	37,628,524

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

** Capital Work in progress includes:

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

b) Other Capital Advance Rs. 3,500,000.00 (PreviousYear Rs NIL)

b) Pre-Operative expenses of Rs. 3,603,853.00 (Previous year 2,960,883.00)

(Refer to Note- 15 of schedule 17)

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rupees)

	AS AT 31ST MARCH 2008	AS AT 31ST MARCH 2007
SCHEDULE - 5		
INVESTMENTS		
A. Long-term Investment		
Held to Maturity		
Investment in Subsidiaries		
Pearl Global Ltd.		
Quoted - Trade 4,969,588 (Previous Year 4,969,588) Equity Shares of Rs.10/- each fully paid up	**3,413,870**	3,413,870
Unquoted - Trade 1,372,000 (Previous Year NIL) Redeemable Preference Shares of Rs. 100/- each	**137,200,000**	–
Unquoted - Trade		
Norp Knit Industries Limited., Bangladesh 493,761 (Previous Year 493,761) Equity Shares of Taka 100 Each fully paid up	**31,878,768**	31,878,768
Nor Pearl Knitwear Limited., Bangladesh 2,654,597 (Previous Year 2,654,597) Equity Shares of TaKa 100 Each fully paid up	**191,240,354**	191,240,354
Multinational Textiles Limited., Mauritius 13,017,610 (Previous Year 13,017,610) Equity Shares of USD 1 each fully paid up	**577,040,671**	577,040,671
House of Pearl Fashions (U.S.) Limited. 100 (Previous Year 100) without par value fully paid up shares	**26,546,350**	21,640,750
Investment in partnership firm	**51,936,283**	52,396,538
B. Current Investment		
In Mutual Funds Unquoted - Non Trade		
Held to Maturity		
Birla Fixed Term Plan QS-9 NIL (Previous Year 10,000,000) units of Rs. 10 each	–	100,000,000
Birla Fixed Term Plan QS-7 NIL (Previous Year 20,000,000) units of Rs. 10 each	–	200,000,000
Birla Sunlife Qtly Interval Series 1 5,114,033.19 (Previous Year NIL) units of Rs. 10.0188 each	**51,140,393**	–
DWS Fixed Term Fund Series-27 NIL (Previous Year 5,000,000) units of Rs. 10 each	–	50,000,000
DSP Fixed Term Series-II NIL (Previous Year 100,505,690) units of Rs. 1000 each	–	100,506,371
HSBC Interval Fund Plan- 1 Instl. 5,035,475.94 (Previous Year NIL) units of Rs. 10.0190 each	**50,354,974**	–
HSBC Fixed Term Series-26 NIL (Previous Year 5,000,000l) units of Rs. 10 each	–	50,000,000
ING Fixed Maturity Fund -Series 41 5,000,000.00 (Previous Year NIL) units of Rs. 10.0465 each	**50,000,000**	–
ICICI Prudential Interval Fund II Qtly 11,604,209.48 (Previous Year NIL) units of Rs. 10.0109 each	**116,042,095**	–
Kotak Qtly Interval Plan Series 4 4,346,580.56 (Previous Year NIL) unit of Rs. 10.0148 each	**43,466,053**	–
Reliance Fixed Horizon Fund VI Series-2 5,000,000.00 (Previous Year NIL) unit of Rs. 10.0128 each	**50,000,000**	–
Sundaram BNP Paribas Interval Fund Qtly- Plan- A Retail Div. 4,249,065.21 (Previous Year NIL) unit of Rs. 10.0571 each	**42,500,000**	–
Reliance Fixed Horizon Fund Series -III NIL (Previous Year 30,000,000) units of Rs. 10 each	–	300,000,000
Reliance Fixed Horizon Fund Series -V NIL (Previous Year 10,000,000) units of Rs. 10 each	–	100,000,000
Standard Chartered Fixed Maturity Plan QS-7 NIL (Previous Year 10,057,800) units of Rs. 10 each	–	100,578,000
Standard Chartered Fixed Maturity Plan QS-5 NIL (Previous Year 23,194,810) units of Rs. 10 each	–	231,948,100
UTI Fixed maturity Plan QS QFMP/0307/I NIL (Previous Year 5,022,868.350l) units of Rs. 10 each	–	50,228,684
UTI Fixed maturity Plan QS QFMP/0207/II NIL (Pevious Year 10,059,866.100) units of Rs. 10 each	–	100,598,661
HDFC Fixed Term 90 Days March 2007 NIL (Previous Year 5,000,000) units of Rs. 10 each	–	50,000,000

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rupees)

	AS AT 31ST MARCH 2008	AS AT 31ST MARCH 2007
LIC Fixed Maturity Plan Series -13 NIL (Previous Year 10,012,414.24) units of Rs. 10 each	–	100,124,142
Reliance Interval Fund NIL (Previous Year 10,000,000) units of Rs. 10 each	–	100,000,000
Templetom Fixed Horizon Fund Series-II 10,000,000 (Previous Year NIL) units of Rs. 10.8840 each	**100,000,000**	–
Citicorp Finance (India) Ltd. 25 (Previous year NIL) units of Rs. 1000000.00 each	**25,000,000**	–
Capital Protected Debt Structure Product - AAAce Scheme	**25,000,000**	–
Held For Trading		
Quoted - Non Trade		
Investment in Equity Shares		
Power Grid Corporation Limited 13,200 Shares (Previous Year NIL) of Rs. 10/- each fully paid up	**1,292,940**	–
Reliance Industries Limited 610 Shares (Previous Year NIL) of Rs. 10/- each fully paid up	**1,381,345**	–
Reliance Communication Limited 2,400 Shares (Previous Year NIL) of Rs. 10/- each fully paid up	**1,219,920**	–
Yes Bank 5,200 Shares (Previous Year NIL) of Rs. 10/- each fully paid up	**877,500**	–
BHEL 730 Shares (Previous Year NIL) of Rs. 10/- each fully paid up	**1,501,282**	–
Tata Steel Limited 2,200 Shares (Previous Year NIL) of Rs. 10/- each fully paid up	**1,524,930**	–
Investement in Mutual Funds Unquoted - Non Trade		
Reliance Equity Advantage Fund 733,496.33 (Previous Year NIL) unit of Rs. 10.043 each	**7,366,504**	–
J M Contra fund - Growth Plan 733,496.33 (Previous Year NIL) units of Rs. 9.5726 each	**7,021,467**	–
Available for Sale		
Investement in Mutual Funds Unquoted - Non Trade		
Birla Sunlife Income Fund-Qtly Div. 4,573,939.14 (Previous year NIL) units of Rs. 10.6302 each	**48,621,888**	–
DSPML Cash Plus Fund- Instl DD 39,420.25 (Previous year NIL) units of Rs. 1000.10 each	**39,424,196**	–
DSPML World Gold Fund 365,256.78 (Previous year NIL) units of Rs. 14.1601 each	**5,172,073**	–
Franklin India Income fund 4,595,299.59 (Previous year NIL) units of Rs. 10.4856 each	**48,184,473**	–
HDFC Cash Management Saving Plan 1,891,931.04 (Previous year NIL) units of Rs. 10.6364	**20,123,335**	–
JM Money Manager Fund Super Plus Plan- Growth 4,598,631.45 (Previous Year NIL) units of Rs. 11.3287 each	**52,096,516**	–
Kotak Bond Regular Plan 4,649,620.65 (Previous Year NIL) unit of Rs. 10.5241 each	**48,933,073**	–
Reliance Liquid Plus Fund- Instl Plan- Daily Div. 100,184.94 (Previous Year NIL) unit of Rs. 1001.1364 each	**100,298,793**	–
Prudential ICICI Liquid Plan NIL (Previous Year 3,006,017.523) units of Rs. 10 each	–	30,060,175
	1,957,800,046	2,541,655,084

Notes :
1. It Includes 4,752,000 (Previous Year 4,752,000) Bonus Shares and 1,888 shares of issued by Pearl Global Limited in consideration for 549 shares of Mina Export being the amalgamated company.
2. Aggregate amount of quoted investment is Rs. 11,211,787 (P.Y. Rs. 3,413,870)
3. Aggregate market value of quoted investment is Rs. 247,332,058 (P.Y. Rs. 462,171,684)
4. Aggregate amount of Unquoted investment is Rs. 1,946,588,259 (P.Y. Rs. 2,538,241,214)

SCHEDULE - 6

DEFERRED TAX ASSET (NET)

Opening Deferred Tax Asset	**10,593,623**	7,749,589
Add: Deferred Tax release/(charge) for the year	**(469,952)**	2,844,034
(Refer Note No. 13 of the Schedule '17')		
	10,123,671	10,593,623

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rupees)

	AS AT 31ST MARCH 2008	AS AT 31ST MARCH 2007
SCHEDULE - 7		
INVENTORIES		
(As taken,valued and certified by the management)		
Traded Goods - Finished	**161,659**	–
	161,659	–
SCHEDULE - 8		
SUNDRY DEBTORS		
(Unsecured - Considered Good)		
Over Six Months	–	–
Others	**70,594,539**	10,633,243
	70,594,539	10,633,243
SCHEDULE - 9		
CASH & BANK BALANCES		
Cash in Hand	**251,995**	1,536
Demand Drafts/ Cheques in Hand	**20,000**	91,000
Balances with Scheduled Banks		
i) In Current Accounts	**152,734,752**	976,607
ii) In Fixed Deposits*	**2,400,000**	2,400,000
iii) Fixed Deposit (Unutilised money of IPO Proceeds)	**300,000,000**	300,000,000
	455,406,747	303,469,143
*Pledged with the Bank		
SCHEDULE - 10		
LOANS & ADVANCES		
(Unsecured-Considered Good)		
Loans	**275,000,000**	37,315,389
Advances recoverable in Cash or in Kind or for value to be received	**200,669,571**	56,976,823
Security Deposit	**20,703,162**	19,791,162
Advance Tax (including tax deducted at source) Net of Provision of Rs. 10,040,462 (Previous Year : 2,781,900)	**10,895,641**	1,627,912
	507,268,374	115,711,286
SCHEDULE - 11		
CURRENT LIABILITIES		
Sundry Creditors -others		
– Due to Micro, Small and Medium enterprises *	–	–
– Others	**3,827,649**	3,068,272
Other Liabilities **	**22,748,646**	30,381,048
	26,576,295	33,449,320

* The company has not received information from vendors regarding the Micro, Small and Medium Enterprises and Development Act, 2006. Hence disclosure related to unpaid amount outstanding at the year end together with the amount of interest paid/payable have not been given. For this purpose, we have relied upon the information provided the management. In previous year, there was no amount outstanding due to small scale industrial undertakings as at 31st March, 2007.

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

	AS AT 31ST MARCH 2008	AS AT 31ST MARCH 2007
SCHEDULE-12		
PROVISIONS		
Proposed Dividend	**29,250,515**	–
Tax on Dividend	**4,971,125**	–
Provision For Leave Encashment	**477,460**	160,453
Provision For Gratuity	**1,352,156**	93,970
	36,051,256	254,423

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

(Amount in Rupees)

		CURRENT YEAR		PREVIOUS YEAR
SCHEDULE-13				
OTHER INCOME				
Interest on Fixed Deposit with Bank	34,685,513		3,483,850	
Tax Deducted At Source Rs. 7,858,192.15 (Previous Year 780,558.59)				
Less: Interest earned on behalf of selling shareholders on offer for sale proceeds	–	34,685,513	2,211,241	1,272,609
Interest on Loan (Others)		21,079,199		–
Tax Deducted At Source Rs. 4,761,622 (Previous Year Rs. Nil)				
Rent Received		840,000		1,441,452
Tax Deducted At Source Rs. 162,888.00 (Previous Year Rs. 296,534.00)				
Dividend on current investment-Non Trade		82,918,948		15,356,269
Dividend Income on Long term- trade investment with Subsidiary		9,939,175		14,908,764
Profit and Loss on sale of non-trade current/short-term investments				
– Mutual Fund	100,097			–
– Shares Net of Loss of Rs. 140,833.81 (Previous Year : Nil)	222,753	322,850		–
Profit on Sale of Fixed Assets		–		14,291,352
Miscelleneous Income		109,620		15,485
		149,895,305		47,285,931
SCHEDULE-14				
MANUFACTURING & OTHER EXPENSES				
Raw Material Consumed				
Opening Stock Fabric	–		3,850,491	
Add:Purchase of Raw Material	–		11,603,193	
Less:Sale of Fabric	–	–	3,850,491	
				11,603,193
Fabrication Charges		–		5,597,720
Finishing and Washing Expenses		300,402		–
Power & Fuel		92,123		–
Salaries & Allowances		7,380,461		2,642,660
Emloyees Welfare		318,297		106,564
Gratuity		1,258,186		93,970
Audit Fees		674,160		224,720
Legal & Professional Charges		3,539,807		481,804
Rates & Taxes		321,329		296,851
Rent		235,000		–
Travelling & Conveyance		12,358,476		3,939,259
Insurance		553,026		358,726
Repair & Maintenance				
– Buliding	–		52,854	
– Others	828,384	828,384	218,268	271,122
Printing & Stationary		1,253,106		179,248
Communication Expenses		1,604,064		72,009
Foreign Exchange Fluctuation		516,635		1,036,540
Sundry Balances Written Off		229,022		63,000
Freight and Forwarding Charges		174,350		1,795,174
Sales Promotions		3,430,645		161,844
Director Sitting Fees		480,000		–
Bank Charges		228,656		1,183,002
Loss on sale of Assets		279,880		–
Loss from Partnership firm		736,514		672,533
Loss on reinstatement of non-trade investments at fair value		992,115		–
Miscellaneous Expenses		1,920,601		308,636
		39,705,239		31,088,575
SCHEDULE - 15				
FINANCE COST				
Interest :				
– Fixed Loans		–		12,740,125
– Others		143,119		541,656
		143,119		13,281,781

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 (except investment held for trading and investments held available for sale) 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 realizable 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) Foreign Currency monetary items are reported using the closing rate. The resultant exchange gain/loss are dealt with in profit & loss account

9. Investment

Due to Adoption of Accountig Standard - "30", the company has reclassified its investment as:

Held for trading : are those investment that are bought and held principally for the purpose of selling them in near term and such investments are value and gain / loss is recognised in the income statement.

Held to Maturity : are those investments only if the company has the positive intent and ability to hold these securities to maturity, such securities are recorded at historical cost.

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

Fair value

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

10. Derivative financial instruments and hedging

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

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

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

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

Fair value hedges when hedging the exposure to changes in the fair value of recognized asset or liability or an unrecognized firm commitment (except for foreign risk); or cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment.

Cash Flow hedge

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

11. Retirement Benefit

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

(i) Post Employment Benefit Plans

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

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

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

(ii) Short Term Employee Benefits

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

12. 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.

13. 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.

14. 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 : 2,400,000.00).
   - Corporate Guarantee given by the company to UCO Bank, Hongkong for securing loan facility given by UCO Bank to Subsidiary M/s Norwest Industries Ltd, HongKong for HK$ 120 million & GBP 14 Million Rs, 1,730,000,000 (Rs. 615,600,000 + Rs. 1,114,400,000) (Previous Year : Nil)
   - Corporate Guarantee given by the company to HSBC Limited for securing credit facilities to M/s PT Norwest Industry, Indonesia for USD 2,500,000/- Rs. 99,750,000 (Previous Year Nil).
   - Corporate Guarantee given by the company to HSBC Limited for securing credit facilities to M/s Nor Pearl Knitwear Limited, Bangladesh for USD 4,525,000/- Rs. 180,547,500 (Previous Year : Nil).
   - Corporate Guarantee given by the company to THE CIT GROUP /COMMERCIAL SERVICES INC. New York, for working capital and letter of credit /guarantee facilities. The Balance outstanding as on the balance sheet date is Rs. 7,884,479.
   - Corporate Guarantee given by the company to ICICI Bank Limited for Rs. 100,000,000/- for borrowing in the form of derivatives limit of Rs. 100 million as financial assistance by subsidiary M/s Pearl Global Limited. (Previous Year : Nil).
   - Corporate Guarantee given by the company to UCO Bank for Rs. 50,000,000/- for Term Loan and Working Capital Credit facilities for Subsidiary Pearl Global Limited (Previous Year : Nil).
   - Corporate Guarantee given by the company to Standard Chartered Bank for Rs. 150,000,000/- for Non-fund of Rs. 10 crore and Fund based limit of Rs. 5 crore by subsidiary Pearl Global Limited (Previous Year : Nil)

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

(Amount in Rs.)

	% of Share		Profit/(Loss) during the year		Capital	
Name of the partner	**Current Period**	**Previous year**	**Year Ended 31.03.2008 ***	**Year Ended 31.03.2007**	**As At 31.03.2008**	**As At 31.03.2007**
Deepak Seth & Sons (HUF)	25%	25%	**(236,752)**	(224,178)	**823,153**	1,059,904
House of Pearl Fashions Limited	75%	75%	**(710,255)**	(672,533)	**51,936,283**	52,396,538
Total			**(947,007)**	(896,711)	**52,759,436**	53,456,442

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

3. **Capital Commitments**

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

4. **Details Of Investments made & sold during the year are given as under :**

Name of the Company	Shares at the Beginning	Shares purchased during the year	Shares sold duringthe year	Shares at the Closing
Pearl Global Limited (Reedeemable Non Cumulative Preference Shares)	–	1,372,000	–	13,72,000

Held to Maturity

Name of the Company	Units at the beginning	Units purchased during the year	Reinvest during the year	Units sold during the year	Units at the Closing
Birla Quarterly series 9	10,000,000	–	–	10,000,000	–
Birla FTP Quarterly Series 7	20,000,000	–	–	20,000,000	–
Birla Sunlife Qtly Interval Fund Series-I	–	5,000,000	114,033	–	5,114,033
DWS Fixed Term Fund Series 27	5,000,000	–	–	5,000,000	–
DSPML FTP Series – II	100,506	–	1,643	102,148	–
HSBC Interval Fund Plan –I Inst. Div	-	10,000,000	214,206	5,178,730	5,035,475
HSBC Fixed Term Series – 26	5,000,000	-	222,954	5,222,954	–
ING Fixed Maturity Fund Series-41	–	5,000,000	–	–	5,000,000
ICICI Prudential Interval Fund II Qty	–	11,348,345	255,865	–	11,604,209
Kotak Quarterly Interval Plan Series -4	–	4,250,000	96,581	–	4,346,581
Reliance Fixed Horizon fund-vi Series –II	–	5,000,000	–	–	5,000,000
HSBC Fixed Term series-29 Inst. Dividend.	–	10,000,000	422,348	10,422,348	–
ING Vysya Liquid	–	12,995,711	285,326	13,281,037	–
Sundaram BNP Paribas Interval fund Qty	–	4,249,065	–	–	4,249,065
Reliance Fixed Horizon fund-ii Series –III	30,000,000	–	–	30,000,000	–
Reliance Fixed Horizon Fund Series-V	10,000,000	–	–	10,000,000	–
SCFMP Quarterly Series – 7	10,057,800	–	158,511	10,216,311	–
SCLMP- QS 5	23,194,810	–	279,266	23,474,076	–
UTI FMP Q S QFMP/0307/I	5,022,868	–	87,263	5,110,132	–
UTI FMP Q S QFMP/0207/II	10,059,866	–	157,795	10,217,662	–
LIC MF Fixed Maturity Plan Sr-13	10,012,414	–	436,625	10,449,039	–

Name of the Company	Units at the beginning	Units purchased during the year	Reinvest during the year	Units sold during the year	Units at the Closing
Reliance Interval Fund	10,000,000	–	65,935	10,065,935	–
Templeton Fixed Horizon Fund Series –II	–	10,000,000	–	–	10,000,000
Citicorp Finance (India) Ltd	–	25	–	–	25

Trading

Investment in Shares

Crompton Greaves	–	11,882	–	11,882	–
GMR Infrastructure	–	22,614	–	22,614	–
Power Grid	–	48,781	–	35,581	13,200
Ranbaxy Laboratories Limited	–	17,250	–	17,250	–
Reliance Industries Limited	–	3,460	–	2,850	610
Reliance Communication Limited	–	8,000	–	5,600	2,400
Yes Bank	–	18,437	–	13,237	5,200
BHEL	–	730	–	–	730
Tata Steel	–	2,200	–	–	2,200
Total	**–**	**133,354**	**–**	**109,014**	**24,340**
Reliance Equity Advance Fund	–	733,496	–	–	733,496
JM Contra Fund	–	733,496	–	–	733,496

Available for Sale

Birla Sunlife Income Fund	–	4,483,782	90,157	–	4,573,939
DSPML Cash Plus Fund	–	99,990	102,414	162,984	39,420
DSPML World Gold Fund	–	365,257	–	–	365,257
Franklin India Income Fund	–	4,535,353	59,947	–	4,595,300
HDFC Cash Management Saving Plus	–	3,874,055	14,061	1,996,185	1,891,931
JM Money Manage Fund Super Plus Plan	–	4,598,631	–	–	4,598,631
Kotak Regular Plan	–	4,572,056	77,565	–	4,649,621
Birla Sun life Liquid Plus - Instl daily	–	19,986,409	356,333	20,342,742	–
Prudential ICICI Liquid Fund	3,006,016	11,999,900	93,160	15099078	–
Reliance Liquid Fund	–	300,235	–	200,050	100,185
Birla FTP Quarterly Series 16	–	20,000,000	–	20,000,000	–
Birla Sunlife Qtly Interval Fund Series-II	–	5,000,000	31,091	5031091	–
DWS Money Plus Institutional Daily	–	4,995,903	155,696	5,151,599	–
DSPML Strategic Bond Inst. Weekly Div	–	99,858	3,469	103,328	–
GSSIF-ST	–	19,882,345	504,043	20,386,387	–
Grindlays Floating Rate Fund Lt Plan-B	–	19,995,001	412,349	20,407,351	–
HDFC Arbitrage Fund Wholesale Plan	–	2,002,473	52,007	2,054,480	–
ICICI Prudential Flexible Income Plan	–	7,155,635	–	7,155,635	–
ICICI Prudential Institutional Liquid Plan	–	1,999,900	47,326	2,047,227	–
ING Fixed Maturity Fund Series-37	–	5,000,000	–	5,000,000	–
ICICI Prudential Interval Fund Monthly Plan II	–	1,985,664	12,755	1,998,419	–
JM Manager Fund Regular Plan Daily Div	–	2,000,000	1,208	2,001,208	–
Kotak Flex Debt	–	18,547,621	50,050	18,597,671	–
Reliance Liquid Plus fund Install Plan Growth	–	97,820	–	97,820	–
Reliance Interval Fund Qtly Series-III	–	4,999,800	93,350	5,093,150	–
Reliance Fixed Horizon fund-ii Series-I	–	11,000,000	–	11,000,000	–
Sundaram BNP Paribas Liquid Plus	–	4,938,662	–	4,938,662	–
SCFMP Quarterly Series-13	–	10,000,000	186,885	10,186,885	–
Tata Floating Rate Fund	–	4,997,252	32,065	5,029,316	–
HDFC FMP 90 D D Marh	–	5,000,000	5000,00000	–	–

5. Adoption Of Accounting Standard -30

Arising from the announcement of the Institute of Chartered accountants of India on 29th March, 2008 the Company has chosen for early adoption of Accounting Standard 30, (Financial Instruments : Recognition & Measurement) in its entirety. The adoption of this standard has resulted in :

(i) Decrease in profit by Rs. 992,115 on account of decrease in investment held for trade.

(ii) Increase in reserves by Rs. 2,268,589 on account of increase in the value of investments held available for sale.

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

(Amount in Rs.)

1.	**Advances includes :**	**31st March 2008**	31st March 2007
	Pearl Global Limited : Maximum balance outstanding during the period Rs. 70,552,218 (P.Y. Nil)	**49,164,081**	–
	M/s Norp Knit Industries Ltd: Maximum balance outstanding during the period Rs. 21,225 (P.Y. Nil)	**19,950**	–
	M/s Nor Pearl Knitwear Ltd: Maximum balance outstanding during the period Rs.72,230,925 (P.Y. Nil)	**72,230,925**	–
	M/s Multinational Textile Group Ltd : Maximum balance outstanding during the period Rs.7,361,358 (P.Y. Nil)	**7,361,358**	–
	M/s Little People Education Society : Maximum balance outstanding during the period Rs.849,193 (P.Y. Nil)	**849,193**	–
	Vau Apparels Pvt Ltd : Maximum balance outstanding during the period Rs.20,870,743 (P.Y. Nil)	**20,870,743**	–
	Wear Internation Retail Pvt Ltd : Maximum balance outstanding during the period Rs.19,900,000 (P.Y. Nil)	**19,900,000**	–
2.	**Loan includes :**		
	M/s Little People Education Society : Maximum balance outstanding during the period Rs. 80,000,000 (P.Y. Nil)	**75,000,000**	–
	Pearl Global Limited : Maximum balance outstanding during the period Rs. 275,000,000 (P.Y. Rs. 75,338,993)	**200,000,000**	37,315,390
3.	**Debtor includes :**		
	Vau Apparels Pvt Ltd : Maximum balance outstanding during the period Rs. 31,311,414 (P.Y. Nil)	**31,311,414**	–
	M/s Lerros Modem GMBH : Maximum balance outstanding during the period Rs. 4,089,431 (P.Y. Rs. 10,615,636)	**4,089,431**	–
	Pearl Global Limited : Maximum balance outstanding during the period Rs. 71,294,983 (P.Y. Rs. 75,338,993)	**35,193,694**	–

7. Payment to Auditors

(Amount in Rs.)

	31st March 2008	31st March 2007
Statutory Audit Fee	**525,000**	150,000
Tax Audit Fee	**75,000**	50,000
Other Matters	**50,550**	2,217,629
Service Tax	**80,407**	296,277
Total	**730,957**	2,713,906

8. Retirement Benefits

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

(i) Defined Contribution Plan

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

The company recognized Rs. 9,395 (Previous Year: Rs. Nil) for provident fund contributions in the profit and loss account and Rs. 123265 (Previous Year : Rs. Nil) debited under the head "Capital work-in-progress" towards the implementation cost of SAP. The contribution payable to these plans by the company are at rates specified in the rules of the schemes."

(ii) Defined Benefit Plan

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

(a) Reconciliation of opening and closing balances of Defined Benefit Obligations **(Amount in Rs.)**

	Gratuity (Unfunded)	**Earned leave (Unfunded)**
Defined benefit obligations at beginning of the year	93,970	160,453
Interest Cost	7,518	12,836
Service Cost	313,189	171,709
Benefits paid	–	(207,612)
Gain / Loss	937,479	340,074
Defined benefit obligations at year end	**1,352,156**	**477,460**

(b) Reconciliation of fair value of assets and obligations

Fair Value of plan assets at 31st March 2008	–	–
Present Value of Obligation as at 31st March 2008	1,352,156	477,460
Net assets/(liability) recognized in balance sheet	(1,352,156)	(477,460)

(c) Expenses recognized during the year **(Amount in Rs.)**

	Gratuity (Unfunded)	Earned leave (Unfunded)
Current Service Cost	313,189	171,709
Interest Cost	7,518	12,836
Acturial (Gain)/Loss	937,479	340,074
Net Cost	1,258,186	524,619

(d) Actuarial Assumptions

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

9. 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 Textiles Group Limited	Mauritius
Nor Pearl Knitwear Limited	Bangladesh
Norp Knit Industries Limited	Bangladesh
Global Textiles Group Limited	Mauritius
Poeticgem Limited	UK
Depa International Inc.	USA
Depa International (Canada) Inc.*	Canada
Poeticgem (Canada) Limited *	Canada
PT. Norwest Industry	Indonesia
Pacific Logistics Limited	UK
Norwest Industries Limited	Hong Kong
House of Pearl Fashions (US) Ltd	U.S.A
FX Import Company Limited	UK
Zamira Fashion Limited	Hongkong
Pacific Supply Chain Ltd.	UK

b) **Associates:**

Domestic

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

Overseas

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

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

	2007-08	2006-07
Purchase of goods	**30,364,890**	4,437,114
Sale of goods	**115,508,417**	4,235,540
Fabrication charges	**–**	5,593,310
Investment made	**4,905,600**	638,495,950
Loan given	**275,000,000**	185,200,000
Loan received back	**75,000,000**	144,950,000
Rent received	**120,000**	120,000
Expenses incurred on behalf	**2,687,778**	6,369,605
Expenses reimbursed	**6,578,328**	628,959
Share application money given	**101,847,638**	50,000,000
Preference Share Capital	**137,200,000**	–
Sap Expenses	**7,512,534**	–
Advance given	**54,100,000**	–
Advance recovered	**47,013,162**	–
Dividend received	**9,939,176**	14,908,764
Interest Income	**19,915,336**	–
Closing Balance as on 31st March 2008		
Loan to subsidiary	**200,000,000**	37,315,389
Advance to subsidiaries	**54,618,328**	–

ii) Associates

	2007-08	2006-07
Advance Rent Paid	**300,000**	–
Advance Given	**500,000**	–
Share application money received back	**–**	1,500,000
Share application Money Given	**19,900,000**	–
Advance received	**–**	7,500,000
Advance settled	**–**	7,500,000
Rent Received	**720,000**	1,321,452
Rent Paid	**1,200,000**	–
Profit/(Loss)from partnership firm	**(710,255)**	(672,533)
Drawings from partnership firm	**–**	10,500,000
Sale of fixed assets	**–**	50,000,000
Expenses paid	**795,338**	1,465,305
Expenses Recovered	**92,368**	–
Bonus shares issued	**–**	200
Loan Given	**80,000,000**	–
Loan Received Back	**5,000,000**	–
Purchase of Goods	**8,648,236**	–
Sale of Goods	**35,339,350**	–
Capital contribution towards partnership firm	**250,000**	–
Interest Income	**1,098,000**	–
Advance Recovered	**500,000**	–
Closing Balance as on 31st March 2008		
Closing Balance	**132,180,780**	–

iii) Key management Personnel

	2007-08	2006-07
Offer for sale proceeds from IPO received on behalf of	**–**	404,316,000
Interest received on offer for sale proceeds on behalf of	**–**	1,049,283
Public issue expenses related to offer for sale.	**–**	4,641,163
Apportionment of public issue expenses related to offer for sale	**–**	27,215,995
Withholding tax paid on offer for sale component on behalf of	**–**	37,957,131
Expenses paid on behalf	**–**	89,852
Net proceeds transferred including interest from public issue account	**–**	344,743,468
Bonus Shares issued	**–**	55,879,700

iv) Relatives

	2007-08	2006-07
Offer for sale proceeds from IPO received on behalf of	**–**	269,544,000
Interest received on offer for sale proceeds on behalf of	**–**	817,373
Apportionment of public issue expenses related to offer for sale	**–**	18,143,997
Withholding tax paid on offer for sale component on behalf of	**–**	39,015,488
Expenses paid on behalf	**–**	50,548
Net proceeds transferred including interest from public issue account	**–**	213,151,340
Bonus Shares issued	**–**	37,253,480

10. Leases

(a) Assets Given on Lease

(i) The company has given certain assets on operating lease and lease rent income amounting to Rs. 840,000 (Previous Year Rs. 1,441,452) has been credited in Profit & loss Account. The future minimum lease payments receivables and detail of assets as at 31st March, 2008 are as follows:

(Amount in Rupees)

Minimum Lease Payments Receivables		
	As at 31.03.2008	Previous Year
Not later than 1 year	**720,000**	840,000
Later than 1 year but not later than 5 years	**4,236,000**	4,092,000
Later than 5 years	**504,000**	1,368,000
Gross Investment on leased Assets	**2,808,329**	2,808,329
Accumulated Depreciation on Lease Assets as on 31st March, 2008	**1,611,401**	1,552,206
Depreciation Charged During the Year	**59,195**	151,141

(b) Assets taken on Lease

The company has taken certain assets on non-cancelable operating lease and lease rent amounting to Rs. 1,975,484 (Previous Year Rs. Nil). Out of this, Rs. 235,000 has been debited to Profit & Loss account and Rs. 1,740,484 have been included under the head Capital work-in-progress. The details of future minimum lease payments is as under:

(Amount in Rupees)

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

(c) General Description Of Lease Term

- Lease rental are charged on the basis of agreed terms.
- Assets are taken/given on lease over a period of 1 to 10 years

11. 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	**106,598,646**	43,645,488
Basic/weighted average no. of equity shares outstanding during the period	**19,500,343**	14,808,792
Nominal value of Equity shares	**10**	10
Basic Earning per share (Rs.)	**5.47**	2.95
Potential Equity shares	**Nil**	Nil
Dilutive Earning per share (Rs.)	**5.47**	2.95

***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.

12. Additional information pursuant to the provisions of Part II of Schedule VI to the Companies Act, 1956.

a) Capacity and Production

Class of Goods	**Unit**	**Licensed Capacity**		**Installed Capacity**		**Actual Production**	
		Current Year	Previous Year	**Current Year**	Previous Year	**Current Year**	Previous Year
Readymade Garments	Nos.	**N.A.**	N.A.	**–**	–	**–**	72,314*

* The Previous year 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
Readymade Garments					
– Traded	Pcs.	**136,402**	**35,339,350**	96,941	35,542,940
– Sale of Fabric	Mtrs	**1,667,413**	**115,508,417**	93,169	4,235,540

c) Details Of Traded Goods **(Amount in Rs.)**

Class of Goods	Unit	Opening Stock		Purchases		Closing Stock	
		Qty	Amount (Rs.)	Qty	Amount (Rs.)	Qty	Amount (Rs.)
Readymade	Pcs	–	–	136,402	32,465,976	–	–
Garments		(–)	(–)	(96,941)	(18,361,056)	(–)	(–)
Fabric	Mtrs	–	–	1,670,000	111,310,275	2,587	161,660
		(93,169)	(3,850,491)	–	(3,850,491)	(–)	(–)
			–		**143,776,251**		
			(3,850,491)		**(22,211,547)**		

Amounts in bracket denotes previous year amounts

d) Breakup of Raw Material Consumed **(Amount in Rs.)**

Class of Goods	Current Year		Previous Year	
		Raw Material Consumed		
	Amount (Rs.)	**%**	Amount (Rs.)	%
Indigenous	–	–	4,437,115	38
Imported	–	–	7,166,078	62
	–	–	11,603,193	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	9,307,550
Others	–	–	–	2,295,643
		–		11,603,193

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

(Amount in Rs.)

Particulars	**Current Year**	Previous Year
Raw Material	–	7,166,078
Total	–	7,166,078

g) Earnings in Foreign Exchange

Export of Goods- FOB basis	**3,880,275**	54,921,207

h) Expenses in Foreign Exchange

Foreign Travelling	**3,963,355**	1,965,478
Public Issue Expenses	–	7,081,334
Total	**3,963,355**	9,046,812

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

(Amount in Rs.)

Particulars	Balance as at 01.04.2007	Expenses/Savings during the year	**Balance as at 31.03.2008**
Deferred Tax Asset			
Unabsorbed Depreciation	664,245	(664,245)	**–**
Business losses	4,784,038	–	**4,784,038**
House Property Loss	355,279	(199,861)	**155,418**
Capital losses	2,370,959	224,813	**2,595,772**
Others	86,478	557,087	**643,565**
Depreciation	2,332,623	(387,746)	**1,944,877**
Total	**10,593,622**	**(469,952)**	**10,123,671**
Deferred Tax Asset	**10,593,622**	**(469,952)**	**10,123,671**

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.

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

S. No.	Nature of Expense	Current Year (Rs.)	Previous Year (Rs.)
	Income		
(i)	Ground Rent	–	(10,230)
	Total (A)	–	(10,230)
	Expenses		
(ii)	Sales Promotion	**16,700**	–
(iii)	Professional Charges	**41,959**	–
(iv)	Domestic Travelling	**46,245**	–
	Total (B)	**104,904**	(10,230)
	Net (A) - (B)	**104,904**	(10,230)

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

	As At 31st March, 2008 (in Rs.)	As At 31st March, 2007 (in Rs.)
Retail Business		
Preoperative Expenses - Retail	**3,603,853**	2,960,883
Total	**3,603,853**	2,960,883

16. 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

17. In view of the management, the current assets, loans and advances have a value on realization in the ordinary courses of business at least equal to the amount at which they are stated in the Balance Sheet as at 31st March, 2008.

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

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

S. No.	Particulars	(Amount in Rs.)
A.	Investment in subsidiary companies for increasing the Group's production capacity by :	
	(i) Expansion of a new bottom manufacturing facility by Pearl Global Limited at Madras Export Promotion Zone Tambaram	22,500,000
	(ii) Establishment of a new woven and knits manufacturing facility by PT Norwest Indonesia at Semarang , Indonesia	5,969,250
	(iii) Acquisition of an existing knitted garment Manufacturing facility by Pearl Global Limited in Khandsa Gurgaon Haryana, India	54,000,000
B.	Setting up an Integrated Information Technology System	71,867,928
C.	Prepayment of certain term loans availed by the company and its subsidiaries	387,157,241
D.	Investment in its subsidiary company, Multinational Textiles, for payment of purchase of SACB Holdings Limited and Pallas Holdings Limited as part of the Group restructuring.	491,729,400
E.	Setting up a domestic branded apparel retail business	19,900,000
F.	Meeting Share Issue expenses	191,950,492
G.	Payment of Working Capital Loan for its subsidiary Pearl Global Limited as an interim use of funds	200,000,000
H.	Balance amount lying in Mutual Fund and Fixed Deposits & Bank Balance	1,409,260,689

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), the company has received 1,372,000 @ Rs. 100/- each non cumulative preference share against the resolution passed in the meeting of the Board of Directors held on 29.01.2008 with the terms 10.5% redeemable non- cumulative preference share to be redeemed within a period of 5 years

20. 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 : 20th June, 2008

On behalf of the Board of Directors

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Rishi Vig)
Chief Finance Officer

Sd/-
(Sandeep Sabharwal)
Company Secretary

BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

1. Registration Details

Registration No.	36849	State Code	55
Balance Sheet Date	31 03 2008		

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

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

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

Total Liabilities	3037290	Total Assets	3037290

Sources of Funds

Paid-up Capital	195003	Reserves & Surplus	2835287
Secured Loans	7000	Unsecured Loans	NIL
Deferred Tax Liability (Net)	NIL		

Including capital work in Progress.

Application of Funds

Net Fixed Assets *	98563	Investments	1957800
Net Curret Assets	970804	Miscellaneous Expenditure	NIL
Accumulated Losses	NIL	Deferred Tax Asset (Net)	10123

* Including Capital Work in Progress.

4. Performance of Company (Amount in Rupees Thousands)

Turn Over (Total Income)

Income	301183	Total Expenditure	184055
Profit before tax	117128	Profit after tax	106599
Earning per share (in Rs.)	5.47	Dividend Rate	15%

5. 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 of Directors

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Rishi Vig)
Chief Finance Officer

Sd/-
(Sandeep Sabharwal)
Company Secretary

Place : New Delhi
Date : 20th June, 2008

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

Name of the Subsidiary Company	Country	Financial Year to which accounts relates	Holding Co's Interest as at close of financial year of subsidiary company		Net aggregate amount of subsidiary company's profits after deducting its losses or vice-versa, so far as it concerns members of Holding company which are not dealt within the company's account.		Net aggregate amount of subsidiary company profit after deducting its losses or vice-versa, dealt within the company's accounts	
			Share Holding	Extent of Holding	For the current financial year Profit /(Loss) Amount (Rs.)	For the previous financial year Profit / (Loss) Amount (Rs.)	For the current financial year Profit / (Loss) Amount (Rs.)	For the previous financial year Profit / (Loss) Amount (Rs.)
Domestic :								
Pearl Global Limited	India	2007-08	4,969,588 Equity Shares of Rs. 10/- each	60.49%	(85,504,036)	28,148,122	–	–
Overseas :								
Multinational Textiles Group Limited	Mauritius	2007-08	13,017,610 Equity Shares of USD 1 each fully paid up	100.00%	(1,937,909) @	(2,312,411)	–	–
Global Textiles Group Limited #	Mauritius	2007-08	5,621,556 Equity Shares of USD 1 each fully paid up	100.00%	Rs. (806,848) @	10,392,568	–	–
Poeticgem Limited #	UK	2007-08	50,000 Equity Shares of GBP 1 each fully paid up	100.00%	137,592,784 @	147,842,421	–	–
Pacific Logistics Limited #	UK	2007-08	10,000 Equity Shares of GBP 1 each fully paid up	100.00%	4,137,228 @	14,791,041	–	–
Depa International Inc. #	USA	2007-08	75 Equity Shares of USD 2500 each fully paid up	75.00%	11,300,418 @	38,393,992	–	–
Poeticgem (Canada) Limited #	Canada	2007-08	100 Equity Shares of $ 1 each fully paid up	100.00%	380,170 @	9,336,604	–	–
PT Norwest Industry #	Indonesia	2007-08	149,998* Equity Shares of USD 10 each fully paid up	99.99%	29,972,094 @	28,575,873	–	–
Norwest Industies Limited #	Hongkong	2007-08	1,020,000 Equity Shares of USD 1 each fully paid up	85.00%	288,523,617 @	160,015,906	–	–
House of Pearl Fashions (US) Ltd.	USA	2007-08	100 shares without par value	100.00%	(7,334,150) @	(5,935,081)	–	–
Nor-Pearl Knitwear Limited	Bangladesh	2007-08	2,654,597 equity shares of Taka 100 each	99.89%	15,419,426 @	17,664,809	–	–
Norp Knit Industries Limited	Bangladesh	2007-08	493,761 equity shares of Taka 100 each	99.99%	43,469,546 @	23,990,448	–	–
FX Import Company Limited #	UK	2007-08	25,200 ordinary shares of 1 Pound each	50.00%	(16,392,106) @	~	–	–
Zamira Fashion Limited #	Hongkong	2007-08	167,500 shares of US$ 1 each	67.00%	(31,005,007) @	~	–	–
Pacific Supply Chain Limited #	UK	2007-08	1000 shares of 1 Pound each	100.00%	NIL @	~	–	–

\# Shares held through wholly owned subsidiaries.

* Global Textiles Group further acquired 15000 equity shares in PT Norwest Industry during the year 2007-08.

@ Average exchange rate has been considered for conversion.

Note :

~ Poeticgem Limited acquired 50% equity share capital of FX Import Company Limited in UK on 26.03.2008. On 16.04.2007, Poeticgem Limited incorporated a 100% subsidiary, Pacific Supply Chain Limited in UK. Multinational Textiles Group Limited incorporated and acquired 67% equity share capital in Zamina Fashion Limited on 20.09.2007. Previous year figures of Profit (Loss) of these companies have not been taken into accounts.

On Behalf of the Board

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Rishi Vig)
Chief Finance Officer

Sd/-
(Sandeep Sabharwal)
Company Secretary

Place : New Delhi
Date : 20th June, 2008

DIRECTORS' REPORT

To the Shareholders,

The Directors of your Company have pleasure in presenting the 28th Annual Report on the business and operations of the Company and the Audited Financial Accounts for the year ended 31st March 2008.

Financials

The perfromance of the Company for the financial year ended 31st March 2008 is summarized below:

(Rs. In Lacs)

PARTICULARS	2007 - 2008	2006 - 2007
Sales Turnover (including Export Incentives)	**30951.83**	19,196.46
Other Income	**853.00**	1029.08
Profit before Interest, Depreciation & Tax	**1211.56**	1,745.09
Interest (Net)	**787.27**	460.42
Depreciation / Amortisation	**471.43**	448.22
Profit (Loss) before Tax	**(47.14)**	836.45
Provision for Taxation (including deferred Tax)	**(472.37)**	325.70
Provision for Forward contract	**1280.27**	–
Tax Adjustments for earlier years	**–**	(57.37)
Provision for doubtful debts	**–**	(1.45)
Profit (Loss) after Tax	**(855.04)**	512.20

Operations

The global economy slowed down considerably in the fiscal 2008, starting with US slow down. European countries have also reported stagnation in apparel trade, responding to the global slow down. The rising inflation and unprecedented high oil prices have further impacted the already reeling industry.

Despite slow down globally, your company registered a remarkable growth of nearly 56% on year on year basis, whereas the Indian Apparel Industy did not grow at all.

This has been a tumultuous year in the history of the company. The company has gone through a phase of strategic shift to counter the adverse external factors like global slow down, rupee appreciation and increase in minimum wages in Haryana.

With rising cost, the company would like to produce only value added products in India and will outsource basis products through offshore contract manufacturing.

Last year, the company nearly doubled its manufacturing capacity in MEPZ Chennai and also acquired a new Knit manufacturing facility in Khandsa, Gurgoan. The new manufacturing facilities, due to learning curve incurred additional order execution cost in meeting its commitment to the clients. However, the Chennai Plant has started improving and more & more discerning buyers are showing confidence in it.

The company had entered into derivative products to hedge its currency risk. Adopting prudent and transparent policy, the company has made a provision of derivative loss of Rs. 1280.27 lacs.

The company has focused on cost reduction in this year and managed to control its fixed overheads to the bare minimum level. This year focus will be to implement an integrated ERP solution, SAP to improve the business process efficiency.

The company is also evaluating possibilities of developing the land parcels it has accumulated over the period of time.

After adoption of the new business strategy, the company experienced a complete turn around and managed to recover the losses of the first half of the year and nearly ended up with a break even from the operations. Despite the global downturn in the Apparel trade world wide, your company has been able to achieve a turnover of Rs. 309.51 crores during the year 2007-08, a growth of 56% compared to previous year.

Dividend

The Directors do not recommend any dividend for the year under review.

Directors

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of your Company, Mr. Pallak Seth and Mr. Anshuman Khanna, 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.

The Board of Directors in their meeting held on 11th March 2008, has appointed Mr. Shelley Cherian as an additional director of your Company, liable to retire at the forthcoming Annual General Meeting.

Keeping in view of the vast experience and knowledge of Mr. Shelley Cherian, it will be in the interest of your Company to re-appoint him as a Director of your Company, liable to retire by rotation. His re-appointment is subject to the approval of the Members of your Company.

Subsidiaries

The Company has no subsidiary Companies during the financial year under review.

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.

Segment Reporting

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

Public Deposits

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

Corporate Governance

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

Management Discussion and Analysis

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

Registrar and Share Transfer Agent

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

Listing

The shares of your Company are listed at Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd. The listing fees to the Stock Exchanges for the year 2008-09 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 2008, 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 2008 as a Going Concern and on accrual basis.

Particulars of Employees

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

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

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

Acknowledgements

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

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

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

Sd/-
(Deepak Seth)
Chairman

Place : Gurgaon
Date : 20th June, 2008

Annexure I to the Directors' Report

Name of the Employee	Age (Years)	Designation (Nature of Duty)	Remuneration (Rs.)	Qualification	Experience (in years)	Date of Employment	Nature of Duties	Previous Employment, Post held & Period
Pulkit Seth	28	Managing Director	3,609,360/-	Graduate in Management Studies from Leonard N. Stern School of Business, New York University	6 Years	01.04.2005	Managing the Company	Norwest Industries Ltd., Hong Kong, as Joint Managing Director and became Managing Director in the year 2003.
Sanjay Pershad	45	Whole-time Director	2,709,360/-	Commerce Graduate from Delhi University, In the year 1985	21 Years	01.08.2006	Managing the Company	Managing Director Pearl Styles Limited w.e.f. 01.05.2005 upto 31.07.2006.
Ashwani Palaha	40	COO Marketing & Production	3,054,089/-	B.Com (P)	17 Years	03.07.2006	Marketing & Production	Sr. President JC Textiles Pvt. Ltd.
Sanjay Jhangala	35	V.P. (Opr)	2,468,127/-	BSc.M.A. (Eco)	11 Years	01.08.1997	Production	Production Executive Jyoti Apparel

Notes: i. Employments of aforesaid officials are on contractual basis. Other terms and conditions are as per Company's Rule.

ii. Remuneration calculated under Section 198 of the Companies Act, 1956 and includes Salary, Medical Expenses, Company's contribution to Provident Fund and House Rent Allowance or any Expenditure incurred in providing Rent Free Residential Accommodation and Allowances.

Annexure II to the Directors' Report

A. CONSERVATION OF ENERGY :

1. **Energy Conservation measures taken:**
   - Installed Steam boilers in place of electrical boilers
   - Replaced old office electrical items like Air Conditions, fans with energy efficient ones.
   - Other measures like placing focused lighting systems and reducing lights wherever not needed.
2. **Additional investment and proposals, if any, being implemented for reduction of Energy consumption:**
   - Proposal to install Energy Controlling Device to monitor electricity consumption, thereby having efficient control over overall consumption.
3. **Impact of the measures at (1) and (2) above for reduction of energy consumption and consequent impact of production of goods:**
   - Despite additional electrical equipments installed for enhancing capacity, the overall energy consumption remained more or less same.
4. **Total Energy consumption and energy consumption per unit of production as per Form A of the Annexure.**
   N.A.

B. TECHNOLOGY ABSORPTION:

Research & Development

1. **Specific areas in which R & D is carried out by the Company**
   Product development is the key to success in the fashion industry. The Company has invested extensively in creating design & development infrastructure across the globe. We have some of best fashion designers on the board, who are constantly keeping their fingers at the pulse of the fashion. They are adapting and evolving new trends on an ongoing fashion.
2. **Benefit derived as a results of the above R & D**
   The cycle time has reduced considerably due to dynamic nature of fashion industry with an extensive design & development infrastructure. We are able to offer speed to market solutions to our valued clients.
3. **Future Plan of action**
   We are in the process of setting up a World Class Design Centre to show case our designing capabilities across the globe. This will help buyers to view best selling designs & fashions across the globe from a central location.
4. **Expenditure on R & D**

		2007-2008	2006-2007
			(Rs. / Lacs)
a)	Capital	**NIL**	NIL
b)	Recurring	**311**	210
c)	Total	**311**	210
d)	Total R & D expenditure as a percentage of total turnover is 1% (previous year 1%).		

Technology Absorption, Adaptation and Innovation

1. **Efforts in brief made towards technology absorption, adaptation and innovation**
   Not Applicale
2. **Benefits derived as a result of the above effort e.g. product improvement cost reduction, import substitution etc.**
   Not Applicable
3. **In case of imported technology (Imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished.**
   a) Technology Imported : Not Applicable
   b) Year of Import :
   c) Has technology been fully absorbed ?
   d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to export; initiative taken to increase exports; development of new export markets; and export plans.
   The Company is into the business of export of garments to various countries and has taken various initiatives for increasing exports like strengthening Design & development, Outsourcing garments from cost effective locations. The Company has valued buyers across the globe. Chennai unit of the Company is a class manufacturing unit, and the Company plans to cater to 'A' category of international buyers.
2. Total Foreign Exchange used and earned.

		2007-2008	2006-2007
			(Rs.)
i.	Foreign Exchange Earnings:		
	Export of Goods - FOB basis	**2,867,827,270**	1,734,617,145
	Export of software FOB basis	**9,952,250**	15,633,000
	Sampling Recoveries	**(22,334,072)**	24,699,970
	Claim Received	**3,888,915**	16,230,717
	Commission received	**3,183,6922**	23,848,000
	Total	**2,891,171,285**	1,815,028,834
ii.	Foreign Exchange Outgo		
	Interest on Loan	**6,262,518**	7,360,770
	Foreign Traveling	**2,032,843**	3,562,333
	Export Commission	**11,468,709**	13,273,136
	Others	**18,922,085**	6,199,860
	Total	**38,686,155**	30,396,100

AUDITORS' REPORT

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

We have audited the attached balance sheet of **Pearl Global Limited** as at **31st March 2008**, the profit and loss account and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

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

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

c) The Companys' balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

d) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

e) On the basis of written representations received from the directors as on 31st March 2008 and taken on record by the Board of Directors. We report that none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(i) In the case of the balance sheet, of the state of affairs of the company as at 31st March 2008;

(ii) in the case of the profit and loss account, the loss for the year ended on that date; and

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

For **S.R.DINODIA & CO.**
CHARTERED ACCOUNTANTS

Sd/-
(PRADEEP DINODIA)
PARTNER
M.NO. 080617

PLACE: NEW DELHI
Date: 20th June, 2008

ANNEXURE TO THE AUDITORS' REPORT

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

RE: M/S PEARL GLOBAL LIMITED

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

b) As explained to us, physical verification of major portion of fixed assets as at 31st March 2008 was conducted by the management during the year. There is a regular programme for verification which in our opinion, is reasonable having regard to the size of the company and the nature of the assets. No material discrepancies were noticed on such verification.

c) In our opinion and according to the information and explanations given to us, no substantial part of fixed assets has been disposed off by the Company during the year.

ii) a) On the basis of information and explanation provided by the management, the inventory has been physically verified during the year by the management except the inventories in transit and lying with the third parties. In our opinion, the frequency and the proceedure of physical verification followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

c) In our opinion, the company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.

iii) (a) The company had not granted any loans, secured or unsecured during the year 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 (Auditors Report) Order, 2003 are not applicable to the company.

(b) According to information and explanation given to us, the company had taken unsecured loans from one company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum balance involved in the transaction is Rs. 27,50,00,000/- (The year end balance was Rs. 20,00,00,000/-).

(c) The rate of interest and other terms and conditions on which has been given are not prime facie prejudicial to the interest of the company.

(d) In respect of the aforesaid loan, all the loans were repayable on demand

iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods. Further, on the basis of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices, there is no continuing failure to correct the weaknesses in the aforesaid internal control systems.

v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.

(b) In our opinion and according to explanation given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained u/s 301 of the Companies Act, 1956 and exceeding values of Rs.5 Lacs have been made at prices which are reasonable with regard to the prevailing market prices at the relevant times.

vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits within the meaning of section 58A, 58AA and the other relevant provisions of the Companies Act, 1956 and rules framed thereunder.

vii) In our opinion, the company has an internal audit system commensurate with the nature and size of its business.

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

ix) a) According to the information and explanation given to us, the company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.

b) According to the records of the Company examined by us and the information and explanations given to us, no undisputed amounts payable in respect of aforesaid statutory dues were outstanding as at 31st March, 2008 for a period of more than six months from the date they became payable.

c) On the basis of our verification of records and information & explanations provided, the details of the disputed statutory dues aggregating amounting to Rs. 2,571,661/- which have not been deposited on account of matters pending before appropriate authorities are as under :

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

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

xi) In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to banks during the year. There were no dues payable to any financial institution or debenture holders.

xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore, the provisions of clause 4(xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

xiii) The company is not a chit fund or a nidhi mutual benefit fund society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

xiv) The company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

xv) In our opinion and on the basis of information and explanation given to us, the company has not given the guarantees for loans taken by others from banks or financial institutions.

xvi) On the basis of information and explanation given to us, we are of opinion that the term loans were applied for the purposes for which the loans were obtained.

xvii) According to the information and explanations given to us and on the basis of an overall examination of the balance sheet of the company, in our opinion, funds raised on short term basis have not been used for long term investments.

xviii) During the year, the Company has allotted 13,72,000 non-cumulative preference shares of Rs. 100/- each to House of Pearl Fashions Limited, the holding Company which is covered u/s 301 of the Companies Act, 1956.

xix) The Company has not issued any debentures during the year. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

xx) According to the information and explanation given to us, the company has not raised any money by way of public issue during the period covered under audit. Therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

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

For **S.R.DINODIA & CO.**
CHARTERED ACCOUNTANTS

Sd/-
(PRADEEP DINODIA)
PARTNER
M.NO. 080617

PLACE: NEW DELHI
Date: 20th June, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

(Amount in Rupees)

	SCHEDULE		AS AT 31ST MARCH 2008		AS AT 31ST MARCH 2007
SOURCES OF FUNDS					
Shareholder's Funds					
Share Capital	1	219,349,800		82,149,800	
Reserves & Surplus	2	531,719,644	751,069,444	633,684,162	715,833,962
Share Application Money (Pending Allotment) (Refer Note No. 24 of Sch. 17)			22,500,000		50,000,000
Loan Funds	3				
Secured Loans			750,511,105		856,810,628
Unsecured Loans			200,000,000		37,315,389
Deferred Tax Liability (Net) (Refer Note No. 20 of Sch. 17)	4		182,787		49,191,726
			1,724,263,336		1,709,151,705
APPLICATION OF FUNDS					
Fixed Assets	5				
Gross Block		1,244,212,866		1,121,283,880	
Less: Depreciation		254,670,631		217,669,252	
Net Block		989,542,235		903,614,628	
Capital Work in Progress		26,232,047	1,015,774,282	38,928,253	942,542,881
Investments	6		9,739,003		5,588,340
Current Assets, Loans & Advances					
Inventories	7	629,067,480		622,823,237	
Sundry Debtors	8	407,782,500		202,840,488	
Cash & Bank Balances	9	125,780,605		97,448,477	
Loans & Advances	10	127,783,556		135,135,291	
		1,290,414,141		1,058,247,493	
Less :Current Liabilities & Provisions					
Current Liabilities	11	450,487,374		262,215,717	
Provisions	12	141,176,716		35,011,292	
		591,664,090		297,227,009	
Net Current Assets			698,750,051		761,020,484
			1,724,263,336		1,709,151,705
Significant Accounting Policies	16				
Notes to Account	17				

As per our report of even date attached.

On behalf of the Board

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

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

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Ajay Gupta)
Deputy General Manager

Sd/-
(Prakash Prusty)
Company Secretary

Place : New Delhi
Date : 20th June, 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

(Amount in Rupees)

	SCHEDULE		**Current Year**		Previous Year
INCOME					
Turnover					
Sales		**2,987,120,987**		1,839,364,762	
Export Incentives		**108,061,727**		80,281,203	
			3,095,182,714		1,919,645,965
Job Work Receipts			**–**		7,953,450
Other Income	13		**85,300,271**		102,908,121
			3,180,482,985		2,030,507,536
EXPENDITURE					
Purchase of Trading Goods			**882,292,777**		249,005,868
Manufacturing & Other Expenses	14		**2,177,033,476**		1,606,992,713
Finance Cost	15		**78,727,105**		46,042,357
Depreciation/Amortisation			**47,143,408**		44,821,892
			3,185,196,766		1,946,862,830
PROFIT					
Profit before Taxation, Adjustments and Exceptional items			**(4,713,781)**		83,644,706
Provision for – Forward Contract Loss			**(128,026,792)**		–
Provision for – Current Tax			**–**		(5,752,000)
Provision for – Wealth Tax			**(200,000)**		(225,000)
Provision for – Deferred Tax			**50,386,537**		(29,383,653)
Provision for – Fringe Benefit Tax			**(2,950,000)**		(2,946,000)
Tax Adjustments for Earlier Years			**–**		5,737,072
Provision for Doubtful Debts			**–**		145,230
Profit / (Loss)			**(85,504,036)**		51,220,355
Proposed Dividend - Equity Shares			**–**		(16,429,960)
Dividend Tax			**–**		(2,792,272)
Transfer to General Reserve			**–**		(3,850,000)
Balance Brought Forward			**120,668,078**		92,519,955
Balance carried forward to Balance Sheet			**35,164,042**		120,668,078
Earning Per Share					
– Basic			**(10.41)**		6.47
– Dilutive			**(10.41)**		6.23
(Refer note 19 of schedule 17)					
Significant Accounting Policies	16				
Notes to Account	17				

As per our report of even date attached.

On behalf of the Board

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

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

Sd/-
(Deepak Seth)
Chairman

Sd/-
(Pulkit Seth)
Managing Director

Sd/-
(Ajay Gupta)
Deputy General Manager

Sd/-
(Prakash Prusty)
Company Secretary

Place : New Delhi
Date : 20th June, 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2008

(Amount in Rupees)

		Year Ended 31.03.2008	Year Ended 31.03.2007
A.	**Net Profit Before Tax and Exceptional Items**	**(4,713,781)**	83,644,705
	Adjustments :		
	Depreciation	**47,143,408**	44,821,892
	Interest Expense	**78,727,105**	46,042,357
	(Profit) / Loss on sale of Investments	**(1,086,711)**	–
	Profit on Reinstatement of investment at fair value	**4,079,814**	–
	Exchange Fluctuation	**(18,250,669)**	–
	Bad Debts written off	**–**	145,230
	Rent Income	**(3,480,000)**	(2,678,000)
	(Profit) / Loss on sale of Assets (Net)	**1,748,312**	6,337,837
	Excess Provision written back	**(2,616,149)**	(5,854,639)
	Interest, Dividend & Income from other Investments	**(2,678,757)**	(3,268,923)
	Operating Profit /(loss) before working capital changes	**90,712,944**	169,190,459
	Adjustment for :		
	Trade and Other Receivables	**(204,519,913)**	(52,835,831)
	Trade Payables	**173,306,117**	(16,897,301)
	Inventories	**(6,244,243)**	(166,841,776)
	Cash Generated from operations	**53,254,905**	(67,384,449)
	Direct Taxes (Paid)/ refunds	**(6,397,520)**	(13,862,359)
	Net Cash Generated / (used) in operating activities	**46,857,385**	(81,246,808)
B.	**Cash Flow from Investing Operations:**		
	Purchase of fixed Assets	**(129,997,087)**	(224,318,247)
	Rent Received	**3,480,000**	2,678,000
	Interest & Dividend realised	**2,406,895**	3,268,923
	Sale of fixed Assets	**7,873,966**	1,514,987
	Investment made during the year	**(69,900,000)**	(1,000,000)
	Sale of Investment	**71,187,724**	2,125,000
	Net Cash Generated / (used) in Investing activities	**(114,948,502)**	(215,731,337)
C.	**Cash Flow from Financing Activities**		
	Dividend paid	**(16,377,013)**	(23,315,009)
	Corporate Dividend Tax	**(2,792,272)**	(3,329,301)
	Interest paid	**(77,142,560)**	(53,907,608)
	Interest bearing Loan to Educational Society	**26,650,000**	(26,650,000)
	Loan from Holding Company	**162,684,611**	37,315,389
	(Decrease) / increase in Share Application Money - Holding Company	**(27,500,000)**	50,000,000
	Issue of Preference Shares	**137,200,000**	–
	Loans taken - Packing Credit	**28,247,477**	178,538,861
	Loans taken - Short Term	**59,652,127**	529,503,356
	Repayment of Term loans	**(194,199,125)**	(376,934,154)
	Net cash Generated/(used) in financing activities	**96,423,245**	311,221,534
	Increase in Cash/Cash equivalents(A+B+C)	**28,332,128**	14,243,389
	Net Increase in cash/Cash Equivalents	**28,332,128**	14,243,389
	Cash / Cash equivalents at the beginning of the year	**97,448,477**	83,205,088
	Cash / Cash equivalents at the close of the year	**125,780,605**	97,448,477
	Component of cash & cash equivalents at the year end:		
	Cash and cheques in hand	**7,337,333**	4,123,323
	Balance with Scheduled Banks		
	i) In Current Accounts	**26,101,225**	37,508,018
	ii) In Fixed Deposits	**90,467,580**	51,870,136
	iii) In Margin Money	**1,874,467**	3,947,000
		125,780,605	97,448,477

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 : 20th June, 2008

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

SCHEDULES FORMING PART OF THE BALANCE SHEET

(Amount in Rupees)

SCHEDULE -1

	AS AT 31ST MARCH 2008	AS AT 31ST MARCH 2007
SHARE CAPITAL		
Authorised		
26,450,000 (Previous Year 26,450,000) Equity Shares of Rs. 10/- each	**264,500,000**	264,500,000
Nil (Previous Year 500,000) 14.5% Redeemable Preference Shares of Rs. 100/- each	–	50,000,000
32,56,000 (previous year Nil) 10.5% redeemable preference shares of Rs. 100/- each	**325,600,000**	–
Nil (Previous Year 5000) 4% Non Cumulative non-voting Preference Shares of Rs. 10/- each	**–**	50,000
Nil (Previous Year 35000) 4% Non Cumulative Preference Shares of Rs. 10/- each	**–**	350,000
	590,100,000	314,900,000
ISSUED SUBSCRIBED & PAID UP		
8,214,980 (Previous Year 7,912,777) Equity Shares of Rs.10/- each Fully Paid Up	**82,149,800**	79,127,770
1,372,000 (Previous Year Nil) 10.5% non-cumulative redeemable preference shares of Rs.100/- each Fully Paid Up	**137,200,000**	–
	219,349,800	79,127,770
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
	–	3,022,030
	219,349,800	82,149,800

Notes:
1. The preference share capital of the Company has been rearranged into 3,256,000/-, 10.5% redeemable preference share @ Rs. 100/- each.
2. 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.
3. Out of the above 4,969,588 Nos (Previous year 4,969,588 Nos) of Equity Shares of Rs. 10/- each are held by House of Pearl Fashions Ltd, the holding company.
4. The above 13,72,000 preference shares (Previous Year Nil) of Rs. 100/- each fully paid up are held by House of Pearl Fashions Ltd., the holding company to be redeemed in 2012 for the period of five years.
5. 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

		AS AT 31ST MARCH 2008		AS AT 31ST MARCH 2007
RESERVES & SURPLUS				
Capital Redemption Reserve		**8,900,000**		8,900,000
Amalgamation Reserve		**4,504,755**		4,504,755
Share Premium Account		**64,918,034**		64,918,033
General Reserve	**395,396,441**		391,546,441	
Add: Addition during the year	**–**		3,850,000	
Add:Transitional Provision on account of adjustment in accordance with revised Accounting Standard - 15 (Net of Deferred Tax Rs. 1,377,598)	**2,675,353**	**398,071,794**	–	395,396,441
Hedging Reserve **(Refer note 7 of schedule 17)**		**(19,135,836)**		–
Revaluation Reserve		**39,296,855**		39,296,855
Profit & Loss Account		**35,164,042**		120,668,078
		531,719,644		633,684,162

SCHEDULE-3

		AS AT 31ST MARCH 2008		AS AT 31ST MARCH 2007
LOAN FUNDS				
SECURED LOANS				
FROM BANKS				
a) Term Loan *				
– Rupee Loan	**177,793,799**		319,842,924	
– Foreign currency Loan	**71,820,000**		78,894,000	
b) Packing Credit				
– Rupee Loan	**226,116,451**		337,682,752	
– Foreign currency Loan	**260,204,729**		120,390,952	
FROM OTHERS				
– UPSIDC – Term Loan	**14,576,126**	**750,511,105**	–	856,810,628
UNSECURED LOANS				
– From Holding Company		**200,000,000**		37,315,389
		950,511,105		894,126,017

(Refer note 4 of the schedule 17)

* Amount Repayable within one year Rs. 109,406,902 (Previous Year Rs. 242,089,266)

(Amount in Rupees)

	AS AT 31ST MARCH 2008	AS AT 31ST MARCH 2007
SCHEDULE-4		
DEFERRED TAX LIABILITY (NET)		
Opening Deferred Tax Liability	**50,569,324**	19,808,073
Add : (Assets)/Liability accrused fo the year	**(50,386,537)**	29,383,653
	182,787	49,191,726

(Refer note 20 of the schedule 17)

SCHEDULE-5

FIXED ASSETS **(Amount in Rupees)**

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK AS AT	
	As on 01.04.2007	Additions	Deductions	**Total 31.03.2008**	As On 01.04.2007	Additions	Deductions/ Adjustments	**Up To 31.03.2008**	**31.03.2008**	31.03.2007
Tangible Assets										
Land Freehold	143,099,933	75,629,842	–	**218,729,775**	–	–	–	**–**	**218,729,775**	143,099,933
Land Leasehold	15,606,000	–	–	**15,606,000**	694,697	431,975	–	**1,126,672**	**14,479,328**	14,911,303
Builiding	327,006,565	25,520,798	30,469,897	**322,057,466**	50,903,321	10,134,827	242,380	**60,795,768**	**261,261,698**	276,103,243
Plant & Machinery	509,082,830	47,175,076	10,226,770	**546,031,136**	111,963,855	27,600,590	3,133,632	**136,430,813**	**409,600,323**	397,118,975
Vehicles	45,296,212	2,926,113	8,778,610	**39,443,715**	22,129,387	3,628,149	6,637,398	**19,120,138**	**20,323,577**	23,166,826
Furniture & Fixtures	78,953,099	5,934,460	516,547	**84,371,012**	31,977,992	4,649,782	128,619	**36,499,155**	**47,871,857**	46,975,107
Intangible Assets										
Software	–	15,734,521	–	**15,734,521**	–	698,085	–	**698,085**	**15,036,436**	–
Total	1,119,044,639	172,920,810	49,991,824	**1,241,973,626**	217,669,252	47,143,408	10,142,029	**254,670,631**	**987,302,994**	901,375,387
Assets held for Disposal										
– Land and Building	2,239,241	–	–	**2,239,241**	–	–	–	**–**	**2,239,241**	2,239,241
Total	1,121,283,880	172,920,810	49,991,824	**1,244,212,867**	217,669,252	47,143,408	10,142,029	**254,670,631**	**989,542,235**	903,614,628
Capital Work-in- progress	38,928,253	73,514,364	86,210,570	**26,232,047**	–	–	–	**–**	**26,232,047**	38,928,253
Grand Total	1,160,212,133	246,435,174	136,202,394	**1,270,444,914**	217,669,252	47,143,408	10,142,029	**254,670,631**	**1,015,774,282**	942,542,881
Previous Year	930,165,786	486,711,694	256,665,347	1,160,212,133	176,541,437	44,821,892	3,694,077	217,669,252	942,542,881	753,624,349

Notes :

1. Capital WIP includes:
   a) Capital Advances Rs. 329,635 (Previous year Rs. 16,772,032)
   b) Pre-operative expenses of Rs. 4,223,304 (Previous year : 3,562,809)
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. 45,229,132 on account of revaluation on 31.03.2002.
4. Opening balance of building includes Rs. 5,932,277 on account of reduction in revaluation on 31.03.2002.
5. The above includes the amount of land & Building of Rs. 30,508,377 situated at Narshingpur, Tehsil District Gurgaon for which the company has executed an agreement for the consturction of a commercial project with DLF Retail Developers Ltd. on 30th November, 2007. However, as certified by the management, the work has not started during the financial year 2007-2008.

(Amount in Rupees)

	AS AT 31ST MARCH 2008	AS AT 31ST MARCH 2007
SCHEDULE-6		
INVESTMENTS		
Long Term - At cost - Non Trade		
Held to Maturity		
Investment in Government Securities		
Kisan Vikas Patra	**–**	2,500
National Saving Certificate (Pledged with Sales Tax Authorities)	**4,000**	4,000
Unquoted (Trade)		
Vau Apparels Pvt. Ltd. 10 Equity Shares (Previous year 10) of Rs.10/- each fully paid up	**100**	100
Current Investments		
Held For Trading		
Investment in Equity Share		
Quoted (Trade)		
GIVO Ltd 49,800 Equity Shares (Previous year 49,800) of Rs.10/- each fully paid up	**382,464**	498,000
Quoted (Non - trade)		
Bhagheeratha Engineering Ltd 5,000 Equity Shares (Previous year 5,000) of Rs.10/- each fully paid up	**60,750**	35,000
PNB Gilts Ltd 18,398 Equity Shares (Previous year 18,398) of Rs.10/- each fully paid up	**507,784**	551,940

(Amount in Rupees)

	AS AT 31ST MARCH 2008	AS AT 31ST MARCH 2007
Punjab National Bank 3,000 Equity Shares (Previous year 3,000) of Rs.10/- each fully paid up	**1,524,450**	93,000
UCO Bank 3,900 Equity Shares (Previous year 3900) of Rs.10/- each fully paid up	**144,105**	46,800
Chennai Petroleum Ltd 1,000 Equity Shares (Previous year 1,000) of Rs.10/- each fully paid up	**279,650**	70,000
ICICI Bank Ltd 1,000 Equity Shares (Previous year 1000) of Rs.10/- each fully paid up	**770,100**	525,000
Gem Spinners 10,800 Equity Shares (Previous year 10,800) of Rs.10/- each fully paid up	**42,012**	162,000
Unquoted (Non - trade)		
Tata Equity Management Fund 50,000 Units (Previous 50,000) of Rs. 10/- each	**1,649,750**	500,000
Investment in Mutual Funds		
Unquoted (Non - trade)		
SBI Mutual Fund 1,00,000 Units (Previous 1,00,000 Units l) of Rs. 10/- each	**1,233,000**	1,000,000
Principal Infrastructure & serv Ind Fund 98,899.756 Units (Previous 98,899.756) of Rs. 10/- each	**1,255,038**	1,000,000
Principal Junior Cap Fund 50,000 Units (Previous 50,000 Units) of Rs. 10/- each	**752,000**	500,000
Principal Large Cap Fund 55,554.957 Units (Previous 48,899.756 Units) of Rs. 10/- each	**1,001,000**	500,000
Reliance Mutual Funds 10,000 Units (Previous 10,000 Units) of Rs. 10/- each (Refer note 6 of the schedule 17)	**132,800**	100,000
	9,739,003	5,588,340

Notes :

i) Aggregate amount of quoted investments is Rs. 3,711,315 (previous year Rs. 1,981,740)

ii) Aggregate market value of quoted investment is Rs. 3,711,315 (previous year Rs. 3,477,782)

iii) Aggregate of unquoted investment is Rs. 6,027,688 (previous year Rs. 3,606,600)

SCHEDULE-7

INVENTORIES
(As taken,Valued and certified by the management)

	AS AT 31ST MARCH 2008	AS AT 31ST MARCH 2007
Stores and Spares	**3,753,414**	1,434,048
Raw Material	**307,822,882**	306,920,938
Finished Goods	**282,974,298**	289,125,494
Work in Progress	**33,392,224**	22,422,703
Goods in Transit (Raw Material & Accessories)	**1,124,662**	2,920,054
	629,067,480	622,823,237

SCHEDULE-8

SUNDRY DEBTORS
(Unsecured - Considered Good unless otherwise stated)
Considered Good

	AS AT 31ST MARCH 2008	AS AT 31ST MARCH 2007
Over Six Months	**31,812,258**	26,756
Others	**375,970,242**	202,813,732
	407,782,500	202,840,488

SCHEDULE-9

CASH AND BANK BALANCES

		AS AT 31ST MARCH 2008		AS AT 31ST MARCH 2007
Cash in hand		**3,413,456**		2,907,766
Cheques in hand	**3,923,877**			1,215,557
Balance with Scheduled Banks				
i) In Current Accounts	**26,101,225**		37,508,018	
ii) In Fixed Deposits *	**90,467,580**		51,870,136	
iii) In Margin Account	**1,874,467**	**122,367,149**	3,947,000	93,325,154
		125,780,605		97,448,477

* Under lien with authorities (Previous year Rs. 4,17,71,853.00)

(Amount in Rupees)

	AS AT 31ST MARCH 2008	AS AT 31ST MARCH 2007
SCHEDULE-10		
LOANS & ADVANCES		
(Unsecured - Considered Good)		
Loan	–	26,650,000
Advances Recoverable in cash or in kind or for value to be received	**51,356,404**	41,144,023
Export Incentive Receivables	**47,184,656**	28,264,857
Other Receivables	**25,681,874**	38,763,308
Advance Tax (Net of Provision for tax Rs. 20,418,179 (P.Y. Rs. 1,76,17,446/-)	**3,560,622**	313,103
	127,783,556	135,135,291
SCHEDULE-11		
CURRENT LIABILITIES		
Sundry Creditors		
– Due to Micro Small and Medium Scale Enterprises		
– Due to Small Scale Enterprises **(Refer note 25 of schedule 17)**	–	4,415,612
– Others	**275,406,650**	153,961,945
Other Liabilities	**173,982,322**	102,792,705
Unclaimed Dividend *	**1,098,402**	1,045,455
	450,487,374	262,215,717

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

	AS AT 31ST MARCH 2008	AS AT 31ST MARCH 2007
SCHEDULE-12		
PROVISION		
Leave Encashment	**5,563,127**	3,578,903
Gratutiy	**7,586,797**	12,210,157
Proposed Dividend	–	16,429,960
Dividend Tax	–	2,792,272
Provision for Forward Contract	**128,026,792**	–
(Refer note 8 of schedule 17)	**141,176,716**	35,011,292

(Amount in Rupees)

SCHEDULE-13	**Current Year**	Previous Year
OTHER INCOME		
Other Operating Income	**46,353,272**	80,108,288
Rent - TDS Rs. 804,864/- (Previous Year Rs. 664,853)	**3,480,000**	2,678,000
Interest Received		
– on Loan TDS Rs.502,277/- (Previous year Rs. 362,987)	**2,392,123**	1,849,420
– on Income Tax	–	132,137
Interest on Fixed Deposit with Bank TDS Rs. 5,890 (Previous year 148,369)	**14,772**	1,235,966
Dividend		
– From Non Trade Investments	**271,862**	51,400
Profit on Sale of Assets	**954,948**	–
Sundry Balance Written back Net of Provision Rs. 395,865 (P.Y. Rs. 206,930)	**2,616,149**	1,261,625
Foreign Exchange Fluctuation	**18,250,669**	10,258,968
Excess Provision Written back	–	4,588,014
Income from Non Trade Investments	**1,086,711**	–
Income from reinstatement from Investments at fair value (net) **(Refer note 3 & 5 of schedule 17)**	**4,079,813**	–
Miscellaneous Income	**5,799,952**	744,303
	85,300,271	102,908,121

(Amount in Rupees)

		Current Year		Previous Year
SCHEDULE-14				
MANUFACTURING, ADMINSTRATIVE, SELLING & OTHER EXPENSES				
Raw Material Consumed				
Opening Stock	**305,655,312**		234,208,390	
Purchases	**1,071,288,392**		856,036,327	
Less:				
Cost of Goods Sold	**88,101,955**		47,973,914	
Closing Stock	**306,393,088**	**982,448,661**	305,655,312	736,615,491
(Increase) / Decrease in Stock				
Work in Progress				
Opening Stock	**22,422,703**		19,506,911	
Closing Stock	**(33,392,224)**	**(10,969,521)**	(22,422,703)	(2,915,792)
Finished Goods				
Opening Stock	**289,125,494**		189,897,242	
Closing Stock	**(282,974,298)**	**6,151,196**	(289,125,494)	(99,228,252)
Manufacturing Expenses		**535,187,834**		436,187,335
Stores and Spares Consumed		**21,739,330**		26,072,141
Power & Fuel		**69,913,759**		58,864,506
Salaries, Wages & Other Benefits to Staff		**263,253,442**		229,338,163
Contribution to Provident Fund & Other Funds		**23,940,567**		19,150,001
Gratuity		**2,187,110**		795,019
Staff Welfare Expenses		**13,212,590**		11,616,839
Legal & Professional Charges		**9,289,390**		8,095,788
Travelling & Conveyance		**21,579,914**		19,745,101
Rent		**1,993,268**		5,462,701
Rates & Taxes		**6,537,072**		12,583,954
Repair & Maintenance				
– Building	**631,765**		2,300,391	
– Plant & Machinery	**1,996,785**		1,421,939	
– Others	**3,690,358**	**6,318,908**	4,251,285	7,973,615
Printing & Stationary		**9,758,813**		11,452,158
Auditor's Remuneration		**1,095,510**		1,090,758
Communication Expenses		**6,309,217**		5,660,222
Freight Outward		**47,671,387**		21,229,567
Insurance		**4,559,815**		4,725,978
Clearing & Forwarding Charges etc.		**56,547,865**		34,188,794
Forward Contract Loss		**24,951,074**		–
Loss on sale of trade investment		**–**		2,875,000
Loss on Sale of Fixed Assets		**2,703,259**		3,462,837
Claim to buyers		**8,132,555**		628,210
Bank Charges		**29,623,415**		16,507,284
Bad Debts		**–**		145,230
Miscellaneous Expenses		**32,897,046**		34,670,065
		2,177,033,476		1,606,992,713
SCHEDULE-15				
FINANCE COST				
Interest :				
– Fixed Loans		**16,115,756**		14,575,366
– Others		**62,611,349**		31,466,991
		78,727,105		46,042,357

SCHEDULE-16
SIGNIFICANT ACCOUNTING POLICIES

1. **Accounting Convention**

   The financial statements have been prepared to comply with the mandatory accounting standards issued by the Institute Of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention (except in the case of investment held for trading and investment held available for sale) on accrual basis except for investment available for sale and held for trading which is measured at fair value. 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. **Fixed Assets**

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

6. **Depreciation/Amortisation**

   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) Leasehold land is amortised over the period of lease.

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

7. **Revenue / Expenditure Recognition**

   a) Export sale is recognized on the basis of date of Airway Bill/Bill of Lading/Forwarder Cargo receipts.

   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. Purchases 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.

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.

9. **Investment**

   Due to Adoption of Accounting Standard “30”, the Company has reclassified its investments as:

   Held for Trading : are those investments that are bought and held principally for the purpose of selling them in near term and such investments are valued at fair value and gain/loss is recognised in the income statement.

   Held to Maturity : are those investments only if the company has the positive intent and ability to hold these securities to maturity, such securities are recorded at historical cost.

   Available-for-Sale Financial Assets : being non-derivative financial assets in listed and unlisted equity & debt instruments that are designated as available for sale and are initially recognised at their fair value. Subsequent to initial recognition, these assets are measured at fair value, with gains or loss recognised as a separate component of equity as "Investment Revaluation Reserve" until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

   Fair value

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

10. **Derivatives Financial Instruments and Hedging**

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

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

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

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

    Fair value hedges when hedging the exposure to changes in the fair value of recognized asset or liability or an unrecognized firm commitment (except for foreign risk); or

    Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment.

    Cash flow hedges

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

11. **Retirement Benefits**

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

    i) Post Employment Benefit Plans

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

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

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

ii) Short Term Employee Benefits

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

12. Borrowing Costs

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

13. Business Segment

The company is mainly 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

14. Leases

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

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

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

15. Taxes on Income

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

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

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

16. Impairment of Assets

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

17. Provision, Contingent Liabilities and Contingent Assets

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

SCHEDULE -17

NOTES TO THE ACCOUNTS

1. Contingent Liabilities :-

(a) Claims against the Company not acknowledged as debts and other matters Rs. 3,413,854 (Previous Year : Rs. 3,413,854).

(b) Export Bills Discounted with banks Rs 266,369,360 (Previous Year Rs. 150,806,247).

(c) Counter Guarantees given by the company to the Sales Tax Department for its associates company Rs. 100,000 (Previous Year : Rs. 100,000), for others Rs. 50,000 (Previous Year Rs. 50,000).

(d) Guarantee given to government authorities in respect of facilities availed by holding co. & 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. 26,034,843 (Previous year Rs. 32,559,228).

3. Adoption Of Accounting Standard -30

Arising from the announcement of the Institute of Chartered Accountants of India on 29th March, 2008 the company has chosen for early adoption of Accounting Standard 30, (Financial Instruments : Recognition & Measurement) in its entirety. The adoption of this standard has resulted in:

a) Increase in current year loss by Rs. 123,946,979/- due to:

(i) Increase in the value of Investments by Rs. 4,079,813.

(ii) The provision of mark to market losses of Rs.128,026,792 on outstanding derivatives at balance sheet date.

b) Aggregate decrease in reserve by Rs. 19,135,836/- due to creation of hedging reserves on account of cash flow hedges.

4. Secured Loans

(i) Rupee term loan from UCO Bank is secured by

- Exclusive first charge on the movable/immovable assets (including exclusive charge on the superstructure being built on the land at D-6/III, Phase II at MEPZ, SEZ Chennai to be created within 30 days of the first disbursement) purchased from the proceeds of the term loan.
- 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 and Working Capital From the Hongkong & Shanghai Banking Corporation is secured by :

- First charge over stocks and receivables pari passu with consortium banks.
- First pari passu charge over the company's movable fixed assets (present and future)
- Exclusive first charge over the Fixed Assets of the Chennai unit financed from the proceeds of the term loan.
- Pari-Passu charge with UCO Bank by way of mortgage of the Property situated at 446, Udyog Vihar Phase-V, Gurgaon.
- First charge on pari-passu basis with consortium banks for INR 2450 Lacs way of equitable mortgage by deposits of title deeds of certain specified immovable properties.

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

- Exclusive charge by way of equitable mortgage of land and building situated at 16/17, Udyog Vihar, Phase VI, Khandsa, Gurgaon, Haryana.
- 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.
- Personal Guarantee of the Chairman.

(iv) Rupee term loan from Yes Bank Ltd is secured by exclusive charge on the land situated at 751, sector 37 II, Pace City Gurgaon together with building and structures standing thereon as also together with all moveable and immovable plant & machinery installed therein.

(v) Vehicle loans are secured against hypothecation of respective vehicles.

(vi) 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.

5. The loss from trade investment is Rs. 115,536. The Net Income from the non trade investment is 4,195,349. (Net of loss of Rs. 164,144).

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

Name of the Security	Face Value	Opening Quantity	Purchase / Addition during the year	Sold during the year	Quantity at the closing
JM Money Manager Fund - Super Plus Plan	10/-	–	4,598,631.447	4,598,631.447	–
Principal Mutual Fund	10/-	–	2,505,273.503	2,505,273.503	–
Principal Large Cap Fund	10/-	48,899.756	6,655.201	–	55,554.957

7. Forward Currency Contracts - Cash Flow Hedges

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

	USD	Rs.
Forward foreign exchange contracts	42,438,600	1,699,432,640

These commitments have been entered into to hedge against future payments to suppliers and receipts from customers in the ordinary course of business that will fall due in the period ending 31 March 2009.

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

b) The terms of the forward currency contracts have been negotiated to match the terms & the commitments. The Cash Flow hedges of the expected future sales in April, 2008 to March, 2009 were assessed at a loss of Rs. 19,135,836 as on reporting date and this has been included in the hedging reserve.

8. Currency Derivatives

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

As on 31 March 2008, the company has two outstanding derivatives contracts of Knock in/ Knock out structure nature. With sharp move in the currencies over the past few months, the fair value of these contracts has turned negative. The company has provided for the loss of Rs. 128,026,792/-. These contracts will mature in August-September 2008 and are completely hedged at the moment.

9. Interest received on FDR pledged with the bank amounting to Rs 5,143,021 (TDS Rs. 1,005,322) [Previous Year Rs. 1,842,588 (TDS Rs. 552,702)] has been netted off with the interest charges.

10. Details of Managerial Remuneration

		For The Year	Previous Year
a)	Salary	**6,300,000**	4,900,000
b)	Contribution to Provident Fund	**18,720**	18,720
	Total	**6,318,720**	4,918,720

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.

11. Auditors' Remuneration

		Current Year	Previous Year
a)	Audit Fee	**525,000**	425,000
b)	Tax Audit	**150,000**	105,000
c)	Other matters	**300,000**	440,000
d)	Service Tax	**120,510**	120,758
	Total	**1,095,510**	1,090,758

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

	Particulars of Expenses	As at 31st March, 2008 (In Rs.)	As at 31st March, 2007 (In Rs.)
(i)	**SIPCOT**		
	Legal Expenses	**117,773**	79,680
	Traveling Expenses	**16,491**	16,011
	Subscription	**40,139**	15,000
	Maintenance	**18,375**	18,375
	Processing Charges	**725,000**	725,000
	Conveyance	**640**	–
	Food & Welfare	**170**	–
	Others	**40,000**	–
	Professional Fee	**10,000**	–
	Interest on loan	**214,379**	–
	Total	**1,182,967**	854,066
(ii)	**TIRPUR**		
	Interest on Term Loan	**1,188,841**	1,188,841
	Traveling Expenses	**94,699**	95,179
	Electricity expenses	**575,000**	455,000
	Property tax	**28,000**	16,000
	Miscellaneous expenses	**328,128**	180,564
	Business Promotion	**119,159**	119,159
	Consultancy	**12,000**	12,000
	Telephone	**29,600**	17,000
	Total	**2,375,427**	2,083,743
(iii)	**REAL ESTATE**		
	Processing Fee	**625,000**	625,000
	Professional Charges	**39,910**	–
	Total	**664,910**	625,000
	GRAND TOTAL (i) + (ii) + (iii) + (iv)	**4,223,304**	3,562,809

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

Sundry Debtors includes:

Name of the Concern	For the Year (Rs) Balance as at 31.03.2008	For the Year (Rs) Maximum amount during the year	Previous Year (Rs.) Balance as at 31.03.2007	Previous Year (Rs.) Maximum amount during the year
Poeticgem Ltd.	**1,083,623**	**50,303,257**	(751,841)	2,976,705
Simple Approach Ltd.	**16,663,416**	**16,663,416**	–	–
Nor Pearl Knitwear Ltd.	**180,720**	**180,720**	–	–
Norwest Industries Ltd	**7,600**	**7,600**	27,802	3,293,005
P.T. Norwest	**32,172**	**110,326**	899,446	899,446
House of Pearl Fashions (U.S) Ltd.	**555**	**3,951,747**	–	–
Norwest Industries (Bangladesh)	**22,212**	**22,332**	–	–
Vau Apparels Pvt. Ltd.	**1,759,577**	**31,909,201**	31,552,911	31,552,911
Norwest Industries Ltd	**–**	**–**	(1,533,613)	1,394,563
Lerros Modem GMBH	**–**	**9,952,250**	–	15,633,000
Advances Includes:				
Hopp Fashions	**959,280**	**1,445,021**	–	–
Little People Education Society	**718**	**1,314,876**	1,256,818	28,158,288
Vau Apparels Pvt. Ltd.	**2,150,000**	**2,150,000**	2,150,000	2,150,000
Nor Pearl Kintwear Ltd.	**540,440**	**17,746,892**	–	–
Pearl Academy of Fashions India Ltd.	**74,937**	**78,937**	850,337	850,337
Loan Includes:				
Little People Education Society	**–**	**26,650,000**	26,650,000	26,650,000

Note :- Figures in the brackets indicates credit amount.

14. 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.

15. **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
Poeticgem (Canada) Limited	Canada
P.T Norwest Industries Limited	Indonesia
Poeticgem Limited.	UK
Pacific Logistics Limited.	UK
Norwest Industries Ltd	Hongkong
House of Pearl Fashion (US) Ltd	USA
Zamira Fashions Ltd	Hongkong
FX Import Co Ltd	UK

c) **Associates**

Domestic

Crown Computerised Embroideries	India
Vastras	India
Pearl Wear	India
Little People Education Society	India
Pearl Academy of Fashion India Limited.	India
Hopp Fashions	India
Images Pearl Retail Solution Private Limited.	India
Deepak Seth & Sons	India
Vau Apparels Pvt. Ltd	India

Overseas

Pallas Holdings Ltd	Mauritius
J S M Trading	Mauritius
SACB Holdings Ltd	Dubai
Lerros Modem GMBH	Germany

d) **Key Managerial Persons**

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

e) **Relatives**

Mrs. Shefali Seth

	2007-08	2006-07
Holding Company		
Purchase of Goods	**115,508,417**	4,235,540
Job Work	**–**	(5,593,310)
Advance Repaid	**45,113,162**	–
Loan Taken	**275,000,000**	185,200,000
Loan Repaid	**75,000,000**	144,950,000
Advance Received	**52,200,000**	–
Sale of Goods	**30,364,890**	4,437,114
Interest Expenses	**19,915,336**	–
Rent Paid	**120,000**	120,000
Expenses paid	**5,223,918**	5,760,646
Expenses reimbursed	**1,284,461**	–
Issue Of Preference Shares	**137,200,000**	–
Share Application Money Received	**22,500,000**	50,000,000
Dividend Paid	**9,939,176**	14,908,764
Balance as on 31.03.2008		
Holding Co	**(200,000,000)**	(37,315,389)
Advance from Holding Co	**(26,664,081)**	–
Share Application Money	**(22,500,000)**	–
Fellow Subsidiaries		
Purchase 0f Goods	**537,410,295**	189,335,910
Commission Paid	**7,929,162**	–
Sale of Goods	**35,177,236**	40,787,518
Sale of Fixed Assets	**6,325,658**	–
Rent Received	**300,000**	150,000
Expenses Recovered	**4,291,721**	2,106,856
Expenses Reimbursed	**1,491,919**	–
Sampling Expenses	**5,422,634**	8,939,432
Sampling Recovery	**22,334,072**	14,198,949
Claim Paid	**1,820,955**	–
Advance Received	**45,228,800**	–
Claim Received	**31,920**	–
Balance as on 31.03.2008		
Amount Payable	**(98,375,946)**	(3,394,499)
Associates		
Purchase Of Goods	**465,774**	2,034,564
Job Work Expenses	**15,476,389**	9,521,112
Job Work receipts	**–**	2,164,631
Advance Paid	**2,665,253**	32,678,581
Loan Given	**–**	35,400,000
Loan Refunded	**26,650,000**	10,000,000
Sale of Goods	**486,136**	3,709,324
Rent Received	**900,000**	644,000
Expenses Reimbursed	**1,502,264**	1,332,470
Expenses Recovered	**124,303**	1,869,894
Interest received	**2,216,581**	1,338,440
Sale of Software	**9,952,250**	15,633,000
Balance as on 31.03.2008		
Receivables from associates	**3,052,847**	2,823,143
Loan to associates	**–**	26,650,000
Key Managerial Personnel / Director		
Remuneration	**6,318,720**	4,918,720

Note : Amount in bracket denotes credit balances

16. **Assets taken on Lease**

The company has taken certain assets on non-cancelable operating lease and lease rent amounting to Rs. 1,993,268 (Previous Year Rs. 5,462,701.00) has been debited to Profit & Loss account. The future minimum lease payments is as under:

(Amount in Rupees)

S. No.	Minimum Lease Payments Payables	For the Year	Previous Year
(i)	Not later than in 1 year	**2,258,352**	679,500
(ii)	Later than 1 year but not later than 5 years	**6,284,716**	615,000
(iii)	Later than 5 years	**6,632,812**	–

General Description of Lease Terms:

(i) Lease Rentals are charged on the basis of agreed terms.

(ii) Assets are taken on lease over a period of 11 months to 10 years.

17. **Assets given on lease**

a) The company has also given certain assets on non-cancelable operating lease and lease rent income amounting to Rs 3,480,000 (Previous Year Rs.2,678,000) has been credited in Profit & Loss account. The future minimum lease payments receivables and the details of assets in respect of the assets, as at March 31, 2008 are as follows:

(Amount in Rupees)

S. No.	Minimum Lease Payments Receivables	Current Year	Previous Year
(i)	Not later than in 1 year	**2,064,000**	3,390,000
(ii)	Later than 1 year but not later than 5 years	**270,000**	2,334,000
(iii)	Later than 5 years	**–**	–

b) (Amount in Rupees)

(i)	Gross Investment on Lease Assets	**32,904,050**	31,167,447
(ii)	Accumulated Depreciation	**4,145,203**	3,652,554
(iii)	Depreciation Charged during the Year	**743,879**	712,117

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.

18. Retirement Benefits

During the year, the Company has adopted Accounting Standard 15 (revised 2005) 'Employee Benefits'. Accordingly, the transitional provision aggregating Rs. 26,75,353/- (Net of deferred tax Rs. 1,377,598) has been shown as an adjustment from revenue reserves.The Company has classified the various benefits provided to employees as under:-

(i) Defined Contribution Plan

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

The company recognized Rs. 5,079,498 (Previous Year: Rs. 4,005,439) for provident fund contributions in the profit and loss account. The contribution payable to these plans by the company are at rates specified in the rules of the schemes.

(ii) Defined Benefit Plan

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

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

(Amount in Rs.)

	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Unfunded)
Defined benefit obligations at beginning of the year	9,968,657	795,019	3,578,903
Current Service Cost	2,565,310	1,049,345	2,249,362
Interest Cost	747,649	63,602	286,312
Actuarial (gain)/loss	(1,502,750)	(429,123)	2,708,098
Benefits paid	–	–	(3,259,548)
Defined Benefit Obligations at year end	11,778,866	1,478,843	5,563,127

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

Fair value of plan assets at beginning of the year	2,606,470	–	–
Expected Return on plan assets	306,923	–	–
Contribution	2,757,519	–	–
Actuarial (gain)/loss	–	–	–
Benefits paid	–	–	–
Fair value of plan assets at the year end.	5,670,912	–	–

(c) Reconciliation of fair value of assets and obligations

Fair value of plan assets at 31st March 2008	5,670,912	–	–
Present value of obligation as at 31st March 2008	11,778,866	1,478,843	5,563,127
Net Assets/(Liability) recognized in balance sheet	(6,107,954)	(1,478,843)	(5,563,127)

(d) Expenses recognized during the year

Current Service Cost	2,565,310	1,049,345	2,249,362
Interest Cost	747,649	63,602	286,312
Expected return on plan assets	(306,923)	–	–
Actuarial (gain)/loss	(1,502,750)	(429,123)	2,708,098
Net Cost	(1,503,286)	683,824	5,243,772

	Gratuity (Funded)	Gratuity (Unfunded)	Earned leave (Funded)
(e) Actuarial Assumptions			
Discount Rate (per annum)	8.00%	8.00% p.a	8.00% p.a
Future increase in compensation	5.00%	5.00% p.a	5.00% p.a
Expected rate of return on plan assets	8.00%	–	–
In Service Mortality	L.I.C 1994-96 Ultimate	L.I.C 1994-96 duly modified	L.I.C 1994-96 Duly modified
Retirement age	58 Years	58 Years	58 Years

19. Earning per share

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

	Current Year (Rs.)	Previous Year (Rs.)
Profit /(Loss) attributable to the equity shareholders basic/ weighted average	**(85,504,036)**	51,220,355
No of Equity Share outstanding during the Year	**8,214,980**	7,912,777
Nominal value of Equity shares	**10/-**	10/-
Basic Earning per share (Rs.)	**(10.41)**	6.47
Potential Equity Shares	**–**	302,203
Diluted Earning per share (Rs.)	**(10.41)**	6.23

20. 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 01.04.2007	Transitional Provisions as per Revised AS-15	Expenses / Savings during the Year	Balance as at 31.03.2008
Deferred Tax Assets				
Capital Losses	3,366,511	–	(306,047)	**3,060,465**
Unabsorbed Depreciation & Business losses	10,011,246	–	14,036,945	**24,048,191**
Derivative Loss	–	–	39,560,279	**39,560,279**
Others	5,606,175	(1,377,598)	1,941,838	**6,170,415**
Total (A)	**18,983,932**	**(1,377,598)**	**55,233,015**	**72,839,350**
Deferred Tax Liabilities				
Depreciation	68,175,659	–	4,846,478	**73,022,137**
Total (B)	**68,175,659**	**–**	**4,846,478**	**73,022,137**
Net Deferred Tax Asset/(Liability) (A)-(B)	**(49,191,727)**	**(1,377,598)**	**50,386,537**	**182,787**

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.

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

S.No	Nature of Expenses	Current Year (Rs.)	Previous Year (Rs.)
	Income		
(a)	Export Sales	**–**	(213,718)
(b)	Interest on Loan	**–**	(5,063,800)
(c)	Discount	**(329,440)**	–
(d)	Expenses Recovered (Electricity)	**(23,681)**	–
	Total (A)	**(353,121)**	(5,277,518)
	Expenditures		
(a)	Embroidery on Garments	**588,400**	–
(b)	Factory Maintenance	**24,000**	–
(c)	Subscription	**89,505**	–
(d)	Accessories Purchase	**196,306**	–
(e)	Sales Promotion	**38,332**	–
(f)	Chemical Purchase	**12,119**	–
(g)	Service Tax	**1,316,665**	3,473,253
(h)	Power & Fuel Expenses	**–**	158,580
(i)	Amortisation of Leasehold Land	**–**	262,722
(j)	Interest on FBP	**19,355**	–
(k)	Purchases	**118,706**	–
	Total (B)	**2,403,388**	3,894,555
	Net Prior Period Expenditure/ (Income) (A) - (B)	**2,050,267**	(1,382,963)

22. Additional information pursuant to the provisions of Part II of Schedule VI to the Companies Act, 1956.

a) **Capacity and Production**

Class of Goods	Unit	Licensed Capacity		Installed Capacity*		Actual Production	
		For the Year	Previous Year	**Current Year**	Previous Year	**For the Year**	Previous Year
Readymade Garments	No's	**N.A.**	N.A.	**11,000,000**	12,000,000	**7,847,605**	6,033,837

* 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	For the Year		Previous Year	
		Qty	**Amount (Rs.)**	Qty	Amount (Rs.)
Readymade Garments	Pcs	**12,988,765**	**2,855,547,963**	6,719,674	1,752,415,126
Fabric	Mtrs.	**1,039,630**	**71,838,704**	734,917	42,487,067
	Kgs.	**63,187**			
Others			**59,734,320**	13,252	44,462,569
			2,987,120,987		1,839,364,762

c) **Details of Finished Goods**

Class of Goods	For the Year				Previous Year			
	Opening Stock		Closing Stock		Opening Stock		Closing Stock	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Readymade Garments (Pcs)	**1,277,441**	**289,125,494**	**1,179,659**	**282,974,298**	914,033	189,897,242	1,277,441	289,125,494

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

Class of Goods	Unit	For the Year		Previous Year	
		Qty.	**Amount (Rs.)**	Qty.	Amount (Rs.)
Readymade Garments	Pcs	**5,043,378**	**794,190,822**	1,049,245	201,031,954
Fabric	Mtrs	**1,039,630**	**64,654,833**	734,917	38,238,360
	Kgs	**63,187**		13,252	
Others			**23,447,122**		9,735,554
			882,292,777		249,005,868

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

Class of Goods	For the Year		Previous Year	
Raw Material Consumed				
	Amount (Rs.)	**%**	Amount (Rs.)	%
Indigenous	**745,193,873**	**75.85**	451,987,266	61.36
Imported	**237,254,788**	**24.15**	284,628,225	38.64
	982,448,661	**100.00**	736,615,491	100.00
Stores and Spares Consumed				
Indigenous	21,739,330	100.00	26,072,141	100.00

f) **Raw Material Consumed**

Class of Goods	For the Year		Previous Year	
	Qty.	**Value (Rs.)**	Qty.	Value (Rs.)
Fabric-woven	–	829,183,960	–	575,740,449
(Mtrs.)	9,372,977	–	7,661,274	–
(KG)	814,964	–	286,233	–
Others	–	153,264,701		160,875,042
Total		982,448,661		736,615,491

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

(Amount in Rs.)

	For the Year	Previous Year
Raw Material	**347,213,279**	258,448,004
Capital Goods	**26,317,291**	32,836,119
Readymade Garments	**794,190,822**	187,751,325
Total	**1,167,721,392**	479,035,448

h) **Expenditure in Foreign Currency**

Interest on loan	**6,262,518**	7,360,770
Foreign Traveling	**2,032,843**	3,562,333
Export Commission	**11,468,709**	13,273,136
Others	**18,922,085**	6,199,861
Total	**38,686,155**	30,396,100

i) **Earnings in Foreign Exchange**

Export of Goods- FOB basis	**2,867,827,270**	1,734,617,146
Export of Software FOB basis	**9,952,250**	15,633,000
Sampling Recoveries	**(22,334,072)**	24,699,971
Claim Received	**3,888,915**	16,230,718
Commission received	**31,836,922**	23,848,000

23. 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.

24. The company received a sum of Rs. 15,97,00,000/- from its holding company House of Pearl Fashions Ltd. as preference share application money. Out of which, the company has issued 1,372,000 @ Rs. 100 each with the terms 10.5% redeemable non-cumulative preference shares to be redeemed within a period of 5 years to its holding company pursuant to the board resolution in the meeting of the Board of Directors held on 29.01.2008 and Rs. 22,500,000/- is outstanding on account of Share Application Money (Pending Allotment) as at 31st March, 2008.

25. Pursuant to amendments to schedule VI to Companies Act, 1956 vide notification number GSR 719 (E) dated November 16, 2007, the company has not received information from vendors regarding the Micro, Small and Medium Enterprises and Development Act, 2006. Hence, disclosure related to unpaid and outstanding at the year end together with the interest paid/payable have not been given. For this purpose, we relied upon the information provided by the management.

26 The company has changed its accounting policy for the current year with respect to foreign exchange fluctuation on purchase of fixed assets whereby all expenditure on account of exchange fluctuation is charged to the profit and loss account as required by Companies (Accounting standard) Rules, 2006 vide notification no. GSR 739 (E) issued on 7th December 2006, against its earlier policy of capitalise the same.

Had the company followed the earlier method, the loss for the year would have been higher by Rs. 64,668/-

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

Signature to schedule 1 to 17

For S.R. Dinodia & Co.
Chartered Accountants

Sd/-
(PRADEEP DINODIA)
Partner
M. No. 80617

Place : New Delhi
Dated : 20th June, 2008

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

DIRECTORS' REPORT

The directors are pleased to present their report together with the audited financial statements of the Company and the Auditors' Report thereon for the year ended 31st March 2008.

Principal Activity

The principal activity of the Company is manufacturing of sweaters for export at its factory located at Comilla EPZ.

Results and dividend

The results for the year are disclosed in the accompanying financial statements.

The directors do not recommend payment of any dividend for the year under review.

Statement of Directors' responsibilities in respect of financial statements

The directors are responsible for the preparation of financial statements, which complies with the Companies Act 1994. In preparing those financial statements, the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- stated whether Bangladesh Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detention of fraud and other irregularities.

By order of the Board

Sd/-
K Raja Rao
Director

Date: June 17, 2008

AUDITORS' REPORT TO THE SHAREHOLDERS OF NOR-PEARL KNITWEAR LTD.

We have audited the accompanying balance sheet of Nor-Pearl Knitwear Ltd. as at 31 March 2008 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 and Bangladesh Financial Reproting Standards, give a true and fair view of the state of the company's affairs as at 31 March 2008 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.

Dhaka, 17 June 2008

BALANCE SHEET AS AT 31 MARCH 2008

	Notes	2008 Taka	2007 Taka
Non-current assets			
Property, plant and equipment:	4		
At cost less accumulated depreciation		**294,130,884**	303,636,053
Investment	5	**400,000**	400,000
		294,530,884	304,036,053
Current assets			
Inventories	6	**107,653,524**	84,327,268
Trade receivables	7	**38,385,835**	53,295,165
Inter-company receivables	8	**54,585,710**	31,302,615
Loan to PAF International Ltd.	9	**8,000,000**	9,700,000
Advances, deposits and prepayments	10	**47,809,512**	18,238,747
Cash and bank balances	11	**6,192,454**	3,833,054
Total current assets		**262,627,035**	200,696,849
Current liabilities and provisions:			
Short term finance	12	**77,503,763**	23,460,000
Short term portion of term loan		**–**	38,149,927
Trade and other payables	13	**70,488,144**	88,747,808
Inter-company payables	14	**20,041,262**	14,267,437
Total current liabilities and provisions		**168,033,169**	164,625,172
Net current assets		**94,593,866**	36,071,677
Net assets		**389,124,750**	340,107,730
Financed by:			
Shareholders' equity:			
Share capital	15	**265,749,700**	265,749,700
Share money deposit	16	**121,351,800**	–
Retained earnings/(loss)		**2,023,250**	(23,675,794)
		389,124,750	242,073,906
Long term portion of term loan	17	**–**	88,363,641
Loan from Norwest Industries Ltd.		**–**	8,556,000
		–	96,919,641
Deferred tax		**–**	1,114,183
		389,124,750	340,107,730

The annexed notes 1 to 23 form an integral part of these financial statements

Sd/- Managing Director

Sd/- Director

As per our report of same date.
Auditors
Dhaka, 17 June 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008 Taka	2007 Taka
Turnover		**652,098,444**	542,341,179
Cost of goods sold	18	**(534,433,203)**	(392,365,935)
Gross profit		**117,665,241**	149,975,244
Administrative, selling and distribution expenses	19	**(85,230,960)**	(72,687,215)
Pre-operating expenses		**–**	(21,600,309)
		32,434,281	55,687,720
Non-operating expenses (net)	20	**(1,761,978)**	(12,031,643)
Profit before interest and tax		**30,672,303**	43,656,077
Interest:			
Expenses		**(6,087,442)**	(16,685,459)
Income		**–**	121,226
		(6,087,442)	(16,564,233)
Profit before tax		**24,584,861**	27,091,844
Tax expense:			
Current		**–**	–
Adjustment for deferred tax		**1,114,183**	(1,114,183)
		1,114,183	(1,114,183)
Net profit for the year		**25,699,044**	25,977,661
Unappropriated loss brought forward		**(23,675,794)**	(49,653,455)
Unappropriated profit/(loss) carried to balance sheet		**2,023,250**	(23,675,794)

The annexed notes 1 to 23 form an integral part of these financial statements.

Sd/- Managing Director

Sd/- Director

As per our report of same date.
Auditors
Dhaka, 17 June 2008

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2008

Particulars	Share capital Taka	Share money deposit Taka	Retained earnings/(loss) Taka	Particulars Total Taka
Balance at 1 April 2006	224,356,800	–	(49,653,455)	174,703,345
Net profit for the year	–	–	25,977,661	25,977,661
Issue of shares	41,392,900	–	–	41,392,900
Balance at 31 March, 2007	265,749,700	–	(23,675,794)	242,073,906
Net profit for the year	–	–	25,699,044	25,699,044
Share money deposit	–	121,351,800	–	121,351,800
Balance at 31 March, 2008	265,749,700	121,351,800	2,023,250	389,124,750

CASH FLOW STATEMENT

for the year ended 31 March 2008

		2008 Taka	2007 Taka
A.	**Cash flow from operating activities:**		
	Profit before tax	**24,584,861**	27,091,844
	Add: Adjustment of items not involving the movement of cash		
	Pre-operating expenses - written off	**–**	21,600,309
	Depreciation	**26,905,979**	24,616,567
	Gain on sale of property, plant and equipment	**(55,120)**	–
		26,850,859	46,216,876
	Operating profit before changes in working capital	**51,435,720**	73,308,720
	Adjustment for changes in working capital:		
	(Increase) in inventories	**(23,326,256)**	(55,243,537)
	Decrease/(increase) in trade receivables	**14,909,330**	(47,657,297)
	(Increase) in inter-company receivables	**(23,283,095)**	(30,360,454)
	Decrease/(increase) in loan to PAF International Ltd.	**1,700,000**	(3,600,000)
	(Increase)/decrease in advances, deposits and prepayments	**(29,570,765)**	10,305,474
	(Decrease) in advance from customers	**–**	(9,360,000)
	Increase in short term finance	**54,043,763**	21,392,231
	(Decrease)/increase in trade and other payables	**(18,259,664)**	52,318,915
	Increase in inter-company payables	**5,773,825**	14,267,437
		(18,012,862)	(47,937,231)
	Net cash provided by operating activities	**33,422,858**	25,371,489
B.	**Cash flow from investing activities:**		
	Purchase of property, plant and equipment	**(17,700,690)**	(27,719,472)
	Proceeds from sale of property, plant and equipment	**355,000**	–
	Net cash used in investing activities	**(17,345,690)**	(27,719,472)
C.	**Cash flow from financing activities:**		
	Proceeds from the issue of share	**–**	41,392,900
	Share money deposit	**121,351,800**	–
	Repayment of term loan	**(126,513,568)**	(42,414,064)
	Decrease in loan from Norwest Industries Ltd.	**(8,556,000)**	(372,000)
	Net cash used in financing activities	**(13,717,768)**	(1,393,164)
D.	**Net increase/(decrease) in cash and bank balances (A+B+C)**	**2,359,400**	(3,741,147)
	Cash and bank balances at opening	**3,833,054**	7,574,201
	Cash and bank balances at closing (Note 11)	**6,192,454**	3,833,054

NOTES TO THE FINANCIAL STATEMENTS

as at and for the year ended 31 March 2008

1. Reporting entity

Nor-Pearl Knitwear Ltd. ("the company") was incorporated in Bangladesh as a private limited company on 16 May 2004. The address of the registered office of the company is 133/1, New Bailey Road , Dhaka. The shares of the company are held by House of Pearl Fashions Ltd., (previously Mina Estates Pvt. Ltd.), India (99.891%) and Pallas Holdings Ltd., Mauritius (0.109%). The factory of the company is located in Comilla Export Processing Zone (EPZ). The company started commercial operation from 21 April 2005.

The company is engaged in producing ready-made knit garments for the purpose of exporting the same.

2. Basis of preparation

2.1 Statement of compliance

This financial statements of Nor-Pearl Knitwear Ltd. have been prepared in accordance with the Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards, Companies Act 1994 and other applicable laws.

2.2 Basis of measurement

The financial statements have been prepared under historical cost convention.

2.3 Functional and presentational currency

These financial statements are prepared in Bangladesh Taka (Taka/Tk), which is the company's functional currency. All financial information presented in Taka has been rounded off to the nearest integer.

2.4 Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis.

2.5 Going concern

The company has adequate resources to continue in operation for the foreseeable future. For this reason the directors continue to adopt going concern basis in preparing the financial statements. The current credit facilities and 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

Foreign currencies are translated into Bangladesh Taka at the rates ruling on the transaction dates. All monetary assets and liabilities are reconverted into Taka at the rate of exchange prevailing on the balance sheet date. Exchange gains or losses arising out of translation of assets and liabilities at the closing date are charged to the profit and loss account.

3.2 Property, plant and equipment

3.2.1 Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that are directly attributable to the acquisition and installation of the property, plant and equipment.

3.2.2 Depreciation

Depreciation is recognised in profit and loss account on straight line method over the estimated useful lives of property, plant and equipment. Depreciation is charged from the month immediately following the month of acquisition/installation of the assets. No depreciation is charged for the month of disposals. The rates at which assets are depreciated per annum are given below:

Building	5%
Plant and machinery	10%
Furniture and fixtures	33.33%
Office equipment	33.33%
Factory equipment	33.33%
Vehicles	20%

3.3 Investments

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

3.4 Inventories

Inventories include raw materials, work-in-progress and finished goods. These are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method and all expenses incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale.

3.5 Trade receivable

Trade receivables at the balance sheet date are stated at amounts which are considered realisable.

3.6 Trade payable and other payable

Liabilities are recognised for amounts to be paid in future for goods and services received.

3.7 Provisions

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.8 Impairment

The carrying amounts of the assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the recoverable amount of the asset is estimated. Impairment losses, if any, are recognised in profit and loss account.

3.9 Revenue recognition

Revenue from the sale of goods is recognised when:

- Significant risk and rewards of ownership is transferred to the buyer.
- The company has no managerial involvement of ownership to the goods.
- The amount of revenue and cost of the transaction can be measured reliably.
- It is probable that the economic benefits of the transaction will flow to the company.

3.10 Taxation

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

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

3.11 Deferred tax

Deferred tax liability/asset is accounted for all temporary differences arising between the tax base of the assets and liabilities and their carrying value for financial reporting purposes.

In view of prevalent tax law as indicated in note 3.10, deferred tax accounting is not considered necessary as no temporary difference exists between tax base of assets and liabilities and their carrying amounts in the financial statements.

3.12 Employee benefits

The company maintains a contributory provident fund for its permanent employees which is administered by the Board of Trustees. Both the employer and employee contribute @ 8.33 % of basic salary.

3.13 Events after the balance sheet

Events after the balance sheet date that provide additional information about the company's position at the balance sheet date are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes when material.

4. Property, plant and equipment

Particulars	Cost				Depreciation				
	Balance at 1 April 2007	Addition during the year	Disposal during the year	**Balance at 31 March 2008**	Balance at 1 April 2007	Charged during the year	Adjustments for disposal	**Balance at 31 March 2008**	**Written down value at 31 March 2008**
	Taka	Taka	Taka	**Taka**	Taka	Taka	Taka	**Taka**	Taka
Building	142,366,268	5,368,136	–	**147,734,404**	8,075,621	7,244,677	–	**15,320,298**	**132,414,106**
Plant and machinery	170,199,057	7,653,491	–	**177,852,548**	14,811,202	11,887,030	–	**26,698,232**	**151,154,316**
Furniture and fixtures	15,350,506	2,142,560	–	**17,493,066**	7,326,479	4,630,213	–	**11,956,692**	**5,536,374**
Office equipment	4,103,727	1,047,593	–	**5,151,320**	1,871,723	1,223,329	–	**3,095,052**	**2,056,268**
Factory equipment	3,340,382	287,600	–	**3,627,982**	1,418,328	1,258,930	–	**2,677,258**	**950,724**
Vehicles	3,394,669	1,201,310	(1,028,002)	**3,567,977**	1,615,203	661,800	(728,122)	**1,548,881**	**2,019,096**
Total	338,754,609	17,700,690	(1,028,002)	**355,427,297**	35,118,556	26,905,979	(728,122)	**61,296,413**	**294,130,884**
Total 2007	311,035,137	27,719,472	–	**338,754,609**	10,501,989	24,616,567	–	**35,118,556**	**303,636,053**

4.1 Allocation of depreciation

	2008 Taka	2007 Taka
Cost of goods sold (Note 18.2)	**20,390,637**	18,527,621
Administrative, selling and distribution expenses (Note 19)	**6,515,342**	6,088,946
	26,905,979	24,616,567

5. Investment

The amount shown under the above head represents investment in 4,000 shares of PAF International Ltd., a group company, at Tk 100 each at cost.

6. Inventories

	2008 Taka	2007 Taka
Raw materials	**27,529,206**	15,536,656
Work-in-progress	**43,995,228**	44,009,399
Finished goods	**36,129,090**	24,781,213
	107,653,524	84,327,268

	2008 Taka	2007 Taka
7. Trade receivables		
Primark Stores Ltd.	**–**	2,541,960
Al Libas Int. Fashions LLC	**10,323,556**	13,619,496
Sana Trading Ltd.	**–**	834,900
Orchid Trading Ltd.	**15,598,809**	36,298,809
AFL International Ltd.	**12,420,000**	–
S Oliver	**43,470**	–
	38,385,835	53,295,165
8. Inter-company receivables		
Norwest Industries Ltd.	**13,329,555**	–
Poeticgem Ltd.	**41,256,155**	31,302,615
	54,585,710	31,302,615

9. Loan to PAF International Ltd.

The amount of Tk. 8,000,000 (2007: Tk.9,700,000) represents the balance of short term non interest bearing loan given to PAF International Ltd.

10. Advances, deposits and prepayments

	2008 Taka	2007 Taka
Advances to:		
Landlord against rent	**38,517**	167,517
Suppliers	**40,237,063**	10,558,683
Employees	**271,070**	17,500
	40,546,650	10,743,700
Deposits:		
Guarantee deposit	**2,578,429**	2,645,704
Security deposits	**4,369,968**	4,234,968
	6,948,397	6,880,672
Prepayments:		
For expenses	**179,490**	253,770
For insurance	**134,975**	360,605
	314,465	614,375
	47,809,512	18,238,747

11. Cash and bank balances

Cash on hand	**568,649**	159,267
Balances with bank:		
Current account with Janata Bank	**308,512**	19,922
Current account with HSBC	**710,305**	3,653,865
L/C margin deposit with HSBC	**4,604,988**	–
	5,623,805	3,673,787
	6,192,454	3,833,054

12. Short term finance

	2008 Taka	2007 Taka
From HSBC:		
Bank overdraft	**12,867,898**	–
Import loan	**64,635,865**	23,460,000
	77,503,763	23,460,000

Bank overdraft and import loan facility limits are USD 200,000 and USD 1,000,000 respectively with rate of interest @ 3% p.a. on daily balances over the Singapore Inter Bank Offer Rate but subject to fluctuation at the Bank's discretion and payable quarterly in arrears to the debit of borrowers, with revision from time to time.

Securities against overdraft and import loan

i) First charge after BEZPA over book debts and receivables for BDT 327,000,000 with Registrar of Joint Stock Companies (RJSC).

ii) First charge after BEZPA over stocks of raw materials, work-in-progress and finished goods for BDT 327,000,000 equivalent to USD 5,000,000 with RJSC.

iii) First charge after BEZPA over plant and machinery for BDT 327,000,000 with RJSC.

iv) Personal guarantee executed by the Directors of House of Pearl Fashions Ltd. for USD 4,559,000 supported by personal net worth statements for the credit facility extended to Nor-Pearl Knitwear Ltd.

v) Corporate guarantee executed by House of Pearl Fashions Ltd. for USD 4,559,000.

13. Trade and other payables

	2008 Taka	2007 Taka
Trade payables:		
To suppliers of raw materials:		
Lee Tai Bleaching & Dyeing Factory	**–**	5,450,062
Bros Holding Ltd.	**1,057,871**	2,127,747
Feung Ning Industries (China) Ltd.	**973,172**	5,408,987
Shepherd Industries Ltd.	**7,213,379**	10,396,830
DAF P P Industry Limited	**845,119**	–
Fullwise Co. Ltd.	**1,584,878**	–
Mainetti (Bangladesh) Pvt.Ltd.	**1,506,351**	
Morale Trade	**828,488**	205,000
Ring Shine Textile Ltd.	**4,002,359**	470,925
S.B. International	**740,540**	278,490
Sheng Meei Machine Mfg. Co.	**1,932,000**	–
Shore to Shore Bangladesh Ltd.	**733,375**	1,395,292
Global Dyeing and Spinning Ltd.	**514,033**	
YKK Bangladesh Pvt. Ltd.	**423,773**	
Yusuf Hut	**534,566**	1,200,166
Zumana Paper Box	**718,767**	797,109
Jaya Knitting Ltd.	**–**	1,358,334
M/S Alif Trading Corporation	**–**	1,449,026
Sundry parties	**2,706,012**	2,959,295
	26,314,683	33,497,263
Other payables:		
Salaries	**2,982,334**	3,068,973
Wages	**13,693,265**	10,941,850
Provident fund	**1,415,174**	238,504
Withholding tax	**442,847**	630,502
Payable to BEPZA	**–**	255,749
Audit fee	**200,000**	200,000
Contractor for building construction	**981,166**	3,514,080
Bonus to staff	**1,920,456**	2,226,825
Export bills discounted	**13,133,078**	21,285,434
Interest accrued on loan	**–**	3,419,850
Bakhrabad Gas Systems Ltd.	**1,112,681**	1,067,895
JSN Trading (FZE)	**3,657,000**	3,657,000
SBS Shipping & Trading Agencies Pvt. Ltd.	**793,312**	805,219
Khandaker Logistic Ltd.	**675,624**	–
Green Delta Insurance Company Ltd.	**603,357**	–
DHL Bangladesh	**389,933**	537,128
Nepcons	**335,247**	220,327
Others	**1,837,987**	3,181,209
	44,173,461	55,250,545
	70,488,144	88,747,808

Previous year's figures have been rearranged to conform to current year's presentation.

14. Inter-company payables

Norp Knit Industries Ltd.	**4,467,556**	462,666
House of Pearl Fashions Ltd. - current account	**423,088**	–
Pearl Global Ltd	**1,247,118**	–
Norwest Industries Ltd., Hong Kong	**–**	4,771
PAF International Ltd - current account	**103,500**	–
Poeticgem Ltd.	**13,800,000**	13,800,000
	20,041,262	14,267,437

	2008 Taka	2007 Taka
15. Share capital		
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 ordinary shares of Tk 100 each	**265,749,700**	265,749,700

At 31 March 2008, the share capital was subscribed as under:

Shareholders	No. of share	Percentage
House of Pearl Fashions Ltd.	**2,654,597**	99.891
Pallas Holdings Ltd.	**2,900**	0.109
	2,657,497	100.00

16. Share money deposit

This represents the amount received from House of Pearl Fashions Ltd. during the year against future allotment of shares.

17. Term loan

Term loan obtained from The Hongkong and Shanghai Banking Corporation Limited (HSBC) in the earlier years has been repaid in full during the current year.

18. Cost of goods sold

	2008 Taka	2007 Taka
Raw materials consumed (Note 18.1)	**273,127,227**	231,082,537
Wages	**162,088,144**	116,398,205
Manufacturing overhead (Note 18.2)	**110,551,538**	86,386,503
	545,766,909	433,867,245
Add: Opening work-in-progress	**44,009,399**	12,981,792
	589,776,308	446,849,037
Less: Closing work-in-progress	**43,995,228**	44,009,399
Cost of goods manufactured	**545,781,080**	402,839,638
Add: Opening stock of finished goods	**24,781,213**	14,307,510
Cost of goods available for sale	**570,562,293**	417,147,148
Less: Closing stock of finished goods	**36,129,090**	24,781,213
Cost of goods sold	**534,433,203**	392,365,935

18.1 Raw materials consumed

	2008 Taka	2007 Taka
Opening inventory	**15,536,656**	1,794,429
Purchase during the year	**285,119,777**	244,824,764
Closing inventory	**(27,529,206)**	(15,536,656)
	273,127,227	231,082,537

18.2 Manufacturing overhead

	2008 Taka	2007 Taka
Rent for leased land	**4,048,746**	3,995,064
Food and transport allowance	**3,680,112**	2,102,169
Repairs and maintenance for factory building, machinery etc.	**1,318,475**	1,058,547
Security expenses	**1,680,064**	1,602,063
Cleaning expenses	**1,730,368**	1,382,170
Testing expenses	**1,366,707**	558,522
Staff welfare	**892,378**	91,847
Chemical, spare parts etc.	**9,712,195**	5,166,571
Power and fuel	**11,049,416**	7,128,077
Subcontract expenses	**38,520,770**	20,467,410
Forwarding - exports	**3,754,475**	2,293,265
Freight inward	**896,800**	466,616
Freight outward	**3,320,583**	16,642,701
Insurance expenses	**1,863,567**	2,021,492
Drinking water	**1,162,175**	848,825
Medical and child care expenses	**631,838**	589,742
Depreciation (Note 4.1)	**20,390,637**	18,527,621
Others	**2,922,245**	1,870,192
Discount to customers	**1,609,987**	2,424,335
	110,551,538	89,237,229
Claims for cancellation/not taking delivery of goods	**–**	(2,850,726)
	110,551,538	86,386,503

Previous year's figures have been rearranged to conform to current year's presentation.

19. Administrative, selling and distribution expenses

	2008 Taka	2007 Taka
Salaries (Note 19.1)	**45,796,863**	38,987,852
Office rent	**1,438,500**	656,000
Guest house expenses	**1,289,396**	1,048,574
Printing and stationary	**1,558,032**	1,363,784
Communication expenses	**2,272,416**	2,071,117
Compliance test expenses	**366,653**	459,444
Insurance expenses	**34,785**	51,145
Legal and professional expenses	**1,030,350**	424,351
Office expenses	**598,539**	345,089
Marketing expenses	**7,693,047**	7,205,151
Conveyance expenses	**867,344**	517,084
Vehicle fuel and maintenance	**4,394,634**	3,758,972
Bank charges	**8,673,180**	7,332,409
Depreciation (Note 4.1)	**6,515,342**	6,088,946
Audit fee	**200,000**	200,000
Entertainment	**556,342**	232,226
Repairs and maintenance - office	**339,235**	815,648
Other general expenses	**1,606,302**	1,129,423
	85,230,960	72,687,215

Previous year's figures have been rearranged to conform to current year's presentation.

19.1 Salaries

This includes following emoluments to one of the Directors of the Company:

	2008 Taka	2007 Taka
Remuneration	**2,070,000**	2,074,890
Housing	**612,000**	591,600
	2,682,000	2,666,490

20. Non-operating expenses (net)

	2008 Taka	2007 Taka
Exchange (loss)	**(2,645,319)**	(12,443,411)
Sale of scrap	**828,221**	411,768
Gain on sale of property, plant and equipment	**55,120**	–
	(1,761,978)	(12,031,643)

21. Related parties

Name of the parties	Nature	Transactions	Transaction value (Taka)		Balance outstanding (Taka)	
			Year ended 31 Mar 2008	Year ended 31 Mar 2007	**At 31 Mar 2008**	At 31 Mar 2007
Norwest Industries Ltd.	Group company	Sales of goods	**225,574,530**	22,171,614	**13,003,519**	–
		Expenses payable	**322,058**	1,130,340	–	4,771
		Expenses recoverable	**652,866**	–	**326,036**	–
		Loan taken	**–**	–	**–**	8,556,000
PAF International Ltd.	Group company	Loan disbursed	**–**	3,600,000	**8,000,000**	9,700,000
		Investment in shares	**–**	–	**400,000**	400,000
		Expenses payable	**1,438,500**	–	**103,500**	–
Poeticgem Ltd.	Group company	Sale of goods	**132,796,554**	28,755,533	**40,369,855**	27,557,386
		Expenses payable	**45,847**	835,093	**–**	–
		Expenses recoverable	**2,686,569**	1,428,009	**886,300**	1,013,312
		Advance received	**–**	13,800,000	**13,800,000**	13,800,000
		Claims	**–**	2,850,726	**–**	2,731,917
Pearl Global Ltd.	Group Company	Sale of goods	**92,650,470**	65,953,117	**–**	–
		Expenses Payable	**1,247,118**	–	**1,247,118**	–
House of Pearl Fashions Ltd.	Parent Company	Expenses payable	**423,088**	–	**423,088**	–
		Expenses recoverable	**–**	3,361,002	**–**	–
		Share money deposit	**121,351,800**	–-	**121,351,800**	–
		Share issued	**–**	41,392,900	**–**	–
Norp Knit Industries Ltd.	Group Company	Purchase of goods	**10,118,402**	5,162,094	**320,157**	1,207,500
		Expenses payable	**4,774,356**	–	**4,147,399**	–
		Expenses recoverable	**2,120,153**	777,218	**–**	744,834

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

The company purchased raw materials from the group company. The purchases are on the same terms and conditions as those entered into with other suppliers and payable under normal payment terms.

In addition, the company disbursed loan, received advance against sale, received equity money to/from group companies as per normal business norm.

22. Contingent liability

Contingent liability of the company as at 31 March 2008 was Tk 73.89 million in respect of letters of credit outstanding and Tk 5.40 million in respect of bank guarantee.

23. Number of employees

The number of employees engaged during the year who received a total remuneration of Tk 36,000 or above was 2,082 (2007: 1,607).

DIRECTORS' REPORT

The directors are pleased to present their report together with the audited financial statements of the Company and the Auditors' Report thereon for the year ended 31st March 2008.

Principal Activity

The principal activity of the Company is manufacture of knitted garments of its factory located at Gazipur for 100% export.

Results and dividend

The company has earned a profit before tax of Tk. 72,449,245 for the year as reflected in the audited financial statement.

The directors do not recommend the payment of any dividend for the year under review.

Statement of Directors' responsibilities in respect of financial statements

The directors are responsible for the preparation of financial statements, which complies with the Companies Act 1994. In preparing those financial statements, the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- stated whether Bangladesh Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepared the financial statements on the going concern basis.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detention of fraud and other irregularities.

By order of the Board

Sd/-
(Sanjay Sarkar)
Director
Date: June, 1st 2008

Auditors' Report

Report to the Shareholders of Norp Knit Industries Ltd.

We have audited the accompanying Balance Sheet of Norp Knit Industries Ltd. for the Twelve Months ended 31st March, 2008 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 31st March, 2008 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.

Sd/-
G Biswas & Co.
Date: 1st June 2008 **Chartered Accountants**

BALANCE SHEET AS AT 31 MARCH 2008

Amount in Taka

	NOTE	As on 31 March 2008	As on 31 March 2007
Sources of fund			
Shareholders' equity			
Share capital	4	**49,378,100**	49,378,100
Share Money Deposit			
Retained earnings		**56,159,576**	(16,289,669)
		105,537,676	33,088,431
Long Term Liabilities			
Loan from Orchid Trading Ltd.	5	**183,420,705**	170,090,826
		288,958,380	203,179,257
Aplication of fund			
Property, plant and equipment:			
At cost less accumulated depreciation	6	**92,992,594**	93,337,205
Pre-operative expenses	7	**–**	–
Current assets:			
Goods in Transit		**870,242**	
Inventories	8	**119,153,591**	115,212,045
Trade receivables	9	**84,188,290**	66,972,212
Inter-company receivebles	10	**34,158,084**	41,914,362
Advances, deposits and prepayments	11	**6,870,439**	11,420,142
Cash and bank balances	12	**69,760,990**	77,324,156
		315,001,635	312,842,917
Current liabilities:			
Secured loan from United Commercial Bank	13	**5,441,553**	7,926,996
Trade and other payables	14	**84,670,053**	182,248,111
Inter-company payables	15	**28,951,530**	12,853,044
		119,063,136	203,028,151
Net current assets		**195,938,499**	109,814,766
Defferd Tax		**27,286**	27,286
		288,958,380	203,179,257

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

Sd/-
G. Biswas & Co.
Chartered Accountants
Dhaka, 1 June 2008

PROFIT AND LOSS ACCOUNT

For the Twelve Months ended on March 31, 2008

Amount in Taka

	NOTE	01 April 2007 to 31 March 2008	01 April 2006 to 31 March 2007
Turnover		**621,856,533**	565,925,277
Cost of goods sold	16	**(502,232,721)**	(451,835,375)
Gross profit/(loss)		**119,623,812**	114,089,902
Administrative, selling and distribution expenses	17	**(63,096,143)**	(75,016,641)
Pre-operative expenses		**–**	(4,331,417)
		56,527,669	34,741,844
Other income	18	**15,921,575**	510,941
Net profit/(loss) before tax		**72,449,245**	35,252,785
Tax Expenses :			
Current Tax		**–**	–
Deferred Tax		**–**	27,286
		–	27,286
Net Profit/(Loss) for the year		**72,449,245**	35,280,071
Balance b/f		**(16,289,669)**	(51,569,740)
Balance Transferred to Balance Sheet		**56,159,576**	(16,289,669)

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

Sd/-
G. Biswas & Co.
Chartered Accountants
Dhaka, 1 June 2008

CASH FLOW STATEMENT

For the Twelve Months ended on March 31, 2008

	Twelve Months ended 31 March 2008	Amount in Taka 01 April 2006 to 31 March 2007
Cash flow from operating activities		
Net profit for the period	**72,449,245**	35,252,785
Add: Adjustment of items not involving movement of cash		
Pre-opearting expenses	**–**	4,331,417
Depreciation	**17,042,513**	11,514,181
Loss on Sale Of Assets	**223,723**	
	17,266,236	15,845,598
Operating loss before changes in working capital	**89,715,480**	51,098,383
Adjustment for changes in working capital		
Decrease / (Increase) in Inventories	**(3,941,546)**	(73,906,338)
Decrease / (Increase) in Goods in Transit	**(870,242)**	
Decrease / (Increase) in Trade receivables	**(17,216,077)**	(66,972,212)
Decrease / (Increase) in Inter-company receivables	**7,756,278**	(23,263,995)
Decrease/(Increase) in advances, deposits and prepayments	**4,549,703**	(3,226,450)
Increase / (Decrease) in Secured loan	**(2,485,443)**	1,931,146
Increase / (Decrease) in Creditors for goods	**(99,981,910)**	122,271,919
Increase/(Decrease) in accrued expenses and other payables	**2,239,152**	5,267,823
Increase / (Decrease) in Inter-company payables	**16,098,486**	7,744,816
Increase / (Decrease) in Withholding Tax	**164,700**	62,337
	(93,686,899)	(30,090,956)
Net cash from operating activities	**(3,971,419)**	21,007,427
Cash flow from investing activities:		
Purchase of fixed assets	**(17,776,625)**	(45,065,661)
Sale of Assets	**855,000**	–
Net cash used in investing activities	**(16,921,625)**	(45,065,661)
Cash flow from financing activities:		
Proceeds from issue of shares	**–**	49,278,100
Share Money Deposit Received		
Loan from Orchid Trading Limited	**13,329,879**	6,722,901
Net cash flow from financing activities	**13,329,879**	56,001,001
Increase in cash and cash equivalents	**(7,563,165)**	31,942,767
Cash and cash equivalent at opening	**77,324,156**	45,381,389
Cash and cash equivalent at closing (Note 11)	**69,760,990**	77,324,156

STATEMENT FOR CHANGES IN EQUITY

For the year ended March 31, 2008

Amount in Taka

Particulars	Share capital	Share Money Deposit	Retained earnings	Total
Balance as on March 31, 2007	49,378,100	–	(16,289,669)	33,088,431
Addition during the period	–			–
Net profit for the period	–		72,449,245	72,449,245
	49,378,100	–	56,159,576	105,537,676

NOTES TO THE ACCOUNTS FOR THE TWELVE MONTHS ENDED MARCH 31, 2008

1. Legal status and nature of the Company:

Norp Knit Industries Limited is a Private Company Limited by Shares incorporated on 05th day of May 2004 under the Companies Act, 1994 as adopted in Bangladesh. The shares of the Company are held by House of Pearl Fashions Ltd., India (99.99%), Mr. Pallak Seth (0.002%) and Mr. Pulkit Seth (0.002%). The Company is mainly engaged in producing ready made knit garments for the purpose of exporting the same. The factory of the Company is located in Gazipur. The Company commenced commercial operation from 18th December, 2004.

2. Statement of Compliance :

2.01 Basis of Preparation :

The Financial Statements of Norp Knit Industries Limited have been prepared in accordance with the Bangladesh Accounting Standards as adopted by the Institute of Chartered Accountants of Bangladesh, Companies Act, 1994 and other applicable laws.

2.02 Basis of Measurement :

The Financial Statements have been prepared on going concern basis under histotical cost convenvention, using the accural basis of accounting.

2.03 Functional and presentational currency :

These Financial Statements are prepared in Bangladesh Taka (Taka/TK), which is the Company's functional currency. All financial information presented in taka has been rounded off to the nearest integer.

2.04 Going Concern :

The Company has adequate resources to continue its operation for the foreseeable future. For this reason the directors continue to adopt goining concern basis in preparing the accounts. The current resources of the company provide sufficient fund to meet the present requirements of its existing business.

3. Significant Accounting Policies :

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

3.01 Foreign currency translation

Foreign currencies are translated into Taka on a notional rate on the transaction dates. All monetary assets and liabilities are coverted into taka at the exchange rate prevailing on the balance sheet date. Exchange gains or losses arising out of translation of assets and liabilities at the closing date are recognised in the income statement.

3.02 Property, Plant and Equipment :

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure directly attributable to the acquisition and installation of the Property, Plant and Equipment.

3.03 Depreciation :

Depreciation on fixed assets is charged on written down value basis using different rates varying from 10% to 20% on the written down value of the assets. Depreciation is charged from the month of acquisition/ installation of the assets.

3.04 Inventories

Inventories include raw material, work-in-progress and finished goods. These are measured at the lower of cost and net realisable value in accordance with IAS 2. Cost is determined using the first-in-first-out principles. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

3.05 Trade Receivable :

Trade Receivables at the Balance Sheet date are stated at amounts which are considered realisable.

3.06 Trade Payable :

Liabilities are recognised for amounts to be paid in future for goods and services received.

3.07 Provisions :

Provisions are made where an obligation exists for future liability in respect of past event and where the amount of the obligation can be reliably estimated.

3.08 Impairment :

The carrying amounts of the assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the recoverable amount of the asset is estimated. Impairment losses, if any, are recognised in profit and loss account.

3.09 Revenue recognition

Revenue from the sale of goods is recognised when:

- Significant risk and rewards of ownership is transferred to the buyer.
- The Company has no managerial involvement of the ownership of goods.
- The revenue and cost of the transaction can be measured reliably.
- It is probable that the economic benefits of the transaction will flow to the Company.

3.10 Events after balance sheet date

No material events have occurred between the balance sheet date to the date of issue of these financial statements, that could affect the values stated in the financial statements.

3.11 Taxation

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

3.12 Deferred tax

The Company has adopted Deferred Tax Accounting Policy as per Bangladesh Accounting Standard. Accordingly, Deffered Tax Liability/ Asset is Accounted for all temporary timing differences arising between the Tax base of the assets and liabilities and their carrying value for financial Reporting process. In view of prevelant tax law as indicated in Note 3.11 Deferred Tax accounting is not considered necessary in view of the fact that for assessment under the provision of Section 53BB no temporary difference will arise between tax base of assets and liabilities and their carrying amounts in the financial statements.

3.13 Employee benefits

The Company has not yet introduced any provident fund, gratuity scheme and pension scheme for the employees.

	As on 31 March 2008	As on 31 March 2007
4. Share capital		
Authorized capital:		
10,00,000 (2006: 500,000) ordinary shares of Tk. 100 each	**100,000,000**	50,000,000
Issued, subscribed and paid up capital:		
493,781 (2006: 1,000) ordinary shares of Tk. 100 each	**49,378,100**	49,378,100
The aforesaid capital was subsribed as under:		
Subscribers:	**No. of shares**	No. of shares
Mina Estates Pvt. Ltd.		
House of Pearl Fashions Ltd.	**493,761**	493,761
Mr. Pallak Seth	**10**	10
Mr. Pulkit Seth	**10**	10
	493,781	493,781

5. Loan from Orchid Trading Limited

This represents the amount received from the above company from time to time towards financing of the unit at Gazipur.

6. Property, plant and equipment

Particulars	Cost as on 31.03.2007	Addition for the period	Deletion for the period	**Cost as on 31.03.2008**	Depreciation upto 31.03.07	Depreciation for the period	Depreciation on Disposal of Assets	**Total depreciation as on 31.03.2008**	**W.D. Value as on 31.03.2008**	**W.D. Value as on 31.03.2008**
Building & Civil Works	13,615,397	3,362,389	–	**16,977,786**	3,366,246	2,191,414		**5,557,660**	**10,249,151**	**11,420,126**
Plant & Machinery	70,923,940	20,248,753	–	**91,172,693**	14,278,763	12,945,826		**27,224,589**	**56,645,177**	**63,948,103**
Vehicles	2,628,113	1,201,310	2,150,865	**1,678,558**	976,768	278,269	1,072,142	**182,895**	**1,651,345**	**1,495,663**
Furniture & Fixtures	9,295,277	578,819		**9,874,096**	822,216	839,279		**1,661,495**	**8,473,061**	**8,212,601**
Office Equipments & Computers	3,050,794	1,420,680	–	**4,471,474**	910,802	444,939		**1,355,741**	**2,139,992**	**3,115,733**
Telephone Installation & Connection	485,114	76,896	–	**562,010**	156,106	64,091		**220,197**	**329,008**	**341,813**
Air Conditioners	1,552,600	34,500	–	**1,587,100**	327,239	226,053		**553,292**	**1,225,361**	**1,033,808**
Fire extinguisher	345,800	64,240	–	**410,040**	82,289	52,641		**134,930**	**263,511**	**275,110**
Total	101,897,035	26,987,586	2,150,865	**126,733,757**	20,920,429	17,042,513		**36,890,799**	**80,976,606**	**89,842,958**
Capital Work in Progress										
Building & Civil Works	–	–	–	**–**	–	–		**–**	**–**	**–**
Plant & Machinery	12,360,599	11,333,523	20,544,485	**3,149,637**	–	–		**–**	**12,360,599**	**3,149,637**
Total	12,360,599	11,333,523	20,544,485	**3,149,637**	–	–		**–**	**12,360,599**	**3,149,637**
Total Fixed Assets	114,257,634	38,321,109	22,695,350	**129,883,394**	20,920,429	17,042,513		**36,890,799**	**93,337,205**	**92,992,594**

6.01 Allocation of depreciation

	To 31 March 2008 Taka	To 31 March 2007 Taka
Cost of goods sold (Note 15.02)	**15,189,881**	9,878,539
Administrative, selling and distribution expenses (Note 16)	**1,852,632**	1,635,641
	17,042,513	11,514,180

7. Pre-operative expenses

	As on 31 March 2008 Taka	As on 31 March2007 Taka
Opening Balance	**–**	4,331,417
Addition during the period	**–**	–
	–	–
Written off during the period	**–**	4,331,417
Closing balance	**–**	–

8. Inventories

	As on 31 March 2008 Taka	As on 31 March2007 Taka
Raw materials	**14,608,230**	53,426,460
Work-in-progress	**40,988,835**	24,773,285
Finished goods	**63,556,526**	37,012,300
	119,153,591	115,212,045

	As on 31 March 2008 Taka	As on 31 March2007 Taka
9. Trade receivables		
ATS Apparels	**9.722**	
Generation Next Fashions Ltd.	**10,000**	
Al Libas International Fashions LLC	**65,128,591**	50,959,571
Anand Fashion International Dubai	**13,800,000**	
KDS Apparels	**222,700**	
Asian Regency Limited		5,933,585
Orchid Trading Limited	**5,017,277**	10,079,056
	84,188,290	66,972,212
10. Inter-company receivables		
Norwest Industries Limited	**12,183,868**	16,273,086
Pearl Global Limited	**17,506,660**	14,437,304
Nor - Pearl Knitwear Limited (Expense)	**4,125,067**	10,741,306
Nor-Pearl Knitwear Limited (Drs)	**342,489**	462,666
	34,158,084	41,914,362

		As on 31 March 2008 Taka	As on 31 March2007 Taka
11.	**Advances, deposits and prepayments**		
	Advances (considered good) to:		
	Landlord against rent	**2,329,865**	3,416,665
	Suppliers	**583,093**	3,476,254
	Employees	**351,581**	241,382
	Others	**1,154,703**	1,347,222
		4,419,241	8,481,523
	Deposits		
	Margin against L/C and B/G	**297,863**	791,863
	Security deposits	**1,994,310**	1,590,703
		2,292,173	2,382,566
	Prepayments		
	Prepaid insurance	**159,024**	556,053
		159,024	556,053
		6,870,439	11,420,142
12.	**Cash and bank balances**		
	Cash in hand	**562,260**	414,260
	Balances with bank		
	Fixed deposit with United Commercial Bank	**6,404,320**	2,000,000
	Margin deposit with United Commercial Bank	**62,547,128**	74,817,828
	Exchange Retention Quota with United Commercial Bank	**247,282**	92,068
		69,198,730	76,909,896
		69,760,990	77,324,156

13. Secured loan

The amount shown under the above head represents interest bearing overdraft taken from United Commercial Bank Ltd.

14.	**Trade and other payables**		
	Trade payables:	**Taka**	Taka
	Basic Thread Industries Ltd.	**1,692,354**	2,189,622
	Coats Bangladesh	**1,065,153**	1,057,811
	Fakhruddin Textile Mills Ltd.	–	5,404,608
	Gupta Exim.	–	4,371,429
	Hotz Industries Ltd	**33,080**	5,455,109
	HTMS Packaging	**814,383**	1,566,955
	Ideal Builders & Engineers Ltd.	**1,217,005**	
	J. R. Fashion	**12,560**	1,047,501
	Malek Industries Limited	**–**	1,368,224
	Mainetti (BD) Ltd	**421,232**	1,869,224
	Nice Dyeing Factory	**180,700**	39,697,577
	NRG Spinning Mills Limited	**–**	13,563,812
	P. A. Knit Composite Ltd.	**115,000**	14,937,646
	Plastic Acessories Ltd.	**–**	1,007,248
	Red Fury (Bd) Ltd.		1,163,575
	Raj Washing Plant Ltd.	**141,710**	–
	Shameem Composite Mills	**–**	4,209,345
	Shyam Tex	**–**	7,187,954
	Texas Embroider Ltd.	**–**	1,479,290
	Toddler Ltd.	**1,657,130**	2,146,310
	Victory City Company Ltd.	**15,916,247**	33,036,553
	Vyvella Tex	**–**	2,536,091
	Yasin Enterprise	**60,005**	1,944,837
	Zumana Paper Box	**3,474,164**	3,850,835
	Others	**46,761,191**	22,452,267
		73,561,913	173,543,823
	Other payables		
	Management fee payable	**1,500,000**	1,500,000
	Withholding tax payable	**327,883**	163,183
	Export bills discounted	**–**	600,000
		Taka	Taka
	Others	**9,280,257**	6,441,105
		11,108,140	8,704,288
		84,670,053	182,248,111
15.	**Inter-company payables**		
		Taka	Taka
	Norwest Industries limited (Expenses)	**974,315**	6,651,176
	House of Pearl Fashions Ltd.	**34,500**	
	Poeticgem Ltd	**11,906,530**	
	Pearl Global Limited	**16,036,185**	6,201,868
		28,951,530	12,853,044
16.	**Cost of goods sold**		
	Raw material consumed (Note 15.01)	**435,429,062**	383,187,052
	Wages	**48,835,865**	42,207,123
	Manufacturing overheads (Note 15.02)	**60,727,570**	56,122,919
		544,992,497	481,517,095
	Add: Opening work-in-progress	**24,773,285**	488,438
		569,765,782	482,005,533
	Less: Closing work-in-progress	**40,988,835**	24,773,285
	Cost of goods manufactured	**528,776,947**	457,232,248
	Add: Opening stock of finished goods	**37,012,300**	31,615,427
	Cost of goods available for sale	**565,789,247**	488,847,675
	Less: Closing stock of finished goods	**63,556,526**	37,012,300
	Cost of goods sold	**502,232,721**	451,835,375
16.01	**Raw material consumed**		
	Opening inventory	**53,426,460**	9,201,842
	Purchases during the period	**396,610,832**	427,411,671
	Closing inventory	**14,608,230**	53,426,460
		435,429,062	383,187,052
16.02	**Manufacturing overheads**		
	Stores, Spares & Maintenance	**4,701,432**	3,683,375
	Factory cleaning & Upkeep	**893,953**	627,722
	Factory rent	**5,521,410**	4,916,000
	Security services	**2,080,306**	1,366,615
	Power & Fuel	**11,295,744**	8,372,250
	Consumables	**2,560,633**	1,983,700
	Compliance Expenses	**189,513**	–
	Sampling expenses	**5,628,240**	28,446
	Clearing and forwarding inward	**6,084,672**	5,134,845
	L/C charges for inputs	**4,426,727**	5,032,626
	Subcontract Expenses	**146,239**	13,564,806
	Depreciation (Note 5.01)	**15,189,881**	9,878,539
	Insurance	**2,008,820**	1,533,995
		60,727,570	56,122,919
17.	**Administrative, selling and distribution expenses**		
	Salaries	**24,936,686**	17,002,243
	Interest	**13,329,878**	14,118,154
	Foreign Exchange Fluctuation	**1,771,889**	(1,017,123)
	Communication	**2,150,077**	1,591,770
	Conveyance	**1,128,966**	1,026,857
	Entertainment	**122,424**	282,922
	Printing & Stationery	**1,158,442**	1,569,646
	Clearing & forwarding outward	**6,230,590**	28,169,622
	Bank Charges	**2,605,734**	3,022,831
	Travelling - Foreign	**174,873**	1,406,820
	Vehicle fuel & maintenance	**3,671,577**	2,951,238
	Courier & postage	**80,573**	124,999
	Audit fee / Internal Audit	**588,666**	135,000
	Depreciation (Note 5.01)	**1,852,632**	1,635,641
	Others	**3,293,137**	2,996,021
		63,096,143	75,016,641

17.01 Salaries

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

Remuneration	**317,062**	845,500
Housing	**67,500**	180,000
	384,562	1,025,500

18. Other income

Sale of scrap	**6,612,393**	436,768
Others	**9,309,182**	74,173
	15,921,575	510,941

19. Related party disclosures

Related party transactions

Name of the parties	Nature	Transactions	Taka
Norwest Industries Limited	Group Company	Sales	89,044,045
Norwest Industries Limited	Group Company	Expenses Recovered	6,418,656
Norwest Industries Limited	Group Company	Expenses Payable	741,794
Norwest Industries Limited	Group Company	Purchases	3,499,648
Poeticgem Limited	Group Company	Sampling	3,852,608
Poeticgem Limited	Group Company	Sales	25,411,473
Pearl Global Limited	Group Company	Sales	382,624,021
Pearl Global Limited	Group Company	Purchases	25,498,089
Pearl Global Limited	Group Company	Expense recovered	549,911
Nor-Pearl Knitwear Limited	Group Company	Sales	10,118,402
Nor -Pearl Knitwear Limited	Group Company	Expense recovered	6,288,323
Nor - Pearl Knitwear Limited	Group Company	Expenses Payable	2,163,256

Related party balance

Name of the parties	Heads	Taka
Norwest Industries Limited	Receivable	12,183,868
Norwest Industries Limited (Expenses)	Payable	974,315
Poeticgem Limited	Payable	11,906,530
Nor-Pearl Knitwear Limited	Receivable	342,489
Nor - Pearl Knitwear Limited (Expenses)	Receivable	4,125,067
Pearl Global Limited	Receivable	17,506,660
Pearl Global Limited	Payable	16,036,185
House of Pearl Fashions Ltd.	Payable	34,500

20. Contingent liability

Contingent liability of the company was Tk. 91.85 million as on 31 March 2008 in respect of letters of credit outstanding.

21. Number of employees

The number of employees engaged as on 31st March, 2008 who received a total remuneration of Tk. 3,000 per month or above was 621

22. Exchange gain/(loss)

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

23. General

23.01 Figures are rounded off to nearest Taka.

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

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 2008.

Principal activities

The principal activity of the Company is design, development, trading, sourcing and distribution of ready made garments of all kinds.

Results and dividend

The results for the year are shown in the accounts.

The directors do not recommend the payment of a dividend for the year under review (2007: NIL).

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for the preparation of financial statements. In preparing those financial statements the directors have:

– selected suitable accounting policies and then applied them consistently;
– made judgment and estimates that are reasonable and prudent;
– stated whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
– prepared the financial statements on the going concern basis.

They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Sd/-

Director

Date: 19 May 2008

INDEPENDENT AUDITORS' REPORT

To the Shareholder

House of Pearl Fashions (US) Ltd.

We have audited the accompanying balance sheets of House of Pearl Fashions (US) Ltd. as of March 31, 2008 and 2007, and the related statements of operations, changes in shareholders' equity and cash flows for the year ended March 31, 2008 and 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 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 financial position of House of Pearl Fashions (US) Ltd. as of March 31, 2008 and 2007, and the results of its operations and its cash flows for the year ended March 31, 2008 and the period August 1, 2006 (date of inception) to March 31, 2007 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Sd/-

May 19, 2008

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Shareholder

House of Pearl Fashions (US) Ltd.

Our report on our audits of the basic financial statements of House of Pearl Fashions (US) Ltd. for 2008 and 2007 appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information shown on page 14 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 audits 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, New York

May 19, 2008

BALANCE SHEETS

(In U.S. Dollars)

	Notes	**March 31, 2008**	March 31, 2007
ASSETS			
Current assets			
Cash		**$ 99,804**	$ 65,697
Trade and other receivables	2	**255,141**	250,000
Due from affiliate	7	**43,671**	–
Prepaid expenses and other current assets		**21,654**	13,530
Total current assets		**420,270**	329,227
Property and equipment - at cost, less accumulated depreciation	3	**19,366**	27,658
Security deposits		**19,298**	19,298
		$ 458,934	$ 376,183
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current liabilities			
Accounts payable and accrued expenses	4	**$ 94,111**	$ 22,775
Due to affiliates	7	**80,949**	7,490
Income taxes payable	6	**2,070**	2,080
Total current liabilities		**177,130**	32,345
Commitment	12		
Shareholder's equity			
Share capital	8	**595,000**	475,000
Accumulated deficit		**(313,196)**	(131,162)
		281,804	343,838
		$ 458,934	$ 376,183

STATEMENTS OF OPERATIONS

(In U.S. Dollars)

	Notes	**Year Ended March 31, 2008**	August 1, 2006 to March 31, 2007
Net sales	10	**$ 2,150,525**	$ 556,041
Cost of sales		**1,653,229**	347,070
Gross profit		**497,296**	208,971
Operating expenses			
Selling and shipping	7	**488,482**	271,246
General and administrative	7	**595,845**	327,865
		1,084,327	599,111
Other income			
Commission and fee income		**407,200**	261,058
Operating loss before income taxes	11	**(179,831)**	(129,082)
Income taxes	6	**2,203**	2,080
Net loss		**$ (182,034)**	$ (131,162)

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

(In U.S. Dollars)

	Notes	Share Capital	Accumulated Deficit	Total
Issuance of common stock, August 1, 2006	8	$ 475,000	$ –	$ 475,000
Net loss		–	(131,162)	(131,162)
Balance, March 31, 2007		475,000	(131,162)	343,838
Capital contribution		120,000	–	120,000
Net loss		–	(182,034)	(182,034)
Balance, March 31, 2008	8	$ 595,000	$ (313,196)	$ 281,804

STATEMENTS OF CASH FLOWS

(In U.S. Dollars)

	Notes	Year Ended March 31, 2008	August 1, 2006 to March 31, 2007
Cash flows from operating activities			
Operating loss before income taxes		**$ (179,831)**	$ (129,082)
Adjustment for depreciation	3	**8,292**	1,176
Operating loss before working capital changes		**(171,539)**	(127,906)
Trade and other receivables		**(5,141)**	(250,000)
Due from affiliate		**(43,671)**	–
Prepaid expenses and other current assets		**(8,124)**	(13,530)
Security deposit		**–**	(19,298)
Accounts payable and accrued expenses		**71,336**	22,775
Due to affiliates		**73,459**	7,490
Cash used in operations		**(83,680)**	(380,469)
Income taxes paid		**(2,213)**	–
Net cash used in operating activities		**(85,893)**	(380,469)
Cash flows from investing activities			
Acquisition of property and equipment		**–**	(28,834)
Cash flows from financing activities			
Proceeds from issuance of common stock		**–**	475,000
Capital contribution		**120,000**	–
Net cash provided by financing activities		**120,000**	475,000
Net increase in cash		**34,107**	65,697
Cash, beginning of period		**65,697**	–
Cash, end of period		**$ 99,804**	$ 65,697

SCHEDULES OF COST OF SALES, SELLING AND SHIPPING AND GENERAL AND ADMINISTRATIVE EXPENSES

(In U.S. Dollars)

	Year Ended March 31, 2008	August 1, 2006 to March 31, 2007
Cost of Sales		
Purchases	**$ 1,381,813**	$ 219,780
Freight and duty	**271,416**	127,290
	$ 1,653,229	$ 347,070
Selling and Shipping		
Travel and entertainment	**$ 78,138**	$ 62,587
Commissions	**131,024**	58,148
Design	**117,243**	51,300
Consulting fees	**41,793**	66,552
Showroom rent	**120,284**	19,409
Warehouse expense	**–**	9,500
Trade shows and advertising	**–**	3,750
	$ 488,482	$ 271,246
General and Administrative		
Officer's salary	**$ 144,893**	$ 192,964
Office salaries	**147,726**	39,128
Payroll taxes	**17,337**	13,893
Insurance	**23,789**	8,024
Professional fees	**56,844**	16,015
Consulting fees	**75,000**	–
Management fees	**36,000**	9,000
Telephone	**9,359**	9,921
Couriers and messengers	**48,995**	6,884
Computer expense	**3,946**	19,608
Office expense	**17,782**	6,575
Office supplies	**5,882**	4,677
Depreciation	**8,292**	1,176
	$ 595,845	$ 327,865

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 a bank. 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, 2008 and 2007.

Inventories

Inventories, which consist primarily of finished goods, are valued at the lower of cost (first-in, first-out) or 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

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.

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.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

2. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of the following:

	March 31, 2008	March 31, 2007
Due from factor (a)	**$ 197,606**	$ –
Non-factored receivables	**57,535**	–
Fee receivable (b)	**–**	250,000
	$ 255,141	$ 250,000

(a) 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. Trade receivables and inventories of the Company are pledged under the agreement.

(b) The Company is the marketing agent for an unrelated third party. The fee receivable was for the introduction of new customers.

3. PROPERTY AND EQUIPMENT

	Office Equipment	Furniture and Fixtures	Total
Cost			
April 1, 2007 and March 31, 2008	$ 16,389	$ 12,445	$ 28,834
Accumulated depreciation			
April 1, 2007	$ 731	$ 445	$ 1,176
Depreciation for the year	5,244	3,048	8,292
March 31, 2008	$ 5,975	$ 3,493	$ 9,468
Net book value			
March 31, 2007	$ 15,658	$ 12,000	$ 27,658
March 31, 2008	$ 10,414	$ 8,952	$ 19,366

4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	March 31, 2008	March 31, 2007
Accounts payable	**$ 73,180**	$ 22,775
Accrued expenses	**20,931**	–
	$ 94,111	$ 22,775

5. DEFERRED TAX ASSETS AND LIABILITIES

Temporary differences relate to the following items:

	March 31, 2008	March 31, 2007
Property and equipment	**$ (904)**	$ (273)
Net operating loss carry forward	**123,716**	51,827
	122,812	51,554
Valuation allowance	**(122,812)**	(51,554)
	$ –	$ –

At March 31, 2008, the Company had a federal net operating loss carry forward of approximately $314,000 that expires in 2028. The Internal Revenue Code allows the offset of the net operating loss carry forward against taxable income of future years.

6. INCOME 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 statements of operations:

	Year Ended March 31, 2008	August 1, 2006 to March 31, 2007
Pretax loss for the period	**$ (179,831)**	$ (129,082)
Income tax benefit for the financial period at the domestic statutory tax rate	**$ (71,932)**	$ (51,632)
Tax increases due to nondeductible expenses	**674**	78
State and local minimum taxes	**2,203**	2,080
Increase in valuation allowance	**71,258**	51,554
Reported income taxes	**$ 2,203**	$ 2,080

7. 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.

The officer's salary was $144,893 for the year ended March 31, 2008 and $192,964 for the period August 1, 2006 to March 31, 2007. The Company also incurred management consulting fees of $75,000 to two officers during the year ended March 31, 2008.

Included in net sales are sales to an affiliate of $225,632 for the year ended March 31, 2008 and $98,341 for the period August 1, 2006 to March 31, 2007.

For the year ended March 31, 2008, the Company purchased finished goods of $1,141,879 from five related parties.

For the year ended March 31, 2008 and the period August 1, 2006 to March 31, 2007, commission expense to an affiliate was $131,024 and $28,084, respectively. The Company also incurred management fees of $36,000 for the year ended March 31, 2008 and $9,000 for the period August 1, 2006 to March 31, 2007 to an affiliate.

8. SHARE CAPITAL

	March 31, 2008	March 31, 2007
Common stock, no par value; 200 shares authorized, 100 shares issued and outstanding	**$ 595,000**	$ 475,000

9. NUMBER OF EMPLOYEES

At March 31, 2008 and 2007, the number of employees was three and two, respectively.

10. MAJOR CUSTOMERS

Sales to two customers represent 87% of net sales for the year ended March 31, 2008 and 100% of net sales for the period August 1, 2006 to March 31, 2007.

11. OPERATING LOSS BEFORE INCOME TAXES

Operating loss before income taxes is stated after charging the following expenses:

	Year Ended March 31, 2008	August 1, 2006 to March 31, 2007
Salaries and benefits	**$ 292,619**	$ 232,092
Depreciation	**$ 8,292**	$ 1,176

12. FINANCIAL INSTRUMENTS - CREDIT AND INTEREST 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, 2008, trade receivables at the Company's risk were approximately $58,000, all of which has been subsequently collected.

(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.

13. 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,	
2009	**$ 112,000**
2010	**113,000**
2011	**116,000**
2012	**87,000**
	$ 428,000

Rent expense for the year ended March 31, 2008 was $120,284 and for the period August 1, 2006 to March 31, 2007 was $19,409.

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 2008.

Principal activities

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 (2007: NIL).

Statement of Directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial period giving a true and fair view of the state of affairs of the Company and of the profit or loss of the company. In preparing those financial statements, the Directors are required to:

– select suitable accounting policies and then apply them consistently;

– make judgments and estimates that are reasonable and prudent;

– state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud and error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe that the business will not be a going concern on the year ahead.

By order of the Board

Sd/-

Director

Date: 09 June 2008

SECRETARY'S CERTIFICATE

For the year ended 31 March 2008

Secretary's Certificates under Section 166 (d) of the Companies Act 2001

In accordance with Section 166 (d) of the Companies Act, 2001, we certify that to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act, 2001.

Sd/-

For and on behalf of **KROSS BORDER TRUST SERVICES LIMITED**

Company Secretary

Date: 09 June 2008

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 18 which comprise the balance sheet at 31 March 2008 and the income statement, statement of changes inequity 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 requirement 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' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the 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 2008 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.

Sd/-

KPMG

Public Accountant

Port Louis

Date: 9 June 2008

Sd/-

J. P. Ramhotar, FCCA

Signing Partner

INCOME STATEMENT

for the year ended 31 March 2008

	NOTE	2008 USD	2007 USD
REVENUE	4	**46**	5,214
EXPENSES		**(48,145)**	(56,317)
LOSS BEFORE TAXATION		**(48,099)**	(51,103)
TAXATION	5	**–**	–
LOSS FOR THE YEAR		**(48,099)**	(51,103)

BALANCE SHEET

at 31 March 2008

	NOTE	2008 USD	2007 USD
Assets			
Non-current assets			
Investments in subsidiaries	6	**12,379,056**	12,211,556
Receivables	7	**781,789**	787,369
Total non-current assets		**13,160,845**	12,998,925
Current assets			
Current receivables	8	**1,650**	1,500
Cash and cash equivalents		**205**	794
Total current assets		**1,855**	2,294
Total assets		**13,162,700**	13,001,219
Equity and liabilities			
Capital and reserves			
Share capital	9	**13,017,610**	13,017,610
Share application monies		**184,500**	–
Revenue deficit		**(108,887)**	(60,788)
Total capital and reserves		**13,093,223**	12,956,822
Current liabilities			
Other payables	10	**69,477**	44,397
Total Current liabilities		**69,477**	44,397
Total equity and liabilities		**13,162,700**	13,001,219

Approved by the Board on 9th June, 2008

Sd/- Director

Sd/- Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Share Capital USD	Share Application Monies USD	Revenue deficit USD	Total USD
Balance at 01 April 06	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
Loss for the year	–	–	(48,099)	(48,099)
Movement during the year	–	184,500	–	184,500
Balance at 31 march 2008	**13,017,610**	**184,500**	**(108,887)**	**13,093,223**

CASH FLOW STATEMENT

for the year ended 31 March 2008

	2008 USD	2007 USD
Cash flows from operation activities		
Loss for the year before taxation	**(48,099)**	(51,103)
Adjustment for:		
Interest received	**(46)**	(5,124)
	(48,145)	(56,317)
Change in receivables	**155,430**	(1,500)
Changes in other payables	**25,080**	34,712
Net cash from / (used in) operation activites	**132,365**	(23,105)
Cash flows from investing activities		
Interest received	**46**	5,214
Acquisition of investments	**(167,500)**	(5,101,556)
Deposit on shares	**(150,000)**	–
Net cash used in investing activities	**(317,454)**	(5,096,342)
Cash flows from financing activities		
Proceeds from issue of shares	**–**	13,007,610
Loans advanced to subsidiaries	**–**	(787,369)
Decrease in receivables	**–**	10,000
Porceeds from share application monies	**184,500**	–
Repayment of loan	**–**	(11,556,054)
Advance from related company	**–**	4,446,054
Net cash from financing activities	**184,500**	5,120,241
Net (decrease)/increase in cash and cash equivalents	**(589)**	794
Cash and cash equivalents at beginning of year	**794**	–
Cash and cash equivalents at end of year	**205**	794

1. **General information**

The company was incorporated as a private limited company on 28 March 2006 and was granted a Category 1 Global Business License 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 License under the Companies Act 2001 and the Financial Services Act 2007 (previously Financial Services Development Act 2001, now repealed), is required to carry on its business in a currency other than the Mauritian rupee. Since the Company operates in an international environment and conducts most of its transactions in foreign currencies the Company has chosen to retain the United States Dollar (USD) as its reporting currency.

2. **Basis of Preparation**

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

The financial statements have been prepared on a historical cost basis.

(c) Functional currency

The financial statements are presented in United States Dollar (USD) which is the Company's functional currency.

(d) Use of the estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from these estimates.

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

3. Significant accounting policies

Interpretations and amendments to published Standards effective in 2007.

In 2007, several new and revised standards became effective for the first time and have been adopted by the Company where relevant to its operations. The adoption of these new and revised standards has no material effect on the Company's accounting policies and disclosures.

Standards, interpretations and amendments to published standards that are not yet effective for the reporting period.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 01 April 2008 or later periods but which the Company has not early adopted. These new standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have a material effect on the Company's accounting policies and disclosures.

The principal accounting policies adopted are as follows:

Revenue recognition

Revenue is recognized on the following base:

Dividend income when the shareholder's 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 adjustments to tax payable in respect of prior years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Foreign currency transactions

Transactions in the 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 the 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 recognized in the income statement.

Investments in subsidiaries

The Company, in accordance with IAS 27, reports investments in subsidiaries 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 recognizes the impairment 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 subjected 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, other receivables, cash and cash equivalent and other payables. The particular recognition methods are disclosed in the individual policy statements associated with each item.

Disclosurers about financial instruments to which the Company is a party are provided in note 12.

Provisions

Provisions are recognized 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.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realise the net asset and settle the liability simultaneously.

4. Revenue

Revenue represents 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. 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 recognized a deferred tax asset.

Recognised in income statement

	2008 USD	2007 USD
Current year income tax	**–**	–
Reconciliation of effective taxation		
Loss before taxation	**(48,099)**	(51,103)
Income tax at 15%	**(7,215)**	(7,665)
Non- deductible expenses	**7,222**	8,447
Tax exempt revenues	**(7)**	(782)
Income tax payable	**–**	–

6. Investments in subsidiaries

Investment consists of unquoted shares

Cost		
At 01 April	**12,211,556**	7,110,000
Movement during the year	**167,500**	5,101,556
At 31 March	**12,379,056**	12,211,556

Name of company	Type and number of shares	2008 and 2007 % held	Country of incorporation
Global Textiles Group Limited	Equity shares	100%	Mauritius
Nothwest Industries Limited	Equity shares	85%	Hong Kong
Zamira Fashions Limited	Equity shares	67%	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.

7. **Receivables**

	2008 USD	2007 USD
Loan to subsidiaries	**628,274**	787,369
Loan to related parties	**3,515**	–
Deposit on shares with subsidiaries	**150,000**	–
	781,789	787,369

8. **Other receivables**

Prepaid expenses	**1,650**	1,500

9. **Share capital**

Stated capital		
13,017,610 ordinary shares of USD 1 each	**13,017,610**	13,017,610

10. **Other payables**

Non-trade payables and accrued expense	**49,405**	24,325
Interest on loan	**20,072**	20,072
	69,477	44,397

11. **Related party transactions**

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

	Nature	2008 USD	2007 USD
Transactions during the year:			
Subsidiaries	Advances	**159,095**	787,369
Subsidiary	Deposit on shares	**150,000**	–
Related parties	Advances	**3,515**	–
Related party	Advances	**–**	4,446,054
Holding company	Advances	**–**	(10,000)
Related party	Advances	**–**	(11,556,054)
Loan interest payable	Interest payable	**–**	20,072
Balances outstanding at 31 March:			
Subsidiaries	Loan receivables	**628,274**	787,369
Subsidiary	Deposit on shares	**150,000**	–
Related parties	Loan receivables	**3,515**	–
Related party	Interest payable	**20,072**	20,072

12. **Financial instruments**

Fair value

The Company's investments are valued as described in Note 3. The Company's other assets and liabilities include receivables, other receivables, cash and cash equivalents, and other payables. The carrying amounts of these assets and liabilities approximate their fair values.

Since the carrying amounts of the assets and liabilities approximate their fair values, comparative table between carrying and fair values has not been disclosed.

Financial Risk Managment

Overview

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

- credit risk
- liquidity risk
- market risk
- currency risk

This note presents information about the company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits,. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Credit risk

Credit risk represents the potential loss that the Company would incur if counter parties fail to perform pursuant to the terms of their obligations to the Company. The Company limits its credit risk by carrying out transactions through companies within the group. At the balance sheet date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Company's reputation.

Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holdings of financial instruments. The objective market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Company invests in stocks denominated in 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 summarized as follows:

	Financial assets 2008 USD	**Financial liabilities 2008 USD**	Financial assets 2007 USD	Financial liabilities 2007 USD
USD	**8,714,996**	**69,477**	8,553,665	44,397
HKD	**4,446,054**	**–**	4,446,054	–
	13,161,050	**69,477**	12,999,719	44,397

13. **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.

14. **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.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2008.

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.

Result and dividends

The Company's profit for the year ended 31 March 2008 and its state of affairs at that date are set out in the financial statements on pages 5 to 41.

The directors recommend the payment of a final dividend of HK$7.78 per ordinary share totaling HK$9,336,000 in respect of the year. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

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 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 (resigned on 4 October 2007)

Sandeep Malhotra (appointed on 4 October 2007)

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 directors 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
16 May 2008

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 41, which comprise the balance sheet as at 31 March 2008, 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 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 from 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' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk of assessments, the auditors consider internal control relevant to the to the entity's preparation and true 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 2008 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Certified Public Accountants

Hong Kong
16 May 2008

INCOME STATEMENT

Year ended 31 March 2008

	Notes	2008 HK$	2007 HK$
REVENUE	4	**741,209,577**	584,323,885
Cost of sales		**(587,692,155)**	(472,592,317)
Gross profit		**153,517,422**	111,731,568
Other income and gains	4	**26,265,645**	25,574,859
Selling and distribution costs		**–**	(204,073)
Administrative expenses		**(105,072,120)**	(85,766,861)
Other operating expenses		**(3,131,021)**	(1,982,114)
Finance costs	6	**(2,923,204)**	(3,633,972)
PROFIT BEFORE TAX	5	**68,656,722**	45,719,407
Tax	8	**(12,849,446)**	(8,889,265)
PROFIT FOR THE YEAR		**55,807,276**	36,830,142
DIVIDENDS	9		
Interim		**–**	9,336,000
Final		**9,336,000**	–

BALANCE SHEET

31 March 2008

	Notes	2008 HK$	2007 HK$
NON-CURRENT ASSETS			
Property, plant, and equipment	10	**40,567,152**	21,282,359
Available-for-sale investments	11	**14,165,435**	2,002,225
Due from a fellow subsidiary	22(b)	**–**	964,720
Total non-current assets		**54,732,587**	24,249,304
CURRENT ASSETS			
Trade and bills receivables	12	**210,946,378**	112,323,113
Prepayments, deposits and other receivables	13	**29,789,513**	30,583,310
Due from a holding company	22(b)	**61,745**	61,745
Due from fellow subsidiaries	22(b)	**14,476,943**	298,886
Derivative financial instruments	17	**2,206,159**	–
Pledged time deposits	14	**13,363,009**	25,346,058
Cash and bank balances	14	**6,325,428**	3, 965,717
		277,169,175	172,578,829
CURRENT LIABILITIES			
Trade payables and accrued liabilities		**86,090,080**	39,415,436
Bills payable		**7,654,418**	3,776,478
Derivative financial instruments	17	**–**	2,516,288
Interest - bearing bank borrowings	15	**53,583,466**	38,630,137
Due to fellow subsidiaries	22(b)	**22,452,151**	27,318,418
Tax payable		**14,735,119**	6,013,113
Total current liabilities		**184,515,234**	117,669,870
NET CURRENT ASSETS		**92,653,941**	54,908,959
TOTAL ASSETS LESS CURRENT LIABILITIES		**147,386,528**	79,158,263
NON-CURRENT LIABILITIES			
Interest -bearing bank borrowings	15	**17,641,980**	9,132,020
Due to a holding company	22(b)	**2,206,048**	3,509,198
Deferred tax liabilities	16	**1,265,899**	440,950
		21,113,927	13,082,168
Net assets		**126,272,601**	66,076,095
EQUITY			
Issued capital	18	**9,336,000**	9,336,000
Reserves		**116,936,601**	56,740,095
Total equity		**126,272,601**	66,076,095

Sd/-
Director

Sd/-
Director

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2008

	Notes	Issued capital HK$	Available-For-sale investment reserve HK$	Hedging reserve HK$	Retained profits HK$	Proposed final Dividend HK$	Total Equity HK$
At 1 April 2006		9,336,000	–	1,284,592*	31,883,439*	–	42,504,031
Net losses on cash flow hedges	17	–	–	(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 and at 1 April 2007		9,336,000	–	(2,637,486)*	59,377,581*	–	66,076,095
Changes in fair value of available-for – sale investments		–	493,210	–	–	–	493,210
Net gains on cash flow hedges	17	–	–	3,896,020	–	–	3,896,020
Profit for the year		–	–	–	55,807,276	–	55,807,276
Proposed final dividend		–	–	–	(9,336,000)	9,336,000	–
At 31 March 2008		9,336,000	493,210*	1,258,534*	105,848,857*	9,336,000*	126,272,601

* These reserve accounts comprise the reserves of HK$ 116,936,601 (2007: HK$ 56,740,095) in the balance sheet.

CASH FLOW STATEMENT

	Notes	2008 HK$	2007 HK$
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		**68,656,722**	45,719,407
Adjustment for:			
Finance costs	6	**2,923,204**	3,633,972
Interest income	4	**(571,912)**	(1,266,653)
Gain on disposal of available-for-sale-investments	4	**(46,680)**	(32,452)
Dividend income from available-for -sale investments	4	**(175,336)**	(60,489)
Depreciation	5	**2,841,858**	1,922,663
Loss on disposal of items of property, plant and equipment	5	**4,281**	1,494
		73,632,137	49,917,942
Decrease in an amount due from a fellow subsidiary		**964,720**	–
Decrease in inventories		**–**	593,582
(Increase)/decrease in trade and bills receivables		**(98,623,265)**	9,534,467
Decrease/ (increase) in prepayments, deposits and other receivables		**793,797**	(27,326,365)
Increase in an amount due from a holding company		**–**	(35,395)
(Increase)/ decrease in amounts due from fellow subsidiaries		**(14,178,057)**	7,164,381
Increase / (decrease) in trade payables and accrued liabilities		**46,674,644**	(12,706,561)
Increase / (decrease) in bills payable		**3,877,940**	(727,327)
(Decrease)/ increase in amounts due to fellow subsidiaries		**(4,866,267)**	27,318,418
Cash generated from operations		**8,275,649**	53,733,142
Hong Kong profits tax paid		**(4,128,918)**	(6,564,593)
Interest paid		**(2,923,204)**	(3,633,972)
Net cash inflow from operating activities		**1,223,527**	43,534,577
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment	10	**(22,176,316)**	(20,747,576)
Proceeds from disposal of items of property, plant and equipment		**45,384**	973
Purchase of available - for-sale investments		**(12,448,000)**	–
Investment in a subsidiary		**(1,303,150)**	–
Disposal of a subsidiary	19	**1,303,150**	–
Proceeds from disposal of available-for-sale investments		**824,680**	820,705
Dividend received from available-for-sale investments		**175,336**	60,489
Decrease / (increase) in pledged time deposits		**25,346,058**	(20,304,621)
Interest received		**571,912**	1,266,653
Net cash outflow from investing activities		**(7,660,946)**	(38,903,377)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment to a holding company		**(1,303,150)**	(26,350)
New interest-bearing loan from bank		**60,173,074**	26,824,117
Repayment of interest- bearing loan from bank		**(38,390,934)**	(21,269,397)
Dividend paid		**–**	(9,336,000)
Net cash inflow/ (outflow) from financing activities		**20,478,990**	(3,807,630)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**14,041,571**	823,570
Cash and cash equivalents at beginning of year		**3,726,514**	2,902,944
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**17,768,085**	3,726,514
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	**6,325,428**	3,965,717
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	14	**13,363,009**	–
Bank overdrafts	15	**(1,920,352)**	(239,203)
		17,768,085	3,726,514

NOTES TO FINANCIAL STATEMENTS

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 Pook 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 (" HKASs") (Which include all Hong Kong Fiancial Reporting Standards, Hong Kong Accounting Standards "HKASs"and interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principals 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 HKFRSs has had no material effect on these financial statements.

HKFRS 7	*Financial Instruments: Disclosure*
HKAS 1 Amendment	*Capital Disclosures*
HK (IFRIC)-Int 8	*Scope of HKFRS 2*
HK (IFRIC)-Int 8	*Reassessment of Embedded Derivatives*
HK (IFRIC)-Int 10	*Interim Financial Reporting and Impairment*

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 7 *Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Company, comparative information has been included/revised where appropriate.

(b) Amendment to HKAS 1 *Presentation of Financial Statements-Capital disclosures*

This amendment requires the Company to make disclosures that enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures are shown in note 24 to the 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.

HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[5]
HKFRS 2 Amendments	*Share-based Payment - Vesting Conditions and Cancellation*[1]
HKFRS 3 (Revised)	*Business Combinations*[5]
HK(IFRIC)-Int-11	*HKFRS 2- Group and Treasury Share Transactions*[2]
HK(IFRIC)-Int-12	*Service Concession Arrangements*[4]
HK(IFRIC)-Int-13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int-14	*HKAS 19- The Limit on a Defined benefit Asset, Minimum Funding requirements and their Interaction*[4]

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 March 2007

[3] Effective for annual periods beginning on or after 1 July 2008

[4] Effective for annual periods beginning on or after 1 January 2008

[5] Effective for annual periods beginning on or after 1 July 2009

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 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

Consolidated financial statements

As permited by HKAS 27 *Consolidatd and Separate financial statments* and Section124(2)(a) of the Hong Kong Companies Ordinance, consolidated financial statements have not been prepared as the Company is a wholly-owned subsidary of Jobs DB Holdings Limited, which prepares consolidated financial statements in accordance with HKFRSs, which can be obtained at its registered office.

Subsidiaries

A subisdiary is an entity is which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

Investment in Insubsideries are stated at cost less any Impariment losses.

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 assets, 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 assets belongs.

Am impairment loss is recongnised 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, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for that 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 capitalized 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	33-1/3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at 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 derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the 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 recognized 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 recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company assesses whether a contract contains an embedded derivative when the Company first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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 recognized in the income statement. The net fair value gain or loss recognized in the income statement does not include any dividends on these financial assets, which are recognized in accordance with the policy set out for "Revenue recognition" below.

Financial assets may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired, as well as through the amortization 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 recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognized in the income statement as "Other income" in accordance with the policies set out for "Revenue recognition" below. Losses arising from the impairment of such investments are recognized in the income statement as " Impairment losses on available-for-sale financial assets" and are transferred from the available-for-sale investment revaluation reserve.

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

Fair value

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

Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized 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 and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Company will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. A provision for impairment is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. In addition, the Company evaluates other factors, such as the share price volatility. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Impairment losses on debt instruments are reversed through the income statement; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group, of similar financial assets) is derecognized 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 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. The related interest expense is recognized within "financial costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortization process.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognized 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 recognized less, when appropriate, cumulative amortization recognized in accordance with HKAS 18 *Revenue*.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is 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 recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value 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 recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risks associated with a recognized 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 recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts 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 recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or of its designation as a hedge is revoked, the amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash 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 recognized in the income statement, or in equity if it relates to items that are recognized 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 recognized 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 recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized 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 utilized. Conversely, previously unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized 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 utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted 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.

Other employee benefits

Employment Ordinance long service payments

Certain of the Company's employees have completed the required number of the 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

Final dividends proposed by the directors are classifieds as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends.

Consequently, interim dividends are recognized directly as a liability when they are proposed and declared by the directors.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the 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

The preparation of the Company's financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustments to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of property, plant and equipment

Items of property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the asset are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in -use calculation requires the Company to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

Impairment of available-for-sale financial assets

The Company classifies certain assets as available-for-sale and recognizes movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognized in the income statement. At 31 March 2008, no impairment losses have been recognized for available-for-sale assets (2007: Nil). The carrying amount of available-for-sale assets was HK$14,165,435 (2006:HK$2,002,225)

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 aging 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.

Income taxes

Significant management 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 provision 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:

	2008 HK$	2007 HK$
Revenue-sale of goods	**741,209,577**	584,323,885
Other income:		
Dividend income from available-for -sale investments	**175,336**	60,489
Interest income	**571,912**	1,266,653
Handling fee income	**20,750,132**	11,826,557
Rental income	**1,315,784**	568,750
Sundry income	**3,405,801**	6,668,085
	26,218,965	20,390,534
Gains:		
Gain on disposal of available-for -sale investments	**46,680**	32,452
Exchange gains, net	**–**	5,151,873
	46,680	5,184,325
	26,265,645	25,574,859

5. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging/ (crediting):

	Note	2008 HK$	2007 HK$
Auditor's remuneration		**476,600**	630,000
Depreciation	10	**2,841,858**	1,922,663
Employee benefits expense, Excluding directors' remuneration (note 7):			
Wages and Salaries		**29,738,866**	19,844,922
Pension Scheme Contributions		**267,187**	254,299
		30,006,053	20,099,221
Minimum lease payments under operating leases of land and building		**1,982,823**	833,960
Loss of disposal of items of property, plant and equipment		**4,281**	1,494
Foreign exchange differences, net		**1,538,209**	(5,151,873)

6. FINANCE COSTS

	2008 HK$	2007 HK$
Interest on bank loans and Overdrafts	**2,923,204**	3,633,972

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2008 HK$	2007 HK$
Fees	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**33,619**	148,051
	33,619	148,051

8. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2007:17.5%) 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.

	2008 HK$	2007 HK$
Hong Kong	**12,567,925**	7,837,393
Elsewhere	**283,000**	869,784
Deferred tax (note 16)	**(1,479)**	182,088
Tax charge for the year	**12,849,446**	8,889,265

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:

	2008 HK$	2008 %	2007 HK$	2007 %
Profit before tax	**68,656,722**		45,719,407	
Tax at the statutory tax rate	**12,014,926**	**17.5**	8,000,896	17.5
Income not subject to tax	**(116,302)**	**(0.2)**	(11,391)	–
Tax on deemed profit arising form operations other than Hong Kong	**–**	**–**	869,784	1.9
Temporary difference	**(259)**	**–**	23,653	–
Others	**951,081**	**1.4**	6,323	–
Tax charges at the effective rate	**12,849,446**	**18.7**	8,889,265	19.4

9. DIVIDENDS

	2008 HK$	2007 HK$
Interim-Nil (2007:HK$ 7.78) per ordinary share	**–**	9,336,000
Proposed final- HK$ 7.78 (2006: Nil) per ordinary share	**9,336,000**	–
	9,336,000	9,336,000

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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 2008						
At 31 March 2007 and at 1 April 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
At 1 April 2007, net of accumulated depreciation	16,030,865	1,578,015	1,548,557	328,274	1,796,648	21,282,359
Additions	20,426,051	139,954	621,455	125,194	863,662	22,176,316
Disposals	–	–	(1,635)	(48,030)	–	(49,665)
Depreciation	(558,843)	(617,232)	(557,085)	(184,263)	(924,435)	(2,841,858)
At 31 March 2008, net of accumulated depreciation	35,898,073	1,100,737	1,611,292	221,175	1,735,875	40,567,152
Cost	36,673,551	1,341,392	2,010,368	765,492	2,386,002	43,176,805
Accumulated depreciation	(775,478)	(240,655)	(399,076)	(544,317)	(650,127)	(2,609,653)
Net Carrying amount	35,898,073	1,100,737	1,611,292	221,175	1,735,875	40,567,152
At 31March 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)
Depreciations	(216,635)	(426,320)	(420,407)	(286,058)	(5,73,243)	(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

The Company's leasehold land and building is situated in Hong Kong and is held under medium term leases.

At 31 March 2008, the Company's land and building with a net book value of HK$35,898,073 (2007:HK$16,030,865) was pledged to secure general banking facilities, including mortgage loans, granted to the Company (note 15)

11. AVAILABLE -FOR-SALE INVESTMENTS

	2008 HK$	2007 HK$
Unit trusts, at fair value	**14,165,435**	2,002,225

During the year, the gross gain of the Company's available-for-sale investments recognised directly in equity amounted to HK$715,226 (2007: Nil), of which HK$222,016 (2007:Nil) was removed from equity and recognised in the income statement for the year.

The above investments consist of investments in equity securities which were designate as available-for sale financial assets and have no fixed maturity date or coupon rate.

The fair values of listed equity investments are based on quoted market prices.

12. TRADE AND BILLS RECEIVABLES

	2008 HK$	2007 HK$
Trade receivables	**191,628,982**	84,679,460
Bills receivable	**19,317,396**	27,643,653
	210,946,378	112,323,113

Trade receivables are non-interest bearing and are 0-120 days terms. There is no significant concentration of credit risk.

The aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2008 HK$	2007 HK$
Neither past due nor impaired	**87,238,029**	52,693,677
Less than 1 month past due	**51,321,321**	25,271,929
1 to 3 months past due	**53,069,632**	6,713,854
	191,628,982	84,679,460

At the March 2008, the Company had discounted bills receivable of HK$ 13,689,269 (2007: HK$7,276,697) 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 15)

13. PREPAYMENTS, DEPOSITS AND OTHERS RECEIVABLE

	2008 HK$	2007 HK$
Prepayments	**706,897**	707,006
Deposits	**410,590**	263,752
Other receivables	**28,672,026**	29,612,552
	29,789,513	30,583,310

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	2008 HK$	2007 HK$
Cash and bank balances		**6,325,428**	3,965,717
Time deposits		**13,363,009**	25,346,058
		19,688,437	29,311,775
Less: Pledged time deposits:			
Pledge for long term bank loans		**–**	–
Pledge for bank overdraft facilities	15	**(13,363,009)**	(25,346,058)
Cash and cash equivalents		**6,325,428**	3,965,717

At the balance sheet date, the cash and bank balances of the Company denominated in Renminbi ("RMB") amounted to HK$54,425 (2007:HK$54,745). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies thorough banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

15. INTEREST -BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	2008 HK$	2007 HK$
Current				
Mortgage loans	2.5% below BLR	2017	**1,140,000**	–
Mortgage loans	1.5% Over 1 month HIBOR	2016	**1,085,040**	1,085,040
Bank Overdrafts	Higher of prime +1% or cost of Funding +1.5%	on demand	**1,920,352**	239,203
Advances from bank as consideration for discounted Bills (Note 12)	Either on: LIBOR+2%, cost of funding + 1.5% or standard finance rate +1%	2008	**19,317,396**	7,276,697
			23,462,788	8,600,940
Trust receipt loans	Either on: LIBOR+2%, cost of funding + 1.5% or best lending rate +0.5%	2008	**30,120,678**	30,029,197
			53,583,466	38,630,137
Non-current				
Mortgage loans	2.5% below BLR	2017	**9,595,000**	–
Mortgage loans	1.5% over 1 month HIBOR	2016	**8,046,980**	9,132,020
			71,225,446	47,762,157
Analysed into				
Bank loans and overdrafts repayable: Within one year or on demand			**53,583,466**	38,630,137
In the second year			**2,225,040**	1,085,040
In the third to fifth years, inclusive			**4,395,120**	3,255,120
Beyond five years			**11,021,820**	4,791,860
			71,225,446	47,762,157

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 issue 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 form the holding company, a related party company, 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 equal monthly instalments of HK$90,420 plus a final repayment of HK$90,020 commencing on 10 August 2006.

c) The Company's 2nd mortgage loan is secured, bears interest at 2.5% below The Hongkong and Shanghai Banking Corporation Limited's best lending rate and is repayable by 113 equal monthly instilments of HK$95,000 commencing on 31 August 2007.

16. DEFERRED TAX

	Accelerated tax depreciation HK$	Cash flow hedge HK$	Total HK$
At 31 March 2005 and 1 April 2005	137,664	272,489	410,153
Deferred tax charged to the income statement during the year (note 8)	182,088	–	182,088
Deferred tax assets credited to equity during the year	–	(151,291)	(151,291)

Gross deferred tax liabilities at 31 March 2007 and 1 April 2007	319,752	121,198	440,950
Deferred tax charged to the income statement during the year (Note 8)	(1,479)	–	(1,479)
Deferred tax asset credited to equity during the year	–	826,428	826,428
Gross deferred tax liabilities at 31 March 2008	318,273	947,626	1,265,899

17. DERIVATIVE FINANCIAL INSTRUMENTS

	31 March 2008	
	Assets	**Liabilities**
	HK$	**HK$**
Foreign currency contracts	**2,206,159**	**–**

	31 March 2007	
	Assets	Liabilities
	HK$	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 2008, the company held 60 forward currency contracts (2007:28) designated as hedges respect of expected future sales to customers in the United Kingdom for which the Company has firm commitments.

The terms of the forward currency contracts have been negotiated to match the terms of the commitments. The cash flow hedges relating to expected future sales in April 2008 to March 2009 were assessed to be highly effective and a net gain or HK$3,896,020 (2007: a net of loss of KH$3,922,078) was included in the hedging reserve.

18. SHARE CAPITAL

	2008	2007
	HK$	HK$
Authorised, issued and fully paid		
1,200,000 ordinary shares of US$1 each- US$1,200,00	**9,336,000**	9,336,000

19. INTERESTS IN A SUBSIDIARY

During the year, the Company disposed its interest in subsidiary, Zamira Fashion Limited, which was incorporated on 20 September 2007, to its immediate holding company, Multinational Textile Group Limited. The net assets and retained profits of the subsidiary have been distributed entirely to the immediate holding company.

The disposal of a subsidiary was satisfied by cash consideration of HK$1,303,150.

20. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	2008	2007
	HK$	HK$
Guarantees given to banks in connection with:		
– facilities granted to a fellow subsidiary	**–**	–
– facilities granted to third parties	**14,079,000**	66,915,000
	14,079,000	66,915,000

At 31 March 2008, there was no 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 to the bank in connection with facilities granted to the Company (2007: HK$318 million).

21. OPERATING LEASE ARRANGEMENTS

The Company lease its staff quarters under operating lease arrangements. Leases for the properties are negotiated for terms ranging from one to three years.

At 31 March 2008, the Company had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	2008	2007
	HK$	HK$
Within one year	**1,785,834**	1,432,228
In the second to fifth years, inclusive	**2,456,583**	1,774,068
	4,242,417	3,206,296

The company also had outstanding forward exchange contracts with an aggregate principal amount of GBP 19,063,000 and Euro 729,000 as at the balance sheet date (2007: GBP 10, 364,000)

22. 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.

		2008	2007
	Notes	**HK$**	HK$
Sales to fellow subsidiaries	(i)	**3,505,505**	3,539,467
Purchases from fellow subsidiaries	(ii)	**39,904,046**	43,905,858
Handling fee income received from fellow subsidiaries	(iii)	**16,844,049**	11,130,131
Marketing fee paid to fellow subsidiary	(iv)	**46,456,741**	39,840,195

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 translation value in return.

(iv) Marketing fee were paid to a fellow subsidiary for marketing work performed with regard to the sales to certain customers.

(b) Outstanding balances with related parties:

(i) The amount due from a fellow subsidiary, included in the non-current assets, was unsecured, interest-free, and not repayable within one year.

(ii) The amount due form a holding company, included in the current assets, is unsecured, interest - free, and has no fixed terms of repayment.

(iii) The amounts due from fellow subsidiaries, included in the current assets, are unsecured, interest-free and have no fixed terms of repayment.

(iv) The amounts, due to fellow subsidiaries, included in the current liabelties, are unsecured, interest-free and have no fixed terms of repayment.

(v) The amount, due to a holding company, included in the non-current liabilities, is unsecured, interest-free and not repayable within one year

23. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

2008
Financial assets

	Financial assets at fair value through profit or loss -held for trading HK$	Loans and receivables HK$	Available-for- sale financial assets HK$	Total HK$
Available-for-sale investments	–	–	14,165,435	14,165,435
Trade and bills receivables	–	210,946,378	–	210,946,378
Financial assets included in prepayments, deposits and other receivables	–	28,672,026	–	28,672,026
Due to a holding company	–	61,745	–	61,745
Due from fellow subsidiaries	–	14,476,943	–	14,476,943
Derivative financial instruments	2,206,159	–	–	2,206,159
Pledged deposits	–	13,363,009	–	13,363,009
Cash and cash equivalents	–	6,325,428	–	6,325,428
	2,206,159	273,845,529	14,165,435	2,90,217,123

Financial Liabilities

	Financial Liabilities at amortised cost HK$
Financial liabilities included in trade payables and accrued liabilities	81,679,420
Financial liabilities included in bills payable	7,654,418
Interest -bearing bank and other borrowings	71,225,446
Due to a ultimate holding company	2,206,048
Due to fellow subsidiaries	22,452,151
	185,217,483

2007

Financial assets

	Loans and receivables HK$	Available - for -sale Financial assets HK$	Total HK$
Available-for-sale investments	–	2,002,225	2,002,225
Trade and bills receivables	112,323,113	–	112,323,113
Financial assets included in prepayments, deposits and other receivables	29,612,552	–	29,612,552
Due to a holding company	61,745	–	61,745
Due from fellow subsidiaries	298,886	–	298,886
Pledged deposits	25,346,058	–	25,346,058
Cash and cash equivalents	3,965,717	–	3,965,717
	1,71,608,071	2,002,225	1,73,610,296

Financial Liabilities

	Financial Liabilities at fair value through profit or loss -held for trading HK$	Financial Liabilities at amortised Cost HK$	Total HK$
Financial liabilities included in trade payables and accrued liabilities	–	36,552,567	36,552,567
Financial liabilities included in bills payable	–	3,776,478	3,776,478
Derivative financial instruments	2,516,288	–	2,516,288
Interest -bearing bank and other borrowings	–	47,762,157	47,762,157
Due to a ultimate holding company	–	3509,198	3509,198
Due to fellow subsidiaries	–	27,318,418	27,318,418
	2,516,288	118,918,818	121,435,106

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company 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;

Fair value and cash flow interest rate risks is the 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 risks 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.

Foreign currency risk

The company has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units functional currency. Approximately 33% (2007:36%) of the Company's sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst almost 100% (2007:100%) of costs are denominated in the units functional currency. The company requires all its operating units to use forward currency contracts to eliminate the foreign currency exposures on any individual transactions, for which payment is anticipated more than one month after the company has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is the company's policy not to enter into forward contracts until a firm commitments in place .

It is the company's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

At 31 March 2008, the company had hedged 100% (2007:100%) of its foreign currency sales for which firm commitments existed at the balance sheet date, extending to 31 March 2009, and thus the company's exposure to foreign currency risk is minimal.

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.

Liquidity risk

The company's exposure to liquidity risk is minimal.

Capital management

The primary objective of the Company's capital management is to safeguard the company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value.

The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The company is not subject to any externally imposed capital requirements. No change were made in the objectives, policies or processes during the years ended 31 March 2008 and 31 March 2007.

The company monitors capital using a gearing ratio, which is net debt dividend by the total capital plus net debt. The company's policy is to maintain the gearing ratio between 0.5 and 0.65. Net debt includes interest - bearing bank and other borrowings, an amount due to a holding company, trade, bills and other payables, accruals, less cash and cash equivalents. Capital includes equity attributable to equity holders less the hedging reserve. The gearing ratios as at the balance sheet dates were as follows:

	2008 HK$	2007 HK$
Interest -bearing bank and other borrowings	**71,225,446**	47,762,157
Trade and accrued liabilities	**86,090,080**	39,415,436
Bills payable	**7,654,418**	3,776,478
Due to fellow subsidiaries	**22,452,151**	27,318,418
Due to a holding company	**2,206,048**	3,509,198
Less: Cash and cash equivalents	**(6,325,428)**	(3,965,717)
Net debt	**183,302,715**	117,815,970
Equity attributable to equity holders	**129,999,512**	66,076,095
Hedging reserve	**(1,258,534)**	2,637,486
Net unrealized gains reserve	**(493,210)**	–
Total Adjusted capital	**128,247,768**	68,713,581
Capital and net debt	**311,550,483**	186,529,551
Gearing ratio	**59%**	63%

25. 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.

26. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements , due to the adoption of the new and revised HKFRSs during the current year, certain comparative amounts have been adjusted to conform with the current year's presentation and to show separately comparative amounts in respect of items disclosed for the first time in 2008.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 16 may 2008.

REPORT OF DIRECTORS

The directors present their report and the audited financial statements for the period from September 20, 2007 (Date of Incorporation) to March 31, 2008, which were approved by them at the board meeting held on the date of this report.

Principal Activity

The principal activity of the Company is trading of garment.

Financial Results

The results of the Company for the period from September 20, 2007 (Date of Incorporation) to March 31, 2008 and the state of affairs of the Company at March 31, 2007 are set out in the annexed financial statements.

Dividend

The directors do not recommend any payments of dividend for the period.

Plant and Equipment

Movements in plant and equipment are set out in Note (11) to the financial statements.

Directors

The directors of the Company who held office during the period and up to date of this report was:

Deepak Kumar SETH	(Appointed on September 20, 2007)
Thomas MUELLER	(Appointed on September 20, 2007)
Pallak SETH	(Appointed on September 20, 2007)

In accordance with Article 7 of the Company's Article of Association, all the directors retire and, being eligible, offer themselves for re-election.

Director's Interest

Expect for the related party transactions as disclosed in Note (16), no contracts of significance to which the Company and its fellow subsidiary was a party and in which the sole director had a material interest subsisted at the end of the period or at any time during the period. At no time during the period was the Company and its fellow subsidiary a party to any arrangements to enable the director of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or other body corporate.

Auditors

During the period, Messrs. Louis Lai & Luk were appointed as Auditors of the Company. They now retire and, being eligible, offer themselves for re-appointment.

By order of the Board

Sd/-

Chairman

Hong Kong, May 9, 2008.

INDEPENDENT AUDITOR'S REPORT TO THE SHARESHOLDERS OF ZAMIRA FASHION LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the financial statements of Zamira Fashion Limited set out on pages 5 to 21, which comprise the balance sheet as at March 31, 2008 and the income statement, statement of changes in equity and cash flow statement for the period from September 20, 2007 (Date of Incorporation) to March 31, 2008, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2b) to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The financial statements have been prepared on the going concern basis, the validity of which depends upon continuous financial support from the Company's shareholders and the Company's capability of attaining of profitable and positive cash flow operations. The financial statements do not include any adjustments that may be necessary, should the implementation of such measures become unsuccessful.

We consider that appropriate disclosures have been made and our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at March 31, 2008 and of its loss and cash flows for the period then ended in accordance with Hong Kong Financial Reporting Standards and have been property prepared in accordance with the Hong Kong Companies Ordinance.

Louis Lai & Luk

Certified Public Accountants

Hong Kong, May 9, 2008

INCOME STATEMENT FOR THE PERIOD FROM SEPTEMBER 20, 2007 (DATE OF INCORPORATION) TO MARCH 31, 2008

	NOTE	HK$
TURNOVER	(6)	–
STAFF COSTS		(2,151,008)
DEPRECLATION EXPENSES		(387,414)
OTHER OPERATING EXPENSES		(3,347,023)
LOSS FROM OPERATION		(5,885,445)
FINANCE COSTS	(7)	(111,655)
LOSS BEFORE TAXATION	(9)	(5,997,100)
TAXATION		–
LOSS FOR THE PERIOD		(5,997,100)

BALANCE SHEET AS AT 31 MARCH 2008

ASSETS		
Non-Current Assets		
Plant and equipment	(11)	2,038,222
Current Assets		
Deposits		12,560
Other receivables		204,262
Bank balances		180,325
		397,147
Current Liabilities		
Accruals		9,000
Other payables		56,640
Amounts due to fellow subsidiaries	(12)	5166,994
Obligation under finance lease	(13)	228,680
Bank overdraft		689,870
		6,151,184
Net Current Liabilities		5,754,037
Total Assets less Current Liabilities		(3,715,815)

	NOTE	HK$
Non- Current Liabilities		
Obligation under finance lease	(13)	**336,285**
NET LIABILITIES		**(4,052,100)**
Represented by:		
CAPITAL AND RESERVES		
Share capital	(14)	**1,945,000**
Accumulated losses		**(5,997,100)**
SHAREHOLDERS' DEFICIT		**(4,052,100)**

APPROVED BY THE BOARD OF DIRECTORS ON MAY 9, 2008 AND SIGNED ON BEHALF OF THE BOARD BY:

Sd/-	Sd/-
DIRECTOR	DIRECTOR

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM SEPTEMBER 20, 2007 (DATE OF INCORPORATION) TO MARCH 31, 2008

	Share Capital HK$	Accumulated Losses HK$	Total HK$
Issuance of share capital	1,945,000	–	1,945,000
Loss for the period	–	(5,997,100)	(5,997,100)
At March 31, 2008	1,945,000	(5,997,100)	(4,052,100)

CASH FLOW STATEMENT FOR THE PERIOD FROM SEPTEMBER 20, 2007 (DATE OF INCORPORATION) TO MARCH 31, 2008

	HK$
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before taxation	**(5,997,100)**
Adjustments for:	
Depreciation	**387,414**
Hire purchase charges	**17,096**
Bank overdraft interest	**1,447**
Interest expenses	**93,112**
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	**(5,498,031)**
Increase in deposits	**(12,560)**
Increase in other receivables	**(204,262)**
Increase in accruals	**9,000**
Increase in other payables	**56,640**
Increase in amounts due to fellow subsidiaries	**5,166,994**
NET CASH USED IN OPERATIONS	**(482,219)**
Hire purchase interest paid	**(17,096)**
Bank overdraft interest paid	**(1,447)**
Interest paid	**(93,112)**
Net cash used in operating activities	**(593,874)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of plant and equipment and net cash used in investing activities	**(1,788,603)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of share capital	**1,945,000**
Repayment of obligations under finance lease	**(72,068)**
Net cash from financing activities	**1,872,932**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(509,545)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**–**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**(509,545)**
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS	
Bank balances	**180,325**
Bank overdrafts	**(689,870)**
	(509,545)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Zamira Fashion Limited is incorporated in Hong Kong as a limited liability company. The principal activity of the Company is trading of garment. The address of its registered office is, 10/F, Park Fook Industrial Building, 615-617 Tai Nan West Street, Cheung Sha Wan, Kowloon, Hong Kong. The directors consider that the ultimate holding company is Multinational Textile Group Limited, a company incorporated in Mauritius.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS(s)") (which also include Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("Int(s)")) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinances.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note (5) to the financial statements.

The Company has not early applied the following interpretations that have been issued but are not yet effective.

- HK (IFRIC) - Int. 12 — Service Concession Arrangement: (effective January I, 2008)
- HK (IFRIC) - Int. 13 — Customer Loyalty Programmes (effective July 1, 2008)
- HK (IFRIC) - Int. 14 — HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective January 1, 2008)

The directors anticipate that all of the above Interpretations will be adopted in the Company's financial statements for the period commencing April 1, 2008 and that the adoption of those Interpretations will have no material impact on the financial statements of the Company in the period of initial application.

b. Going Concern

The shareholder has confirmed its willingness to provide such financial assistance as is necessary to maintain the Company as a going concern. On the strength of this assurance, the financial statements have been prepared on a going concern basis.

c. Plant and Equipment

Plant and equipment are stated at cost less aggregate depreciation and aggregate identified impairment loss, if any.

Depreciation is provided to write off the cost less residual value of plant and equipment over its expected useful lives.

Leasehold improvement	3 years
Furniture and fixtures	3 years
Office equipment	3 years
Motor vehicle	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss on disposal of plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the Income Statement.

When assets are sold or otherwise disposal of, their carrying amounts are written off from the financial statements and any resulting gain or loss is included in the Income Statement.

d. Impairment of Assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment or reversal of previous impairment, including items of property, plant and equipment, intangible assets and long-term investments. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognized in the Income Statement. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of amortisation of depreciation), had no impairment losses been recognized for the asset in prior years.

e. Financial Assets

The Company's financial assets are only classified under loans and receivables category.

f. Trade and Other Receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the Income Statement.

g. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognized on the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

h. Financial Liabilities

The Company's financial liabilities include account and other payables which are subsequently measured at amortized cost, using the effective interest rate method.

i. Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

j. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months.

k. Translation of Foreign Currency

(i) Functional and presentation currency

Items included in the financial statements of the Company and its branch are measured using the currency of the primary economic environment in which those entities operate ("the functional currency"). The financial statements are presented in Hong Kong Dollars ("HK$"), which are the functional and presentation currency of the Company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Income Statement.

l. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of specific assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the Income Statement.

m. Turnover

The Company had no turnover during the period.

n. Recognition of Revenue

The Company had recognized no revenue during the period.

o. Borrowing Costs

Interest and other borrowing costs incurred in connection with the borrowing of funds are recognized as expenses in the period in which they are incurred.

p. Operating Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the Income Statement on a straight-line basis over the term of the relevant lease.

q. Employee Benefits

Employee benefits are all forms of considerations, including wages, salaries, allowances and contribution to retirement benefit scheme payable by the Company in exchange for services rendered by its employees and directors. The employee benefits are classified as staff costs and charged to the Income Statement.

No provision on employee entitlements to annual leave is provided in the fmancial statements as the directors consider that no material liability would arise as a result of such entitlement in the near future. Sick leave and maternity leave are not recognized until the time of/eave.

r. Retirement Benefit Scheme

The Company participates in Mandatory Provident Fund Scheme ("MPF Scheme") for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Company in funds under the control of an independent trustee. Pursuant to the rules of the MPF Scheme, each of the employer and employees are required to make contributions to the scheme at rates specified in the rules.

The MPF Scheme is a defined contribution plan and the Company is only obliged to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit cost arising from the MPF Scheme charged to the Income Statement represent contribution payable to the funds by the Company in accordance with the rules of the MPF scheme.

s. 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 joint venture in which the Company is a venturer;

(d) the party is a member ofthe key management personnel ofthe Company or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is a company that is controlled, jointly controlled or significantly inflnenced by or for which significant voting power in such company resides with, directly or indirectly, any individual referred to in (d) or (e).

t. Financial Risks

The financial risks in connection with the Company's financial instruments include risks as follows.

(i) Market risk includes three types ofrisk as below:

- Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
- Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
- Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.

(ii) Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss.

(iii) Liquidity risk (also referred to as funding risk): the risk that the Company will encounter difficulty in raising funds to meet commitments associated with fmancial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

(iv) Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

3. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

(i) To safeguard the Company's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(ii) To support the Company's stability and growth; and

(iii) To provide capital for the purpose of strengthening the Company's risk management capability.

The Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Company. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

4. FINANCIAL RISK MANAGEMENT

(a) Currency risk

Certain monetary assets and liabilities are denominated in relatively stable currency as US Dollar. As exchange rate of this currency is relatively stable, the Company does not monitor their exchange rates frequently.

(b) Credit risk

The Company has no significant concentrations of credit risk. The carrying amount of other receivables included in balance sheet represents the Company's maximum exposure to credit risk in relation to its financial assets.

(c) Liquidity risk

As the holding company and fellow subsidiaries have confirmed its willingness to provide continuous financial support to the Company, the management is of the opinion that the Company is adequately protected from the liquidity risk.

(d) Cash flow and fair value interest rate risk

As the holding company and fellow subsidiaries have confirmed the willingness to provide continuous fmancial support, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimate of fair value of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair value.

6. RECOGNITION OF REVENUE

The Company has recognized no revenue during the period.

	HK$
7. FINANCE COSTS	
Bank overdraft interest	1,447
Hire purchase interest	17,096
Other interest	93,112
	111,655
8. DIRECTOR'S REMUNERATION	
Fees	–
Other emolumeuts	218,500
	218,500

9. LOSS BEFORE TAXATION

	HK$
Loss before taxation is stated after charging:	
Auditors' remuneration	9,000
Depreciation - owned assets	266,381
- assets held under finance lease	121,033
Rental payments under operating leases	252,000
Staff costs (including director's remuneration)	
- MPF contribution	60,182
- Salaries and allowance	2,090,826

10. TAXATION

No provision for Hong Kong profits tax has been made in these financial statements as the Company made no estimated assessable profits for the period.

At the balance sheet date, the Company has unused tax losses of HK$6,380,450 available for offset against future profits.

No deferred tax asset has been recognized in respect of such tax losses due to the unpredictability of future profit streams, Tax losses maybe carried forward indefinitely.

The tax charge for the year can be reconciled to the loss per Income Statement as follows:

	HK$
Loss before taxation	(5,997,100)
Tax at the domestic income tax rate of 17.5%	(1,049,492)
Tax effect of income that are not taxable in determining taxable profit	70,212
Net allowance claimed	(137,299)
Tax effect of tax loss not recognized	1,116,579
Taxation expense for the period	–

11. Plant and Equipment

Cost	Leasehold Improvement HK$	Furniture and Fixtures HK$	Office Equipment HK$	Motor Vehicle HK$	Total HK$
Additions and at 31/3/2008	1,170,000	241,396	288,043	726,197	2,425,636
Aggregate Depreciation					
Charge for the period	195,000	33,388	37,993	121,033	387,414
Net Book Value					
At 31/3/2008	975,000	208,008	250,050	605,164	2,038,222

The net book value of plant and equipment of HK$2,038,222 includes an amount of HK$605, 164 in respect of assets held under hire purchase contracts and fmance lease.

12. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries are unsecured, interest free or interest-bearing at a rate of 8% per annum and repayable on demand. The fellow subsidiaries had agreed not to demand repayment until the Company is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

13. OBLIGATIONS UNDER FINANCIAL LEASE

	Minimum lease payments HK$	Present value ofminimum lease payments HK$
Amount payable under financial lease:		
Within one year	267,492	228,680
Second to fifth years inclusive	356,656	336,285
	624,148	564,965
Future finance charges	59,183	
	564,965	
Less: Portion classified as curreut liabilities		228,680
Amounts due after one year included in non-current liabilities		336,285

The lease term is three years and the lease is repayable in fixed monthly instalements. No arrangement has been entered into for contingent rental payments.

14. SHARE CAPITAL

	HK$
Authorised:	
250,000 shares ofUS$1 each	1,945,000
Issued and fully paid-up:	
250,000 share ofUS$1 each	1,945,000

The Company was incorporated on September 20, 2007 with authorized share capital of US$250,000 divided into 250,000 ordinary shares of US $ 1 each. On the date of incorporation, 250,000 ordinary share of US $ 1 each was issued to the subscriber at par to provide initial working capital to the Company.

15. OPERATING LEASE COMMITMENTS

(a) At the balance sheet date, the Company had the outstanding commitmeuts uuder its noncancellable operating leases, which fall due as follows:

	HK$
Within one year	604,800
In the second to fifth years inclusive	302,400
	907,200

(b) Operating leases payment represent rentals payable by the Company for certain of its rented premises. Leases are negotiated for an average term of two years.

16. RELATED PARTY TRANSACTIONS

During normal course of business, the Company had the following transactions with the related parties below.

Name of Company	Relationship with the Company	Nature of transactions	HK$
Norwest Industries Limited	Fellow subsidiary	– Management and Service fee	54,000
		– Rental paid	252,000
		– Interest paid	93,112

17. CURRENCY RISK

(i) Exposure to currency risk. The following table details the Company's exposure at the balance sheet date to currency risk arising from forecast transactions or recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	USD
Cash and cash equivalent	23,178
Net exposure arising from recognized assets and liabilities	23,178

(ii) Sensitivity analysis

The following table indicates the approximate change in the Company's loss before tax in response to reasonably possible changes (e.g. ±10%) in the foreign exchange rates to which the Company has significant exposure at the balance sheet date.

	Increase HK$	Decrease HK$
United States Dollar	18,032	(18,032)
	18,032	(18,032)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Company's exposure to currency risk for the variables.

The stated changes represent Management's assessment of reasonably possible change in foreign exchange rates over the period until the next annual balance sheet date. Results of the analysis as presented in the above table represent an aggregation of the effects on Company's loss before tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

18. COMMENCEMENT OF BUSINESS

The Company was incorporated on September 20, 2007 and commenced business on the same date.

19. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Company's sole director on May 9, 2008.

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 2008.

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 (2007: NIL).

Statement of Directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial period giving a true and fair view of the state of affairs of the Company and of the profit or loss of the company. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud and error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe that the business will not be a going concern on the year ahead.

By order of the Board

Sd/-
Director

Date: 09 June 2008

SECRETARY'S CERTIFICATE

For the year ended 31 March 2008

Secretary's Certificates under Section 166 (d) of the Companies Act 2001

In accordance with Section 166 (d) of the Companies Act, 2001, we certify that to the best of our knowledge and belief, the Company has filed with the Registrar of Companies, all such returns as are required of the Company under the Companies Act, 2001.

Sd/-
For and on behalf of **KROSS BORDER TRUST SERVICES LIMITED**
Company Secretary

Date: 09 June 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF GLOBAL TEXTILES GROUP LIMITED

Report on the Financial Statements

We have audited the financial statements of Global Textiles Group Limited (the "Company") on pages 6 to 18 which comprise the balance sheet at 31 March 2008 and the income statement, statement of changes inequity 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 requirement 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' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the 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 2008 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.

Sd/-	Sd/-
KPMG	**J.P. Ramhotar, FCCA**
Public Accountant	Signing Partner

Port Louis
Date: 9 June 2008

INCOME STATEMENT

for the year ended 31 March 2008

	NOTE	2008 USD	2007 USD
REVENUE	4	**–**	435,121
EXPENSES		**(20,026)**	(74,951)
(LOSS)/PROFIT BEFORE TAXATION		**(20,026)**	360,170
TAXATION	5	**–**	(130,500)
(LOSS)/PROFIT FOR THE YEAR		**(20,026)**	229,670

BALANCE SHEET AS AT 31 MARCH 2008

	Note	2008 USD	2007 USD
Assets			
Non-current assets			
Investments	6	**5,006,412**	4,856,412
Receivables	7	**1,106,556**	1,106,556
Total non-current assets		**6,112,968**	5,962,968
Current assets			
Other receivables	8	**301,850**	301,650
Cash & Cash equivalents		**36**	251
		301,886	301,901
Total current assets		**6,414,854**	6,264,869
Equity and liabilites			
Capital and reserves			
Share capital	9	**5,621,556**	5,621,556

	Note	2008 USD	2007 USD
Share application monies		**150,000**	–
Revenue reserves		**205,175**	225,201
Total capital and reserves		**5,976,731**	5,846,757
Liabilities			
Non-current liabilities			
Loan from holding company	10	**344,720**	336,315
Total non-current liabilities		**344,720**	336,315
Current liabilities			
Other payables	11	**93,403**	81,797
Total liabilities		**438,123**	418,112
Total equity and liabilities		**6,414,854**	6,264,869

approved by the Board on 9th June, 2008

Sd/- **Director**   Sd/- **Director**

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2008

	Share capital USD	Share application monies USD	Revenue reserves USD	Total USD
Balance as at 01 April 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
Movement during the year	–	150,000	–	150,000
Loss for the year	–	–	(20,026)	(20,026)
Balance as at 31 March 2008	**5,621,556**	**150,000**	**205,175**	**5,976,731**

CASH FLOW STATEMENT

for the year ended 31 March 2008

	2008 USD	2007 USD
Cash flows from operating activities		
(Loss)/profit for the year	**(20,026)**	229,670
adjustment for:		
Taxation	**–**	130,500
	(20,026)	360,170
Change in other receivables	**(200)**	(301,650)
Change in other payables	**10,106**	77,328
	(10,120)	135,848
Income tax paid	**–**	(130,500)
Net cash (used in)/from operating activities	**(10,120)**	5,348
Cash flows from investing activities		
Acquisition of investments	**(150,000)**	(391,412)
Net cash used in investing activities	**(150,000)**	(391,412)
Cash flows from financing activities		
Loan from holding company	**8,405**	336,315
Deposit on shares	**150,000**	–
Advance from related company	**1,500**	–
Decrease in receivable	**–**	50,000
Proceeds from issue of shares	**–**	1,106,556
Repayment of loan to related company	**–**	(1,106,556)
Net cash from financing activities	**159,905**	386,315
Net (decrease)/increase in cash and cash equivalents	**(215)**	251
Cash and cash equivalents at beginning of year	**251**	–
Cash and cash equivalents at end of year	**36**	251

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

1. **General information**

The Company was incorporated as a private limited Company on 29 March 2006 and was granted a Category 1 Global Business Licence on 31 March 2006, The principal activity of the Company is the holding of investments.

The company, as a holder of a Category 1 Global Business Licence under the Companies Act 2001 and the Financial Services Act 2007 (previously Financial Services Development Act 2001, now repealed), is required to carry on its business in a currency other than the Mauritian rupee. Since the Company operates in an international environment and conducts most of its transactions in foreign currencies the Company has chosen to retain the United States Dollar (USD) as its reporting currency.

2. **Basis of preparation**

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

The financial statements have been prepared on a historical basis.

(c) Functional currency

The financial statement are presented in United States Dollar (USD) which is the Company's functional currency.

(d) Use of the estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from these estimates.

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

3. **Significant accounting policies**

Interpretations and amendments to published Standards effective in 2007.

In 2007, several new and revised standards became effective for the first time and have been adopted by the Company where relevant to its operations. The adoption of these new and revised standards has no material effect on the Company's accounting policies and disclosures.

(Standards, interpretations and amendments to published standards that are not yet effective for this reporting period)

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 01 April 2008 or later periods but which the Company has not early adopted. These new standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have a material effect on the Company's accounting policies and disclosures.

The principal accounting policies adopted are as follows:

Revenue recognition

Revenue is recognised on the following bases:

Interest income - as it accrues.

Dividend income - when the shareholder's right to receive payment is established.

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 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 transaction. Monetary assets and liabilities denominated in foreign currencies are translated into United States Dollar (USD) at the foreign exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost are translated to USD at the foreign exchange rate ruling at the date of transactions. Foreign exchange differences arising on translation are recognised in income statement.

Investments

The Company does not prepare consolidated financial statements and in accordance with IAS 27, has opted to report investments in subsidiaries at cost less impairment.

Other receivables

Other receivables are stated 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 below the carrying amount. In case that the carrying value of an asset exceeds its recoverable amount, the Company recognises the impairment in the income statement.

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, other receivables, cash and cash equivalents, 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 13.

Provisions

A provision is recognised when the Company has a legal constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Offsetting financial instruments

Financial assets and liabilities are offset and the amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the net asset and settle the liability simultaneously.

4. **Revenue**

Revenue consists of 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

	2008 USD	2007 USD
Current year income tax	**–**	–
Foreign withholding tax paid	**–**	130,500
	–	130,500
Reconciliation of effective taxation		
(Loss)/profit before taxation	**(20,026)**	360,170
Income tax at 15%	**(3,004)**	54,026
Tax credit	**2,403**	(53,726)
Tax exempt revenues	**–**	(18)
Deferred tax asset not recognized	**601**	(282)
Foreign withholding tax	**–**	130,500
	–	130,500

Deferred tax assets have not been recognized in respect of tax losses of USD 20,026 (2007:nil) as it is not certain whether future taxable profit will be available against which the Company can utilise the benefits.

6. **Investments**

Investments consist of unquoted shares

	2008 USD	2007 USD
cost		
At 01 April	**4,856,412**	4,465,000
Additions during the year	**150,000**	391,412
At 31 March	**5,006,412**	4,856,412

Name of company	Type and number of shares	2008 and 2007 % held	Country of incorporation
Poeticgem Limited	50,000 equity shares	100	United Kingdom
Depa International Inc.	75 equity shares	75	USA
PT Norwest Industry	149,998 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**

	2008 USD	2007 USD
Unsecured interest free loan to subsidiaries with no fixed repayment terms	**1,106,556**	1,106,556

8. **Other receivables**

	2008 USD	2007 USD
Prepayments	**1,850**	1,650
Loan from related party	**300,000**	300,000
	301,850	301,650

9. **Share capital**

	2008 USD	2007 USD
Issued and fully paid		
5,621,556 ordinary shares of USD 1 each	**5,621,556**	5,621,556

10. **Loan from holding company**

	2008 USD	2007 USD
Unsecured, interest free loan with no fixed repayment terms	**344,720**	336,315

11. **Other payables**

	2008 USD	2007 USD
Non-trade payables and accrued expenses	**15,431**	5,325
Loan interests accrued	**61,047**	61,047
Advance from related company	**16,925**	15,425
	93,403	81,797

12. **Related party transactions**

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

	Nature	2008 USD	2007 USD
Transactions during the year/period:			
Holding company	Loan payable	**8,405**	336,315
Related party	Loan payable	**–**	300,000
Related party	Amount repaid	**–**	50,000
Related party	Interest payable	**–**	60,863
Related party	Loan repaid	**–**	1,106,556
Related party	Loan receivable	**–**	15,425
Related party	Loan payable	**1,500**	–
Balance outstanding at 31 March:			
Subsidiaries	Loan receivable	**1,106,556**	1,106,556
Holding company	Loan payable	**344,720**	336,315
Related party	Interest payable	**61,047**	61,047
Related party	Loan payable	**16,925**	15,425
Related party	Loan receivable	**300,000**	300,000

13. **Financial instruments**

Fair value

The Company's investments are valued as described in Note 3. The Company's other assets and liabilities include receivables, other receivables, cash equivalents, loan from holding company and other payables. The carrying amounts of these assets and liabilities approximate their fair value.

Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk
- Currency risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Credit risk

Credit risk represents the potential loss that the Company would incur if counter parties fail to perform pursuant to the terms of their obligations to the Company. The Company limits its credit risk by carrying out transactions through companies within the group. At the balance sheet date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The company's approach to manage liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Company's reputation.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Company invests in stocks denominated in GBP and IDR. Consequently, the Company is exposed to the risk that the exchange rate of the USD relative to the GBP and Panel IDR may change in a manner which has a material effect on the reported values of the Company's assets and liabilities which are denominated in GBP and IDR.

Currency profile

	Financial assets 2008 USD	**Financial liabilities 2008 USD**	Financial assets 2007 USD	Financial liabilities 2007 USD
USD	**1,977,536**	**438,123**	1,827,751	418,112
GBP	**3,044,056**	**–**	3,044,056	–
IDR	**1,391,412**	**–**	1,391,412	–
	6,413,004	**438,123**	6,263,219	418,112

14. **Exemption from preparing consolidated financial statement**

The Company is a wholly owned subsidiary of Multinational Textile Group Limited and has taken advantage of paragraph 10 of International Accounting Standards (IAS 27) - 'Consolidated and Separate Financial Statement', which dispenses it from the need to present consolidated financial statements. The registered office of Multinational Textile Group Limited where the consolidated financial statements are available is Manor House, 1st Floor, Cnr St George/Chazal Streets, Port Louis, Mauritius.

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.

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 2008.

Principal activities

The principal activity of the Company is development & manufacturing of readymade garments of all kinds.

Results and dividend

The results for the year are shown in the accounts.

The directors do not recommend the payment of a dividend for the year under review (2007: NIL).

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for the preparation of financial statements. In preparing those financial statements the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgment and estimates that are reasonable and prudent;
- stated whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Director

Date: 5 May 2008

INDEPENDENT AUDITORS' REPORT

The Stockholders and Directors
PT Norwest Industry

We have audited the balance sheets of PT Norwest Industry as of March 31, 2008 and 2007 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards established by the Indonesian Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PT Norwest Industry as of March 31, 2008 and 2007, and the results of its operations, changes in stockholders' equity and cash flows for the years then ended in conformity with accounting principles generally accepted in Indonesia.

Accounting principles generally accepted in Indonesia differ in certain significant respects with the International Financial Reporting Standards. Information relating to the nature and effect of such differences is presented in Notes 20, 21 and 22 to the financial statements.

Sd/-
Arief A Dhani, CPA
Jakarta, May 5, 2008 License Number: 03.01.0881

BALANCE SHEET

As of March 31, 2008 and 2007
(In US Dollar)

	Notes	March 31, 2008 USD	March 31, 2007 USD
ASSETS			
Current Assets			
Cash on Hand and in Banks	3	**68,127**	82,397
Accounts Receivable			
Third Parties	2.d, 4.a	**885,079**	1,364,958
Related Parties	2.c, 4.b	**570,605**	35,470
Other Receivables			
Third Parties	5.a	**18,880**	6,008
Related Parties	2.c, 5.b	**10,841**	10,402
Inventories	2.e, 6	**978,548**	561,302
Advance to Suppliers	7	**129,784**	192,371
Prepaid Expenses	2.f, 8	**76,275**	18,863
Prepaid Taxes	2.j, 13.a	**122,810**	109,238
Total Current Assets		**2,860,949**	2,381,009
Non Current Assets			
Deferred Tax Asset	2.j, 13.d	**166,004**	146,113
Property and Equipment (Net of accumulated depreciation of USD 1,073,938 and USD 917,471 as of March 31, 2008 and 2007)	2.g, 9	**1,136,128**	267,407
Refundable Deposits	10	**86,986**	27,154
Total Non Current Assets		**1,389,118**	440,674
TOTAL ASSETS		**4,250,067**	2,821,683
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Bank Loan	11	**627,002**	222,672
Accounts Payable	12	**480,012**	459,120
Other Payables		**133,558**	1,019
Taxes Payable	2.j, 13.b	**74,451**	144,905
Accrued Expenses	14	**167,485**	131,499
Total Current Liabilities		**1,482,509**	959,215
Non-Current Liabilities			
Employee Benefits Obligation	2.h,15	**39,797**	28,615
Total Non-Current Liabilities		**39,797**	28,615
Total Liabilities		**1,522,306**	987,830
Stockholders' Equity			
Capital Stock			
Par Value USD 10 per Share			
Authorised 200,000 Shares,			
Issued and Fully Paid 150,000 Shares	16	**1,500,000**	1,350,000
Retained Earnings		**1,227,762**	483,853
Total Stockholders' Equity		**2,727,762**	1,833,853
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**4,250,067**	2,821,683

STATEMENTS OF INCOME

For the Year Ended March 31, 2008 and 2007 (In US Dollar)

	Notes	March 31, 2008 USD	March 31, 2007 USD
SALES REVENUE	2.i, 17	**13,452,600**	11,692,382
COST OF GOODS SOLD	2.i, 18	**11,067,307**	9,669,932
GROSS PROFIT		**2,385,293**	2,022,450
OPERATING EXPENSES			
Selling Expenses	2.i, 19.a	**31,982**	25,029
General and Administrative Expenses	2.i, 19.b	**1,291,225**	1,081,265
Total Operating Expenses		**1,323,207**	1,106,294
INCOME FROM OPERATION		**1,062,086**	916,156
OTHER INCOME (EXPENSE)			
Bank Charges and Interest Expense		**(96,954)**	(165,851)
Gain on Disposal of Fixed Assets		**16,327**	8,868
Gain (Loss) on Foreign Exchange-Net		**55,863**	27,580
Claim from Buyers (to Suppliers)-Net		**(23,928)**	54,407
Miscellaneous Income-Net		**58,156**	76,605
Total Other Income (Expense)-Net		**9,464**	1,609
INCOME BEFORE INCOME TAX		**1,071,550**	917,765
INCOME TAX BENEFIT (EXPENSE)			
Current Tax	2.j, 13.c	**(347,532)**	(319,791)
Deferred Tax	2.j, 13.d	**19,891**	33,537
Total Income Tax Expense		**(327,641)**	(286,254)
NET INCOME		**743,909**	631,511

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended March 31, 2008 and 2007
(In US Dollar)

	Notes	Capital Stock	Retained Earnings (Accumulated Loss)	Stockholders' Equity
		USD	USD	USD
Balance as of 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
Paid In Capital	16	150,000	–	150,000
Net Income		–	743,909	743,909
Balance as of March 31, 2008		1,500,000	1,227,762	2,727,762

STATEMENTS OF CASH FLOWS

For the Years Ended March 31, 2008 and 2007

(In US Dollar)

	March 31, 2008 USD	March 31, 2007 USD
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipt from Customers	**13,396,913**	11,764,694
Payment to Suppliers and Third Parties	**(10,287,056)**	(9,099,589)
Payment to Employees	**(2,096,265)**	(1,732,243)
Interest Payment	**(96,954)**	(165,851)
Miscellaneous Receipt (Payment)-Net	**(444,430)**	104,185
Net Cash Flows Provided by Operating Activities	**472,208**	871,196
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Fixed Assets	**(1,062,096)**	(78,980)
Proceeds from Sale of Fixed Assets	**21,288**	39,032
Net Cash Flows Used in Investing Activities	**(1,040,808)**	(39,948)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from (Repayment of) Bank Loan	**404,330**	(838,707)
Increase of Paid in Capital	**150,000**	–
Net Cash Flows Provided by (Used in) Financing Activities	**554,330**	(838,707)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(14,270)**	(7,459)
CASH AND CASH EQUIVALENTS - AT THE BEGINNING OF YEAR	**82,397**	89,856
CASH AND CASH EQUIVALENTS - AT THE END OF YEAR	**68,127**	82,397
Cash and Cash Equivalents consist of:		
Cash on Hand	**13,443**	5,524
Cash in Banks	**54,684**	76,873
TOTAL	**68,127**	82,397

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended March 31, 2008 and 2007
(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/I/PMA/2002 dated April 4, 2002 the Company was established within the framework of the Foreign Capital Investment.

The Company's articles of association have been amended several times, and most recently based on notarial deed No. 22 of Popie Savitri Martosuhardjo Pharmanto,SH, notary in Jakarta, dated January 30, 2008 related to changes in capital structure of the Company. The deed of change in capital structure has been approved by the Ministry of Law and Legislation of the Republic of Indonesia through its letter No. AHU-AH.01.10-5939, dated March 12, 2008.

In accordance with article 3 of Article of Association and Notification of Approval from the Capital Investment Coordination Board (BKPM) No. 187/I/PMA/2002 dated April 4, 2002 the Company is engaged in garment and textiles industry. Notification of Approval from the Capital Investment Coordination Board has been amended several times and most recently wasNo. 305/III/PMA/2008 dated February 26, 2008.

The Company domiciled in Jakarta and its factory located in Tanjung Emas Export Processing Zone, Semarang. The Company started its commercial activities on September 2002.

As of March 31, 2008 and 2007, the Company has a total of 1,413 and 945 employees.

1.b. The Company's Management

The Company's management as of March 31, 2008 and 2007 consists of the following:

Commissioner	:	Rajesh Vishnu Ajwani
President Director	:	Pulkit Seth
Director	:	Amit Kumar

2. Summary of Significant Accounting Policies

2.a. Basis of Financial Statements Preparation

The financial 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 Transactions and Balances

The Company maintains its accounting records in US Dollar. Transactions in other currencies are recorded at the rate of exchange prevailing on the date of the transactions. At balance sheet date, all monetary assets and liabilities in Rupiah and other currencies are converted into US dollar at Bank Indonesia mid rates. Exchange rate used on March 31, 2008 were IDR 9,217, Euro 1.57, HKD 0.128, SGD 0.725, GBP 1.995 while on March 31, 2007 were IDR 9,118, Euro 1.33, HKD 0.128, SGD 0.659, GBP 1.996. Exchange gains or losses arising from foreign currency translations are recognized in the current period's statement of income.

2.c. Transaction with Related Parties

The Company has made transaction with certain related parties, pursuant to the guidelines of the Statement of Financial Accounting Standards (PSAK) No. 7, "Related Party Disclosures". All significant transactions with related parties are disclosed in financial statements.

2.d. Accounts Receivable and Allowance for Doubtful Accounts

Account receivable is recorded in net realizable value. The Company determines allowance for doubtful accounts based on the review over accounts balances for each debtor at the end of the year. The write off relevant account receivable will done when management believes that such account receivable were to be definitely uncollectible.

2.e Inventories

Inventories are stated at the lower of cost or net realizable value.

2.f. Prepaid Expense

Prepaid expenses are amortized over the period benefited.

2.g. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation.Depreciation are calculated on straight line method 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 asset is estimated whenever events or changes in circumstances indicate that its carrying amount may not be fully recoverable. Impairment in asset value, if any, is recognized as loss in the current year's income.

2.h. 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 valuationmethod. These gain or losses are recognized on a straight line basis over the expected average remaining working lives of the employees. Further, past-service costs arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan are required to be amortized over the period until the respective benefits become vested. The company recognized employee benefit 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.i. 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.j. 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.k. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash on Hand and in Banks

	March 31, 2008 USD	March 31, 2007 USD
Cash on Hand		
Rupiah	**11,775**	4310
USD	**1,197**	434
Poundsterling	**210**	192
HKD	**204**	565
Euro	**32**	23
SGD	**25**	–
	13,443	5,524
Cash in Banks		
Rupiah	**24,204**	17,767
USD	**23,070**	53,205
Euro	**7,410**	5,901
	54,684	76,873
Total	**68,127**	82,397

4. Accounts Receivable

	March 31, 2008 USD	March 31, 2007 USD
a. Third Parties		
S.Oliver Bernd Freier GMBH & Co.Kg	**440,761**	270,970
Esprit Europe (TMS)	**406,728**	863,594
VF Imagewear Inc	**37,455**	1,261
Sears	**135**	135
Allibas International	**–**	20,120
Simple Approach Ltd.	**–**	208,878
Sub total	**885,079**	1,364,958
b. Related Parties		
Pearl Global Limited	**524,226**	–
House of Pearl Fashions	**46,379**	–
Poeticgem Ltd	**–**	35,470
Sub total	**570,605**	35,470
Total	**1,455,684**	1,400,428

Management believes that all accounts receivable are collectible; accordingly the management does not provide allowance for doubtful accounts.

5. Other Receivables

	March 31, 2008 USD	March 31, 2007 USD
a. Third Parties		
Tax Office	**6,088**	5,212
TMS Fashion	**4,617**	–
PT Nirwana Paratrans	**2,312**	–
Nantong Dongbang Textiles Co., Ltd	**2,469**	–
Shen Zhen Shi Tai Yi Mei	**2,011**	–
Others Below USD 2,000	**1,383**	796
Sub total	**18,880**	6,008
b. Related Parties		
Employees	**10,841**	10,402
Sub total	**10,841**	10,402
Total	**29,721**	16,410

6. Inventories

	March 31, 2008 USD	March 31, 2007 USD
Work in Process	**978,548**	561,302

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

	March 31, 2008 USD	March 31, 2007 USD
Chartkar Textile Co., Ltd.	**63,897**	–
Jiangsu Lianfa Imp & Exp Co., Ltd	**29,737**	–
Rama Marsons	**21,908**	–
Everwin Trading Co. Hkg	**6,116**	–
CV Prima Mandiri	**4,478**	–
Winitex Ltd	**–**	122,477
Hans Industrial	**–**	38,333
Brightex Industries	**–**	21,329
Chelsea Button	**–**	6,638
Sing Ming Industrial Co.	**–**	2,716
Others below USD 2,000	**3,647**	878
Total	**129,784**	192,371

8. Prepaid Expenses

	March 31, 2008 USD	March 31, 2007 USD
Factory Rent	**43,838**	3,708
Office Rent	**11,512**	–
Work Permit	**8,600**	5,200
Factory Consumable	**2,956**	5,774
Other Below USD 2,000	**9,369**	4,181
Total	**76,275**	18,863

9. Property and Equipment

	2008			
	Beginning Balance USD	Additions USD	Disposals USD	Ending Balance USD
Direct Ownership				
Cost				
Infrastructures	**90,345**	**82,393**	**–**	**172,738**
Machineries	**749,396**	**646,744**	**–**	**1,396,140**
Furniture and Fixtures	**48,962**	**58,194**	**–**	**107,156**
Vehicles	**107,525**	**183,284**	**36,908**	**253,901**
Tools and Equipment	**188,650**	**24,749**	**–**	**213,399**
Capital Work in Progress	**–**	**66,732**	**–**	**66,732**
	1,184,878	**1,062,096**	**36,908**	**2,210,066**
Accumulated Depreciation				
Infrastructures	**78,602**	**11,618**	**–**	**90,219**
Machineries	**597,268**	**108,392**	**–**	**705,661**
Furniture and Fixtures	**37,266**	**9,140**	**–**	**46,406**
Vehicles	**63,226**	**26,833**	**31,946**	**58,113**
Tools and Equipment	**141,109**	**32,430**	**–**	**173,539**
	917,471	**188,414**	**31,946**	**1,073,938**
Total	**267,407**			**1,136,128**

	2007			
	Beginning Balance USD	Additions USD	Disposals USD	Ending Balance USD
Direct Ownership				
Cost				
Infrastructures	89,791	554	–	90,345
Machineries	746,206	40,090	36,900	749,396
Furniture 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	78,980	54,164	1,184,878
Accumulated Depreciation				
Infrastructures	60,215	18,387	–	78,602
Machineries	458,573	147,156	8,461	597,268
Furniture 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

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, 2008 and 2007.

Property and equipment are covered by insurance against, losses from fire and other risks underseveral blanket policies amounting to IDR 2,524.000,000 and USD 950,000 as of March 31, 2008 and IDR 715,000,000 and USD 950,000 as of March 31, 2007.Management is in opinion that sum of insured is adequate to cover possible losses from fire and other risks of related assets.

Depreciationwas charged to:	March 31, 2008 USD	March 31, 2007 USD
Cost of Goods Sold	**108,997**	165,207
General and Administrative Expenses	**79,417**	67,404
Total	**188,414**	232,611

10. Refundable Deposits

Plant	**68,692**	21,512
Office	**8,539**	–
Electric	**7,595**	3,482
Warehouse	**2,160**	2,160
Total	**86,986**	27,154

11. Bank Loan

	March 31, 2008 USD	March 31, 2007 USD
HSBC Bank:		
Import	**620,106**	145,204
Export	**6,896**	59,040
Packing Credit Loan	**–**	18,428
Total	**627,002**	222,672

Based on loan agreementdated August 6, 2004, the Company obtainedcredit facilities for import and export from HSBC subject to review at any time and in any event. The Agreementhas been amended several times andmost recently by amendment No. JAK/070691/U/070925, dated October 24, 2007 with combined maximum limit amounting to USD 2,500,000. These facilities are charged by interest of 3.25 % below the banks' prime lending rate which is subject to fluctuation. The rate during the period was ranging from 6.95%to 10.60%and from 7%to 10.8% in year 2008 and 2007, respectively. The facilities are secured by the following:

- Fiduciary transfer over Machinery and Equipment for USD 1,300,000;
- Fiduciary transfer over Stocks for USD 1,100,000;
- Fiduciary transfer over Account Receivable for USD 1,100,000;
- Letter of undertaking from shareholders to inject additional equity/subordinated loan to cover losses.
- Corporate Guarantee from House of Pearl Fashions Ltd. under Indian law USD 2,500,000.

Under the agreement the Company should maintain debt to equity ratio not to exceed 1.5 and minimum current ratio of 1. As of March 31, 2008, the Company has fulfilled these covenants.

12. Accounts Payable

	March 31, 2008 USD	March 31, 2007 USD
Global Fabric Sourcing	**59,178**	71,128
PT Tokai Texprint Indonesia	**49,822**	–
PT Plasti Form Indonesia	**32,934**	2,400
PT Birotika Semesta	**23,608**	6,340
PT Gunze Indonesia	**20,535**	6,615
PT Coats Rejo Indonesia	**20,308**	26,538
Winnitex, Ltd.	**18,039**	–
PT Yudhanusa Ekspresindo Caraka	**16,907**	20,248
PT SAI Apparell	**13,918**	28,034
PT Lungfung Mas	**13,839**	12,156
Ho Tat Metal Products Co. Ltd	**11,963**	–
Inti Megah	**11,625**	–
PT YKK Zipper Indonesia	**11,273**	2,309
Wendler	**10,147**	13,584
PT Jawasurya Kencana Indah	**10,130**	6,757
Toko Obor	**9,437**	515
Lintang Print	**8,452**	723
Altas Laundry	**7,693**	779
Halim Pratama Plasindo	**7,586**	4,275
SML Labels	**6,868**	19,159
Blessindo Erakemas	**5,986**	6,003
CV Indonesia Golden Button	**5,756**	5,688
CV Jati Karya Embroidery	**5,416**	--
Endang Wardani	**4,967**	--
Sainath Industries	**4,271**	356
Others (each below USD 4,000)	**89,353**	225,513
Total	**480,012**	459,120

13. Taxation

a. Prepaid Taxes

Value Added Tax	**122,810**	107,986
Income Tax Art 21	**–**	1,252
	122,810	109,238

b. **Taxes Payable**

	March 31, 2008 USD	March 31, 2007 USD
Income Tax Article 29	**64,668**	138,660
Income Tax Article 21	**6,749**	3,470
Income Tax Article 23	**1,815**	2,757
Income Tax Article 4 (2)	**1,219**	18
	74,451	144,905

c. **Income Tax Benefit (Expense)**

Reconciliation between income before estimated income tax as shown in the statements of income and estimated taxable income of the Company is as follows:

	March 31, 2008	March 31, 2007
Income before Income Tax as per Statement of Income	**1,071,550**	917,765
Permanent Difference:		
Interest Income already subjected to final tax	**(1,826)**	(2,033)
Profit on Sales Car-Commercial	**(16,327)**	(8,868)
Profit on Sales Car-Fiscal	**4,347**	3,041
Loss on Sale of Machinery-Fiscal	**–**	(5,426)
Non Dedutible Expenses		
Expat House Expense	**6,307**	8,988
Depreciation	**7,635**	5,486
Entertainment	**3,527**	4,900
Maintenance Motor Vehicle	**3,459**	--
Mobile Phone	**3,345**	2,946
Expat Work Premise	**2,527**	2,841
Tax Penalty	**2,248**	241
Donation	**1,057**	256
Expat Medical	**874**	1,914
Traveling	**–**	11,889
Tax and Duty	**–**	4,363
Local Medical	**–**	837
	17,173	31,375
Timing Difference:		
Depreciation	**64,862**	114,568
Employee Benefits	**11,182**	8,658
	76,044	123,226
Taxable Income	**1,164,767**	1,072,366
Income Tax Expense at Applicable Tax Rate:		
10% x (2008: USD 5,425 ; 2007: USD 5,484)	**542**	548
15% x (2008: USD: 5,425 ; 2007: USD: 5,484)	**814**	823
30% x (2008: USD 1,149,052; 2007: USD 1,061,399)	**346,175**	318,420
	347,532	319,791
Credit Tax:		
Art 25	**279,033**	177,293
Exit Permit Tax	**3,831**	3,838
Total Credit Tax	**282,864**	181,131
Tax Payable Art 29	**64,668**	138,660

d. **Deferred Tax Assets**

	March 31, 2006 USD	Charged to Statement of Income USD	March 31, 2007 USD	Charged to Statement of Income USD	**March 31, 2008 USD**
Depreciation	106,589	30,940	137,529	16,536	**154,065**
Provision for Employee Benefits	5,987	2,597	8,584	3,355	**11,939**
Total	112,576	33,537	146,113	19,891	**166,004**

14. **Accrued Expenses**

	March 31, 2008 USD	March 31, 2007 USD
Salaries and Wages	**103,101**	106,385
Bonus	**48,922**	13,681
Jamsostek Payable	**8,374**	7,021
Legal & Professional Fees	**4,775**	4,412
Interest	**2,313**	–
Total	**167,485**	131,499

15. **Employee Benefits Obligation**

The Company provides benefits for its employees who achieve the retirement age at 55 based on the provisions of Labor Law No.13/2003 dated March 25, 2003. The benefits are unfunded.

As of March 31, 2008 and 2007, employee benefits obligation is calculated by an independent actuary (PT. Bumi Dharma Aktuaria in 2008 and PT Dayamandiri Dharmakonsolindo in 2007) using the "Projected Unit Credit" method. The principal assumption used in determining employee benefits obligation as of March 31, 2008 and 2007 are as follows:

Financial Asumption	March 31, 2008	March 31, 2007
Discount Rate	**11%**	10%
Future Salary Increase	**10%**	10%
Other assumptions:		
Mortality Rate	**CSO'88**	CSO'88
Diability Rate	**10%**	10%
Normal Retairement Age	**55 Years**	55 Years

Voluntary resignation 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 unitl the benfits becomes vested.

The amount recognized in balance sheets and income statement for period of March 31, 2008 and 2007 is as follows:

	March 31, 2008 USD	March 31, 2007 USD
Present value obligation	**32,919**	24,399
Urecognized actuarial losses	**6,878**	4,216
Liability in balance sheets	**39,797**	28,615
Unreognized service cost:		
Current service cost	**9,486**	7,571
Interest cost	**1,931**	1,799
Amortization-net	**(234)**	(712)
Net expenses charged in statement of income	**11,182**	8658
Movements in liability recognized in balance sheets are as follow:		
Beginning of the year	**28,615**	19,957
Benefit payments	**–**	–
Charged to statement of income	**11,182**	8,658
End of the year	**39,797**	28,615

16. **Capital Stock**

The compositions of stockholders' as of March 31, 2008 are as follows:

Stockholders	**Shares Issued** Number of Shares	%	**Issued and Fully Paid Capital USD**
Global Textiles Groups Limited	149,998	99.999	1,499,980
Mr. Pallak Seth	1	0.001	10
Mr. Pulkit Seth	1	0.001	10
Total	**150,000**	**100**	**1,500,000**

The compositions of stockholders' as of March 31, 2007 are as follows:

Stockholders	Shares Issued Number of Shares	%	Issued and Fully Paid Capital USD
Global Textiles Groups Limited	134,998	99.999	1,349,980
Mr. Pallak Seth	1	0.001	10
Mr. Pulkit Seth	1	0.001	10
Total	**135,000**	**100**	**1,350,000**

Based on Circular Resolutions of the Shareholders of PT Norwest Industry as stipulated on notarial deed No. 22 of Popie Savitri Martosuhardjo Pharmanto, S.H, notary in Jakarta, dated January 30, 2008, the Company has issued 15,000 shares to Global Textiles Group Limited. The change in capital structure has been approved by the Ministry of Law and Legislation of the Republic of Indonesia through its letter No. AHU-AH.01.10-5939, dated March 12, 2008.

17. Sales Revenues

	March 31, 2008 USD	March 31, 2007 USD
Export Sales - Net	**13,452,600**	11,692,382

This account represents export sales of 186,648 dozens amounted USD 13,221,904 and EUR159,492 for the year ended March 31, 2008 and 156,266 dozens amounted USD 8,981,296 and EUR3,238,151 for theyear ended March 31, 2007.

18. Cost of Goods Sold

	March 31, 2008 USD	March 31, 2007 USD
Material	**8,911,519**	7,798,526
Labor	**1,501,674**	1,278,761
Overhead Cost		
Freight Cost	**269,346**	165,881
Depreciation (Note 9)	**108,997**	165,207
Power and Fuel	**97,125**	81,576
Spare Parts	**93,654**	79,343
Factory Rent	**75,068**	82,492
Maintenance	**9,924**	18,146
Total	**11,067,307**	9,669,932

The Companycarries out production activity based on order received from customers. All finished goods inventory are directly delivered to customer when finished. Therefore, cost of goods sold represents cost of finished goods that already shipped to customers during the year.

19. Operating Expenses

a. Selling Expenses

	March 31, 2008 USD	March 31, 2007 USD
Entertainment	**25,134**	24,881
Marketing	**6,848**	148
Sub Total	**31,982**	25,029

b. General and Administrative Expenses

	March 31, 2008 USD	March 31, 2007 USD
Salary	**493,893**	343,585
Import and Export	**212,284**	194,802
Bonus and Allowance	**132,221**	113,960
Telecommunication	**119,334**	106,339
Depreciation (Note 9)	**79,417**	67,404
Travelling	**39,837**	31,276
Transportation	**36,552**	35,546
Freight Cost	**28,284**	24,793
Rent Office	**25,007**	15,528
Maintenance Office	**18,180**	13,064
Legal and Professional Expense	**18,156**	17,703
Work Permit	**17,575**	17,700
Employee Benefits	**11,182**	8,658
Printing and Stationary	**13,978**	12,660
Insurance	**9,593**	10,265
Office Consumable	**9,190**	8,619
Water	**4,734**	5,651
Power and Fuel	**3,389**	2,700
Recruitment and Training	**2,587**	32,966
Penalty for Tax	**2,248**	241
Loading Charges	**2,110**	119
Tax and Duties	**1,504**	5,699
Conveyance	**1,392**	982
Donation	**1,057**	256
Others	**7,521**	10,749
Sub Total	**1,291,225**	1,081,265
Total	**1,323,207**	1,106,294

20. Summary of Significant Differences Between the Company's Accounting Principles using the Indonesian GAAP and the International Financial Reporting Standard (IFRS)

The financial statements of the Company are prepared and presented in accordance with the Indonesian GAAP which differs in certain respects from IFRS. These differences between the Indonesian GAAP and IFRS are described below and presented in the accompanying reconciliation of net income and certain balance sheet items.

Employee Benefits

Under Indonesian GAAP, a method of accounting for employee benefits is substantially consistent with the requirement of IFRS. However, under IFRS, the transitional liability of defined benefit plans for the first implementation of this standard should be recognized immediately in the statement of income or as an expense on a straight-line basis over up to five years if the transitional liability is more than the liability which had previously been recognized. Under Indonesian GAAP, the first implementation of this standard is treated as a change in accounting policy and should be applied retrospectively. The first implementation was conducted in 2004.

Financial Receivables and Other Receivables

Under Indonesian GAAP, receivables are stated at gross less allowance for doubtful accounts (estimated realizable value). Under IFRS, receivables should be stated at amortized cost less provision for impairment, not estimated realizable value and the provision should reflect both the likelihood of being paid and the timing of the cash flows.

Property, Plant and Equipment

Under Indonesian GAAP, subsequent maintenance expenditure is expense as incurred. Replacements of parts that increase the value of asset in significant amount can be capitalized. Under IFRS, cost should be capitalized only if they increase the benefit that property, plant and equipment is expected to generate. All other cost are charged in operation, even if they increase the asset's value. Indonesian GAAP permits revaluation of property, plant and equipment if the revaluation is made in accordance with government regulations. Under IFRS, revaluations must be kept sufficiently up to date so that the carrying amount does not differmaterially fromthe fair value. This requires regular revaluations of all property, plant and equipment when the revaluation policy is adopted.

21. Reconciliation of Net Income and Stockholders' Equity Determined Under the Indonesian GAAP and IFRS

The following is a summary of the significant adjustments to net income (loss) for the year ended March 31,2008 and 2007 and to stockholders' equity as ofMarch 31, 2008 and 2007which would be required if IFRS had been applied instead of the Indonesian GAAP in the financial statements.

	March 31, 2008 USD	March 31, 2007 USD
Net income (loss) as reported in the statements of income	**743,909**	631,511
Item increasing (decreasing)reported net income (loss)		
Provision for employees benefit	**(1,376)**	(1,376)
Impairment of prepaid taxes	**–**	67,357
Fair value gain (loss) from other financial receivables	**(1,358)**	(1,377)
Net increase (decrease) in reported net income (loss)	**(2,734)**	64,604
Approximate net income in accordance with IFRS	**741,175**	696,115
Stockholder's equity reported in the balance sheets	**2,727,762**	1,833,853
Accumulated increasing (decreasing) reported in stockholder's equity		
Provision for employees benefit	**–**	1,376
Impairment of prepaid taxes	**–**	–

	March 31, 2008 USD	March 31, 2007 USD
Fair value gain (loss) from other financial receivables	**(5,980)**	(4,623)
Net increase (decrease) in stockholder's equity	**(5,980)**	(3,247)
Approximate stockholder's equity in accordance to IFRS	**2,721,781**	1,830,606

As a result of the IFRS adjustment to net income and stockholders' equity, the following tables presents the approximate balance sheets figures as of March 31, 2008 and 2007 as determined under IFRS:

ASSETS	March 31, 2008 USD	March 31, 2007 USD
Current Assets		
Cash on Hand and in Banks	**68,127**	82,397
Account Receivables		
Third Parties	**885,079**	1,364,958
Related Parties	**570,605**	35,470
Other Receivables		
Third Parties	**18,880**	6,008
Related Parties	**10,841**	10,402
Inventories	**978,548**	561,302
Advance to Suppliers	**129,784**	192,371
Prepaid Expenses	**76,275**	18,863
Prepaid Taxes	**122,810**	109,238
Total Current Assets	**2,860,949**	2,381,009
Non Current Assets		
Deferred Tax Asset	**166,004**	146,113
Property and Equipment (Net of accumulated depreciation of USD 1,073,938 and USD 917,471 as of March 31, 2008 and 2007)	**1,136,128**	267,407
Refundable Deposits	**81,006**	22,531
Total Non Current Assets	**1,383,138**	436,051
TOTAL ASSETS	**4,244,087**	2,817,060
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Bank Loan	**627,002**	222,672
Account Payables	**480,012**	459,120
Other Payables	**133,558**	1,019
Taxes Payable	**74,451**	144,905
Accrued Expenses	**167,485**	131,499
Total Current Liabilities	**1,482,509**	959,215
Non-Current Liabilities		
Employee Benefits Obligation	**39,797**	27,239
Total Non-Current Liabilities	**39,797**	27,239
Total Liabilities	**1,522,306**	986,454
Stockholders' Equity		
Capital Stock		
Par Value USD 10 per Share		
Authorised 200,000 Shares,		
Issued and Fully Paid 150,000 Shares	**1,500,000**	1,350,000
Retained Earnings	**1,221,781**	480,606
Total Stockholders' Equity	**2,721,781**	1,830,606
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**4,244,087**	2,817,060

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 riskmanagement program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

– Foreign exchange risk: the Company exposed to foreign exchange risk from various currency exposures primarily Indonesian Rupiah. The Company has not hedged its exposure to foreign currency risk in connection with the recording currency.

– Credit risk: the Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products aremade to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any customers.

– Interest rate risk: the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant interest-bearing assets.

b. Critical Accounting Estimates and Assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing amaterial adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

– **Employee benefits**

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality bonds that are denominated in the currency in which the benefits will be paid (Rupiah currency), and that have maturity approximating the terms of the related post employment benefit liability.

– **Income taxes**

The Company is subject to income tax in Indonesian tax jurisdictions. Significant judgment is required in determining local provision for income tax, among other, non deductible expenses. The Company recognises provision for income tax based on self assessment.Where the final tax outcome as a result of tax audit is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Prepaid taxes are impaired as the carrying amounts may not be recoverable.

– **Fair value estimation**

The Company determines that the face values less any estimated credit adjustments for loans and receivables with a maturity of less than one year are assumed to approximate their fair values.

a. Trade and Other Receivables

The fair values of trade receivables and other receivables are as follows:

	March 31, 2008 USD	March 31, 2007 USD
Trade receivable	**1,455,684**	1,400,428
Other receivable-third parties	**18,880**	6,008
Other receivable-related parties	**10,841**	10,402
Other financial receivables-refundable deposits	**81,006**	22,531
Total	**1,566,411**	1,439,369

Loans and receivables 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.

The 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 receivables, as the Company has a number of customers, internationally dispersed.

b. Bank Loan

The carrying amount of short-term bank loan approximates their fair value.

c. Trade and Other Payables

The carrying amount of trade and other payables approximates their fair value which is based on an estimate of the recoverable amount. Recoverable amount is determined by calculating the present value of expected future cash outflows.

23. Responsibility on the Financial Statements

The management of the Company is responsible for the preparation of the financial statements completed on May 5, 2008.

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 2008.

Principal activities

The principal activity of the Company is design, development, trading, sourcing and distribution of ready made garments of all kinds.

Results and dividend

The results for the year are shown in the accounts.

The directors do not recommend the payment of a dividend for the year under review (2007: NIL).

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for the preparation of financial statements. In preparing those financial statements the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgment and estimates that are reasonable and prudent;
- stated whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

Director

Date: 12 May 2008

INDEPENDENT AUDITORS' REPORT

To the Shareholders Depa International, Inc.

We have audited the accompanying balance sheets of Depa International, Inc. as of March 31, 2008 and 2007, and the related statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards 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 financial position of Depa International, Inc. as of March 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Sd/-

May 12, 2008

BALANCE SHEET (In U.S. Dollars)

	NOTES	31st March 2008	31st March 2007
ASSETS			
Current assets			
Cash		$ 276,937	$ 6,307
Trade and other receivables	2	5,033,468	3,206,015
Due from affiliates	3	361,384	1,721,675
Inventories		642,020	413,904
Prepaid expenses		39,330	36,045
Prepaid income taxes		42,307	27,720
Total current assets		6,395,446	5,411,666
Property and equipment - at cost, less accumulated depreciation and amortization	4	183,155	272,662
Other assets	5 & 7	189,489	151,681
		$ 6,768,090	$ 5,836,009
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued expenses	6	$ 2,062,682	$ 1,411,078
Total current liabilities		2,062,682	1,411,078
Loans payable, shareholders - subordinated 3 & 8		750,000	750,000
		2,812,682	2,161,078
Commitments 16			
Shareholders' equity			
Share capital	9	250,000	250,000
Retained earnings		3,705,408	3,424,931
		3,955,408	3,674,931
		$ 6,768,090	$ 5,836,009

STATEMENTS OF INCOME

(In U.S. Dollars)
Year Ended March 31,

	Notes	2008	%	2007	%
Revenues					
Gross sales		$22,731,000		$26,651,343	
Sales returns and allowances		1,496,435		1,203,737	
Net sales	10	21,234,565	100.0%	25,447,606	100.0%
Cost of sales	3	14,497,408	68.3	17,176,982	67.5
Gross profit		6,737,157	31.7	8,270,624	32.5
Operating expenses					
Selling and shipping	3	2,448,289	11.5	2,481,129	9.7
General and administrative	3	3,857,871	18.2	4,318,189	17.0
		6,306,160	29.7	6,799,318	26.7
Other income					
Commission income	3	131,595	.6	195,637	.8
Product development income	3	123,499	.6	–	–
Miscellaneous income		15,002	.1	–	–
Gain on sale of subsidiary	3	–	–	53,662	.2
		270,096	1.3	249,299	1.0
Operating profit	11	701,093	3.3	1,720,605	6.8
Financing costs, net	13	99,221	.5	198,410	.8
Profit before income taxes		601,872	2.8	1,522,195	6.0
Income taxes	14	321,395	1.5	673,709	2.6
Net profit		$280,477	1.3%	$848,486	3.4%

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

(In U.S. Dollars)

	Notes	Share Capital	Retained Earnings	Total
Balance, April 1, 2006		$ 250,000	$ 3,156,445	$ 3,406,445
Net profit		–	848,486	848,486
Dividends			(580,000)	(580,000)
Balance, March 31, 2007	9	250,000	3,424,931	3,674,931
Net profit		–	280,477	280,477
Balance, March 31, 2008	9	$ 250,000	$ 3,705,408	$ 3,955,408

STATEMENTS OF CASH FLOWS

(In U.S. Dollars)

	Notes	Year Ended March 31, 2008	2007
Cash flows from operating activities			
Profit before income taxes		$ 601,872	$ 1,522,195
Adjustments for			
Depreciation and amortization	4	83,730	87,344

	Note	2008	2007
Financing costs, net	13	**99,221**	198,410
Loss on abandonment of assets		**5,777**	–
Gain on sale of subsidiary		**–**	(53,662)
Operating profit before working capital changes		**790,600**	1,754,287
Trade and other receivables		**(1,827,453)**	3,942,708
Inventories		**(228,116)**	48,034
Prepaid expenses		**(3,285)**	(5,710)
Other assets		**2,987**	(18,507)
Accounts payable and accrued expenses		**651,604**	(2,836,521)
Cash generated from (used in) operations		**(613,663)**	2,884,291
Net financing costs paid	13	**(99,221)**	(198,410)
Income taxes paid		**(376,777)**	(735,690)
Net cash provided by (used in) operating activities		**(1,089,661)**	1,950,191
Cash flows from investing activities			
Due from affiliates		**1,360,291**	(1,583,673)
Proceeds from sale of subsidiary		**–**	57,710
Transfer of cash with sale of subsidiary		**–**	(4,048)
Net cash provided by (used in) investing activities		**1,360,291**	(1,530,011)
Cash flows from financing activities			
Dividends		**–**	(580,000)
Net increase (decrease) in cash		**270,630**	(159,820)
Cash, beginning of year		**6,307**	166,127
Cash, end of year		**$ 276,937**	$ 6,307

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 doing 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. On October 1, 2006, Depa-U.S. sold its investment in Depa-Canada to a related party.

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 financial statements as of March 31, 2007 and for the year then ended include the accounts of Depa-U.S. and, through September 30, 2006, Depa-Canada (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated.

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 year ended March 31, 2007.

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, 2008 and 2007.

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 the following estimated useful asset lives:

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. Trade shows and advertising expenses were $86,307 and $84,981 for the years ended March 31, 2008 and 2007, respectively.

Shipping and Handling Expenses

Shipping and handling expenses for the years ended March 31, 2008 and 2007 were $513,311 and $534,230, respectively, and are included in selling and shipping expenses in the statements of income.

Financing Costs, Net

Financing costs, net are comprised of interest incurred on borrowings, interest earned on balances due from the factor, and interest earned on advances to a related party. All interest and other costs incurred in connection with borrowings are expensed as incurred. Interest income is recognized in the statements 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.

2. **TRADE AND OTHER RECEIVABLES**

	March 31, 2008	March 31, 2007
Due from factor	**$ 5,033,468**	$ 3,193,728
Other	**–**	12,287
	$ 5,033,468	$ 3,206,015

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.

At March 31, 2007, other receivables consisted of purchase commissions paid for defective merchandise.

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.

Officers' salaries were $617,347 and $678,918 for the years ended March 31, 2008 and 2007, respectively.

The Company was reimbursed $123,499 by an affiliate for the development of a label during the year ended March 31, 2008.

For the years ended March 31, 2008 and 2007, the Company received commission income from an affiliate of $131,024 and $28,084, respectively.

Consulting fees of approximately $100,000 were incurred to a director of the Company for the year ended March 31, 2007. Effective June 30, 2006, this individual resigned as a director. On August 29, 2006, he also resigned as a management consultant.

During the year ended March 31, 2008, the Company received interest income from an affiliate of $51,032.

On October 1, 2006, Depa-U.S. sold its investment in Depa-Canada to a related party and realized a gain of $53,662.

General and administrative expenses allocated to related parties were $411,967 and $441,750 for the years ended March 31, 2008 and 2007, respectively.

The Company purchased samples at a cost of $225,632 and $98,341, respectively, from a related party.

The Company purchased inventory from a related party at a cost of $9,072 and sold it to another related party at cost during the year ended March 31, 2008.

4. PROPERTY AND EQUIPMENT

	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
Cost				
April 1, 2007	$ 458,201	$ 171,060	$ 112,741	$ 742,002
Dispositions during the year	–	(11,960)	–	(11,960)
March 31, 2008	$ 458,201	$ 159,100	$ 112,741	$ 730,042
Accumulated depreciation and amortization				
April 1, 2007	$ 235,490	$ 149,591	$ 84,259	$ 469,340
Dispositions during the year	–	(6,183)	–	(6,183)
Depreciation and amortization for the year	62,815	9,723	11,192	83,730
March 31, 2008	$ 298,305	$ 153,131	$ 95,451	$ 546,887
Net book value				
April 1, 2007	$ 222,711	$ 21,469	$ 28,482	$ 272,662
March 31, 2008	$ 159,896	$ 5,969	$ 17,290	$ 183,155
Cost				
April 1, 2006 and March 31, 2007	$ 458,201	$ 171,060	$ 112,741	$ 742,002
Accumulated depreciation 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

	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
Net book value				
April 1, 2006	$ 285,526	$ 34,875	$ 39,605	$ 360,006
March 31, 2007	$ 222,711	$ 21,469	$ 28,482	$ 272,662

5. OTHER ASSETS

	March 31, 2008	March 31, 2007
Security deposits	**$ 82,021**	$ 85,008
Deferred tax assets (see Note 7)	**107,468**	66,673
	$ 189,489	$ 151,681

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	March 31, 2008	March 31, 2007
Accounts payable	**$ 1,860,336**	$ 1,228,141
Accrued expenses	**202,346**	182,937
	$ 2,062,682	$ 1,411,078

7. DEFERRED TAX ASSETS

Temporary differences relate to the following items:

	March 31, 2008	March 31, 2007
Property and equipment	**$ 73,219**	$ 48,435
Inventories	**34,249**	18,238
	$ 107,468	$ 66,673

Deferred tax assets are reported in other assets (see Note 5).

8. LOANS PAYABLE, SHAREHOLDERS - SUBORDINATED

At March 31, 2008 and 2007, the loans, which are non-interest 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

9. SHARE CAPITAL

Common stock, no par value; 200 shares authorized, 100 shares issued and outstanding	**$ 250,000**	$ 250,000

10 . MAJOR CUSTOMERS

Sales to three customers were approximately 39% and sales to two customers were approximately 27% of net sales for the years ended March 31, 2008 and 2007, respectively.

11. OPERATING PROFIT

Operating profit is stated after charging the following expenses:

	Year Ended March 31, 2008	Year Ended March 31, 2007
Salaries and benefits	**$ 3,100,362**	$ 3,418,958
Depreciation and amortization	**$ 83,730**	$ 87,344

12. NUMBER OF EMPLOYEES

At March 31, 2008 and 2007, the number of employees was 44 and 40, respectively.

13. NET FINANCING (INCOME) COSTS

	Year Ended March 31, 2008	Year Ended March 31, 2007
Factor interest income	**$ (35,117)**	$ (42,843)
Factor interest expense	**18,774**	39,835
Factor's commission and charges	**166,596**	201,418
Interest income	**(51,032)**	–
	$ 99,221	$ 198,410

14. 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, and consist of the following:

	Year Ended March 31, 2008	2007
Current tax expense	$ **362,190**	$ 701,490
Deferred tax credit	**(40,795)**	(27,781)
	$ **321,395**	$ 673,709

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 statements:

	Year Ended March 31, 2008	2007
Pretax profit for the year	$ **601,872**	$ 1,522,195
Income tax expense for the financial period at the domestic statutory tax rate	$ **252,786**	$ 639,639
Tax increases due to nondeductible expenses	**37,474**	10,170
Tax expense/income not attributable to the reporting period	**31,135**	23,900
Reported income taxes	$ **321,395**	$ 673,709

15. 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, 2008, trade receivables at the Company's risk were approximately $159,000, of which approximately $106,000 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.

16. COMMITMENTS

Lease Commitments

Depa-U.S. leases warehouse space in New Jersey under a lease, as amended, which expires on March 14, 2009. 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 year amounts. Minimum future annual rentals are approximately as follows:

Year Ending March 31,	Showrooms	Warehouse	Total
2009	$ 299,000	$ 152,000	$ 451,000
2010	278,000	–	278,000
2011	151,000	–	151,000
	$ 728,000	$ 152,000	$ 880,000

Rent expense for the years ended March 31, 2008 and 2007 was $641,990 and $573,973, respectively.

Agency Agreements

Depa-U.S. has an agency agreement with an unrelated party in the United Arab Emirates 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. The agreement expired on March 31, 2008; however, the agent is continuing to provide the contracted services. As of the date of this report, Depa-U.S. continues to negotiate the extension of the agreement.

Letters of Credit

Outstanding letters of credit at March 31, 2008 total $1,689,519.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Shareholders

Depa International, Inc.

Our report on our audits of the basic financial statements of Depa International, Inc. for 2008 and 2007 appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information shown on page 17 and 18 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 audits 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, New York
May 12, 2008

SCHEDULES OF COST OF SALES AND SELLING AND SHIPPING EXPENSES

(In U.S. Dollars)

Cost of Sales	Year Ended March 31, 2008	2007
Inventories, beginning of year	$ **413,904**	$ 461,938
Purchases	**12,023,710**	13,240,525
Freight and duty	**2,701,814**	3,888,423
	15,139,428	17,590,886
Less - Inventories, end of year	**642,020**	413,904
	$ **14,497,408**	$ 17,176,982
Selling and Shipping		
Commissions	$ **159,107**	$ 173,805
Consulting fees	**217,918**	260,619
Travel	**154,773**	219,540
Entertainment	**18,329**	26,015
Freight-out	**75,729**	108,109
Alterations, packing and forwarding	**437,582**	426,121
Showroom and warehouse rent	**641,990**	573,973
Design	**87,881**	256,178
Product development and samples	**413,777**	225,562
Trade shows and advertising	**86,307**	84,981
Warehouse expense	**56,928**	54,626
Quality control	**97,968**	71,600
	$ **2,448,289**	$ 2,481,129

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES

(In U.S. Dollars)

	Year Ended March 31, 2008	2007
Officers' salaries	$ **617,347**	$ 678,918
Office salaries	**2,298,351**	2,567,152
Payroll taxes	**198,561**	221,233
Hospitalization	**184,664**	172,888
Insurance	**137,547**	132,591
Professional fees	**167,414**	173,848
Telephone	**35,993**	42,012
Couriers and messengers	**163,386**	171,379
Computer expense	**99,740**	91,879
Equipment rental	**25,991**	31,666
Office supplies	**42,596**	47,538
Office expense	**205,723**	327,580
Bank charges	**3,018**	5,878
Charitable contributions	**–**	8,033
Depreciation and amortization	**83,730**	87,344
Loss on abandonment of assets	**5,777**	–
Allocated expenses	**(411,967)**	(441,750)
	$ **3,857,871**	$ 4,318,189

DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31st March 2008.

Principal activities and financial review

The company's principal activity is the import and distribution of garments. There have not been any significant changes in the principal activities of the company and its subsidiaries in the year under review. The directors are not aware of any likely major changes in the principal activities in the next year at the date of this report.

On 26 March 2008, the company acquired a controlling interest in FX Import Company Limited, a company whose principal activity is the importing and distribution of garments.

The results for the year and the financial position at the year end for both the company and its subsidiaries were considered satisfactory by the directors who expect continued growth in the foreseeable future. The revenue shows an increase of 4.78% to £35m (2007: £33.5m), with gross profit up by 4.68% to £8.64m (2007:£8.25m).

Business review and future developments

Key risks and uncertainties

– currency risk

purchases of the company are mainly denominated in US dollars. As a result the company is subject to risk of foreign currency movements. It is the company's policy to monitor this risk and to take necessary steps to minimize any adverse effects.

– Liquidity risk

During the year, the company continued to be funded from liquid resources retained in the UK. The directors continue to monitor the company's liquidity taking steps, wherever necessary, to ensure that financial obligations and commitments are met as and when they fall due.

– market risk

pressure on margins: As the competition amongst value retailers is on the increase, profit margins are under constant pressure. However, the company is spreading its customer base from value retailers to high margin fashion retailers to customer this.

Environmental policy

The company recognizes the importance of environmental responsibilities and where practical has an environmental policy in place which includes the recycling of paper and all office materials. The directors believe the nature of its activities has a minimal effect on the environment.

Health and safety

The company recognizes the importance of safeguarding the health, safety and welfare of its employees and has a health and safety policy in place. Regular updates are communicated to all employees.

Employees

The company aims to ensure that the employees work in a safe and healthy environment. The Company encourages the workforce to be involved by providing appropriate training, learning and career development programmes. It is also making information available to employees through the medium of frequent staff meetings, together with personal appraisals and feedback sessions.

Future developments

The business environment looks challenging due to an ongoing tough phase in the UK retail industry. Poeticgem Limited will continue to follow the plans of customer diversification and optimization of synergies between FX Import Company Limited and Poeticgem Limited to bring overall growth and improvement in profitability.

Policy on the payment of creditors

The company applies a policy of agreeing payment terms with each of its main suppliers and the company aims to abide by these terms, subject to satisfactory performance by suppliers.

At the year end, the company had 22 days (2007: 17 days) of purchases outstanding.

Results and dividends

The company has prepared the financial statements in accordance with International Financial Reporting Standards. The company's profit for the year after taxation was £1,701,407 (2007:£1,726,526).

The directors do not recommend the payment of a dividend.

Directors

The following directors have held office since 1 April 2007:

S Punjabi

P Seth (Pallak Seth)

P Seth (Pulkit Seth) (Appointed 15 April 2008)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 March 2008	1 April 2007
S Punjabi	–	–
P Seth (Pallak Seth)	–	–
P Seth (Pulkit Seth)	–	–

Charitable donations	**2008**	2007
	£	£
During the year the company made the following payments:		
Charitable donations	**4,606**	3,200

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.

Statement of 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 whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and

– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that key 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are reasonable for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that 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/
S Punjabi
Director

13 May 2008

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF POETICGEM LIMITED FOR THE YEAR ENDED 31 MARCH 2008

We have audited the financial statements of Poeticgem Limited for the year ended 31 March 2008 which comprise the income statement, balance sheet, the cash flow statement and related Notes 1 to 29. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullet extent permittedby law, we do not accept or assume responsibility to anyone other than the company and the company's directors, for our audit work, for this report, or for the opinions wehave formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards "("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 of 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 become 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud of 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 by the European Union, of the state of the company's as at 31 March 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Sd/
Auerbach Hope 13 May 2008
Chartered Accountants 58-60 Berners Street London
Registered Auditors WIT3JS

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	NOTE	2008 £	2007 £
Continuing operations			
Revenue	3	**35,049,156**	33,451,729
Cost of revenue		**(26,410,643)**	(25,199,422)
Gross profit		**8,638,513**	8,252,307
Other operating income	4	**1,173,501**	485,845
Distribution costs		**(2,306,188)**	(1,900,723)
Administrative expenses		**(4,571,665)**	(3,973,837)
Operating profit	5	**2,934,161**	2,863,592
Interest receivable and similar income	7	**70,328**	46,505
Interest payabl e and similar charges	8	**(509,255)**	(368,216)
Profit before taxation		**2,495,234**	2,541,881
Taxation	9	**(793,827)**	(815,355)
Profit for the year		**1,701,407**	1,726,526

None of the company's activities were discontinued in the year.

There is no recognised income or expense other than those passing through the income statement.

BALANCE SHEET AS AT 31 MARCH 2008

	NOTE	2008 £	2007 £
Non current assets			
Property, plant and equipment	10	**4,559,876**	4,484,322
Investments in subsidiaries	11	**575,721**	10,044
Trade and other receivables	13	**251,626**	64,957
		5,387,223	4,559,323
Current assets			
Inventories	12	**2,644,157**	2,535,253
Trade and other receivables	13	**9,356,845**	7,174,832
Cash and cash equivalents		**1,519,751**	1,340,767
		13,520,753	11,050,852
Total assets		**18,907,976**	15,610,175
Current liabilities			
Trade and other payables	14	**(2,138,933)**	(1,146,862)
Tax liabilities		**(405,566)**	(697,067)
Obligations under hire purchase contracts	15	**(48,154)**	(I 6,412)
Borrowings	16	**(7,863,316)**	(7,237,041)
Other financial liabilities	17	**(55,088)**	–
Other creditors		**(272,915)**	(427,971)
		10,783,972	9,525,353
Net current assets		**2,736,781**	1,525,499
Non current liabilities			
Deferred tax liabilities	19	**(6,607)**	(23,346)
Obligations under hire purchase contracts	15	**(75,891)**	–
Borrowings	16	**(2,741,985)**	(2,408,274)
		(2,824,483)	(2,431,620)
Total liabilities		**(13,608,455)**	(11,956,973)
Net Assets		**5,299,521**	3,653,202
Shareholders' equity			
Share capital	20	**50,000**	50,000
Other reserves	21	**(55,088)**	–
Retained earnings	22	**5,304,609**	3,603,202
Total equity	23	**5,299,521**	3,653,202

The financial statements were approved by the board of directors and authorised for issue on 13 May 2008 and were signed on its behalf by:

Sd/-
S Punjabi
Director

The notes on pages 10 to 25 form part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2008

	NOTES	2008 £	2007 £
Operating activities			
Cash used in operations	25	**(66,918)**	(1,764,677)
Interest received		**70,328**	46,505
Net cash generated by/(used in) operating activities		**3,410**	(1,718,172)
Investing activities			
Proceeds on disposal of property, plant and equipment		**–**	4,000
Payments to acquire property, plant and equipment		**(181,814)**	(2,898,943)
Payments to acquire investments		**(565,977)**	(44)
Net cash used in investing activities		**(747,791)**	(2,894,987)
Financing activities			
New bank loans raised		**870,039**	3,221,139
Repayments of borrowings		**(231,637)**	(44,509)
(Repayment)/receipt of advances from debt factoring		**(264,787)**	1,378,772

	NOTES	2008 £	2007 £
Capital element of hire purchase contracts repayments		**(36,921)**	(21,174)
Net cash generated by financing activities		**336,694**	4,534,228
Net increase in cash and cash equivalents		**(407,387)**	(78,931)
Cash and cash equivalents at the start of the year		**(61,960)**	16,971
Cash and cash equivalents at the end of the year	25	**(469.347)**	(61,960)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

I . **General information**

Poeticgem Limited is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 1. The principal activity of the company is disclosed on the directors' report on page 2.

These financial statements arc 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 under the historical cost basis and in accordance with International Financial Reporting Standards (IFRS).

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The company has adopted the following new and amended IFRS during the year. Adoption of these revised standards did not have any effect on the financial performance or position of the company. They did however give rise to additional disclosures and presentations.

The principal effects of the new and amended IFRS are as follows:

IFRS 7 Financial instruments: disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Presentation of financial statements

This amendment requires the company to make new disclosures to enable users of the financial statements to evaluate the company's objectives, policies and processes for managing capital.

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
Plant and machinery	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.

Freehold land is not appriciated

b. **Revenue recognition**

– **Sale of goods**

Revenue represents amounts receivable from the distribution of garments net of discounts and value added tax. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

– **Rental income**

Rental income is earned at arm's length on the freehold property which is occupied by one of the subsidiaries. Rental income under operating leases is credited to the income statement on a straight line basis over the term of the lease.

– **Interest income**

Interest revenue is accrued on a time basis by reference to the principal outstanding and the effective interest rate applicable.

c. **Leasing and hire purchase commitments**

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

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

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 releasable value. Cost comprises purchase price and other costs incurred in bringing the inventories to their present location and condition. Cost is measured using the FIFO method. Net releasable value represents the estimated selling price.

f. **Taxation**

Income tax expense represents corporation tax and deferred tax provision.

– **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the same income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

– **Deferred tax**

The company accounts for deferred tax using the liability method and as such recognises all timing differences between the company's profits chargeable to tax and its results as shown in the financial statements. These timing differences arise from the inclusion of gains and losses for tax purposes in different periods from those in which they are recognised in the financial statements. Deferred tax assets are only 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 nondiscounted 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. Profits and losses arising on exchange are included in the net profit or loss for the period.

In order to hedge its exposure to certain foreign exchange risks, the company enters into forward contracts and options (see below for details of the company's accounting policies in respect of such derivative financial instruments).

h. **Group accounts**

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228A of the Companies Act 1985 as it is a subsidiary undertaking of Multinational Textile Group Limited, a company incorporated in Mauritius, and is included in the consolidated accounts of that company.

I. **Financial instruments**

– **Loans and receivables**

Trade receivables, loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. After initial measurement, loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

– **Factored debts**

Factored debts are shown as gross assets within trade receivables and a corresponding liability is shown in respect of proceeds received within payables. The interest and factoring charges are recognised in the income statement during the period to which they relate using the effective intent method.

– **Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the company cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

– **Other financial liabilities**

Trade payables are recognised and carried at original invoice cost and are a short-term liability of the company.

– **Bank borrowings**

Interest-bearing bank loans and overdrafts are recorded of the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

– **Derivative financial instruments and hedge accounting**

The company uses derivative financial instruments such as forward currency contracts to hedge its exposure to exchange rate movements on merchandi se purchases, certain other costs and sales denominated in foreign currencies.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The company applies cash flow hedge accounting whereby changes in the fair value of the hedging instrument are recognised directly in equity rather than the income statement. When the hedged item is recognised in the financial statements, the accumulated gains and losses are removed from equity and recognised in the income statement. If the hedged item results in a non-financial asset or non-financial liability, the accumulated gains and losses are removed from equity and recognised as adjustments to their initial carrying value.

Hedge effectiveness testing is carried out retrospectively and prospectively and where ineffectiveness arises on hedged items, the changes in fair value are taken directly to the income statement for the year.

3. **Revenue**

a. **Company activities**

The company's activity is in a single business segment, being the supply of ladies', men' s and children's garments.

b. **Revenues by geographical market and customer location**

The company' s operations are located primarily in UK and the business is managed on the basis of one reportable segment.

Analysis of revenues by geographical market and customer location are as follows:

	2008	2007
	£	£
UK	**31,975,066**	30,646,769
Asia	**2,951,390**	2,804,960
Rest of Europe	**122,700**	–
	35,049,156	33,451,729

4. **Other operating income**

Other operating income	**1,173,501**	485,845

	2008	2007
	£	£
5. **Operating profit**		
Operating profit has been arrived at after charging/(crediting):		
Staff costs (see note 6)	**2,972,978**	2,528,819
Depreciation of property, plant and equipment	**250,814**	181,004
Loss on disposal of property, plant and equipment	**–**	4,235
Operating lease rentals	**96,336**	102,013
Hire of equipment	**348**	5,556
Profit on foreign exchange transactions	**(840,620)**	(358,181)
Fees payable to auditors:		
Audit of annual financial statements	**24,000**	20,000
Audit of interim financial statements	**–**	23,125
Other services - review of the interim financial statements	**14,500**	–
Other services relating to taxation	**24,795**	6,250
Other services	**20,400**	4,250
Services relating to corporate finance transactions	**9,575**	–

Services of £8,000 (2007 : £nil) relating to corporate finance transactions relates to due diligence work and has been included in the acquisition cost of FX Import Company Limited.

6. **Staff numbers and costs**

Payroll costs include:		
Staff wages and salaries	**2,510,181**	2,120,753
Directors' remuneration	**174,667**	160,000
Social security costs	**288,130**	248,066
	2,972,978	2,528,819

The average number of employees (including directors) employed by the company:

	Number 2008	Number 2007
Designers	**11**	8
Sales	**33**	34
Administration	**16**	15
Quality control	**7**	6
	67	63

Directors' emoluments	**£**	£
Emoluments for qualifying services	**202,711**	188,277

7. **Interest receivable and similar income**

	2008	2007
	£	£
Interest on bank deposits	**70,328**	46,505

8. **Interest payable and similar charges**

Interest on bank loans and overdrafts	**457,327**	358,706
Interest on overdue tax	**39,506**	547
Interest on obligations under hire purchase contracts	**12,422**	8,963
	509,255	368,216

9. **Taxation**

Current tax	**810,566**	798,889
Deferred tax (note 18)	**(16,739)**	16,466
	793,827	815,355
Profit before tax	**2,495,234**	2,541,881
Tax at the UK corporation tax rate of 30%	**748,571**	762,564
Tax effects of: Non deductible expenses	**22,149**	18,969
Depreciation add back	**75,244**	54,301
Capital allowances	**(35,398)**	(36,945)
	61,995	36,325
Tax expense for the year	**810,566**	798,889
Effective tax rate for the year	**32.49%**	31.43%

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 2007	2,412,157	1,771,048	318,579	700,921	80,908	5,283,613
Additions	56,473	51,50 l	23,064	39,087	156.243	326,368
At 31 March 2008	2,468,630	1,822,549	341,643	740,008	237,151	5,609,981
Accumulated depreciation						
At 1 April 2007	7,684	112,036	187,272	453,033	39,266	799,291
Charge for the year	24,517	63,016	47,064	66,746	49,471	250,814
At 31 March 2008	32,201	175,052	234,336	519,779	88,737	1,050,l05
Carrying amount						
At 31 March 2008	2,436,429	1,647,497	107,307	220,229	148,414	4,559,876
At 31 March 2007	2,404473	1,659,012	131,307	247,888	41,642	4,484,322

Included in the above are assets held under finance leases and hire purchase contracts as follows:

	Motor vehicles 2008 £	Motor vehicles 2007 £
Cost	**185,743**	38,499
Aggregate depreciation	**(56,712)**	(18,904)
Carrying amount	**129,031**	19,595

	Land and buildings freehold £	Land and buildings leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost						
At 1 April 2006	–	1,461,939	251,405	590,418	**115,027**	2,418,789
Additions	2,412,157	309,109	67,174	11 0,503	**–**	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
Currying 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

11. **Investments in subsidiaries**

	Shares in Subsidiary Undertakings 2008 £	2007 £
Cost		
At l April 200 7	**10,044**	10,000
Additions	**565,677**	44
At 31 March 2008	**575,721**	10,044

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Pacific Logistics Limited	England and Wales	Ordinary	100
Poeticgem (Canada) Limited	Canada	Ordinary	100
FX Import Company Limited	England and Wales	Ordinary	50
Pacific Supply Chain Limited*	England and Wales	Ordinary	100

The aggregate amount of capital and reserves and the results of the undertakings at 31 March 2008 were as follows:

	Capital and Reserves £	Profit/(loss) for the year £
Pacific Logistics Limited	**336,333**	51,159
Poeticgem (Canada) Limited	**38,665**	4,772
FX Import Company Limited	**(4,492)**	(202,697)
Pacific Supply Chain Limited*	**1,000**	–

* The company was dormant throughout the period.

12. **Inventories**

	2008 £	2007 £
Finished goods and goods for resale	**2,644,157**	2,535,253

13. **Trade and other receivables**

	2008	2007
Current assets		
Trade receivables	**5,403,461**	4,393,333
Receivables from connected companies	**1,837,473**	1,890,104
Receivables from subsidiary companies	**155,742**	91,829
Other receivables	**1,332,597**	731,030
Prepaid expenses	**74,940**	68,536
Loan and advances	**552,632**	–
	9,356,845	7,174,832
Non-current assets		
Receivables from subsidiary company	**25 1,626**	64,957

Included in trade receivables is £210,862 (2007: £1 16,385) due from Simple Approach Limited, a company in which House of Pearl Fashions Limited intends to acquire a 75% stake.

Loan and advances represent a short term interest bearing loan of £552,632 (2007: £nil) to a non-connected entity at a rate comparable to the average commercial rate of interest.

Other receivables include a bank security deposit for £331,579 (2007: £nil).

14. **Trade and other payables**

	2008 £	2007 £
Trade payables	**1,566,669**	581,749
Payables to connected companies	**236,350**	228,471
Payables to subsidiary companies	**335,914**	336,642
	2,138,933	1,1 46,862

15. **Obligations under hire purchase contracts**

Amounts payable under hire purchase contracts :		
Within one year	**134,554**	–
In the second to fifth years	**2,792**	18,194
Less: Future interest charges	**(13,301)**	(1,782)
Present value of hire purchase obligations	**124,045**	16,412
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(48,154)**	(16,4 12)
Amount due for settlement after 12 months	**75,891**	–

The fair value of the hire purchase contract is approximately equal to the carrying amount.

The company's obligat ions under hire purchase are secured by charges over the relevant assets.

16. **Borrowings**

Bank overdrafts	**1,989,098**	1,402,727
Bank loans	**5,487,446**	4,849,044
Advances from factors	**2,815,973**	3,080,760
Other loans	**312,784**	312,784
	10,605,301	9,645,315
The borrowings are repayable as follows:		
On demand or within one year	**7,863,316**	7,237,041
In the second year	**170,333**	71,333
In the third to fifth years inclusive	**893,062**	553,098
After five years	**1,678,590**	1,783,843
	10,605,301	9,645,315
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(7,863,316)**	(7,237,041)
Amount due for settlement after 12 months	**2,741,985**	2,408,274

The weighted average interest rates paid were as follows:

	2008 %	2007 %
Bank overdrafts	**7.00**	6.58
Bank loans	**7.00**	6.43

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 7.00 per cent per annum and is determined based on 1.45 percent plus base rate.

(ii) The company's bank loans are secured by a legal charge over the freehold property at Teleflex Plot, Burnleys, Kiln Farm, Milton Keynes and over the leasehold property at Flat 16, 15 Grosvenor Square, London, fixed and floating charges over the assets of the company and a cross guarantee between Poeticgem Limited and its subsidiary Pacific Logistics Limited.The loans carry an average interest rate of 1.31 percent over base rate.

At 31 March 2008 the company had available £3,250,450 (2007: £2,177,397) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The company has advances from factors that are secured by a charge on the trade receivables of the company.

Other loans represent an amount of £312,784 (2007: £312,784) due to Global Textile Group Limited, the company's immediate parent company. The amount is unsecured and interest free.

17. **Other financial liabilities**

	2008 £	2007 £
Forward foreign exchange contracts (fair value)	**55,088**	–

The terms of the forward foreign exchange contracts have been negotiated to match the terms of the commitments as referred to in note 18. The cash flow hedges of the expected future purchase were assessed to be highly effective and as at 31 March 2008, an unrealised loss of £55,088 was included in the hedging reserves in respect of these contracts.

18. **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:

	2008 £	2007 £
Forward foreign exchange contracts	**17,747,340**	10,837,099

These commitments have been entered into to hedge against future payments to suppliers and receipts from customers in the ordinary course of business that will fall due in the period ending 31 March 2009.

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

19. **Deferred tax**

The movement in the deferred taxation provision during the year was:

	2008 £	2007 £
At the start of the year	**23,346**	6,880
Profit and loss account movement arising during the year	**(16 ,739)**	16,466
At the end of the year	**6,607**	23,346

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2008 £	2007 £
Excess of taxation allowances over depreciation on fixed assets	**6,607**	23,346

20. **Share capital**

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

21. **Other reserves**

Hedging reserve		
Balance at the start of the year	**–**	–
Increase in fair value of hedging derivatives (see note 17)	**55,088**	–
Balance at the end of the year	**55,088**	–

22. **Retained earnings**

Balance at the start of the year	**3,603,202**	1,876,676
Net profit for the year	**1,701,407**	1,726,526
Balance at the end of the year	**5,304,609**	3,603,202

23. **Statement of movements in equity**

Profit for the financial year	**1,701,40 7**	1,726,526
Equity at the start of the year	**3,653,202**	1,926,676
Other reserves (see note 21)	**(55,088)**	–
Equity at the end of the year	**5,299,521**	3,653,202

24. **Operating lease arrangements**

Minimum lease payments under operating leases recognised in the income statement for the year	**94,269**	91,029

At the balance sheet date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		Other	
	2008	2007	**2008**	2007
	£	£	**£**	£
Within one year	**74,232**	74,232	**6,490**	8,969
Between two and five years	**222,696**	296,928	**3,245**	17,443
	296,928	371,160	**9,735**	26,412

Operating lease payments represent rent payable by the company.

25. **Contingent liabilities**

At 31 March 2008 the company had the following contingent liabilities:

The company's bankers, Royal Bank of Scotland p/c have given a guarantee to H M Revenue & Customs amounting to £550,000 on behalf of the company. The maximum liability of the company to the bankers is £1,100,000.

The company 's bank has issued a letter of credit for £8,104,796 (2007: £9,200,339).

The company has extended an unlimited guarantee on the banking facilities of its subsidiary company Pacific Logistics Limited. This guarantee is supported by a debenture dated 17 August 2005. The company's maximum contingent liability under the guarantee as at 31 March 2008 is £ 140,252.

26. **Capital commitments**

The company had no significant capital commitments at 31 March 2008.

27. **Notes to the cash flow statement**

	2008	2007
	£	£
Profit from operations	**2,934,161**	2,863,592
Adjustments for:		
Depreciation of property, plant and equipment	**250,814**	181,004
Loss on disposal of property, plant and equipment	**–**	4,235
Operating cash flows before movements in working capital	**3,184,975**	3,048,831
Increase in inventories	**(108,904)**	(338,189)
Increase in receivables	**(2,368,682)**	(2,997,629)
Increase/(decrease) in payables	**837,015**	(668,245)
Cash generated used in operations	**1,544,404**	(955,232)
Tax paid	**(1,102,067)**	(441,229)
Interest paid	**(509,255)**	(368,216)
Net cash used in operating activities	**(66,918)**	(1,764,677)
Cash and cash equivalents comprise:		
Cash in hand and at bank	**1,519,751**	1,340,767
Bank overdrafts	**(1,989,098)**	(1,402,727)
	(469,347)	(61,960)

28. **Related party transactions**

During the year, the company entered into the following transactions with related parties:

	Sales/ FOB transfers/ Rent/commission received		**Commission paid/ purchases/expenses**		**Amounts owed by related party**		**Amounts owed to related party**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	£	£	**£**	£	**£**	£	**£**	£
P T Norwest Industries, Indonesia	**–**	–	**74,817**	115,050	**1,816**	–	**–**	20,269
Pacific Logistics Limited, UK	**230,040**	–	**2,330,090**	2,836,511	**251,626**	64,957	**334,914**	336,642
Pearl Global Limited, India	**–**	–	**316,502**	109,715	**379,608**	11,032	**14,294**	14,531
Norp Knit Industries Limited, Bangladesh	**–**	–	**220,737**	869,078	**100,957**	–	**–**	88,955
Nor - Pearl Knitwear Limited, Bangladesh			**1,069,080**	215,703			**201,493**	101,417
Norwest Industries Limited, Hong Kong	**3,289,884**	4,496,838	**1,909,666**	2,146,515	**1,321,673**	1,879,072	**–**	–
Depa International Inc, USA	**–**	–	**26,270**	22,249	**–**	–	**4,304**	3,299
Poeticgem (Canada) Limited Canada	**3,773**	–	**–**	–	**155,742**	91,829	**–**	–
House of Pearl Fashions Limited, India	**29,311**	–	**–**	–	**29,311**	–	**–**	–
Zamira Fashions Limited, UK	**–**	–	**–**	–	**3,221**	–	**–**	–
Pacific Supply Chain Limited, UK	**–**	–	**–**	–	**–**	–	**1,000**	–
Vastras, India	**–**	–	**–**	–	**887**	–	**16,259**	–

The above companies are related as follows:

Pacific Logistics Limited, Pacific Supply Chain Limited and Poeticgem (Canada) Limited are the company's wholly owned subsidiaries.

PT Norwest Industries, Indonesia is a subsidiary of the company's immediate parent company, Global Textile Group Limited.

Pearl Global Limited, Nor-Pearl Knitware Limited and Norp Knit Industries Limited are subsidiaries of the company's ultimate parent company, House of Pearl Fashions Limited.

Norwest Industries Limited and Zamira Fashions Limited are fellow subsidiaries of Global Textile Group Limited.

The above balances are interest free and repayable on demand.

Transactions with directors

The following directors had interest free loans during the year. The movements on these loans are as follows:

	Amount 31.03.2008	outstanding 31.03.2007	Maximum debit in the year
	£	£	£
Amount due to P Seth	**620**	–	82,228

Mr. P Seth has provided a guarantee of £750,000 on a bank loan.

29. **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, Gurgaon122016 (Haryana), India.

House of Pearl Fashions Limited is listed on the Bombay Stock Exchange and the National Stock Exchange in India.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2008

The directors present their annual report together with the audited financial statements for the year ended 31 March 2008.

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 Reporting Standards. The company's profit for the year after taxation was £ 51,159 (2007: £172,732).

The directors do not recommend the payment of a dividend.

Directors

The following directors have held office since 1 April 2007;

S Punjabi

P Seth

Director's interests

The directors' interests in the shares of the company were as stated below;

	Ordinary shares of £1 each	
	31 March 2008	1 April 2007
S Punjabi	–	–
P Seth	–	–

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 47 days (2007; 3 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 the Annual General Meeting.

Statement of 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 judgments and estimates that are reasonable and prudent;

– state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and

– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditor

(a) so far 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

13 May 2008

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PACIFIC LOGISTICS LIMITED FOR THE YEAR ENDED 31ST MARCH 2008

We have audited the financial statements of pacific Logistics Limited for the year ended 31 March 2008 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 our therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's 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 low, 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 formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards ("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, is 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 implication for our report if we become 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 financial statements. It also includes evidence relevant to the amount and disclosures in the financial statements. It also include an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are statements are free from material misstatement, whether caused by fraud or other in 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 fair and fair view, in accordance with IFRS as adopted by the European Union , of the state of the company affairs as at 31 March 2008 and of its profit for the year then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the directors report is consistent with the financial statements.

Sd/-

Auerbach Hope — 13 May 2008

Chartered Accountants — 58-60 Berners Street

Registered Auditors — London

W I T 3JS

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Notes	**Year ended 31 March 2008 £**	Year ended 31 March 2007 £
Continuing operation			
Revenue	3	**2,685,365**	2,970,964
Cost of revenue		**(1,879,734)**	(2,228,251)
Gross profit		**805,631**	742,713
Operating expenses			
General and administrative		**(728,940)**	(507,496)
Other operation income		**135**	18,033
Operating profit	4	**76,826**	253,250
Interest receivable and similar Income	6	**1,775**	1,648
Interest payable and similar charges	7	**(1,795)**	(1,008)

	Notes	Year ended 31 March 2008 £	Year Ended 31 March 2007 £
Profit before taxation		**76,806**	253,890
Taxation	8	**(25,647)**	(81,158)
Profit for the year		**51,159**	172732

None of the company's activities were discontinued in the year.

There is no recognized income or expenses other than that passing through the income statement.

BALANCE SHEET AT 31 MARCH 2008

	Notes	2008 £	2007 £
Non Current assets			
Property, plant and equipment	9	**354,271**	409,812
		354,271	409,812
Current assets			
Trade and other receivable	10	**750,383**	570,308
Cash and cash equivalents		**6,720**	5,975
		757,103	576,283
Total assets		**1,111,374**	986,095
Current liabilities			
Trade payables		**(244,206)**	(13,919)
Tax liabilities		**(32,146)**	(55,343)
Obligations under hire purchase contracts	11	**(7,621)**	(7,749)
Bank overdrafts and loans	12	**(140,252)**	(479,311)
Other payables		**(71,808)**	(38,137)
		(496,033)	(594,459)
Net current assets /(liabilities)		**261,070**	(18,176)
Non current liabilities			
Deferred tax liabilities	13	**(22,632)**	(29,131)
Other noncurrent liabilities	14	**(251,626)**	(64,957)
Obligations under hire purchase contracts	11	**(4,750)**	(12,374)
		(279,008)	(106,462)
Total liabilities		**(775,041)**	(700,921)
Net assets		**336,333**	285,174
Shareholder's equity			
Share capital	15	**10,000**	10,000
Retained earnings	16	**326,333**	275,174
Total equity	17	**336,333**	285,174

The financial statements were approved by the board of directors and authorized for issue on 13 May 2008 and were signed on its behalf by:

Sd/-
S Punjabi
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008

	Notes	2008 £	2007 £
Operation activities			
Cash generated by / (used in) operations	19	**218,172**	(46,977)
Interest received		**1,775**	1,648
Net cash generated by /(used in) Operation activities		**219,947**	(45,329)
Investing activities			
Proceeds from sale of tangible asset		**–**	9,980
Payments to acquire tangible assets		**(59,060)**	(291,502)
Net cash used in investing activates		**(59,060)**	(281,522)
Financing activities			
Proceeds from new hire purchase contracts		**–**	28,445
Capital element of hire purchase contracts repayments		**(7752)**	(10,109)
Other loans raised / (repaid)		**186,669**	(99,545)
Net cash generated by/ (used in) financing activities		**178,917**	(81,209)
Net increase / (decrease) in cash and cash equivalents		**339,804**	(408,060)
Cash and cash equivalents at the start of the year		**(473,336)**	(65,276)
Cash and cash equivalents at the end of the year	19	**(133,532)**	(473,336)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

1. **General Information**

Pacific Logistics Limited is a company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is given on page 1. The principal activity of the company is disclosed in the directors report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

2. **Significant accounting policies**

Basis of accounting

The financial statements have been prepared under the historical cost basis and in accordance with International Financial Reporting Standards (IFRS). The accounting policies adopted are consistent with those of the previous financial year except that the company has adopted the amended IAS (Presentation of Financial Statements) during the year. Adoption of this revised standard did not have any effect on the financial performance or position of the company. However, it did give rise to additional disclosures and presentations.

a. **Property, plant and equipment**

Property, plant and equipment are stated at cost net of accumulated depreciation. Desperation 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 lease are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

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 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 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 period. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of charge on the obligation outstanding in each period.

Rental payable under operation leases are charged against income on a straight line basis over the lease term.

d. **Taxation**

Income tax expense represents corporation tax and deferred tax provisions.

– **Current tax**

The tax currently payable is based on taxable profit of the year. Taxation profit differs from profits in same income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

– **Deferred tax**

The company accounts for deferred tax using the liability method and as such recognizes all timing differences between the company's profits chargeable to tax and its results as shown in the financial statements. These timing differences arise from the inclusion of gains and loses for tax purposes in different periods from those in which they are recognized in the financial statements. Deferred tax assets are only recognized to the extent it is possible that the future taxable profits will be available against which deductible temporary differences can be utilized. Deferred tax is measured on a non-discounted basis at rates of tax expected to apply in the periods in which the timing differences are expected to reverse.

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, monetry assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Profit and losses arising are included in the net profit or loss for the period.

f. **Financial instruments**

- Loans are receivables: Trade receivables, loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.
- Cash and cash equivalents: cash and cash equivalents comprise cash at bank and in hand and bank Overdrafts. Bank overdrafts which form part of cash and cash equivalents for the purpose of the cash flow statements are shown under current liabilities.
- Other financial liabilities: Trade and other payables are recognized and carried at original invoice Cost.

3. **Revenue**

The total revenue of the company for the year has been derives from its principal activity wholly undertaken in the United Kingdom.

4. **Operating profit**

	2008 £	2007 £
Operating profit has been arrived at after charging:		
Staff costs (see note 5 below)	**644, 787**	630, 812
Depreciations of property, plant and equipment	**114, 601**	67, 130
Fees payable to the auditors:		
Audit of the annual financial statements	**10,250**	11, 000
Audit of the interim financial statements	**–**	6, 000
Other services- review of the interim financial statements	**10, 500**	6, 250
Other services - taxation and other	**1, 250**	2, 750

5. **Staff numbers and costs**

	2008	2007
Payroll costs include:		
Staff wages and salaries	**502,000**	514,752
Director's remuneration	**75, 000**	50,000
Social security costs	**67,787**	66,060
	644, 787	630, 812

The average number of employees (including directors) employed by the company:

	2008 Number	2007 Number
Management and administration	**15**	12
Directors	**2**	2
Warehouse staff	**11**	9
	28	23

6. **Interest receivable and similar income**

	2008 £	2007 £
Interest on bank deposits	**1,775**	1,648

7. **Interest payable and similar charges**

Interest on bank overdrafts	**288**	360
Interest on obligations under hire purchase contracts	**1,507**	648
	1,795	1,008

8. **Taxation**

	2008 £	2007 £
Current tax	**32,146**	55,343
Deferred tax (note 14)	**(6,499)**	25,815
	25,647	81,158
Profit before tax	**76,806**	253,890
Tax at the UK corporation tax rate of 30% (2007:30%)	**23,042**	76,167
Tax effects of:		
Non deductible expenses	**885**	1,651
Depreciation add back	**34,380**	20,139
Capital allowances	**(26,116)**	(42,614)
Other adjustments	**(45)**	–
	9,104	(20,824)
Tax expenses for the year	**32,146**	55,343
Effective tax rate for the year	**41.9%**	21.8%

9. **Property, plant and equipment**

	Land and buildings leasehold £	Plant and machinery £	Fixtures, fitting & equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2007	29,442	435,440	79,102	34,379	578,363
Additions	–	12,603	31,457	15,000	59,060
At 31 March 2008	29,442	448,043	110,559	49,379	637,423
Accumulated depreciation					
At 1 April 2007	5,888	128,279	28,333	6,051	168,551
Charge for the year	5,888	78,358	22,648	7,707	114,601
At 31 March 2008	11,776	206,637	50,981	13,758	283,152
Net book value					
At 31 March 2008	17,666	241,406	59,578	35,621	354,271
At 31 March 2007	23,554	307,161	50,769	28,328	409,812
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
Carrying Amount					
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

Assets held under hire purchase contracts have the following carrying amount:

	Motor Vehicles	
	2008 £	2007 £
Cost	**28,445**	28,445
Accumulated depreciation	**(9,703)**	(3,455)
Carrying amount	**18,742**	24,990

10. **Trade and other receivables**

	2008 £	2007 £
Trade receivables	**75,385**	–
Due from ultimate parent company	**45,000**	–
Due from parent company	**334,914**	336,641
Due from fellow subsidiary companies	**21,762**	–
Other receivables	**239,249**	210,048
Prepaid expenses	**34,073**	23,619
	750,383	570,308

11. **Obligations under hire purchase contracts**

Amounts payable under hire purchase contracts:		
Within one year	**9,024**	9,256
In the second to fifth years	**5,609**	14,633
	14,633	23,889
Less: Future finance charges	**(2,262)**	(3,766)
Present value of hire purchase obligations	**12,371**	20,123
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(7,621)**	(7,749)
Amount due for settlement after 12 months	**4,750**	12,374

The fair value of the hire purchase contracts in approximately equal to the carrying amount. The company's obligations under hire purchase contracts are secured by charges over the relevant assets.

12. **Bank overdrafts and loans**

	2008 £	2007 £
Bank overdrafts	**140,252**	479,311
The borrowings are repayable as follows:		
On demand or within one year	**140,252**	479,311

The weighted average interest rates paid were as follows:

	2008 %	2007 %
Bank drafts	**7.200**	6.625

The other principal features of the company's borrowings are as follows:

Bank overdrafts are repayable on demand. Overdrafts of £140,252 (207: £479,311) have been secured by fixed and floating charges over the company's assets. The weighted average interest rates on bank overdrafts are determined based on 1.75 per cent plus the average bank base rate.

13. **Deferred tax**

The movement in the deferred taxation provision during the year was:

	2008 £	2007 £
Balance at the start of the year	**29,131**	3,316
Profit and loss account movement arising during the year	**(6,499)**	25,815
Balance at the end of the year	**22,632**	29,131
The provision for deferred taxation consists of the tax effect of timing differences in respect of:		
Excess of taxations allowances over depreciation on fixed assets	**22,632**	29,131

14. **Other noncurrent liabilities**

This represents an unsecured interest free loan from Poeticgem Limited, the parent company.

15. **Share capital**

	2008	2007
Authorised		
50,000 Ordinary shares of £1 each	**50,000**	50,000
Issued and fully paid		
10,000 Ordinary shares of £1 each	**10,000**	10,000

16. **Retained earnings**

	2008	2007
Balance at the starts of the year	**275,174**	102,442
Net profit for the year	**51,159**	172,732
Balance at the end of the year	**326,333**	275,174

17. **Statement of movements in equity**

	2008	2007
Profit for the financial year	**51,159**	172,732
Additions to equity	**51,159**	172,732
Equity at the start of the year	**285,174**	112,442
Equity at the end of the year	**336,333**	285,174

18. **Operating lease arrangements**

	2008	2007
Minimum lease payments under operating leases recognised in income for the year	**230,040**	129,955
At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non cancellable operation leases, which fall due as follows:		
Within one year	**230,040**	227,500
In the second to fifth years inclusive	**920,160**	891,000
	1,150,200	1,118,500

Operating lease payments represent rentals payable by the company.

19. **Notes to the cash flow statement**

	2008 £	2007 £
Profit from operations	**76,826**	253,250
Adjustment for:		
Depreciation of property, plant and equipment	**114,601**	67,130
Loss on disposal of tangible assets	**–**	5,504
Operating cash flows before movements in working capital	**191,427**	325,884
Increase in receivables	**(180,075)**	(337,551)
Increase in payables	**262,451**	15,166
Cash generated by operations	**273,803**	3,499
Tax paid	**(55,343)**	(50,116)
Interest paid	**(288)**	(360)
Net cash generated by / (used in) operating activities	**218,172**	(46,977)

Additions to motor vehicles during the year amounting to £nil (2007: £28,445) were financed by new hire purchase contracts.

Cash and cash equivalents comprise:		
Cash in hand and at bank	**6,720**	5,975
Bank overdrafts	**(140,252)**	(479,311)
	(133,532)	(473,336)

20. **Contingent liabilities**

The company has extended an unlimited guarantee on the banking facilities of its parent company Poeticgem Limited. This guarantee is supported by a debenture dated 17 August 2005. The company's maximum contingent liability under the guarantee as at the 31 March 2008 is £74,76,544.

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	
	2008 £	2007 £	2008 £	2007 £	2008 £	2007 £
Poeticgem Limited	**2,330,090**	2,836,511	**334,914**	336,641	**251,626***	64,957
Pacific Supply Chain Limited	**–**	–	**16,400***	–	**–**	–
House of Pearl Fashions Limited	**–**	–	**45,000**	–	**–**	–
FX Import Company Limited	**4,563**	–	**5,362**	–	**–**	–

The immediate parent company of pacific Logistics Limited, Pacific Supply Chain Limited and FX Import Company Limited is Poeticgem Limited is which P Seth is a director.

The ultimate parent company of Poeticgem Limited is House of Pearl Fashion Limited, in which P Seth is director and a shareholder.

During the year, the company paid rent of £230,040 (2007: £19,000) to Poeticgem Limited

** These loans are interest free and repayable on demand.*

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 Fashion Limited, a company registered in India. House of Pearl Fashion Limited prepares group financial statements and copies can be obtained from Corporate Office: 446, Udyog Vihar-V, Guragon -122016 (Haryana), India.

House of Pearl Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange 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 2008.

Principal activities

The principal activity of the Company is development, sourcing and distribution of readymade garments of all kinds.

Results and dividend

The results for the year are shown in the accounts.

The directors do not recommend the payment of a dividend for the year under review (2007: NIL).

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for the preparation of financial statements. In preparing those financial statements the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgment and estimates that are reasonable and prudent;
- stated whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board
Director

Date: 7 May 2008

AUDITOR'S REPORT

To the Shareholder of POETICGEM (CANADA) LTD.

I have audited the balance sheet of POETICGEM (CANADA) LTD. as at March 31, 2008, 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 the management, as well evaluating the overall financial statement presentation.

In my opinion, these financial statements, present fairly, in all material respects, the financial position of the Company as at March 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Sd/-
RAMAN AYYAR
Chartered Accountant

Licensed Public Accountant
Oakville, Ontario

May 7, 2008

BALANCE SHEET AS AT 31 MARCH 2008

	2008 $	2007 $
ASSETS		
CURRENT		
Cash - Note 1(f)	**38,565**	33,497
Income taxes recoverable	**5,742**	–
Prepaid and employee advance - Note 2	**31,686**	1,196
	75,993	34,693
ADVANCES RECEIVABLE -Notes 1 (d) and 3	**324,739**	259,778
CAPITAL: Notes 1(c) and (e)		
Official equipment	**10,047**	10,047
Computer equipment	**16,577**	12,615
	26,624	22,662
Less: Accumulated amortization	**14,870**	11,455
	11,754	11,207
	412,486	305,678
LIABILITIES		
CURRENT:- Notes 1(e) and (f)		
Accounts payable and accrued liabilities	**15,853**	9,012
Income taxes payable	**–**	43,500
	15,853	52,512
ADVANCES PAYABLE - Notes 1(d) and 4	**317,822**	184,083
	333,675	236,595
SHAREHOLDER'S EQUITY		
NET EQUITY - Page 4	**78,811**	69,083
	412,486	305,678

APPROVED ON BEHALF OF THE BOARD
Sd/-
Director

STATEMENT OF OPERATIONS

For the Year Ended March 31, 2008

	2008 $	2007 $
INCOME		
Commission - Notes 1 (a), (b), 5 and 7	**379,063**	425,682
Other income	**–**	102,771
	379,063	528,453
SELLING, AND ADMINISTRATIVE EXPENSES:		
Wages and benefits	**162,415**	120,744
Travel and entertainment	**55,906**	31,325
Rent - Note 6	**38,469**	35,704
General and office	**18,538**	12,106
Samples and alterations	**14,300**	1,245
Telephone	**7,745**	6,928
Chargedbacks and discounts	**7,025**	7,000
Professional fees	**5,800**	9,450
Advertising and promotion	**2,013**	1,706
Bank charges	**60**	(1,086)
Commission expense	**–**	21,346
Amortisation- Note 1(c)	**3,415**	3,838
	315,686	250,306
INCOME, from operations for the year	**63,377**	278,147
Less: Exchange loss	**45,425**	–
INCOME, before income taxes for the year	**17,952**	278,147
Less: Income taxes	**8,224**	43,500
NET INCOME, for the year - Pages 4 and 5	**9,728**	234,647

STATEMENT OF CHANGES IN EQUITY

For the Year Ended March 31, 2008

	Issued and Paid-up shares (100 common) $	Retained Earnings $	Total $
BALANCE, AS AT APRIL 01,2007	100	68,983	69,083
NET INCOME, FOR THE YEAR- Page 3	–	9,728	9,728
BALANCE,AS AT MARCH 31, 2008- Page2	**100**	**78,711**	**78,811**

STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2008

	2008 $	2007 $
OPERATING ACTIVITIES:		
Net income- page 3	**9,728**	234,647
Cash flows provided by or used in:		
– Amortization	**3,415**	3,838
– prepaid and sundry	**(30,490)**	12,492
– accounts payable and accruals	**6,841**	5,811
– income taxes	**(49,242)**	43,500
Net Cash Flow from Operating Activities	**(59,748)**	300,288
FINANCING ACTIVITIES		
Advances receivable	**(64,961)**	(259,778)
Advances payable	**133,739**	(31,178)
Net Cash Flow from financing activities	**68,778**	(290,956)
INVESTING ACTIVITIES		
Additions to capital assets	**(3,962)**	(161)
	(3,962)	(161)
CHANGE IN CASH AND EQUIVALENTS, during the period	**5,068**	9,171
CASH AND EQUIVALENTS, beginning of period	**33,497**	24,326
CASH AND EQUIVALENTS, end of period	**38,565**	33,497

NOTES TO FINANCIAL STATEMENTS

For the Year Ended March 31, 2008

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:

Monetary assets in foreign currencies have been translated at exchange rates in effect at the fiscal year end. Items of revenue and expense are translated at the exchange rates on the dates the transactions took place. exchange gains of losses from such translation practices are reflected in the income statement.

(e) Accounting Estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

(f) Fair value of Financial Instruments:

The following items of financial instruments are shown in the financial statements at their carrying amounts.

Cash and cash equivalents

Accounts payable

The carrying amounts of these financial assets and financial liabilities approximate their fair values due to the relatively short periods to maturity of these instruments. The fair value of the 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. Prepaid and Employee Advance:

The above includes an outstanding advance of $22,200 made to an employee for purchase of a vehicle. The loan is unsecured, bears no interest and is repayable in monthly installments of $700.

3. Advances Receivable:

The advances are receivable from a related corporation, unsecured, non-interest bearing, with no fixed terms of repayment.

4. Advances Payable:

The advances are payable to the parent corporation, unsecured, non- interest bearing, with no fixed terms of repayment.

5. Related Party Transactions:

All of the revenue is earned as commission for 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 rent payable during the remainder of the contract is $28,350.

7. Economic Dependence:

During the period most of the revenue was earned for procuring sales orders from two customers, for a foreign related corporation.

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 MARCH 2008

The directors present their annual report together with the audited financial statements for the period ended 31 March 2008.

Principal activities, business review and future developments

The principal activity of the company is the importing and distribution of garments.

The results for the period and the financial positions at the period end were considered as expected by the directors who anticipate growth in the foreseeable future.

Results and dividends

The Company has prepared the financial statements in accordance with International Financial Reporting Standards. The Company's loss for the period after taxation was £202,697 (2007: profit of £80,544).

The directors do not recommend the payment of a dividend for this period.

Directors

The following directors have held office since 1 September 2007:

Mr. C R Severs	
Mr. C Fox	
Mr. D Seth	(Appointed 26 March 2008)
Mr. P Seth (Pallak)	(Appointed 26 March 2008)
Mr. P Seth (Pulkit)	(Appointed 26 March 2008)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	31 March 2008	1 September 2007
Mr. C R Severs	**6,300**	12,600
Mr. C Fox	**6,300**	12,600
Mr. D Seth	**–**	–
Mr. P Seth (Pallak)	**–**	–
Mr. P Seth (Pulkit)	**–**	–

	Ordinary "B" shares of £1 each	
	31 March 2008	1 September 2007
Mr. C R Severs	**–**	–
Mr. C Fox	**–**	–
Mr. D Seth	**–**	–
Mr. P Seth (Pallak)	**–**	–
Mr. P Seth (Pulkit)	**–**	–

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 80 days (2007: 40 days) of purchases outstanding.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that BPC Chandarana + Co. Limited, Chartered Accountants, be reappointed as auditors of the company will be put to the Annual General Meeting.

Statement of 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 judgments and estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdiction.

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.

On behalf o the Board

Sd/-
Mr. C Fox
Secretary

13 May 2008

REPORT OF AUERBACH HOPE, CHARTERED ACCOUNTANTS ON FINANCIAL STATEMENTS OF FX IMPORT COMPANY LIMITED FOR THE PERIOD ENDED 31 MARCH 2008

We have been provided with the audited financial statements of FX Import Company Limited ("the Company") for the period ended 31 March 2008 which have been prepared under the historical cost convention, and in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Companies Act 1985. Our audit questionnaire was satisfactorily completed by the Company's auditors BPC Chandarana + Co, Chartered Accountants and Registered Auditors, and we are satisfied that a statutory audit was carried out in accordance with International Standards of Auditing (UK and Ireland) issued by the Auditing Practices Board.

Using the audited financial statements referred to above, together with further information provided by BPC Chandarana + Co. we were instructed to assist the Directors of the Company in the preparation of the financial statements for the period ended 31 March 2008 in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted for use in the European Union.

We are attaching these financial statements which comprise the income statement, balance sheet, cash flow statement and related Notes 1 to 23, which have been properly prepared in accordance with IFRS as adopted by the European Union.

Yours faithfully

Sd/-

AUERBACH HOPE
13 May 2008

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FX IMPORT COMPANY LIMITED

We have audited the financial statements of FX Import Company Limited for the period ended 31 March 2008 set out on pages 5 to 13. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007).

The 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 auditors' 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 formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility if to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you, if, in our opinion, the company has not kept proper accounting records, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularly or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standard - Provisions Available for Small Entities, in the circumstances set out in note 15 to the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the Company's affairs as at 31 March 2008 and of its loss for the period then ended;
- the financial statements have been property prepared in accordance with the Companies Act 1985; and
- the information given in the director' report is consistent with the financial statements.

Sd/-
BPC Chandarana + Co Limited
Chartered Accountants &
Registered Auditors
Prebend House
72 London Road
Leicester
LE2 0QR

12 May 2008

INCOME STATEMENT

FOR THE PERIOD ENDED 31 MARCH 2008

	Notes	Period ended 31 March 2008 £	Year ended 31 August 2007 £
Continuing operations			
Revenue	3	**4,039,140**	8,651,849
Cost of revenue		**(3,587,857)**	(7,492,311)
Gross profit		**451,283**	1,159,538
Operating expenses			
General and administrative		**(653,331)**	(1,019,999)
Operating (loss)/profit	4	**(202,048)**	139,539
Interest payable and similar charges	6	**(25,212)**	(36,462)
(Loss)/profit before taxation		**(227,260)**	103,077
Taxation	8	**24,563**	(22,533)
(Loss)/profit for the year		**(202,697)**	80,544

None of the company's activities were discontinued in the period.

There is no recognised income or expense other than that passing through the income statement.

BALANCE SHEET AS AT 31 MARCH 2008

	Notes	2008 £	2007 £
Non current assets			
Intangible assets	9	**1,640**	1,920
Property, plant and equipment	10	**41,952**	44,762
		43,592	46,682
Current assets			
Inventories	11	**421,783**	396,626
Trade and other receivables	12	**453,060**	916,182
Cash and cash equivalents		**9,188**	103
		884,031	1,312,911
Total assets		**927,623**	1,359,593
Current liabilities			
Trade payables		**(597,204)**	(588,299)
Tax liabilities		**–**	(22,281)
Bank overdrafts and loans	13	**–**	(2,838)
Other payables	14	**(334,911)**	(545,688)
		(932,115)	(1,159,106)
Net current (liabilities)/assets		**(48,084)**	153,805
Non current liabilities			
Deferred tax liabilities	15	**–**	(2,282)
		–	(2,282)
Total liabilities		**(932,115)**	(1,161,388)
Net (liabilities)/assets		**(4,492)**	198,205
Shareholders' equity			
Share capital	16	**25,200**	25,200
Retained earnings	17	**(29,692)**	173,005
Total equity	18	**(4,492)**	198,205

The financial statements were approved by the board of directors and authorised for issue on 13 May 2008 and were signed on its behalf by:

Sd/-
Mr C Fox
Director

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 MARCH 2008

	Notes	2008 £	2007 £
Operating activities			
Cash generated by/(used in) operations	20	**15,137**	(106,230)
Net generated by/(used in) operating activities		**15,137**	(106,230)
Investing activities			
Proceeds from sale of tangible asset		**–**	8,700
Payments to acquire intangible assets		**–**	(2,400)
Payments to acquire tangible assets		**(3,214)**	(21,504)
Net cash used in investing activities		**(3,214)**	(15,204)
Financing activities			
Dividends paid		**–**	(51,500)
Net cash generated by/(used in) from financing activities		**–**	(51,500)
Net increase/(decrease) in cash and cash equivalents		**11,923**	(172,934)
Cash and cash equivalents at the start of the period		**(2,735)**	170,199
Cash and cash equivalents at the end of the period	20	**9,188**	(2,735)

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2008

1. **General information**

FX Import Company Limited is a company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is given on page 1. The principal activity of the company is disclosed in the directors' report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 24.

2. **Significant accounting policies**

Basis of accounting

The financial statements have been prepared under the historical cost basis and in accordance with International Financial Reporting Standards (IFRS).

a. **Going concern**

The financial statements have been prepared on a going concern basis even though at the Balance Sheet date the Company's current liabilities exceeded its current assets by £48,084 and it made a loss for the period of £202,697.

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.

b. **Intangible assets**

Trademarks are stated at cost less accumulated amortisation and impairment losses, and are amortised over a period of 5 years, which in the opinion of the directors is the estimated useful economic life.

c. **Property, plant and equipment**

Property, plant and equipment are stated at cost net of accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings leasehold	5% straight line
Fixtures, fittings and equipment	25% reducing balance
Motor vehicles 25% reducing balance	

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.

d. **Revenue recognition**

Revenue represents amounts receivable from the distribution of garments net of discounts and value added tax. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

e. **Leasing**

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

f. **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price and other costs incurred in bringing the inventories to their present location and condition. Cost is measured using the FIFO method. Net realisable value represents the estimated selling price.

g. **Retirement benefit costs**

Contributions to the defined contribution pension scheme are charged to the income statement in the period to which they relate.

h. **Taxation**

Income tax expense represents corporation tax and deferred tax provisions.

– **Current tax**

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profits as reported in the same income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

– **Deferred tax**

The company accounts for deferred tax using the liability method and as such recognises all timing differences between the company's profits chargeable to tax and its results as shown in the financial statements. These timing differences arise from the inclusion of gains and losses for tax purposes in different periods from those in which they are recognised in the financial statements. Deferred tax assets are only recognised to the extent it is probable that the future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured on a non-discounted basis at rates of tax expected to apply in the periods in which the timing differences are expected to reverse.

i. **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.

j. **Factored debts**

Factored debts are shown as gross assets within trade receivables and a corresponding liability is shown in respect of proceeds received within payables. The interest and factoring charges are recognised in the income statement during the period to which they relate using the effective interest method.

k. **Dividends**

Dividends are recognised when they become legally payable.

l. **Financial instruments**

– Trade and other receivables: Trade receivables are recognised and carried at original invoice amount less allowance for any uncollectible amounts. Trade receivables, loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

– Cash and cash equivalents: Cash and cash equivalents comprise cash at bank and in hand and bank overdrafts. Bank overdrafts which form part of cash and cash equivalents for the purpose of the cash flow statement are shown under current liabilities.

– Other financial liabilities: Trade payables are recognised and carried at original invoice cost.

– Bank borrowing: Interest-bearing bank overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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 (loss)/profit**

	2008	2007
	£	£
Operating (loss)/profit has been arrived at after charging:		
Staff costs (see note 5 below)	**278,307**	395,069
Auditors' remuneration	**10,216**	7,786
Directors' emoluments	**2,398**	2,826
Pension costs (see note 5 below)	**2,345**	2,784
Amortisation of intangible assets	**280**	480
Depreciation of property, plant and equipment	**6,024**	11.985

5. **Staff numbers and costs**

	2008 £	2007 £
Employee costs include:		
Staff wages and salaries including employer's National insurance contribution	**278,307**	395,069
Pension costs - Contribution to defined contribution plans	**2,345**	2,784
	280,652	397,853

The average number of employees (including directors) employed by the company:

	2008 Number	2007 Number
Management and administration	**13**	11
Directors	**2**	2
	15	13

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

6. **Interest payable and similar charges**

	2008 £	2007 £
Interest on bank overdrafts	**25,212**	36,462
	25,212	36,462

7. **Dividends**

Ordinary interim paid	**–**	51,500
	–	51,500

8. **Taxation**

Current tax	**(22,281)**	22,281
Deferred tax (note 14)	**(2,282)**	252
	(24,563)	22,533
(Loss)/profit before tax	**(227,260)**	103,077
Tax at the UK corporation tax rate of 20% (2007: 19%)	**(45,452)**	19,585
Tax effects of:		
Non deductible expenses	**865**	2,626
Depreciation add back	**1,205**	2,277
Capital allowances	**(1,098)**	(2,688)
Other adjustments	**22,199**	481
Tax expense for the year	**23,171**	2,696
Effective tax rate for the year	**(22,281)**	22,281
	(9.8)%	21.6%

The company has estimated losses of £107,464 (2007: £nil) available for carry forward against future trading profits.

9. **Intangible assets**

	Trademarks 2008 £	2007 £
Cost		
At the start of the period	**3,300**	900
Additions	**–**	2,400
At the end of the period	**3,300**	3,300
Accumulated depreciation		
At the start of the period	**1,380**	900
Charge for the year	**280**	480
At the end of the period	**1,660**	1,380
Net book value		
At the end of the period	**1,640**	1,920
At the start of the period	**1,920**	–

10. **Property, plant and equipment**

	Land and buildings leasehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost				
At 1 September 2007	7,179	59,287	10,999	77,465
Additions	–	3,214	–	3,214
At 31 March 2008	7,179	62,501	10,999	80,679
Accumulated depreciation				
At 1 September 2007	509	29,903	2,291	32,703
Charge for the year	210	4,544	1,270	6,024
At 31 March 2008	719	34,447	3,561	38,727
Net book value				
At 31 March 2008	6,460	28,054	7,438	41,952
At 31 August 2007	6,670	29,384	8,708	44,762
Cost				
At 1 September 2006	7,179	48,782	26,890	82,851
Additions	–	10,505	10,999	21,504
Disposals	–	–	(26,890)	(26,890)
At 31 August 2007	7,179	59,287	10,999	77,465
Accumulated depreciation				
At 1 September 2006	150	22,331	14,637	37,118
On disposals	–	–	(16,400)	(16,400)
Charge for the year	359	7,572	4,054	11,985
At 31 August 2007	509	29,903	2,291	32,703
Net book value				
At 31 August 2007	6,670	29,384	8,708	44,762
At 31 August 2006	7,029	26,451	12,253	45,733

11. **Inventories**

	2008 £	2007 £
Finished goods and goods for resale	**421,783**	396,626

12. **Trade and other receivables**

Trade receivables	**405,038**	850,911
Other receivables	**39,368**	47,968
Prepaid expenses	**8,654**	17,303
	453,060	916,182

13. **Bank overdrafts and loans**

Bank overdrafts	**–**	2,838
The borrowings are repayable as follows:		
On demand or within one year	**–**	2,838

The weighted average interest rates paid were as follows:

	2008 %	2007 %
Bank overdraft	**–**	6.625

The other principal features of the company's borrowings are as follows:

Bank overdrafts are repayable on demand. The weighted average interest rates on bank overdrafts are determined based on 1.75 per cent plus the average bank base rate.

14. **Current liabilities**

Included in other payables is an amount of £192,907 (2007- £Nil) which is secured by a fixed and floating charge over the company's assets and by personal guarantees given by Mr C R Severs and Mr C Fox, directors of the company.

Also included within other payables are gross loans secured against trade receivable balances, these amounted to £111,376 (2007: £223,423).

15. **Deferred tax**

The movement in the deferred taxation provision during the period was:

	2008 £	2007 £
At the start of the period	**2,282**	2,030
Profit and loss account movement arising during the period	**(2,282)**	252
At the end of the period	**–**	2,282
The provision for deferred taxation consists of the tax effect of timing differences in respect of:		
Excess of taxation allowances over depreciation on fixed assets	**–**	2,282

16. **Share capital**

	2008 £	2007 £
Authorised		
25,200 Ordinary shares of £1 each	**25,200**	25,200
24,800 Ordinary 'B' shares of £1 each	**24,800**	24,800
Issued and fully paid		
25,200 Ordinary shares of £1 each	**25,200**	25,200

17. **Retained earnings**

	2008 £	2007 £
Balance at the start of the period	**173,005**	143,961
Net (loss)/profit for the period	**(202,697)**	80,544
Payment of dividends	**–**	(51,500)
Balance at the end of the period	**(29,692)**	173,005

18. **Statement of movements in equity**

	2008 £	2007 £
(Loss)/profit for the financial year	**(202,697)**	80,544
Payment of dividends	**–**	(51,500)
(Reductions)/Additions to equity	**(202,697)**	29,044
Equity at the start of the period	**198,205**	169,161
(Deficiency)/Equity at the end of the period	**(4,492)**	198,205

19. **Operating lease arrangements**

	2008 £	2007 £
Minimum lease payments under operating leases recognised in income for the period	**43,351**	66,802
At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:		
Within one year	**60,979**	43,351
In the second to fifth years inclusive	**243,916**	243,916
	304,895	287,267

Operating lease payments represent rentals payable by the company.

20. **Notes to the cash flow statement**

	2008 £	2007 £
(Loss)/profit from operations	**(202,048)**	139,539
Adjustments for:		
Depreciation of property, plant and equipment	**6,024**	11,985
Amortisation of intangible assets	**280**	480
Loss on disposal of tangible assets	**–**	1,790
	(195,744)	153,794
Movements in working capital:		
Increase in stock	**(25,157)**	(249,604)
Decrease in receivables	**463,122**	111,590
Decrease in payables	**(201,872)**	(61,501)
Cash generated by operations	**40,349**	(45,721)
Tax paid	**–**	(24,047)
Interest paid	**(25,212)**	(36,462)
Net cash generated by/(used in) operating activities	**15,137**	(l06,230)
Cash and cash equivalents comprise:		
Cash in hand and at bank	**9,188**	103
Bank overdrafts	**–**	(2,838)
	9,188	(2,735)

21. **Transactions with directors**

Included within other payables is an amount of £264 (2007: £264) owed to the directors in respect of their directors' current accounts.

FX Brands Limited was an associated company in which Mr C Fox was a director and shareholder. The brought forward balance of £87,597 was repaid in full during the period. There were no further transactions made during the period.

Chris Design is a partnership in which Mr C R Severs and Mr C Fox are partners. During the period rentals of £43,351 (2007: £66,802) were payable to Chris Design for use of their business premises and £101,724 (2007: £197,314) was payable in respect of design services. The amount due to Chris Design at the period end in respect of these transactions was £18,726 (2007: £14,899 debtor).

Mr C R Severs and Mr C Fox have given personal guarantees for an amount of £192,907 (2007: £227,422) which is included in other payables.

All transactions were at arms length and on normal commercial terms.

22. **Control**

The controlling party of the company is Poeticgem Limited by virtue of its 50% ownership of the ordinary share capital and overall board control.

The ultimate parent company of Poeticgem limited is House of Pearl Fashions Limited, a company registered in India. House of Pearl Fashions Limited prepares group financial statements and copies can be obtained from Corporate Office: 446, Udyog Vihar, Phase-V, Gurgaon- 122016 (Haryana), India.

House of Pearl Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

23. **Explanation of transition to IFRS**

This is the first year that the company has presented its financial statements under IFRS. There are no reconciling items in respect of the net assets and loss reported under UK GAAP at 31 August 2007 to the revised net assets and loss under IFRS as reported in these financial statements.

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 MARCH 2008

The directors present their report and the unaudited financial statements for the period ended 31 March 2008.

Principal activities, business review and future developments

The company was incorporated on 16 April 2007 and has not traded or made profits or losses during the period.

Directors

The following directors have held office since 16 April 2007:

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 2008	16 April 2007
S Punjabi	–	–
P Seth	–	–

Statement of Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit and 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 judgments and estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed , subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the financial information included on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdiction.

By order of the board

B Ayriss

Secretary

13 May 2008

ACCOUNTANTS' REPORT TO THE BOARD OF DIRECTORS ON THE UNAUDITED FINANCIAL STATEMENTS OF PACIFIC SUPPLY CHAIN LIMITED

As described on the balance sheet you are responsible for the preparation of the accounts for the period ended 31 March 2008, set out on pages 5 to 7 and you consider that the company is exempt from an audit. In accordance with your instructions, we have compiled these unaudited accounts in order to assist you to fulfill your statutory responsibilities from the accounting records and information and explanations supplied to us.

This report is made to the Company's Board of Directors, as a body, in accordance with the terms of engagement. Our work has been undertaken so that we might compile the financial statements that we have been engaged to compile, report to the Company's Board of Directors that we have done so, and state those matters we have agreed to state to them in this 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 Board of Directors as a body, for our work or for this report.

Auerbach Hope
Chartered Accountants

13 May 2008
58-60 Berners Strret
London
WIT 3JS

BALANCE SHEET AT 31 MARCH 2008

	Notes	2008 £
Current assets		
Other receivables	3	**1,000**
Cash and cash equivalents		**16,400**
		17,400
Total assets		**17,400**
Current liabilities		
Other payables	4	**(16,400)**
		(16,400)
Net assets		**1,000**
Shareholders' equity		
Share capital	5	**1,000**
Total equity	6	**1,000**

In preparing these financial statements:

(a) The directors are of the opinion that the company is entitled to the exemption from audit conferred by Section 249AA(I) of the Companies Act 1985;

(b) No notice has been deposited under Section 249B(2) of the Companies Act 1985, and

(c) The directors acknowledge their responsibilities for:

(i) ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985, and

(ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of Section 226, and which otherwise comply with the requirements of this Act relating to accounts, so far as applicable to the company.

The financial statements were approved by the board of directors and authorized for issue on 13 May 2008 and were signed on its behalf by:

S Punjabi

Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2008

1. General information

Pacific supply Chain Limited is a company incorporated in England and Wales under the Companies act 1985. The address of the registered office is given on page 1.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost basis and in accordance with International Financial reporting Standards (IFRS).

Financial instruments

– Trade and other receivables: Trade receivables are recognized and carried at original invoice amount less allowance for any uncollectible amounts.

– Cash and cash equivalents: Cash and cash equivalents comprise cash at bank and in hand and bank overdrafts. Bank overdrafts which form part of cash and cash equivalents for the purpose of the cash flow statement are shown under current liabilities.

Other financial liabilites : Trade and other payables are recoginsed and carried at original invoice cost.

3. Trade and other receivables

	2008 £
Due from Parent company	**1,000**

4. Other payables

Due to fellow subsidiary company	**16, 400**

	2008 £
5. Share capital	
Authorized	
5,000 Ordinary shares of £ 1 each	**5,000**
Issued and fully paid	
1,000 Ordinary shares of £ 1 each	**1,000**
6. Statement of movements in equity	
Equity at 16 April 2007	**1,000**
Equity at 31 March 2008	**1,000**

7. Related party transactions

At the balance sheet date, the company owed £1000 by Poeticgem Limited, the immediate parent company. This amount is interest free and repayable on demand.

At the balance sheet date, the company owed £ 16,400 to pacific Logistics Limited, a fellow subsidiary company. This amount is interest free and repayable on demand.

The ultimate parent company of poeticgem Limited is House of Pearl Fashions Limited, in which P Seth is a director and a shareholder.

8. Control

The immediate parent company is poeticgem Limited, a company registered in England and Wales, and the ultimate parent is House of Pearl Fashions Limited, a company registered in India. House of Pearl Fashions Limited prepares group financial statements and copies can be obtained from Corporate office: 446, Udyog Vihar, phase- V, Gurgaon-122 016 (Haryana) India.

House of Pearl Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

HOUSE OF **PEARL**

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

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

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